

**Sindh Microfinance Bank Limited**

*Financial Statements*

*For the year ended December 31, 2019*

**SINDH MICROFINANCE BANK LIMITED**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2019**

	Note	2019 -----Rupees-----	2018
<b>ASSETS</b>			
Cash and balances with SBP and NBP	9	13,650,387	20,119,268
Balances with other Banks/NBFIs/MFBs	10	332,486,158	249,207,306
Lending to financial institutions		-	-
Investment - net of provisions	11	619,095,360	100,000,000
Advances - net of provisions	12	849,973,816	583,101,762
Operating fixed assets	13	52,778,444	14,345,797
Other assets	14	32,814,467	36,679,795
Deferred tax asset - net	15	6,693,104	-
<b>Total assets</b>		<b>1,907,491,736</b>	<b>1,003,453,928</b>
<b>LIABILITIES</b>			
Deposits and other accounts	16	126,446,866	77,769,113
Borrowings	17	800,000,000	76,522,815
Subordinated debt		-	-
Other liabilities	18	91,458,209	11,175,708
Deferred tax liabilities - net	15	-	503,589
<b>Total liabilities</b>		<b>1,017,905,075</b>	<b>165,971,225</b>
<b>NET ASSETS</b>		<b>889,586,661</b>	<b>837,482,703</b>
<b>REPRESENTED BY:</b>			
Share capital	19	750,000,000	750,000,000
Statutory reserves		27,930,569	17,496,539
Depositors' protection fund		6,982,643	4,374,135
Unappropriated profit		104,673,449	65,612,029
		889,586,661	837,482,703
Surplus/(deficit) on revaluation of assets		-	-
Deferred grants		-	-
<b>TOTAL CAPITAL</b>		<b>889,586,661</b>	<b>837,482,703</b>
<b>MEMORANDUM / OFF BALANCE SHEET ITEMS</b>			
	20		

The annexed notes from 1 to 39 form an integral part of these financial statements. *CTM*

\_\_\_\_\_  
President & Chief Executive

\_\_\_\_\_  
Chief Financial Officer

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Chairman

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Director

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Director

**SINDH MICROFINANCE BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
	-----Rupees-----	
Mark-up / return / interest earned	21 <b>347,011,283</b>	207,309,759
Mark-up / return / interest expensed	22 <b>(71,057,376)</b>	(5,014,585)
<b>Net mark-up / interest income</b>	<b>275,953,907</b>	202,295,174
Provision against non-performing loans and advances	12.3 <b>(11,331,839)</b>	(3,314,233)
Provision for diminution in the value of investments	-	-
Bad debts written off directly	12.4 <b>(2,093,203)</b>	(1,283,038)
	<b>(13,425,042)</b>	(4,597,271)
<b>Net mark-up / interest income after provisions</b>	<b>262,528,865</b>	197,697,903
<b>NON MARK-UP / NON INTEREST INCOME</b>		
Fee, commission and brokerage income	-	-
Dividend income	-	-
Other income	-	-
	-	-
<b>Total non mark-up / non interest income</b>	<b>262,528,865</b>	197,697,903
<b>NON MARKUP / NON INTEREST EXPENSES</b>		
Administrative expenses	23 <b>(193,871,073)</b>	(144,938,808)
Other provisions/write offs	-	-
Other charges	24 <b>-</b>	(796,500)
<b>Total non mark-up / non interest expenses</b>	<b>(193,871,073)</b>	(145,735,308)
Extra ordinary / unusual items	-	-
<b>Profit before taxation</b>	<b>68,657,792</b>	51,962,595
Taxation		
- current	25 <b>23,677,311</b>	14,969,096
- prior years	25 <b>(3,423,118)</b>	(1,190,578)
- deferred	25 <b>(3,766,551)</b>	100,056
	<b>(6,189,569)</b>	(13,878,574)
<b>Profit after taxation</b>	<b>52,170,150</b>	38,084,021
Unappropriated profit - brought forward	<b>65,612,029</b>	37,049,013
Less: Other comprehensive loss	<b>(66,192)</b>	-
<b>Profit available for appropriation</b>	<b>117,715,987</b>	75,133,034
<b>APPROPRIATIONS:</b>		
Transfer to		
- statutory reserve	<b>(10,434,030)</b>	(7,616,804)
- capital reserve	-	-
- contribution to depositors' protection fund	<b>(2,608,508)</b>	(1,904,201)
- revenue reserve	-	-
- proposed dividend	-	-
	<b>(13,042,538)</b>	(9,521,005)
<b>Unappropriated profit - carried forward</b>	<b>104,673,449</b>	65,612,029
<b>EARNINGS PER SHARE</b>	26 <b>0.70</b>	0.51

The annexed notes from 1 to 39 form an integral part of these financial statements. *q.s.m*

\_\_\_\_\_  
President & Chief Executive

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Chief Financial Officer

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Chairman

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Director

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Director

**SINDH MICROFINANCE BANK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
Note	-----Rupees-----	
<b>Profit after taxation</b>	<b>52,170,150</b>	38,084,021
<b>Other comprehensive loss</b>		
- Items that may be reclassified to profit and loss account	-	-
- Items that will not be reclassified to profit and loss account subsequently		
<i>Remeasurement loss on provision for gratuity - net of tax</i>	(66,192)	-
18.1	<u>(66,192)</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u><b>52,103,958</b></u>	<u>38,084,021</u>

