
DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the audited financial statement of the bank for the year ended December 31, 2023.

The microfinance sector in Pakistan remains in the struggling phase in 2023 after a series of business challenges due to the COVID-19 pandemic and then rain/floods, followed by high cost of doing business which eventually impacted the erosion on the capital base of the banks and these impacts also hit hard to their customers, mainly borrowers, and affected their business revenues. The challenging business climate forced many investors to exit the Pakistani market, but at the same time, it opened doors for opportunities for new investors to explore investment opportunities in this huge untapped market of nearly 240 million people. We will see some major development on this front in 2024.

Financial Review

The total asset base of the bank increased to PKR 4.9 billion from PKR 4.8 billion of last year, an increase of 10%. Net loans closed at PKR 3.1 billion against the PKR 3.3 billion of last year, decrease by 6% YoY basis. On the other hand, deposits closed at PKR 3.8 billion against the PKR 3.2 billion of last year, an increase of 18% and lastly net assets closed at PKR 645.1 million against the PKR 654.5 million of last year. During the year the bank received additional equity of PKR 320.5 million from its holding company to support the operational outlook of the bank.

The Bank posted a loss before tax (LBT) of PKR 323.886 million against the LBT of PKR 97.726 million in 2022 and a loss after tax (LAT) of PKR 329.869 million against LAT of PKR 102.868 million in 2022.

The increase in the loss before the tax broadly due to increase in the funding cost of the bank which comes up with the sharp increase in the discount rate by SBP.

Net Interest income closed at PKR 882.7 million, which marginally increased from last year of PKR 875.2 million. While Interest income during the year closed at PKR 1,726.73 million against PKR 1,305.79 million of 2022, an increase of 32% yoy basis. On the other hand, interest expense closed at PKR 844 million against 430.6 million of last which were increased by 96% YoY basis. Fee and other income closed at PKR 246.7 million against PKR 194.6 million of 2022, an increase of 27%.

Provision charge closed at PKR 299.0 million against PKR 252.5 million of 2022, an increase of 18%. The increase in the provision charge is due to a decrease in the repayment capacity of the borrower which was badly affected due to a continuous increase in the core inflation in Pakistan. Administrative expenses were also increased by 26% YoY basis.

Credit Rating

JCR-VIS Credit Rating Company Limited has downgraded its rating of long term from "BBB+" to "BBB" and short term "A-3" to the Bank with "Stable" outlook in 2023.

Capital Adequacy Ratio

As on December 31, 2023, the Bank's closed CAR at 15.25%.

Statement of Corporate Governance

The Directors are pleased to state that:

1. The financial statements prepared by the management of the Bank present a true and fair view of the state of its affairs, operational results, cash flows, and changes in equity.
2. Proper books of accounts of the company have been maintained.
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements.
4. The Bank has followed all accounting standards as applicable to the microfinance banks in Pakistan.
5. The system of internal control is sound in design and as a continuous process; efforts are made to effectively implement the internal control systems.
6. There are no doubts about the Bank's ability to continue as a growing enterprise.
7. The board has constituted the following four committees:
 - Audit Committee
 - HR & Compensation Committee
 - Risk Committee
 - Remuneration Committee

During the year, Eight Board of Directors Meetings were held. The attendance of these meetings was as given below.

Sr. No.	Name of Director	Meeting Attended
1	Dr. Claude FALGON	8
2	Mr. Steven DUCHATELLE	6
3	Mr. Eelko BRONKHORST	5
4	Mr. Emmanuel ARIS	8
6	Ms. Yusra A. GIANI	8
7	Ms. Aeyesha GULZAR	8
8	Mr. Guillaume VALENCE	8

Change in Composition in Board of Directors

List of Outgoing Directors

- 1) Dr. Claude Falgon.
- 2) Mr. Steven Duchatelle.
- 3) Mr. Eelko Bronkhorst.
- 4) Mr. Emmanuel Aris.
- 5) Mr. Guillaume Valence.

List of Incoming Directors

- 1) Mr. Mounir Ikram Kamal Nakhla.
- 2) Mr. Christos Stefano Argyriou.
- 3) Mr. Ahmed Mohsen Soliman.
- 4) Mr. Andre Valavanis.
- 5) Mr. Yasir Hamid.

Board of Directors

Following is the composition of the board of directors of the bank.

- 1) Mr. Mounir Ikram Kamal Nakhla - Chairman
- 2) Mr. Ahmed Mohsen Soliman – Director
- 3) Mr. Andre Valavanis– Director
- 4) Mr. Yasir Hamid - Director
- 5) Mr. Christos Stefano Argyriou – Director & Chief Executive Officer (Acting)
- 6) Ms. Yusra Arshad Gilani - Independent Director
- 7) Ms. Aeyesha Gulzar – Independent Director

Events after Balance Sheet Date

The bank was the subsidiary of Advans S.A. Sicar (incorporated in Luxembourg) which holds 99.99% (December 31, 2022: 99.99%) share capital of the Bank. On August 04, 2023 Advans S.A. Sicar, the parent company of Advans Pakistan signed shares sales agreement with MNT Halan Pak B.V. for the sale of 100% shares of Advans Pakistan. The SBP accorded the arrangement on October 23, 2023 resulting in change of Bank's parent entity. On March 20, 2024, MNT-Halan Pak B.V a company registered in Netherland acquired 100% shareholding of ADVANS Pakistan Microfinance Bank Limited.

Holding Company

MNT Halan Pak B.V is the holding company with its head office in Amsterdam, Netherlands, controlling 204,566,310 i.e. 99.99% shares of the Bank

Pattern of Shareholding

The Pattern of latest shareholding of the Bank as required under Section 227 of the Companies Act 2017 is as Follow:

S No	Name	No of shares	Percentage
1	MNT Halan Pak B.v.	204,566,308	99.99%
2	Mounir Ikram Kamal Nakhla	1	0.005%
3	Andre Valavanis	1	0.005%
	TOTAL	204,566,310	100%

Categories of the Shareholders

Particular	Number	No of Shares held	Percentage
Corporate Entity	1	204,566,308	99.99%
Director(s)	2	2	0.01%

The new Board is committed to providing the highest standards of governance, risk management and compliance as we proceed and will focus on strengthening the internal control and fraud prevention functions. Looking ahead, we will accelerate our growth strategy while continuing to build innovative digital financial services and assist our valuable clients through financial literacy and bringing positive impact in the financial inclusion strategy of the SBP.

Lastly, on the behalf of the board, we like to place on record our appreciation for the support and guidance of the State Bank of Pakistan (SBP), SECP and other regulatory bodies. We remain indebted to our valuable customers and are grateful to them for their continued trust and support.

Karachi: April 2, 2024

On behalf of the Board

Chief Executive Officer (Acting)



Chairman of the Board



INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS TO THE MEMBERS

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **ADVANS PAKISTAN MICROFINANCE BANK LIMITED** (the Bank), which comprise the balance sheet as at December 31, 2023, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2023 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter(s)

We draw attention to the following:

- i. Note 1.2 of the financial statements which states that Bank's Capital Adequacy Ratio (CAR) was breached during the year whereas it remained compliant as on December 31, 2023 due to equity injections by parent entity. However, subsequent to the reporting date, Bank's CAR and Minimum Capital Requirement is in breach of the minimum threshold. The Bank has devised a plan with its parent entity where the parent entity, via support letter, has undertaken to financially support the Bank in complying with CAR and Minimum Capital Requirement.

- ii. Note 13.1 of the financial statements states that the Bank has recognized deferred tax asset on the basis of availability of taxable profits in future years based on financial projections. The preparation of financial projection involves management assumptions regarding future business and economic conditions and significant change in assumptions may have impact on recoverability of deferred tax assets.

Our opinion is not modified in respect of these matters.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Director's report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017);
- b) the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Bank's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII).

The engagement partner on the audit resulting in this independent auditor's review report is Zulfikar Ali Causer.

