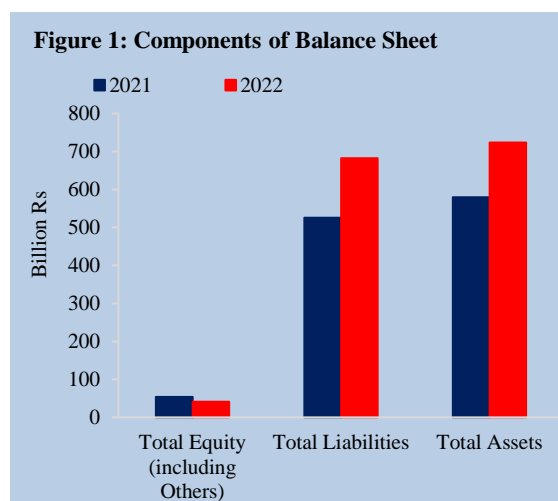


3. Microfinance Banks

Performance at a Glance

The equity (including others) of the MFBs dropped by Rs 12.15 billion or 22.70 percent in CY22 (Figure 1).



The assets of the sector, however, continued to increase in CY22 and reached Rs 723.70 billion from Rs 579.56 billion in CY21, posting a growth of 24.87 percent. This asset growth was financed solely by the liabilities, which increased by Rs 156.29 billion, recording a growth of 29.71 percent in CY22. In terms of operational performance, while the interest/markup income of the sector increased by Rs 18.77 billion in CY22 with a YoY growth of 24.07 percent, the interest/ markup expense also increased by Rs 13.57 billion. Consequently, the Net Income increased by Rs 5.20 billion in CY22. The sector recorded losses overall: the loss before taxation was Rs 18.54 billion in CY22 as compared to Rs 11.37 billion in CY21. The loss after taxation was Rs 15.56 billion in CY22 which was recorded at Rs 11.19 billion in CY21.

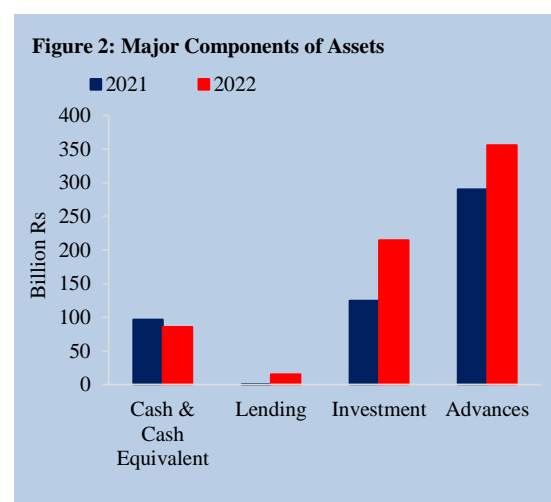
Equity

Total equity (including others) of the sector dropped from Rs 53.52 billion in CY21 to Rs 41.37 billion in CY22, witnessing a decline of 22.70 percent. This drop in equity is represented primarily by an increase in Un-appropriated loss

by Rs 20.66 billion, which altered equity composition drastically. The portion of share capital which increased sharply to 89.11 percent in CY22 from 66.59 percent in CY21.

Assets

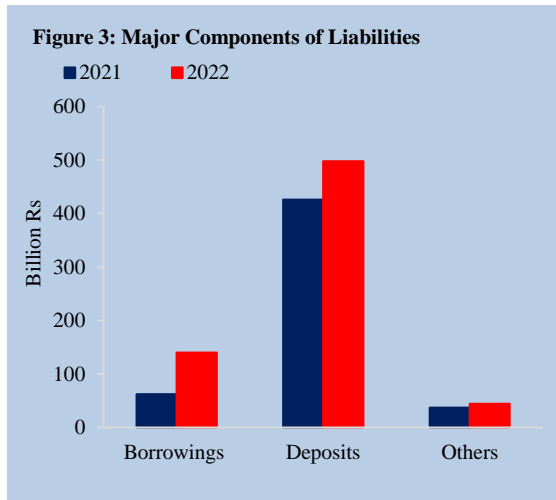
The total assets of the sector stood at Rs 723.70 billion, posting a growth of 24.87 percent in CY22. The component analysis of total assets reveals that the Investments increased by Rs 89.88 billion and reached Rs 214.31 billion, posting a growth of 72.23 percent (Figure 2) during CY22.



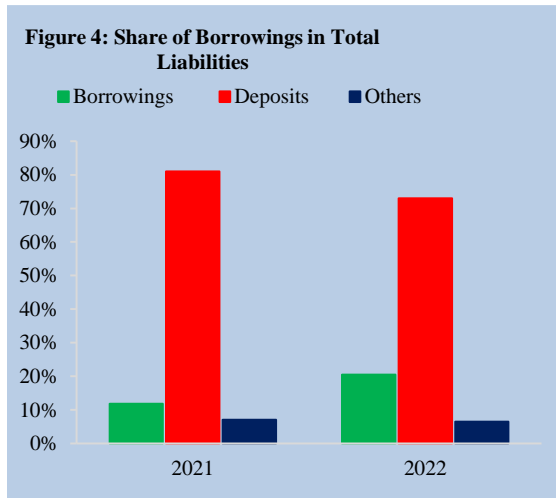
Gross Advances of MFBs increased by Rs 65.86 billion in CY22 and reached Rs 355.79 billion posting a growth of 22.72 percent. A further analysis reveals that both NPLs and provisions against NPLs increased during CY22. Advances (net of provisions) increased by Rs 58.54 billion and reached Rs 335.16 billion in CY22, posting a growth of 21.16 percent.

Liabilities

Total liabilities of the sector increased by Rs 156.29 billion, reaching Rs 682.33 billion in CY22 with a growth of 29.71 percent. For CY22, Deposits & Other Accounts have the highest share of 72.97 percent in overall liabilities (Figure 3).



Deposits increased by Rs 71.74 billion and reached Rs 497.91 billion in CY22, showing a growth of 16.83 percent. Besides, borrowings from financial institutions increased to Rs 140.14 billion during CY22 from Rs 62.47 billion in CY21, posting a growth of 124.33 percent (Figure 4).



Profitability and Operating Efficiency

Profit/loss position (both before & after taxation) of the sector worsened in CY22. Specifically, loss before taxation increased from Rs 11.37 billion in CY21 to Rs 18.54 billion in CY22, witnessing a YoY deterioration of 63.04 percent, while loss after taxation increased from Rs 11.19 billion in CY21 to Rs 15.56 billion in CY22, registering a YoY worsening of 39.14 percent.

This operating performance translated into poor efficiency ratios such as ROA and ROE in CY22 as compared to CY21. Precisely, ROE deteriorated from -19.80 percent to -37.53 percent during CY22. Similarly, ROA fell to -2.15 percent in CY22 from -1.93 percent in CY21 (Figure 5).