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 Chairman

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 Director

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 Director



**SINDH MICROFINANCE BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Share capital	Statutory reserve	Depositors' protection fund	Unappropriated profit	Total Equity
Balance as at January 1, 2018	750,000,000	9,879,735	2,469,934	37,049,013	799,398,682
<b>Total comprehensive income for the year</b>					
- Profit after taxation	-	-	-	38,084,021	38,084,021
- Other comprehensive income	-	-	-	38,084,021	38,084,021
Transfer to statutory reserve	-	-	-	-	-
- 20% of the profit after tax for the year	-	7,616,804	-	(7,616,804)	-
Transfer to depositors' protection fund	-	-	-	-	-
- 5% of the profit after tax for the year	-	1,904,201	1,904,201	(1,904,201)	-
Balance as at December 31, 2018	750,000,000	17,496,539	4,374,135	65,612,029	837,482,703
<b>Total comprehensive income for the year</b>					
- Profit after taxation	-	-	-	52,170,150	52,170,150
- Other comprehensive loss	-	-	-	(66,192)	(66,192)
Transfer to statutory reserve	-	-	-	52,103,958	52,103,958
- 20% of the profit after tax for the year	-	10,434,030	-	(10,434,030)	-
Transfer to depositors' protection fund	-	-	-	-	-
- 5% of the profit after tax for the year	-	-	2,608,508	(2,608,508)	-
<b>Balance as at December 31, 2019</b>	<b>750,000,000</b>	<b>27,930,569</b>	<b>6,982,643</b>	<b>104,673,449</b>	<b>889,586,661</b>

The annexed notes from 1 to 39 form an integral part of these financial statements. *S.M.B.*

President & Chief Executive

Chief Financial Officer

Chairman

Director

Director

**SINDH MICROFINANCE BANK LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Note	2019	2018
		-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		68,657,792	51,962,595
<b>Adjustments for non cash items:</b>			
Provision against non performing advances	12.3	11,331,839	3,314,233
Bad debts written off directly	12.4	2,093,203	1,283,038
Depreciation on property and equipment	13.1	3,272,545	2,385,085
Amortization on intangible assets	13.2	756,191	590,599
Depreciation expense on lease assets (ROUA)	13.3	16,206,348	-
Interest on lease liability	22	4,463,871	-
Provision for gratuity	23	3,251,890	5,246,750
		<u>41,375,887</u>	<u>12,819,705</u>
<b>Operating cash flows before changes in working capital</b>		<b>110,033,679</b>	<b>64,782,300</b>
<b>Working capital changes</b>			
<b>(Increase) / decrease in operating assets</b>			
Advances		(280,297,096)	(249,310,205)
Other assets (excluding advance taxation)		2,948,862	(7,447,373)
Prepaid rent		(27,087,594)	-
		<u>(304,435,828)</u>	<u>(256,757,578)</u>
<b>Increase in operating liabilities</b>			
Other liabilities(excluding current taxation)		47,241,821	3,199,016
Deposits and other accounts		48,677,753	76,396,001
		<u>95,919,574</u>	<u>79,595,017</u>
		<u>(98,482,575)</u>	<u>(112,380,261)</u>
Income tax paid		(22,767,869)	(11,433,525)
<b>Net cash used in operating activities</b>		<b>(121,250,444)</b>	<b>(123,813,786)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of HTM investment		(369,095,360)	-
Purchase of property and equipment	13.1	(4,852,410)	(6,239,050)
Purchase of intangible assets	13.2	(1,469,000)	(2,070,015)
<b>Net cash used in from investing activities</b>		<b>(375,416,770)</b>	<b>(8,309,065)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of Running finance facility	17.1	(76,522,815)	76,522,815
Borrowing from KBL	17.1	50,000,000	-
Borrowing from SBP	17.3	750,000,000	-
<b>Net cash generated from financing activities</b>		<b>723,477,185</b>	<b>76,522,815</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>226,809,971</b>	<b>(55,600,036)</b>
Cash and cash equivalents at beginning of the year		369,326,574	424,926,610
<b>Cash and cash equivalents at the end of the year</b>	27	<b>596,136,545</b>	<b>369,326,574</b>

The annexed notes from 1 to 39 form an integral part of these financial statements. *SM*

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President & Chief Executive

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Director

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Director



**1 STATUS AND NATURE OF BUSINESS**

Sindh Microfinance Bank Limited (the Bank) was incorporated on March 27, 2015 as a public unlisted company limited by shares under the repealed Companies Ordinance, 1984 (repealed by Companies Act 2017). The Bank obtained Microfinance banking license from State Bank of Pakistan on October 16, 2015, to operate in Sindh Province. Subsequently, the Bank received the certificate of commencement of business from Securities & Exchange Commission of Pakistan (SECP) on November 30, 2015 and the certificate of commencement of Banking Business from State Bank of Pakistan on April 15, 2016. The Bank's registered office is situated at 39/F, 2nd Floor, Muhammad Ali Cooperative Housing Society, Karachi. The Bank's principal business is to provide microfinance services to the poor and underserved segment of the society as envisaged in the Microfinance Institutions Ordinance, 2001.

The Bank is the wholly owned subsidiary of Sindh Bank Limited (the Holding bank). The Bank operates through branches and service centers spread within the province of Sindh, the network of branches and service centers comprise of 17 (2018: 13) branches and 58 (2018: 47) service centers.

The credit rating companies PACRA has maintained the long term rating of the Bank at "A-" and short term rating at "A2" as of September 30, 2019.

**2 BASIS OF PRESENTATION**

These financial statements have been presented in accordance with the requirements of Banking Supervision Department (BSD) Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan (SBP).

**3 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the directives and prudential regulations issued by SBP, the requirements of the Microfinance Institution Ordinance, 2001 (the MFI Ordinance), the Companies Act, 2017 (the Companies Act) and the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), and interpretations issued by the Standards Interpretation Committee of IASB as adopted in Pakistan. In case where provisions of directives issued by the SBP and SECP, the MFI Ordinance and the Companies Act differ with the requirements of these standards, such provisions of directives issued by SBP and SECP, the MFI Ordinance and the Companies Act shall prevail.

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, the SECP vide its SRO 633 (I)/ 2014, dated 10 July 2014 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement", IAS 40, "Investment Property" and International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" for banking companies till further instructions.

The SBP vide BPRD Circular No. 04 of 2019, dated October 23, 2019 has extended the date of implementation of IFRS 9 'Financial Instruments' to January 1, 2021 for all microfinance banks. Accordingly, the requirements of this standard have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars / regulations.