KARACHI

DATED: 04 APR 2024

UDIN: AR2023100678mLvoDeHR



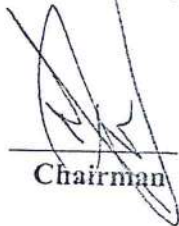
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2023

	2023	2022
ASSETS	(Rupees)	
Cash and balances with SBP and NBP	7 391,139,036	327,210,799
Balances with other banks and microfinance banks	8 96,710,980	22,819,934
Investments	9 707,348,814	146,494,991
Advances - net of provisions	10 3,120,048,461	3,332,993,835
Operating fixed assets	11 367,400,864	411,248,606
Other assets	12 125,436,862	156,715,596
Deferred tax asset - net	13 97,636,979	79,061,485
Total assets	4,905,721,996	4,476,545,246
LIABILITIES		
Deposits and other accounts	14 3,776,974,691	3,206,860,162
Borrowings	15 182,330,181	310,232,046
Other liabilities	16 301,331,315	304,997,245
Total liabilities	4,260,636,187	3,822,089,453
Net assets	645,085,809	654,455,793
REPRESENTED BY		
Share capital	17 2,045,663,100	1,725,163,100
Reserves	13,766,170	13,766,170
Depositors' protection fund	8,055,042	4,022,814
Unappropriated losses	(1,423,113,172)	(1,089,210,960)
	644,371,140	653,741,124
Surplus / (deficit) on revaluation of assets	-	-
Deferred grant	18 714,669	714,669
	645,085,809	654,455,793
MEMORANDUM / OFF BALANCE SHEET ITEMS	19	

The annexed notes from 1 to 40 form an integral part of these financial statements.


 Chief Executive Officer


 Chairman

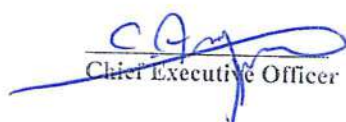

 Director

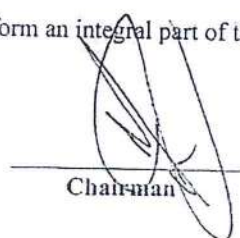

 Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
Note	----- (Rupees) -----	
Mark-up / return / interest earned	1,726,734,554	1,305,799,764
Mark-up / return / interest expensed	(844,070,305)	(430,615,108)
Net mark-up / interest income	882,664,249	875,184,656
Provision against non-performing loans and advances - net	299,043,634	252,535,997
Provision for diminution in the value of investments	-	-
Bad debts written off directly	240,347	4,275,499
Net mark-up / return / interest income after provisions	299,283,981	256,811,496
Non mark-up / non interest income	583,380,268	618,373,160
Fee, commission and brokerage income	191,281,691	165,581,390
Dividend income	-	-
Other income	55,461,138	28,987,118
Total non-mark-up / non-interest income	246,742,829	194,568,508
	830,123,097	812,941,668
Non mark-up / non interest expenses		
Administrative expenses	1,143,118,372	909,498,011
Other provision / write offs	-	-
Other operating expenses / other charges	10,890,959	1,169,859
Total non mark-up / non interest expenses	1,154,009,331	910,667,870
Extra ordinary / unusual items	-	-
Loss before taxation	(323,886,234)	(97,726,202)
Taxation		
Current	24,559,244	18,754,603
Prior	-	362,721
Deferred	(18,575,494)	(13,974,577)
	5,983,750	5,142,747
Loss after taxation	(329,869,984)	(102,868,949)
Unappropriated loss brought forward	(1,089,210,960)	(985,760,739)
Appropriations	(1,419,080,944)	(1,088,629,688)
Transfer to:		
Statutory reserve	-	-
Capital reserve	-	-
Depositors' protection fund	-	-
Revenue reserve	(4,032,228)	(581,272)
Proposed cash dividend	-	-
Unappropriated loss carried forward	(1,423,113,172)	(1,089,210,960)
Loss per share - basic and diluted (Rupee)	(1.61)	(0.60)

The annexed notes from 1 to 40 form an integral part of these financial statements.


 Chief Executive Officer


 Chairman


 Director


 Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	----- (Rupees) -----	
Loss for the year after taxation	(329,869,984)	(102,868,949)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(329,869,984)</u>	<u>(102,868,949)</u>

Surplus / (deficit) on revaluation of available-for-sale investments, if any, is presented under a separate account below equity in accordance with the format of financial statements as prescribed under BSD Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan (SBP) for Microfinance institutions / banks.

The annexed notes from 1 to 40 form an integral part of these financial statements.


 Chief Executive Officer


 Chairman


 Director


 Director

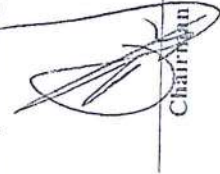
ADVANS PAKISTAN MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Share capital	Capital reserve	Statutory reserve	Depositors' protection fund	Unappropriated losses	Total
Balance as at January 01, 2021	1,725,163,100	-	13,766,170	3,441,542	(985,760,739)	756,610,073
Comprehensive loss for the year						
Loss for the year						
Transferred to statutory reserve	-	-	-	-	(102,868,949)	(102,868,949)
Transferred to depositors' protection fund*	-	-	-	581,272	(581,272)	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	581,272	(103,450,221)	(102,868,949)
Balance as at December 31, 2022	1,725,163,100	-	13,766,170	4,022,814	(1,089,210,960)	653,741,124
Comprehensive loss for the year						
Loss for the year						
Transferred to statutory reserve	-	-	-	-	(329,869,984)	(329,869,984)
Transferred to depositors' protection fund	-	-	-	4,032,228	(4,032,228)	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	4,032,228	(333,902,212)	(329,869,984)
Issuance of share capital	320,500,000	-	-	-	-	320,500,000
Balance as at December 31, 2023	2,045,663,100	-	13,766,170	8,055,042	(1,423,113,172)	644,371,140

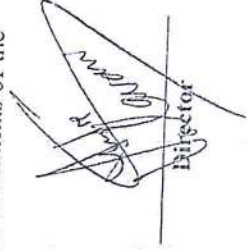
The annexed notes from 1 to 40 form an integral part of these financial statements.

* As per Microfinance Institutions Ordinance 2001, the Bank is required to transfer 5% of its annual profits after taxes and profits earned on the investments of the Fund to Depositors' Protection Fund.


Chief Executive Officer


Chairman



Director

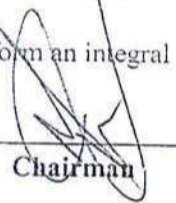

Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023


	2023	2022
Note	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(323,886,234)	(97,726,202)
Adjustments for non-cash charges and other items		
Depreciation	11.1 56,832,274	47,721,091
Depreciation on right-of-use asset	11.1 51,244,065	45,583,628
Amortisation of intangible assets	11.2 1,636,933	1,480,793
Provision against non performing advances - net	10.3 299,043,634	252,535,997
(Gain) / (loss) on disposal of operating fixed assets	23 (483,809)	1,069,859
Financial charges on lease liability against right-of-use asset	30,493,848	24,034,987
	<u>438,766,945</u>	<u>372,426,355</u>
	114,880,711	274,700,153
Increase in operating assets		
Advances	(86,098,262)	(1,155,388,825)
Other assets	34,118,333	(44,210,418)
	<u>(51,979,929)</u>	<u>(1,199,599,243)</u>
Increase / (decrease) in operating liabilities		
Deposits and other accounts	570,114,529	934,587,584
Borrowings - net	(127,901,865)	210,232,046
Other liabilities (excluding current taxation)	(1,561,751)	(4,040,251)
	<u>440,650,913</u>	<u>1,140,779,379</u>
	503,551,695	(255,861,279)
	<u>(27,398,843)</u>	<u>(20,080,235)</u>
Income tax paid	476,152,852	(275,941,514)
Net cash generated from / (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in operating fixed assets	(28,246,685)	(161,040,836)
Proceeds from the disposal of operating fixed assets	1,234,762	-
Net cash used in investing activities	<u>(27,011,923)</u>	<u>(161,040,836)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liability against right-of-use asset	(70,967,825)	(65,924,427)
Issuance of share capital	17.2.2 320,500,000	-
Net cash flows / (used in) from financing activities	249,532,175	(65,924,427)
Net decrease in cash and cash equivalents during the year	698,673,104	(31,165,209)
Cash and cash equivalents at the beginning of the year	496,525,724	527,690,933
Cash and cash equivalents at the end of the year	32 <u>1,195,198,828</u>	<u>496,525,724</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.