**4 BASIS OF MEASUREMENT**

**4.1 Accounting convention**

These financial statements have been prepared under the historical cost convention except for obligations in respect of defined benefit plan and lease liabilities against right of use assets, which are carried at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow statement.

**4.2 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees which is the Bank's functional and presentation currency.

**4.3 Use of critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that may affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the:

	<b>Note</b>
a) Provision against non performing advances	7.2
b) Useful life of depreciable assets	7.3
c) Impairment of non-financial assets	7.4
d) Provision for taxation	7.5
e) Provision for gratuity	7.6
d) Lease term for ROU asset	8.1

However, assumptions and significant judgments made by the management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

**5 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS**

**5.1 Standards, amendments and interpretations to the published standards that are relevant to the Bank and adopted in the current year**

The Bank has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

<b>Standard or Interpretation</b>	<b>IASB effective date</b> (Annual periods beginning on or after)
IFRS 15 'Revenue from Contracts with Customers'	July 1, 2018
IFRS 16 'Leases'	January 1, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 1, 2019
IAS 19 'Plan Amendment, Curtail or Settlement' (Amendments to IAS 19)	January 1, 2019
Annual improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019

Adoption of the above standard have no significant effect on the amounts for the year ended December 31, 2019 except for IFRS 16 'Lease', as mentioned in note 8.

**5.2 Standards, amendments to published standards and interpretations that are effective but not relevant**

IAS 28 'Long-term Interests in Associates and Joint Ventures' (Amendments to IAS 28) became effective for annual period beginning on or after 1 January 2019, but considered not to be relevant on the financial reporting and operations of the Bank.



**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**5.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Bank**

IFRS 9 'Financial instruments' - This standard is effective for periods beginning from or after July 1, 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. State Bank of Pakistan (SBP) through BPRD Circular No. 04 of 2019, deferred the effective date to January 1, 2021.

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

<b>Standard or Interpretation</b>	<b>IASB effective date (Annual periods beginning on or after)</b>
IFRS 14 'Regulatory Deferral accounts'	July 1, 2019
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

The Bank is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Bank.

**5.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)**

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<b>Standard or Interpretation</b>	<b>IASB effective date (Annual periods beginning on or after)</b>
IFRS 17 'Insurance Contracts'	January 1, 2022
IFRS 1 'First-time Adoption of International Financial Reporting Standards'	July 1, 2009

**6 SUMMARY OF SIGNIFICANT TRANSACTIONS AND BALANCES IN THE CURRENT REPORTING PERIOD**

	<b>Note</b>	<b>2019 Rupees</b>	<b>2018 Rupees</b>
Advances	12	<u>846,055,017</u>	<u>589,666,316</u>
Provisions	12	<u>(14,388,287)</u>	<u>(6,564,554)</u>
Deposits	16	<u>126,446,866</u>	<u>77,769,113</u>
Borrowings from State Bank of Pakistan	17	<u>750,000,000</u>	<u>-</u>

During the year the bank disbursed advances to 50,157 (2018: 38,474) parties.



**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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The amount of provision represents general and specific provision against advances held in accordance with the requirements of prudential regulations for microfinance banks.

Borrowings from SBP represents fund obtained under LOCF scheme from State Bank of Pakistan as described in 17.3.

During the year, IFRS 16 'Leases' became applicable to microfinance banks vide BPRD Circular Letter No. 08 of 2019 dated April 30, 2019 issued by State Bank of Pakistan. IFRS 16 replaces existing guidance on accounting for leases and introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. The impact of the adoption of IFRS 16 on the Bank's financial statements is disclosed in note 8.

## **7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted and applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all year presented, unless otherwise stated.

### **7.1 Cash and cash equivalents**

Cash and bank balances are stated at cost. For the purpose of cash flow statement, cash and cash equivalents comprises of cash in hand, balances with State Bank of Pakistan (SBP), National Bank of Pakistan (NBP) and balances held with other banks in current and deposit accounts with maturities of less than three months.

### **7.2 Advances - net of provisions**

Advances are stated net of specific and general provisions which are determined on the basis of the Prudential Regulations for Microfinance Banks issued by SBP. Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery. These regulations prescribe a time based criteria for classification of non-performing advances into the following categories:

- a) Other assets especially mentioned (OAEM): These are advances in arrears (payments / installments overdue) for 30 days or more but less than 60 days.
- b) Substandard: These are advances in arrears (payments / installments overdue) for 60 days or more but less than 90 days.
- c) Doubtful: These are advances in arrears (payments / installments overdue) for 90 days or more but less than 180 days.
- d) Loss: These are advances in arrears (payments / installments overdue) for 180 days or more.

In addition, the Bank maintains a watchlist of all accounts overdue for 5-29 days. However, such accounts are not treated as non-performing for the purpose of classification and provisioning.

In accordance with the Prudential Regulations the bank maintains specific provision for potential loan losses for all non performing loans net of cash the following rates:

OAEM	NIL
Substandard	25%
Doubtful	50%
Loss	100%

Further, a general provision is maintained equivalent to 1% of the net outstanding balance (advances net of specific provisions) for potential loan losses. However, general provision is not required in cases where loans have been secured against cash collaterals with appropriate margin.

Specific and general provisions are charged to profit and loss account in the period in which they occur.

Non-performing advances are written off one month after the loan is classified as 'Loss' in accordance with the requirements of the prudential regulations for microfinance banks issued by the State Bank of Pakistan. However, the Bank continues its efforts for recovery of the written off balances.

### 7.3 Operating fixed assets

#### *Property and equipment*

These are stated at cost less accumulated depreciation and any identified impairment losses (if any). Cost of property and equipment's consists of purchase price which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset plus directly attributable costs in bringing the asset to their working conditions.

Depreciation is charged on additions from the month in which asset is available for use, using the straight line method, to the month of disposal.

Gain or loss on disposal, if any, are recognized in the profit and loss account in the year in which they arise.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future 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 expenses are charged to the profit and loss account as and when incurred.

#### *Capital work-in-progress*

Capital work in progress is stated at cost less accumulated impairment losses, if any. All expenditures connected with specific assets incurred during installation and related advances there against, if any, are carried under this head. These are transferred to specific assets as and when assets become available for use.

#### *Intangible assets*

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible assets are amortized over its estimated useful lives over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

#### *Right of use assets (ROUA)*

The Bank recognizes 'Right of use asset' (ROUA) in respect of the leases measured as the present value of the remaining lease payments on property lease agreements and discounted using the incremental borrowing rate for the Bank. These assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. These assets are also reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

### 7.4 Impairment of non-financial assets

The carrying amount of assets are reviewed at each statement of financial position date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the greater of net selling price and value in use. The resulting impairment loss is taken to the profit and loss account.



**7.5 Taxation**

*Current*

The charge of current tax is based on taxable income at the applicable rate of taxation after taking into account available tax credits and rebates. Income for the purpose of computing current taxation is determined under the provisions of tax laws.

*Deferred*

Deferred tax is accounted for using the balance sheet method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are subsequently reduced, where required, to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to statement of changes in equity, in which case it is included in equity.

**7.6 Staff retirement benefits**

**Defined contribution plan**

The Bank operates a recognized provident fund for its eligible employees. Equal monthly contributions are made, both by the Bank and the employees, to the Fund at the rate of 10% of basic salary.

**Defined benefit plan**

The Bank operates an unfunded gratuity scheme for its eligible permanent employees completing the minimum qualifying services period of three years. Provision is made annually on the basis of actuarial recommendations based on Projected Unit Credit (PUC) method with corresponding impact recognized in profit and loss account including past service costs. Measurement gain or loss is recognized in statement of comprehensive income in the year in which they arise.

**7.7 Deposits**

Deposits are recorded at the proceeds received. Mark up accrued on these deposits, if any, is recognized separately as part of other liabilities, and is charged to profit and loss account over the period.

**7.8 Borrowings**

Borrowings are recorded at the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of qualifying asset in which case such costs are capitalised as part of the cost of that asset.

**7.9 Investments**

The investments of the Bank, upon initial recognition, are classified as held-for-trading, held-to-maturity and available-for-sale, as appropriate.

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

All purchase and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Bank. All investments are derecognized when the right to receive economic benefit from investment has been expired or transferred and the Bank has transferred all risk and rewards of ownership.

**7.9.1 Held-for-trading**

These represent 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 gain / (loss) arising as a result of revaluation is taken to profit and loss account.

**7.9.2 Held-to-maturity**

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

**7.9.3 Available-for-sale**

These are investments which do not fall under the held-for-trading and held-to maturity categories. After initial measurement, such investments are measured at fair value. The gain / (loss) arising on revaluation is shown in the statement of financial position below equity which is taken to the profit and loss account when actually realized upon disposal.

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

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the requirements of the prudential regulations and charged to profit and loss account.

**7.10 Statutory reserve**

The Bank is required under Microfinance Institution Ordinance, 2001 and Prudential Regulation "R-4 - Statutory Reserve", to create a reserve fund to which shall be credited an amount equal to at least 20% of its annual profits after taxes till such time the reserve fund equals the paid-up capital of the bank and thereafter, a sum not less than 5% of its annual profit after taxes.

**7.11 Depositors' protection fund**

The Bank is required under Microfinance Institutions Ordinance, 2001 to contribute 5% of its annual after tax profit and profit earned on investments of the fund shall be credited to the Depositors' Protection Fund for the purpose of providing security or guarantee to persons depositing money in the Bank.

**7.12 Revenue recognition**

- Mark-up / return / interest earned on advances, investments and bank balances is recognized on a time proportion basis, except in the case of advances classified under the Prudential Regulations on which mark-up is recognized on
- Gain or loss on sale of securities is accounted for in the period in which the sale / settlement occurs.
- Fee, commission and brokerage income is recognized as services are rendered.
- Dividend income is recognized when the right to receive dividend is established.
- Other income is recognized on accrual basis when then financial services have been rendered.

**7.13 Administrative expenses**

Administrative expenses are charged to profit and loss account, on accrual basis of accounting in the period in which these are incurred.



**7.14 Dividend distribution**

Dividends and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

Dividend made subsequent to the date of statement of financial position are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of International Accounting Standards (IAS) 10, 'Events after the Balance Sheet Date' in the period in which they are approved.

**7.15 Financial instruments**

Financial assets and liabilities are recognized at the trade date, i.e. the date at which the Bank becomes party to a contractual provision of the instrument. Financial assets and liabilities are derecognized when they are distinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and liabilities are taken to income directly.

**7.16 Financial assets and financial liabilities**

Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lending to financial institutions, investments, advances, other assets, borrowings, deposits and other liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

**7.17 Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**7.18 Provisions and contingencies**

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

A contingent liability is disclosed when the Bank has a possible obligation as a result of past event, existence of which will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or the Bank has a present legal or constructive obligation that arises from past events, but is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

**7.19 Earnings per shares**

The Bank presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profits or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all diluted potential ordinary shares (if any).

**7.20 General**

Figures have been rounded-off to nearest rupee, unless stated otherwise.

Where there are no amounts to be disclosed in the captions as prescribed by BSD circular No.11 dated December 30, 2003 issued by the SBP in respect of form of the financial statements for microfinance banks, these captions have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.



**SINDH MICROFINANCE BANK LIMITED**  
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**7.21 Related party transactions**

Transactions involving related parties arising in the normal course of the business are conducted at arm's length at normal commercial rates on the same terms and conditions as third transactions using valuation modes as admissible, unless disclosed otherwise.