 Chief Executive Officer


 Chairman


 Director


 Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1 STATUS AND NATURE OF BUSINESS

- 1.1 Advans Pakistan Microfinance Bank Limited (the Bank) was incorporated as a public limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on April 17, 2012 and was granted license by the State Bank of Pakistan on June 28, 2012 to operate as a microfinance bank in the province of Sindh. The Securities and Exchange Commission of Pakistan and the State Bank of Pakistan granted permissions to the Bank for the commencement of business with effect from November 21, 2012 and January 04, 2013 respectively. The Bank's principal business is to provide microfinance banking and related services to the poor and under served segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001.

The registered office of the Bank is situated at Plot No.ST 2/A 3rd Floor Building No.3, Islamic Chamber of Commerce near Ocean Mall, Block 9 KDA Scheme 5, Clifton Karachi, Pakistan. The Bank operates through branches spread within the province of Sindh as disclosed in note 29 to these financial statements.

1.2 Capital adequacy of the Bank

During the current year, the Bank incurred loss before tax amounting to Rs. 323.886 million resulting in accumulated losses of Rs. 1,423 million (December 31, 2022: Rs. 1,089 million) due to adverse effects of floods and rains along with adverse economic condition of Pakistan which has significantly impacted the Bank's obligors' ability to repay the advances which created negative impact on key financial ratios of the Bank including the breach of Bank's Capital Adequacy Ratio (CAR).The Bank via letter dated March 29, 2023 requested the State Bank of Pakistan to condone the breach of CAR and provide specific waiver on this non-compliance which was not acceded to.

The Bank continued its efforts to improve the operational outlook with support of its parent entity via equity injections, the first tranche of which was received on August 15, 2023, amounting to Rs. 188.5 million whereas, the second tranche was received on September 12, 2023, amounting to Rs. 132 million. In addition, the Bank is actively striving to improve its operational efficiency to keep Bank's ability to continue as going concern.

As on December 31, 2023, the Bank's CAR remained compliant at 15.25% whereas, subsequent to the year end, the CAR and minimum capital requirement is in breach of the minimum thresholds. These matters may cast significant doubt about the ability of the Company to continue to meet its obligations and continue as a going concern. The management of the Company foresee that cash flows from investing activities shall be available to meet the obligations in the 12 months forward looking period and have prepared financial projections supporting this assertion. These financial statements have been prepared on going concern basis as the Bank has devised a plan with MNT Halan Pak B.V., where the MNT Halan Pak B.V. has undertaken to support the Bank to continue as going concern by way of required financial assistance and also ensuring Bank's compliance with minimum capital and CAR requirement applicable on the Bank. Accordingly, no material uncertainty exists in respect of going concern.

- 1.3 The bank is a subsidiary of Advans S.A. Sicar (incorporated in Luxembourg) which holds 99.99% (December 31, 2022: 99.99%) share capital of the Bank. On August 04, 2023 Advans S.A. Sicar, the parent company of Advans Pakistan signed shares sales agreement with MNT Halan Pak B.V. for the sale of 100% shares of Advans Pakistan. The SBP accorded the arrangement on October 23, 2023 resulting in change of Bank's parent entity. On March 20, 2024, MNT-Halan Pak B.V a company registered in Netherland acquired 100% shareholding of ADVANS Pakistan Microfinance Bank Limited.
- 1.4 The Bank's capital (free of losses) amounted to Rs. 644.371 million as at December 31, 2023 (December 31, 2022: Rs. 653.741 million) which is above the minimum capital requirements as at December 31, 2023.
- 1.5 The credit rating company JCR-VIS assigned the long-term entity rating of the Bank at "BBB" and short term rating at "A-3" on April 28, 2023.

2 BASIS OF PRESENTATION

These financial statements have been prepared in compliance with the format as prescribed under the Banking Surveillance Department (BSD) Circular No.11 dated December 30, 2003 issued by the State Bank of Pakistan.

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;

- Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) (including Prudential Regulations of Microfinance Banks) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the provisions of and directives issued under the Microfinance Institution Ordinance, 2001, the Companies Act, 2017, the Prudential Regulations of Microfinance Banks and the directives issued by the SBP and SECP differ with the requirements of IFRS, the provisions of and directives issued under the Microfinance Institution Ordinance, 2001, the Companies Act, 2017, the Prudential Regulations of Microfinance Banks and the directives issued by the SBP and SECP shall prevail.

3.2 The SBP vide BSD Circular letter No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. Additionally, as the SBP vide BPRD Circular No. 3 of 2022 dated July 05, 2022, has extended the applicability of IFRS 9 till January 01, 2024. Accordingly, the requirements of this standard have not been considered in the preparation of these annual financial statements.

3.3 **Standards, interpretations and amendments to accounting and reporting standards that are effective in the current period.**

There are certain other new standards, amendments and interpretations that are mandatory for the Bank's accounting periods beginning on January 01, 2023 and are considered relevant but this does not have any material impact on the Bank's operations.

4 **APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

4.1 **New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2023**

The following standards, amendments and interpretations are effective for the year ended December 31, 2023. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

The Company adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policy themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the Company to provide useful entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and updates to the information disclosed in Note 6 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments and concluded that all its accounting policies are material for disclosure.

4.2 **New accounting standards, amendments and interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance	January 01, 2024
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability	January 01, 2025
IFRS 17 Insurance Contracts	January 01, 2026

IFRS 1 standard has been issued by IASB effective from 01, July 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP).

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the timeframe for the adoption of IFRS - 17 which will be adopted by January 01, 2026.

The SBP vide BPRD Circular letter No. 03 of 2022, dated July 05, 2022, has extended the date of implementation of IFRS 9 - "Financial Instruments" till January 01, 2024. Accordingly, the requirements of this standard have not been considered in the preparation of these financial statements. The aforementioned circular letter requires banks to submit IFRS 9 compatible pro forma financial statements for the year ended December 31, 2023 and perform parallel run of IFRS 9 on quarterly basis.

5 BASIS OF MEASUREMENT

5.1 Accounting convention

These financial statements have been prepared under the historical cost convention method.

5.2 Functional and presentation currency

These financial statements have been presented in Pakistani Rupees ("Rupees" or "Rs"), which is the Bank's functional and presentation currency.

5.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

- Depreciation methods, residual values and useful lives of property and equipment (notes 6.2.1 and 11.1).
- Valuation of right-of-use assets and their related lease liability (notes 6.2.2 and 11.1).
- Taxation (notes 6.4, 13 and 26).
- Classification of investments (notes 6.5 and 9).
- Provision against non-performing advances (notes 6.3 and 10).
- Intangible assets valuation and amortization (notes 6.2.4 and 11.2).

6 MATERIAL ACCOUNTING POLICY INFORMATION

6.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents represent cash in hand, balances held with State Bank of Pakistan, National Bank of Pakistan and with other banks in current and deposit accounts and short term highly liquid investment in Government securities with original maturity of three months or less.

6.2 Operating fixed assets

6.2.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged using the straight line method over the estimated useful lives of assets at the rates stated in note 11.1 to these financial statements. Depreciation on additions is charged from the month when the asset is available for use and on disposals upto the month preceding the month of disposal.

The assets residual values, useful lives and depreciation methods, are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance cost is charged to the profit and loss account during the period in which they are incurred.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals, if any, are determined by comparing the sale proceeds with the carrying amount of asset and are included in the profit and loss account.

6.2.2 Right-of-use assets and their related lease liability

6.2.2.1 Right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which the leases are entered till the month of disposal.

6.2.2.2 Lease liability against right-of-use assets

The lease liabilities are initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

6.2.3 Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when those assets are available for use. These are carried at cost less impairment losses, if any.

6.2.4 Intangible assets

Intangible assets with definite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised using the straight line method over their estimated useful lives at the rate mentioned in note 11.2.