**8 CHANGES IN ACCOUNTING POLICIES**

During the year, IFRS 16 'Leases' became applicable to microfinance banks vide BPRD Circular Letter No. 08 of 2019 issued by State Bank of Pakistan. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentive', and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of all property lease agreements of branches and service centers being operated by the Bank, which was previously being recorded as rent expense in profit and loss account. The Bank has adopted IFRS 16 from January 1, 2019 using the modified retrospective restatement approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The Bank has recognised lease liabilities and related 'Right of use asset' (ROUA) in respect of the leases measured as the present value of the remaining lease payments on property lease agreements and discounted using the reference rate of six month's KIBOR. The lease liability will be subsequently measured at amortised cost using the effective interest rate method and adjusted with the impact of rent prepayments.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The effect of recognition of IFRS 16 on the financial statements for the year ended December 31, 2019 was as follows:

		December 31, 2019	January 1, 2019
	Note	-----Rupees-----	
<b>Impact on Statement of Financial Position</b>			
Increase in fixed assets - right-of-use assets	13.3	36,139,973	43,240,194
Decrease in other assets - advances, deposits, advance rent and other prepayments		(8,116,483)	(6,659,808)
Increase in total assets		28,023,490	36,580,386
Increase in other liabilities - lease liability against right-of-use assets	18.2	(29,722,597)	36,580,386
Decrease in net assets		(1,699,107)	-

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<b>Impact on Profit and Loss account for the year ended December 31, 2019</b>	Note	<b>----Rupees---</b>
Increase in mark-up expense - lease liability against right-of-use assets	22	(4,463,871)
(Increase) / decrease in administrative expenses:		
- Depreciation on right-of-use assets	23	(16,206,348)
- Rent expense		19,087,721
		2,881,373
Decrease in profit before tax		(1,582,498)
Decrease in taxation		458,924
Decrease in profit after tax		(1,123,574)

Earning per share (EPS) for the year ended December 31, 2019 is Rs 0.01 lower as a result of the adoption of IFRS 16.

**8.1 Significant assumptions used**

**Discount rate**

Lease liabilities were initially measured at the present value of the remaining lease payments, discounted using the six month's KIBOR i.e. 13.49%.

**Lease term**

The Bank has calculated the lease liabilities on initial recognition by calculating present value of rent payments for a period of 3 years.

<b>9 CASH AND BALANCES WITH SBP AND NBP</b>	Note	<b>2019</b>	<b>2018</b>
		<b>-----Rupees-----</b>	
Cash in hand			
Local currency		737,313	534,674
Balances with State Bank of Pakistan in			
Local currency deposit accounts	9.1	10,988,367	12,881,438
Balances with National Bank of Pakistan in			
Local currency deposit account	9.2	1,924,707	6,703,156
		13,650,387	20,119,268

9.1 This represents balance held with SBP to meet the requirement of maintaining a minimum balance equivalent to 5% (2018: 5%) and 10% (2018: 10%) as liquidity reserve of the Bank's time and demand deposits with a tenure of less than one year, in accordance with regulation R-3A of the prudential regulations.

9.2 This represents balance held in saving accounts carrying mark-up at an annual rate of 8.5% (2018: 6.5%)

<b>10 BALANCES WITH OTHER BANKS/NBFIs/MFBs</b>	Note	<b>2019</b>	<b>2018</b>
		<b>-----Rupees-----</b>	
In Pakistan			
- Local currency current account		-	-
- Local currency deposit account	10.1	332,486,158	249,207,306
		332,486,158	249,207,306

10.1 It includes the accounts maintained with the Sindh Bank Limited (the Holding bank) in daily product saving account carrying mark-up at an annual rate of 11.25% (2018: 6.15% to 8.75%), balances with U-Microfinance Bank carrying mark-up at an annual rate of 13.75% (2018: 11.15%), and Khushhali Bank Limited carrying mark-up at an annual rate of 14.40% (2018: 10.75%).

**SINDH MICROFINANCE BANK LIMITED**  
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		2019	2018
		-----Rupees-----	
<b>11</b>	<b>INVESTMENT - NET OF PROVISIONS</b>	Note	
	<b>Held to maturity (HTM)</b>		
	Federal Government securities		
	- Market treasury bills (T-bills)	11.1	19,095,360
	Term deposits receipts (TDRs)	11.2	100,000,000
			<u>100,000,000</u>
			<u>619,095,360</u>

**11.1** This represents treasury bills carrying interest at the rate of 13.10% per annum with maturity on May 7, 2020.

		2019	2018
		-----Rupees-----	
<b>11.2</b>	<b>Details of term deposits receipts</b>		
		<b>Maturity</b>	<b>Interest rate</b>
		<b>2019</b>	<b>2018</b>
		2019	2018
	Telenor Microfinance Bank	-	3 months
		-	8%
	U-Microfinance Bank Limited	1 month	2 months
		14.40%	10.25%
	U-Microfinance Bank Limited	1 month	-
		14.35%	-
	Khushali Microfinance Bank	2 months	-
		14.40%	-
	Khushali Microfinance Bank	5 months	-
		14.40%	-
	Khushali Microfinance Bank	11 months	-
		14.00%	-
			<u>50,000,000</u>
			<u>100,000,000</u>
			<u>100,000,000</u>
			<u>100,000,000</u>
			<u>250,000,000</u>
			<u>50,000,000</u>
			<u>100,000,000</u>
			<u>600,000,000</u>

**12 ADVANCES - NET OF PROVISIONS**

		2019		2018	
	Note	Number of loans outstanding	Amount outstanding (Rupees)	Number of loans outstanding	Amount outstanding (Rupees)
Micro Credit					
-Unsecured		50,601	846,055,017	37,243	589,666,316
Less: Provision held					
- General	12.2	-	(8,329,505)	-	(5,876,139)
- Specific	12.3	-	(6,058,782)	-	(688,415)
		-	(14,388,287)	-	(6,564,554)
<b>Microcredit advances-net of provisions</b>		<b>50,601</b>	<b>831,666,730</b>	<b>37,243</b>	<b>583,101,762</b>
Staff loans	12.5	<b>1</b>	<b>18,307,086</b>	<b>-</b>	<b>-</b>
<b>Advances (net of provisions)</b>		<b>50,602</b>	<b>849,973,816</b>	<b>37,243</b>	<b>583,101,762</b>

**12.1 Particulars of non-performing loans**

Advances include Rs. 16.5 million (2018: 2.4 million) which, as detailed below, have been placed under non-performing status:

Category of Classification	2019			2018		
	Amount Outstanding	Provisions Required	Provisions Held	Amount Outstanding	Provisions Required	Provisions Held
-----Rupees-----						
OAEM	3,404,685	-	-	352,656	-	-
Substandard	4,492,790	1,123,198	1,123,198	1,433,258	358,315	358,315
Doubtful	7,352,248	3,676,124	3,676,124	578,005	289,003	289,003
Loss	1,259,460	1,259,460	1,259,460	41,097	41,097	41,097
	<u>16,509,183</u>	<u>6,058,782</u>	<u>6,058,782</u>	<u>2,405,016</u>	<u>688,415</u>	<u>688,415</u>



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12.2 This represents general provision equivalent to 1% of outstanding unsecured advances held in accordance with the requirements of Prudential Regulations for Microfinance Banks.

12.3 Particulars of provision against non-performing advances	2019			2018		
	Specific	General	Total	Specific	General	Total
	-----Rupees-----					
Opening balance	688,415	5,876,139	6,564,554	-	3,418,171	3,418,171
Charge for the year	8,878,473	2,453,366	11,331,839	856,265	2,457,968	3,314,233
Write off	(3,508,106)	-	(3,508,106)	(167,850)	-	(167,850)
Closing balance	6,058,782	8,329,505	14,388,287	688,415	5,876,139	6,564,554

12.4 Particulars of write offs:	Note	2019		2018	
		Number of customers	Amount (Rupees)	Number of customers	Amount (Rupees)
Against provision	12.3	219	3,508,106	8	167,850
Directly charged to profit and loss account	12.4.1	128	2,093,203	98	1,283,038
		347	5,601,309	106	1,450,888

12.4.1 This represents write-off against unsecured micro credit advances which were not recovered due to death of loan holders.

12.5 This represents housing finance loan given to chief executive officer of the Bank amounting to Rs. 19 million. The terms including amount of loan, period, and interest rate have been approved by the Board of Directors of the Bank in their meeting held on June 25, 2019. The movement of the loan is presented below:

	Note	2019	2018
		-----Rupees-----	
Amount of loan disbursed		19,000,000	-
Interest charged during the year	21	180,538	-
Deductions from salary during the year		(873,452)	-
Balance as at year end		18,307,086	-

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	2019	2018
		-----Rupees-----
	13,390,230	11,810,365
	3,248,241	2,535,432
	36,139,973	
	52,778,444	14,345,797

**13 OPERATING FIXED ASSETS**

Property and equipment  
 Intangible assets  
 Right of use assets (ROUA)

Note  
 13.1  
 13.2  
 13.3

**13.1 Property and equipment**

	COST			ACCUMULATED DEPRECIATION			Net book value at Dec 31, 2019	Rate of Depreciation
	As at Jan 1, 2019	Additions	As at Dec 31, 2019	As at Jan 1, 2019	Charge for the year	As at Dec 31, 2019		
Office equipment	11,179,911	4,035,463	15,215,374	2,825,711	2,551,368	5,377,079	9,838,295	20%
Office improvement	1,972,654	627,995	2,600,649	128,919	111,944	240,863	2,359,786	5%
Furniture and fixture	1,135,031	188,952	1,323,983	214,403	117,732	332,135	991,848	10%
Vehicles	2,457,500	-	2,457,500	1,765,698	491,501	2,257,199	200,301	20%
Total	16,745,096	4,852,410	21,597,506	4,934,731	3,272,545	8,207,276	13,390,230	

	COST			ACCUMULATED DEPRECIATION			Net book value at Dec 31, 2018	Rate of Depreciation
	As at Jan 1, 2018	Additions	As at Dec 31, 2018	As at Jan 1, 2018	Charge for the year	As at Dec 31, 2018		
Office equipment	5,816,688	5,363,223	11,179,911	1,145,752	1,679,959	2,825,711	8,354,200	20%
Office improvement	1,504,403	468,251	1,972,654	43,094	85,825	128,919	1,843,735	5%
Furniture and fixture	727,455	407,576	1,135,031	86,603	127,800	214,403	920,628	10%
Vehicles	2,457,500	-	2,457,500	1,274,197	491,501	1,765,698	691,802	20%
Total	10,506,046	6,239,050	16,745,096	2,549,645	2,385,085	4,934,731	11,810,365	



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**13.2 Intangible assets**

	COST		ACCUMULATED AMORTIZATION			Net book value at Dec 31, 2019	Rate of amortization
	As at Jan 1, 2019	Additions	As at Dec 31, 2019	Amortization	As at Dec 31, 2019		
Software	3,780,953	1,469,000	5,249,953	1,245,521	756,191	2,001,712	20%
Total	3,780,953	1,469,000	5,249,953	1,245,521	756,191	2,001,712	

Rupees-----

	COST		ACCUMULATED AMORTIZATION			Net book value at Dec 31, 2018	Rate of amortization
	As at Jan 1, 2018	Additions	As at Dec 31, 2018	Amortization	As at Dec 31, 2018		
Software	1,710,938	2,070,015	3,780,953	654,922	590,599	1,245,521	20%
Total	1,710,938	2,070,015	3,780,953	654,922	590,599	1,245,521	

Rupees-----

**13.3 Right of use assets (ROUA)**

The right-of-use assets for all branches and service centers were measured on a retrospective basis as if the new rules had always been applied.