Amortisation on additions is charged from the month in which the assets are available for use while no amortisation is charged in the month in which the assets are disposed of.

The estimated useful lives and the amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in the estimate being accounted for on a prospective basis.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to flow to the Bank and that the cost can be measured reliably.

6.2.5 Impairment

The Bank assesses at the end of each reporting period whether there is any indication that property and equipment and intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether these are recorded in excess of their recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in the profit and loss account.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognised as income in the profit and loss account.

6.3 Advances

Advances are stated net of specific and general provisions. Provision against non-performing advances are made in accordance with the requirements of the Prudential Regulations for Microfinance Banks issued by the State Bank of Pakistan and are charged to the profit and loss account. Advances are written off in accordance with the Prudential Regulations for Microfinance Banks or when there is no realistic prospect of recovery.

6.4 Taxation

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognised in the profit and loss account, except to the extent that it relates to the items recognised directly in equity, in which case it is recognised in equity.

6.4.1 Current and prior year taxation

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account available tax credits and rebates. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments finalised / made during the year.

6.4.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the reporting date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

6.5 Investments

The investments of the Bank, upon initial recognition, are classified as held-for-trading, held-to-maturity and available-for sale, as appropriate, based on the purpose for which these are acquired.

Investments (other than held-for-trading) are initially measured at fair value plus transaction costs associated with investments. Held-for-trading investments are initially measured at fair value and transaction costs are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the timeframe established by regulations or market conventions are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

Held-for-trading

These are securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists. After initial measurement, such investments are carried at fair value and the surplus / (deficit) arising as a result of revaluation is taken to the profit and loss account.

Held-to-maturity

These are securities with fixed or determinable payments and have fixed maturities, which the Bank has the positive intention and ability to hold till maturity. After initial measurement, all such investments are carried at amortised cost less impairment.

Available-for-sale

These are securities which do not fall under the held-for-trading and held-to-maturity categories. After initial measurement, all such investments are measured at fair value. The surplus / (deficit) arising on revaluation is shown in the balance sheet below equity which is taken to the profit and loss account when actually realised upon disposal.

Premium or discount on acquisition of securities classified as "available-for-sale" and "held-to-maturity" is amortised using the effective interest method and taken to the profit and loss account.

Impairment loss in respect of investments categorised as available for sale and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. A significant or prolonged decline in the fair value of a listed equity investment below its cost is also considered an objective evidence of impairment. In case of impairment of "available for sale" securities, the cumulative loss that has been recognised directly in surplus / deficit on revaluation of securities on the balance sheet below equity is removed therefrom and recognised in the profit and loss account. Impairment on equity instruments is not reversed through profit and loss account.

6.6 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

6.7 Statutory reserve

The Bank is required under Regulation 4 of Prudential Regulations for Microfinance Banks to maintain a statutory reserve to which an appropriation equivalent to 20% of the annual after tax profit is made till such time the reserve fund equals the paid-up capital of the Microfinance Bank; thereafter, a sum of not less than 5% of its annual profit after tax is required to be appropriated.

6.8 Depositor's protection fund

The Bank is required under the Microfinance Institutions Ordinance, 2001 to contribute 5% of its annual after tax profit to the Depositors' protection fund for the purpose of providing security or guarantee to persons depositing money in the Bank.

6.9 Cash reserve

In compliance with the related regulatory requirements, the Bank is required to maintain a cash reserve equivalent to not less than 5% of its deposits (including demand deposits and time deposits with tenor of less than 1 year) in a current account opened with the State Bank of Pakistan or its agent.

6.10 Statutory liquidity requirement

In compliance with the related regulatory requirements, the Bank is required to maintain liquidity equivalent to atleast 10% of its total demand and time liabilities with tenor of less than one year in form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan sukuk bonds. Treasury bills and Pakistan Investment Bonds held under depositor protection fund are excluded for the purpose of determining liquidity.

6.11 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up on deposits is accrued on a time proportion basis.

6.12 Grants

The grant related to an asset is recognised in the balance sheet when there is a reasonable certainty that it will be received and the Bank will comply with the condition(s) attached to it. Grants that compensate the Bank for expense incurred are recognised as revenue in the profit and loss account on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognised in the profit and loss account on a systematic basis over the life of the asset.

6.13 Revenue recognition

- Mark-up / return / interest on performing advances is recognised on an accrual basis using the effective interest method. Mark-up on advances classified under the Prudential Regulations is recognised on receipt basis.
- Mark-up / return on investment is recognised on an accrual basis using the effective interest method.
- Fee, commission and brokerage income is recognised when services are rendered.
- Gains and losses on sale of investments are included in the profit and loss account in the period in which sale / settlement occurs.
- Return on balances with other banks is recognised in the profit and loss account on an accrual basis.
- Other income is recognised on an accrual basis.

6.14 Financial instruments

6.14.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. At the time of initial recognition, all the financial assets and liabilities are measured at cost, which is the fair value of the consideration given or received for it. The financial assets and financial liabilities are subsequently measured and carried at fair value, amortised cost or cost as the case may be. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risks and rewards of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or losses on de-recognition of the financial assets and liabilities are recognised in the profit and loss account.

6.14.2 Derivative financial Instruments

These are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

6.14.3 Off setting of financial assets and financial liabilities

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amounts and the Bank.

intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

6.15 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains and losses are included in the profit and loss account.

6.16 Share capital

Ordinary shares are classified as equity and are recorded at their face value.

6.17 Earnings / (loss) per share

The Bank presents basic and diluted earnings / (loss) per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at December 31, 2023 and December 31, 2022.

6.18 Dividend and other appropriations

Dividend and appropriation to reserves, except appropriations which are required by the law, are recorded in the period in which these are approved.

6.19 Staff retirement

6.19.1 Contributory provident fund

The Bank operates an approved contributory provident fund for all employees. Monthly equal contributions are made to the fund by the Bank and the employees at the rate of 10% of basic salary.

	Note	2023	2022
		(Rupees)	
7	CASH AND BALANCES WITH SBP AND NBP		
	Cash in hand	69,205,961	63,482,350
	Balance with State Bank of Pakistan (SBP)	7.1 321,933,075	263,728,449
	Balance with National Bank of Pakistan (NBP)	-	-
		<u>391,139,036</u>	<u>327,210,799</u>

7.1 These represent current account maintained with SBP to meet the requirement of minimum balance equivalent to 5% of the Bank's time and demand liabilities in accordance with the Prudential Regulations for Microfinance Banks.

8 BALANCES WITH OTHER BANKS AND MICROFINANCE BANKS

In Pakistan:

Current accounts

PLS deposit accounts

8.1

1,605,682

5,683,409

95,105,298

17,136,525

96,710,980

22,819,934

8.1 These include deposits with commercial banks carrying mark-up rates ranging from 14.5% to 20.5% (2022: 8.25% to 14.5%) per annum.

9 INVESTMENTS

Held-to-maturity securities

Federal Government Securities

Market Treasury Bills

9.1

707,348,814

146,494,991

9.1 This represents two T-Bills amounts to Rs. 391.767 million and Rs. 315.582 million with maturity of 3 months on February 22, 2024 and February 27, 2024 respectively. These carries yield percentages at 21.33% and 21.28% per annum..

10 ADVANCES - NET OF PROVISIONS

Note	2023		2022		
	Number of loans outstanding	Amount outstanding	Number of loans outstanding	Amount outstanding	
		(Rupees)		(Rupees)	
Micro credit	10.1	17,654	3,227,395,049	19,302	3,479,012,781
Less: Provision held					
Specific	10.1, 10.2, 10.3 & 10.3	1,094	76,790,350	1,280	114,955,980
General	10.3	-	30,556,238	-	31,062,966
			(107,346,588)		(146,018,946)
			<u>3,120,048,461</u>		<u>3,332,993,835</u>

10.1 All advances are secured by personal guarantees except for certain advances which are secured against gold provided by the borrowers.

10.2 **Particulars of non-performing advances**

Advances include Rs. 159.548 million (2022: Rs 187.273 million) which have been placed under non-performing status as per Prudential Regulations for Microfinance Banks. Furthermore, markup suspended on these advances amounts to Rs. 18.366 million (2022: Rs 22.140 million). Details of non-performing advances are as below:

Category of classification	2023			2022		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	(Rupees)			(Rupees)		
Other assets especially mentioned (OAEM)	21,980,641	-	-	19,382,002	-	-
Sub-standard	29,293,223	7,323,305	7,323,305	27,978,498	6,994,623	6,994,623
Doubtful	77,514,274	38,706,275	38,706,275	101,855,540	50,927,771	50,927,771
Loss	30,760,770	30,760,770	30,760,770	38,057,523	38,057,523	57,033,586
	<u>159,548,908</u>	<u>76,790,350</u>	<u>76,790,350</u>	<u>187,273,563</u>	<u>95,979,917</u>	<u>114,955,980</u>

10.3 **Particulars of provision against non-performing advances**

The movement of provision against non-performing advances is as follows:

	2023			2022		
	Specific	General	Total	Specific	General	Total
	(Rupees)					
Opening balance	114,955,980	31,062,966	146,018,946	31,273,053	32,588,134	63,861,187
Charge for the year						
On non-performing advances	314,869,148	26,853,763	341,722,911	254,837,891	27,805,344	282,643,235
Reversals	(15,318,784)	(27,360,493)	(42,679,277)	(776,726)	(29,330,512)	(30,107,238)
Charge for the year	299,550,364	(506,730)	299,043,634	254,061,165	(1,525,168)	252,535,997
Amount written off	(337,715,994)	-	(337,715,994)	(170,378,238)	-	(170,378,238)
Closing balance	<u>76,790,350</u>	<u>30,556,236</u>	<u>107,346,586</u>	<u>114,955,980</u>	<u>31,062,966</u>	<u>146,018,946</u>

10.3.1 This represents general provision equivalent to 1% of the outstanding advances (other than gold loans) - net of specific provisions held in accordance with the requirements of the Prudential Regulations for Microfinance Banks.

10.4 **Particulars of write offs:**

Against provisions

Directly charged to profit and loss account

	2023	2022
	(Rupees)	
Against provisions	337,715,994	170,378,238
Directly charged to profit and loss account	240,347	4,275,499
	<u>337,956,341</u>	<u>174,653,737</u>

11 OPERATING FIXED ASSETS

Note ----- 2023 (Rupees) ----- 2022

Property and equipment	11.1	364,944,947	407,353,506
Intangible assets	11.2	2,455,917	3,895,100
		<u>367,400,864</u>	<u>411,248,606</u>

11.1 Property and equipment

	2023							Annual rate of depreciation
	COST			DEPRECIATION			Net book value at December 31, 2023	
	At January 01, 2023	Additions / (disposal)	At December 31, 2023	At January 01, 2023	Charge for the year / disposal	At December 31, 2023		
	(Rupees)							%
Owned								
Leasehold improvements	134,741,026	9,461,526	144,202,552	30,691,927	13,453,124	44,145,051	100,057,501	10
Furniture and fixtures	36,715,987	88,092	35,555,687	20,157,396	4,975,032	23,884,036	11,671,651	20
Office and other equipment	107,283,752	(1,248,392)	113,533,634	60,010,224	(1,248,392)	72,139,586	41,394,048	20
Computer equipment	116,023,323	(4,242,600)	123,802,508	79,177,341	(3,630,759)	99,560,473	24,242,035	33
Vehicles	31,401,414	8,006,835	31,401,414	10,223,595	20,471,644	12,395,922	19,005,492	20
Right-of-use asset (note 11.2.1)	291,765,364	(227,650)	330,135,162	110,316,877	(88,512)	161,560,942	168,574,220	13 - 100
	717,930,866	38,369,798	778,630,957	310,577,360	51,241,065	413,686,010	364,944,947	
	-	(5,718,642)	-	-	(4,967,663)	-	-	

	2022							Annual rate of depreciation
	COST			DEPRECIATION			Net book value at December 31, 2022	
	At January 01, 2022	Additions / (disposal)	At December 31, 2022	At January 01, 2022	Charge for the year / disposal	At December 31, 2022		
	(Rupees)							%
Owned								
Leasehold improvements	60,755,532	79,651,357	134,741,026	24,999,570	10,288,361	30,691,927	104,049,099	10
Furniture and fixtures	23,689,654	(5,665,863)	36,715,987	15,490,790	(4,596,004)	20,157,396	16,558,591	20
Office and other equipment	71,702,575	13,026,333	107,283,752	45,759,017	4,666,606	60,010,224	47,273,528	20
Computer equipment	86,408,229	35,581,177	116,023,323	62,478,026	14,251,207	79,177,341	36,845,982	33
Vehicles	13,954,414	29,615,094	31,401,414	8,407,993	16,699,315	10,223,595	21,177,819	20
Right-of-use asset (Note 11.2.1)	181,515,948	17,447,000	291,765,364	64,733,249	1,815,602	110,316,877	181,448,487	13 - 100
	438,026,352	110,249,416	717,930,866	221,868,645	45,583,628	310,577,360	407,353,506	
	-	285,570,377	-	-	93,304,719	-	-	
	-	(5,665,863)	-	-	(4,596,004)	-	-	

11.2 Intangible assets

	2023							Annual rate of amortisation
	COST			AMORTISATION			Net book value at December 31, 2023	
	At January 01, 2023	Additions	At December 31, 2023	At January 01, 2023	Charge for the year	At December 31, 2023		
	(Rupees)							%
Core banking application and other licenses	56,704,385	-	56,704,385	54,960,819	14,584	51,975,403	1,728,982	25
Computer software	12,266,963	197,750	12,464,713	10,115,429	1,622,349	11,737,778	726,935	25
	68,971,348	197,750	69,169,098	65,076,248	1,636,933	66,713,181	2,455,917	

2022							
COST			AMORTISATION			Net book value at December 31, 2022	Annual rate of amortisation %
At January 01, 2022	Additions	At December 31, 2022	At January 01, 2022	Charge for the year	At December 31, 2022		
(Rupees)							

Core banking application and other licenses
Computer software

56,704,385	-	56,704,385	54,870,542	90,277	54,960,819	1,743,566	25
10,044,497	2,222,466	12,266,963	8,724,913	1,390,516	10,115,429	2,151,534	25
66,748,882	2,222,466	68,971,348	63,595,455	1,480,793	65,076,248	3,895,100	

11.2.1 Intangible assets include software costing Rs. 63.016 million (2022: Rs 62.144 million) which are fully amortised and still in use.

12 OTHER ASSETS	Note	2023	2022
		(Rupees)	
Mark-up / return / interest accrued		92,493,555	113,683,630
Prepayments for			
rent		4,577,510	9,777,162
insurance		4,048,830	2,527,698
others		2,422,752	14,372,380
Advances to staff		7,804,521	6,953,685
Advance taxation (payments less provisions)		2,958,442	118,843
Security deposits		6,769,580	6,929,580
Receivable from a related party	12.1	-	421,020
Accrued income on PLS savings account		2,797,672	192,100
Others		1,564,000	1,739,498
		<u>125,436,862</u>	<u>156,715,596</u>

12.1 This represents amount receivable from Advans International, a related party, for reimbursement of expenses.

13 DEFERRED TAX ASSET - NET

Deferred tax comprises of deductible and taxable timing differences in respect of the following:

Deductible temporary differences arising in respect of

Unabsorbed tax depreciation and amortisation
Property and equipment

91,620,956	76,294,178
6,137,768	3,896,886
97,758,724	80,191,064

Taxable temporary differences arising due to
Intangible assets

(121,745)	(1,129,579)
(121,745)	(1,129,579)
97,636,979	79,061,485

- 13.1 The Bank has unabsorbed tax loss of Rs. 951.466 million (including unabsorbed tax depreciation and amortisation amounting to Rs. 309.909 million) as at December 31, 2023. The management has recognised deferred tax asset of Rs. 91.621 million (2022: Rs 76.294 million) on unabsorbed tax depreciation and amortisation. The deferred tax asset has been recorded based on the financial projections of the Bank which have been prepared by the management. The financial projections prepared by the management are based on assumptions which are linked to various variable factors such as growth in enterprise loans, expansion in gold-backed loans, microloans, productivity, growth in loan size, effective interest rate etc. expected to be achieved during the next three years.