	Note	2019	2018
Balance as at initial application i.e. January 01, 2019		43,240,194	-
Additions during the year		9,106,127	-
Depreciation expense charged for the year	23	(16,206,348)	-
Right of use assets (ROUA) - as of December 31, 2019		36,139,973	-

-----Rupees-----

SINDH MICROFINANCE BANK LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

		2019	2018																				
		-----Rupees-----																					
<b>14</b>	<b>OTHER ASSETS</b>																						
	Income/ mark-up accrued on advances	17,127,408	12,239,334																				
	Profit receivable on TDR's	9,773,425	3,988,352																				
	Advances, prepayments and deposits	2,600,979	16,222,988																				
	Advance tax - net of provision	3,312,655	4,229,121																				
		<u>32,814,467</u>	<u>36,679,795</u>																				
<b>15</b>	<b>DEFERRED TAX ASSETS / LIABILITES - NET</b>																						
	Deferred tax assets arising on account of temporary deductible difference in:																						
	- Provision against advances and other assets	4,172,603	-																				
	- Employee benefit	2,518,676	-																				
	- Lease finance facility	10,973,333	-																				
		<u>17,664,612</u>	-																				
	Deferred tax Liabilities arising on account of temporary taxable difference in:																						
	- Operating fixed assets	(490,916)	(503,589)																				
	- Right to use assets	(10,480,592)	-																				
		<u>(10,971,508)</u>	<u>(503,589)</u>																				
	Net deferred tax assets / (liabilities)	<u>6,693,104</u>	<u>(503,589)</u>																				
<b>16</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>	<table border="1"> <thead> <tr> <th colspan="2">2019</th> <th colspan="2">2018</th> </tr> <tr> <th>Number of accounts</th> <th>Amount outstanding (Rupees)</th> <th>Number of accounts</th> <th>Amount outstanding (Rupees)</th> </tr> </thead> <tbody> <tr> <td>10</td> <td>10,827,439</td> <td>10</td> <td>13,422,267</td> </tr> <tr> <td>73,198</td> <td>115,619,427</td> <td>46,954</td> <td>64,346,846</td> </tr> <tr> <td><u>73,208</u></td> <td><u>126,446,866</u></td> <td><u>46,964</u></td> <td><u>77,769,113</u></td> </tr> </tbody> </table>		2019		2018		Number of accounts	Amount outstanding (Rupees)	Number of accounts	Amount outstanding (Rupees)	10	10,827,439	10	13,422,267	73,198	115,619,427	46,954	64,346,846	<u>73,208</u>	<u>126,446,866</u>	<u>46,964</u>	<u>77,769,113</u>
2019		2018																					
Number of accounts	Amount outstanding (Rupees)	Number of accounts	Amount outstanding (Rupees)																				
10	10,827,439	10	13,422,267																				
73,198	115,619,427	46,954	64,346,846																				
<u>73,208</u>	<u>126,446,866</u>	<u>46,964</u>	<u>77,769,113</u>																				
	Current deposits	10	13,422,267																				
	Savings deposits	73,198	64,346,846																				
		<u>73,208</u>	<u>126,446,866</u>																				
<b>16.1</b>	<b>Particulars of deposits by ownership</b>																						
	1) Individual depositors	73,207	26,446,866																				
	2) Institutional depositors																						
	a) Corporation/firms	-	-																				
	b) Banks/financial institution	1	50,000,000																				
		<u>73,208</u>	<u>126,446,866</u>																				
<b>16.2</b>	These are remunerative saving deposits of corporate and individual clients carrying interest rate of 8.00% to 14.60% per annum (2018: 4% to 12.15%).																						
<b>17</b>	<b>BORROWINGS</b>	2019	2018																				
		-----Rupees-----																					
	Borrowings from banks/ financial institution in Pakistan	50,000,000	76,522,815																				
	Borrowings from State Bank of Pakistan	750,000,000	-																				
		<u>800,000,000</u>	<u>76,522,815</u>																				
<b>17.1</b>	<b>Borrowings from banks/ financial institution in Pakistan</b>																						
	<b>Secured</b>																						
	Borrowings from Sindh Bank Limited	-	76,522,815																				
	<b>Unsecured</b>																						
	Call borrowings	50,000,000	-																				
		<u>50,000,000</u>	<u>76,522,815</u>																				

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17.2 This represents call borrowing from Khushali Bank Limited at the rate of 14.60% p.a.

17.3 During the year, the Bank obtained borrowing from the State Bank of Pakistan under its line of credit fund Scheme. A total amount of Rs. 750 million was sanctioned and was received by the Bank in two tranches. The first tranche of Rs. 109.22 million received at markup rate of six months KIBOR +1% (ranging from 11.86% to 14.13% during the year) and the second tranche of Rs. 640.78 million was received at a markup rate of six months KIBOR-1% (ranging from 12.03% to 12.13% during the year). The interest on the facility is payable bi-annually and the principle can be repaid within 5 years by 2024.

18 OTHER LIABILITIES	Note	2019	2018
		-----Rupees-----	
Mark-up/Return/ Interest payable		47,911,410	1,646,730
Audit fee payable		500,000	478,000
EOBI payable		211,379	115,439
Withholding tax payable		519,846	465,449
Employees provident fund payable		602,282	512,490
Gratuity payable	18.1	8,591,867	5,246,750
Other payable		3,398,828	2,710,851
Lease liability against right of use assets	18.2	29,722,597	-
		<u>91,458,209</u>	<u>11,175,708</u>

**18.1 Gratuity payable**

The Bank operates an unapproved and unfunded gratuity scheme for all of its eligible employees. Number of employees covered under the scheme are 274.

	Note	2019	2018
		-----Rupees-----	
Opening balance		5,246,750	-
Charge for the year in P&L	18.1.4	3,251,890	5,246,750
Charge for the year in OCI	18.1.5	93,227	-
Payment during the year		-	-
Closing balance		<u>8,591,867</u>	<u>5,246,750</u>

**18.1.1 Principal actuarial assumptions**

The latest actuarial valuation of the gratuity scheme was carried out on 31 December 2019 by Nauman Associates using the Projected Unit Credit Method. The following significant assumptions were used for valuation of the scheme:

	2019	2018
Discount rate used for interest cost in P&L charge	13.25%	8.25%
Discount rate used for year end obligation	11.25%	13.25%
Salary increase used for year end obligation		
Salary increase FY2019	N/A	12.25%
Salary increase FY2020	10.25%	12.25%
Salary increase FY2021	10.25%	12.25%
Next salary is increased at	01-Jan-20	01-Jan-19
Mortality rates	SLIC	SLIC
	2001 - 2005	2001-2005
Withdrawal rates	Age-Based	Age-Based
Retirement assumption	Age 60	Age 60