14 DEPOSITS AND OTHER ACCOUNTS

	2023		2022	
	Number of accounts	Rupees	Number of accounts	Rupees
Fixed deposits	938	2,803,707,776	666	2,689,157,600
Saving deposits	1,438	906,293,628	1,345	410,330,081
Current deposits	61,323	66,973,287	41,529	107,372,481
	<u>63,699</u>	<u>3,776,974,691</u>	<u>43,540</u>	<u>3,206,860,162</u>

14.1 Particulars of deposits by ownership

Individual depositors	63,490	2,856,280,888	43,399	2,426,962,485
Institutional depositors				
Corporations / firms etc	209	920,693,803	141	779,897,677
	<u>63,699</u>	<u>3,776,974,691</u>	<u>43,540</u>	<u>3,206,860,162</u>

15 BORROWINGS

Borrowings from Banks / Financial Institutions in Pakistan

Note
----- (Rupees) -----

15.1 182,330,181 310,232,046

15.1 Details of borrowings from financial institutions

Secured

Pakistan Microfinance Investment

Company (PMIC)

15.2

160,000,000 300,000,000

Habib Metropolitan Bank Limited

15.3

16,666,665

-

United Bank Limited

15.4

5,663,516 10,232,046

182,330,181 310,232,046

- 15.2 During the prior year, the Bank entered into an agreement with Pakistan Microfinance Investment Company (PMIC) for a term finance facility of upto Rs. 300 million. The facility carries mark-up at the rate of average 6 months KIBOR + 4.00% (to be set at the start of each quarter). The facility is secured by way of hypothecation of fixed assets of the Bank and demand promissory notes and is repayable by September 30, 2024 in 8 quarterly tranches of unequal amounts.
- 15.3 During the reporting period, the Bank has obtained financing facility of Rs. 200 million from Habib Metropolitan Bank Limited at a rate of 3 Months KIBOR + 2.00% (to be set one day before start of each month) per annum. The tenor of the facility is one year and the principal is to be repaid in 12 equal monthly installments. The facility is secured by way of lien on Market Treasury Bills and hypothecation of current assets of the Bank to be registered with SECP in favor of Habib Metropolitan Bank Limited.
- 15.4 The Bank has obtained financing facility of Rs. 16 million from United Bank Limited for purchase of new locally manufactured / assembled vehicles to be used by management at a rate of 1 Month KIBOR + 2.00% per annum. The tenor of the facility is 3 years from the date of each drawdown and repayment of principal in 36 equal monthly installments. This loan has been secured against custody of original excise file along with copy of registered book / card and spare key with United Bank Limited along with 1st exclusive charge against the vehicles to be registered with SECP in favor of United Bank Limited.

		2023	2022
		----- (Rupees) -----	
16	OTHER LIABILITIES	Note	
	Mark-up / return / interest payable		50,084,949
	Accrued expenses		45,687,752
	Payable to related parties	16.1	40,151,687
	Withholding tax payable		3,196,208
	Provident fund payable		16,670,383
	Payable to employee old age benefit institution		9,205,361
	Lease liability against right-of-use assets		4,926,111
			1,743,027
			88,470
			57,175
			188,391,507
			190,495,686
			<u>301,331,315</u>
			<u>304,997,245</u>
16.1	Payable to Related parties		
	Advance against shares		618,208
	Remuneration payable		2,796,208
			400,000
			400,000
			<u>1,018,208</u>
			<u>3,196,208</u>
17	SHARE CAPITAL		
17.1	Authorised capital		
	2023	2022	
	Number of shares		
	<u>206,000,000</u>	<u>200,000,000</u>	
			2023
			2022
			----- (Rupees) -----
	Ordinary		
	shares of Rs		
			<u>2,060,000,000</u>
			<u>2,000,000,000</u>

17.2 Issued, subscribed and paid-up share capital

2023	2022	Note	2023	2022
Number of shares			(Rupees)	
204,566,310	172,516,310	Ordinary shares of Rs 10 each fully	2,045,663,100	1,725,163,100

17.2.1 Share capital has been subscribed by the following:

	2023	2022
	(Number of shares)	
Advans S.A. Sicar - Luxembourg	204,566,308	172,516,308
Steven Duchatelle - Director Advans Pakistan Microfinance Bank Limited	1	1
Claude Falgon - Chairman Advans Pakistan Microfinance Bank Limited	1	1
	<u>204,566,310</u>	<u>172,516,310</u>

17.2.2 Movement in issued, subscribed and paid-up share capital

	2023			2022			2023	2022
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
Opening	172,516,310	-	172,516,310	172,516,310	-	172,516,310	1,725,163,100	1,725,163,100
Shares issued during the year	32,050,000	-	32,050,000	-	-	-	320,500,000	-
	<u>204,566,310</u>	-	<u>204,566,310</u>	<u>172,516,310</u>	-	<u>172,516,310</u>	<u>2,045,663,100</u>	<u>1,725,163,100</u>

17.3 This represents shares owned by the holding company and have been deposited in blocked account with the Central Depository Company of Pakistan Limited in terms of BPRD Circular No. 9 of 2009 and under SBP License No. MFI-012 dated June 28, 2012.

18 DEFERRED GRANT

Closing balance

2023	2022
(Rupees)	
714,669	714,669

This represents grant received from the State Bank of Pakistan (SBP) vide circular letter no. 4 of 2017 in respect of financial assistance. Under the circular, the grant's utilization is subject to conducting research to develop a financing product for serving the identified sectors, developing marketing and promotion material for identified sectors and, conducting awareness sessions.

19 **MEMORANDUM / OFF BALANCE SHEET ITEMS**

There were no contingencies as at December 31, 2023 (2022: none).

	Note	2023	2022	
		----- (Rupees) -----		
20	MARK-UP / RETURN / INTEREST EARNED			
	Interest / mark-up on:			
	Advances	1,624,443,825	1,266,330,225	
	Government Securities - Market Treasury bills	71,131,798	20,391,491	
	PLS Deposit accounts	31,158,931	19,078,048	
		<u>1,726,734,554</u>	<u>1,305,799,764</u>	
21	MARK-UP / RETURN / INTEREST EXPENSED			
	Interest / mark-up on deposits	764,328,976	390,258,924	
	Interest / mark-up on borrowing	79,741,329	40,356,184	
		<u>844,070,305</u>	<u>430,615,108</u>	
22	FEE, COMMISSION AND BROKERAGE INCOME			
	Loan processing fee	190,648,464	157,907,302	
	Other fee and commission	633,227	7,674,088	
		<u>191,281,691</u>	<u>165,581,390</u>	
23	OTHER INCOME			
	Recoveries against write-offs	46,723,265	24,497,215	
	Recoveries from Credit Guarantee Scheme	-	323,915	
	Liabilities no longer required written back	4,440,197	2,843,312	
	Gain on disposal of operating fixed assets	483,809	-	
	Others	3,813,867	1,322,676	
		<u>55,461,138</u>	<u>28,987,118</u>	
24	ADMINISTRATIVE EXPENSES			
	Salaries and other allowances	24.1	599,226,604	462,326,652
	Staff welfare		10,836,038	7,852,804
	Non executive directors' fees, allowances and other expenses		1,600,000	1,200,000
	Training and business development		1,177,760	2,467,557
	Rent, rates and taxes	24.2	25,191,570	20,782,623
	Legal and professional charges		7,402,103	8,453,743
	Utilities		52,402,723	29,145,919
	Communications		29,881,768	23,976,983
	Repairs and maintenance - others		38,007,169	32,872,240

	Note	2023 ----- (Rupees) -----	2022 -----
Repairs and maintenance - Vehicles		4,887,633	7,342,350
Financial charges on lease liability against right-of-use asset		30,493,848	24,034,987
Fuel for generator		44,046,999	29,744,709
Insurance		18,261,988	17,475,403
Travelling and conveyance		52,063,101	50,469,525
Printing and stationery		12,750,126	10,762,764
Fees and subscription		18,544,315	17,607,351
Security charges		32,701,721	26,952,067
Advertisement and publicity		10,010,954	13,731,816
Auditors' remuneration	24.3	4,155,234	3,094,251
Depreciation	11.1	56,832,274	47,721,091
Depreciation of Right-of-use-asset	11.1	51,244,065	45,583,628
Amortisation of intangible assets	11.2	1,636,933	1,480,793
Bank charges		13,457,602	4,026,082
Office supplies		535,808	163,741
Janitorial charges		12,613,725	11,139,397
Other expenses		13,156,311	9,089,535
		<u>1,143,118,372</u>	<u>909,500,034</u>

24.1 This includes amount of Rs. 12.774 million (2022: Rs. 8.726 million) in respect of staff retirement benefit.

24.2 This represents amount paid against rent fees for the Bank's executives.

24.3 Auditors' remuneration

Audit fee	1,802,626	1,567,501
Half-yearly review fee	885,500	770,000
Fee for other certifications	355,000	200,000
	3,043,126	2,537,501
Out of pocket expenses	804,313	353,750
Sindh sales tax	307,795	203,000
	<u>4,155,234</u>	<u>3,094,251</u>

25 OTHER OPERATING EXPENSES / OTHER CHARGES

Exchange loss		54,839	-
Loss on disposal of operating fixed assets		-	1,069,859
Loss on disposal of investment		354,676	-
Penalties imposed by SBP	25.1	10,481,444	100,000
		<u>10,890,959</u>	<u>1,169,859</u>

25.1 This includes penalty imposed by the SBP against non compliance of certain prudential regulations and other directives issued by SBP.

26	TAXATION	Note	2023	2022
			(Rupees)	
	For the year			
	Current	26.1	24,559,244	18,754,603
	Prior		-	362,721
	Deferred	26.2	(18,575,494)	(13,974,577)
			<u>5,983,750</u>	<u>5,142,747</u>

26.1 The current tax provision represents the minimum tax on turnover for the year under section 113 of the Income Tax Ordinance, 2001. Hence, the numerical reconciliation between tax expense and accounting loss has not been presented in these financial statements.

26.2 Deferred tax includes benefit of tax losses relating to prior years which relate to unabsorbed depreciation and amortisation and can be carried forward for an indefinite period.

27 LOSS PER SHARE

27.1 Basic

Loss for the year	Rupees	<u>(329,869,984)</u>	<u>(102,868,949)</u>
Weighted average number of ordinary shares	Number	<u>204,566,310</u>	<u>172,516,310</u>
Loss per share	Rupee	<u>(1.61)</u>	<u>(0.60)</u>

27.2 Diluted

No figure for diluted (loss) / earnings per share has been presented as the Bank has not issued any convertible instruments which would have an impact on basic (loss) / earnings per share.

28 NUMBER OF EMPLOYEES

	2023			2022		
	Credit / Sales staff	Banking / Support staff	Total	Credit / Sales staff	Banking / Support staff	Total
Permanent	141	250	391	87	231	318
Contractual	117	30	147	229	12	241
	<u>258</u>	<u>280</u>	<u>538</u>	<u>316</u>	<u>243</u>	<u>559</u>

28.1 Average number of employees during the year were 549 (2022: 483).

29 NUMBER OF BRANCHES

	2023		2022	
	Branches	Service Centre	Branches	Service Centre
At the beginning of the year	19	-	14	-
Add: Opened during the year	-	-	5	-
At the end of the year	<u>19</u>	<u>-</u>	<u>19</u>	<u>-</u>

30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including all benefits to the Chief Executive, Directors and Executives are as follows:

	Chief Executive		Directors		Executives	
	2023	2022	2023	2022	2023	2022
	(Rupees)					
Directors' remuneration	-	-	1,600,000	1,200,000	-	-
Managerial remuneration	24,558,497	18,011,374	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	113,684,190	80,323,746
Rent and house maintenance	-	-	-	-	10,379,113	6,540,172
Special allowance	-	-	-	-	44,562,943	34,715,028
Utilities	-	-	-	-	17,825,137	13,915,038
Medical	2,455,867	1,801,139	-	-	20,280,774	15,394,846
Conveyance allowance	2,455,844	1,801,119	-	-	11,368,474	8,035,272
Other benefits	-	-	-	-	615,213	351,400
	<u>19,900,131</u>	<u>13,833,295</u>	-	-	<u>60,034,061</u>	<u>39,838,327</u>
	<u>49,370,339</u>	<u>35,446,927</u>	<u>1,600,000</u>	<u>1,200,000</u>	<u>278,749,905</u>	<u>199,113,829</u>
Number of persons during the year	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>154</u>	<u>171</u>

30.1 The Chief Executive Officer (CEO) is provided with free use of Bank's maintained car.

31 TRANSACTION AND BALANCES WITH RELATED PARTIES

Related parties of the Bank comprise of the holding company, associates, group companies, directors, key management personnel and their close family members. Transactions with related parties are carried out as per agreed terms.

31.1 Transactions

Transactions with related parties which have not been disclosed elsewhere in these financial statements are disclosed below:

	Note	2023 ----- (Rupees) -----	2022 -----
Remuneration of key management personnel (including directors)		331,320,244	235,760,756
Contribution to provident fund		12,774,897	8,726,799
Payment of technical assistance fee for the year 2021		-	38,010,391

31.2 Year end balances

Payable to related parties (Refer note 16.1)	1,018,208	2,796,208
Deposits from Advans MFB Employees trust (Refer note 14)	48,000,000	-

32 CASH AND CASH EQUIVALENTS

Cash and balances with SBP and NBP	7	391,139,036	327,210,799
Balances with other banks and microfinance banks in current and deposit accounts	8	96,710,980	22,819,934
Market treasury bills	9	707,348,814	146,494,991
		<u>1,195,198,830</u>	<u>496,525,724</u>

33 CAPITAL MANAGEMENT

33.1 The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns and benefits to stakeholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to have a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

33.2 Goals of managing capital

The goals of managing capital of the Bank are as follows:

- To be an appropriately capitalised institution, as defined by the regulatory authorities and comparable to peers;
- maintain strong ratings and to protect the Bank against unexpected events;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- achieve low overall cost of capital with appropriate mix of capital elements.

33.3 Statutory minimum capital requirement and management of capital

33.3.1 As per amendments in Prudential Regulation (R-1) issued by SBP vide BPRD Circular No. 10 of 2015 dated June 03, 2015, the minimum paid up capital requirement (MCR), free of losses, for Microfinance Banks operating at provincial level is Rs. 500 million. As of December 31, 2023, the share capital of the Bank stood at Rs. 2,045.663 million (2022: Rs. 1,725.163 million) and paid up capital of the Bank free of losses is Rs. 644.371 million. Hence, the Bank is in compliance with the aforesaid requirement as on the reporting date.

33.3.2 At present, the Bank defines capital as shareholders' equity i.e. share capital and reserves. The capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" as required by the Prudential Regulations for Microfinance Banks / Institutions which is 15% of risk weighted assets. The calculation of capital adequacy enables the Bank to assess the long-term financial viability. As the Bank has plans to establish a wide network of branches to conduct business therefore, it is critical that the Bank is able to continuously monitor the exposure across the entire organisation.

The Bank manages its capital structure and makes adjustments to it in the light of changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

As at December 31, 2023, the Bank's net equity and Capital Adequacy Ratio stood at Rs. 644.371 million (2022: Rs 653.741 million) and 15.25% (2022: 15.82%) respectively as against the minimum requirement of Rs. 500 million and 15% prescribed by the SBP.

34 FINANCIAL ASSETS AND LIABILITIES

Effective yield/	2023						Non-interest bearing financial instruments	Total
	Interest bearing					Sub total		
	Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years				
(Rupees)								
Financial assets								
Cash and balances with SBP and NBP	-	-	-	-	-	391,139,036	391,139,036	
Balances with other banks and microfinance banks	14.5% - 20.5%	802,454,112	-	-	-	802,454,112	1,605,682	
Advances - net of provisions	36.5% - 51%	654,537,478	1,350,753,918	1,114,757,065	-	3,120,048,461	804,059,794	
Other assets		-	-	-	-	-	3,120,048,461	
		1,456,991,590	1,350,753,918	1,114,757,065	-	3,922,502,573	111,429,328	
Financial liabilities								
Deposits and other accounts	12.5% - 23.5%	2,087,074,403	1,373,982,000	248,945,000	-	3,710,001,403	66,973,287	
Borrowings	Kibor + 4%	138,950,914	42,284,267	1,095,000	-	182,330,181	-	
Other liabilities		88,470	21,785,539	161,264,349	-	183,138,358	96,180,954	
		2,226,113,787	1,438,051,806	411,304,349	-	4,075,469,942	163,154,241	
							4,238,624,183	

Effective yield/	2022						Non-interest bearing financial instruments	Total
	Interest bearing					Sub total		
	Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years				
(Rupees)								
Financial assets								
Cash and balances with SBP and NBP	-	-	-	-	-	327,210,799	327,210,799	
Balances with other banks and microfinance banks	8.25% - 14.5%	163,631,516	-	-	-	163,631,516	5,683,409	
Advances - net of provisions	28% - 49.5%	748,166,126	1,294,664,709	1,290,163,000	-	3,332,993,835	169,314,925	
Other assets		-	-	-	-	-	3,332,993,835	
		911,797,642	1,294,664,709	1,290,163,000	-	3,496,625,351	129,919,513	
Financial liabilities								
Deposits and other accounts	8.5% - 21%	1,439,340,425	1,471,796,256	188,351,000	-	3,099,487,681	107,372,481	
Borrowings	Kibor + 4%	62,284,266	62,284,266	185,663,514	-	310,232,046	-	
Other liabilities		28,375,054	56,750,108	104,041,865	-	189,167,027	294,406,050	
		1,529,999,745	1,590,830,630	478,056,379	-	3,598,386,754	212,611,504	
							3,811,498,258	

34.1 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances including markup and balances with other banks. The credit risk on liquid fund is limited because the counterparties are banks with reasonably high credit rating. The credit quality of bank balances can be assessed with reference to external credit ratings as follows:

	Rating Agency	Short Term Rating	Long Term Rating
United Bank Limited	VIS	A-1+	AAA
Habib Bank Limited	VIS	A-1+	AAA
Samba Bank Limited	VIS	A-1	AA
Allied Bank Limited	PACRA	A1+	AAA
Bank of Punjab	PACRA	A1+	AA+

The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrower's credit worthiness and identify potential problem loans. The Bank follows SBP provisioning policy therefore, the provision held is considered to be adequate to cover any anticipated loss that may arise due to the default of customers.

34.2 Liquidity risk

Liquidity risk represents the risk that the Bank will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. At present the Bank is not exposed to this risk as there is sufficient cash placed with various commercial banks at the year end.

34.3 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risk.

The Bank is not exposed to equity price risk as it does not hold any equity instruments. The exposure of the Bank to the other two risks and their management are explained below:

34.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank's interest rate exposure stems mainly from its investments in Treasury Bills and balances with other banks. The Bank's interest rate exposure is low due to the short term nature of the majority of business transactions.

A change of 100 basis points in interest rates at the year end would have increased the loss for the year and shareholders equity by Rs 3.707 million (2022: Rs 5.007 million). This analysis assumes that all other variables remain constant. This analysis is performed on the same basis as for 2022.

34.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At December 31, 2023, the Bank is not exposed to currency risk.

34.3.3 Other price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), and whether those changes are caused by factors specific to the individual financial instrument of its issuer or factors affecting all or similar financial instruments traded in the market. However, the Bank is not currently exposed to other price risk.

34.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer / settle a liability in an orderly transaction between market participants at the measurement date.

Fair value estimation:

The Bank discloses the financial instruments measured in the balance sheet at fair value in accordance with the following fair value hierarchy that reflects the significance of inputs in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at year end, there are no financial instruments carried at fair value which require classification in the above mentioned levels.

There were no transfers between level 1 and 2 during the year.

The carrying values of all financial assets and financial liabilities reflected in the financial statements approximate their fair values as the items are short term in nature.

35 RISK MANAGEMENT FRAMEWORK

35.1 Operational Risk Management

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to the customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

35.2 Credit Risk Management

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of Flood. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the Flood outbreak. In response to the impact of floods on its loan portfolio, the bank has taken steps to manage its credit risk, including restructuring loans and writing off a portion of the outstanding amount. Loan restructuring allows borrowers who have been impacted by the floods to temporarily modify the terms of their loans, such as extending the repayment period to better manage their finances. Meanwhile, the write-off of debt reflects the bank's determination that a portion of its loans will not be recoverable and should be removed from its books. By taking these actions, the bank has taken steps to manage its credit risk and protect its financial stability. These changes to the loan portfolio are reflected in the bank's financial statements in relevant notes.

35.3 Liquidity Risk Management

The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

36 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES

	2023				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	(Rupees)				
Market rate assets					
Advances - net of provisions	3,120,048,461	55,259,682	599,277,796	1,350,753,918	1,114,757,065
Other earning assets	802,454,112	95,105,298	707,348,814	-	-
Total market rate assets	3,922,502,573	150,364,980	1,306,626,610	1,350,753,918	1,114,757,065
Other non-earning assets	983,219,423	499,584,393	11,343,125	484,481	471,807,423
Total assets	4,905,721,996	649,949,373	1,317,969,735	1,351,238,399	1,586,564,488
Market rate liabilities					
Deposits	3,776,974,690	998,346,914	1,155,700,776	1,373,982,000	248,945,000
Borrowings	182,330,181	57,047,358	81,903,556	42,284,267	1,095,000
Total market rate liabilities	3,959,304,871	1,055,394,272	1,237,604,332	1,416,266,267	250,040,000
Other non-interest bearing liabilities	301,331,316	108,818,736	-40,375,087	21,785,539	130,351,955
Total liabilities	4,260,636,187	1,164,213,008	1,277,979,419	1,438,051,806	380,391,955

Total	2022			
	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
(Rupees)				

Market rate assets					
Advances - net of provisions	3,332,993,835	83,201,432	664,964,694	1,294,664,709	1,290,163,000
Other earning assets	163,631,516	17,136,525	146,494,991	-	-
Total market rate assets	3,496,625,351	100,337,957	811,459,685	1,294,664,709	1,290,163,000
Other non-earning assets	979,919,895	342,447,448	41,911,157	76,495,661	519,065,629
Total assets	4,476,545,246	442,785,405	853,370,842	1,371,160,370	1,809,228,629
Market rate liabilities					
Deposits	3,206,860,162	753,225,512	793,487,394	1,471,796,256	188,351,000
Borrowings	310,232,046	30,380,711	31,903,555	62,284,266	185,663,514
Total market rate liabilities	3,517,092,208	783,606,223	825,390,949	1,534,080,522	374,014,514
Other non-interest bearing liabilities	304,997,245	44,733,060	60,580,700	90,871,051	108,812,434
Total liabilities	3,822,089,453	828,339,283	885,971,649	1,624,951,573	482,826,948

37 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. There have been no significant reclassification in these financial statements.

38 GENERAL

38.1 As prescribed by BSD circular No. 11, dated December 30, 2003, except for the captions of the balance sheet and profit and loss account, cash flow statement and statement of changes in equity, captions in respect of which there are no amounts have not been reproduced in these financial statements.

38.2 Figures have been rounded off to the nearest rupee unless otherwise specified.


39 EVENTS AFTER THE REPORTING DATE

In continuance of the matters disclosed in note 1.3 of these financial statements, on March 20, 2024, 100% shares of Advans Pakistan held by Advans S.A. Sicar were transferred to MNT Halan Pak B.V. as a result, Advans S.A. Sicar ceased to be the parent company of the Bank.

40 DATE OF AUTHORISATION

These financial statements were authorised for issue on March 28, 2024 by the Board of Directors of the Bank.


Chief Executive Officer


Chairman


Director


Director