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		2019	2018
		-----Rupees-----	
<b>18.1.2 Statement of financial position</b>	Note		
Present value of defined benefit obligation payable		<u>8,591,867</u>	<u>5,246,750</u>
<b>18.1.3 Changes in present value of defined benefit obligations</b>			
Present value of defined benefit obligation		5,246,750	-
Current service cost	18.1.4	2,556,696	1,872,998
Past service cost (credit)		-	3,373,752
Interest cost on defined benefit obligation	18.1.4	695,194	-
Remeasurements:			
Actuarial gains from changes in financial assumptions	18.1.5	<u>(50,054)</u>	<u>-</u>
Experience adjustments	18.1.5	<u>143,281</u>	<u>-</u>
		<u>93,227</u>	
Present value of defined benefit obligation		<u>8,591,867</u>	<u>5,246,750</u>
<b>18.1.4 Expenses to be charged to P&amp;L</b>			
Current service cost		2,556,696	1,872,998
Past service cost (credit)		-	3,373,752
Interest cost on defined benefit obligation		695,194	-
Expense chargeable to P&L		<u>3,251,890</u>	<u>5,246,750</u>
<b>18.1.5 Total remeasurements chargeable in other comprehensive income</b>			
Remeasurement of plan obligation:			
Actuarial gains from changes in financial assumptions		(50,054)	-
Experience adjustments		143,281	-
Total remeasurements chargeable in other comprehensive income		<u>93,227</u>	<u>-</u>
<b>18.1.6 Changes in net liability</b>			
Balance sheet liability		5,246,750	-
Expense chargeable to P&L		3,251,890	5,246,750
Remeasurements chargeable in other comprehensive income		93,227	-
Benefits paid		-	-
Benefits payable transferred to short term liability		-	-
<b>Balance sheet liability</b>		<u>8,591,867</u>	<u>5,246,750</u>
<b>18.1.7 Sensitivity analysis</b>			
Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:			
		2019	2018
		-----Rupees-----	
<b>Discount rate effect</b>			
Discount rate + 100 bps		<u>8,031,972</u>	<u>4,898,817</u>
Discount rate - 100 bps		<u>9,227,501</u>	<u>5,640,588</u>
Salary increase + 100 bps		<u>9,248,156</u>	<u>5,653,058</u>
Salary increase - 100 bps		<u>8,003,360</u>	<u>4,881,481</u>
Expected benefit payments for next financial year - 2020		<u>715,547</u>	

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		2019	2018
		-----Rupees-----	
<b>18.2</b>	<b>Lease liability against right of use assets</b>		
	Lease liabilities included in the statement of financial position		
	As at December 31, 2019	<u>29,722,597</u>	<u>-</u>
	Of which are:		
	Current lease liability	10,108,705	-
	Non-current lease liability	19,613,892	-
		<u>29,722,597</u>	<u>-</u>
<b>18.2.1</b>	<b>Movement in lease liability against right to use assets</b>		
	Balance as at initial application i.e. January 01, 2019	43,240,194	-
	Additions during the year	9,106,127	-
	Interest expense charged for the year	4,463,872	-
	Lease rental payments for the year	(18,971,111)	-
	Lease rentals paid in advance	(8,116,483)	-
		<u>29,722,599</u>	<u>-</u>
<b>18.2.2</b>	<b>Maturity analysis - contractual undiscounted cash flows</b>		
	Upto one year	13,627,602	-
	Over one year and upto five years	20,728,318	-
		<u>34,355,920</u>	<u>-</u>
<b>19</b>	<b>SHARE CAPITAL</b>		
	<b>Authorized share capital</b>		
		2019	2018
	-----Number of Shares-----	-----Rupees-----	
	<u>100,000,000</u> <u>100,000,000</u> Ordinary shares of Rs. 10 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
	<b>Issued, subscribed and paid-up share capital</b>		
		2019	2018
	-----Number of Shares-----	-----Rupees-----	
	<u>75,000,000</u> <u>75,000,000</u> Ordinary shares of Rs. 10 each fully paid in cash	<u>750,000,000</u>	<u>750,000,000</u>
<b>19.1</b>	Sindh Bank Limited is the parent bank holding 99.99% shares of Sindh Microfinance Bank Limited.		
<b>20</b>	<b>MEMORANDUM / OFF BALANCE SHEET ITEMS</b>		
	There are no contingencies as at year end (2018: Nil).		
<b>21</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>	2019	2018
		-----Rupees-----	
	On:		
	- Advances	264,735,204	174,832,924
	- Deposits / Placements with Banks /MFB etc.	79,000,681	32,476,835
	- Investment in Federal Government securities T-Bills	3,094,860	-
	- Staff loans	180,538	-
		<u>347,011,283</u>	<u>207,309,759</u>



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		2019	2018
		-----Rupees-----	
<b>22 MARK-UP / RETURN / INTEREST EXPENSED</b>	Note		
On:			
- Deposits		5,248,483	251,727
- Leased liability		4,463,871	-
- Borrowings		61,345,022	4,762,858
		<u>71,057,376</u>	<u>5,014,585</u>
<b>23 ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other allowances etc.		132,891,512	89,769,274
Contribution to defined contribution plan		3,874,564	2,924,309
Gratuity expense	18.1	3,251,890	5,246,750
Staff welfare		893,064	589,118
Rent and taxes		-	14,511,279
Directors' fee		384,000	264,000
Printing and stationery		2,086,273	2,041,334
Communication		3,063,475	3,151,219
Office supplies		37,669	56,716
Travelling and conveyance		3,936,855	2,837,921
Insurance		3,302,711	2,618,459
Training and development		811,226	730,869
Utilities		2,711,094	2,510,668
Branch setup cost		2,150,799	2,755,506
Advertisement & publicity		406,273	393,676
Depreciation	13.1	3,272,545	2,385,085
Depreciation expense on lease assets (ROUA)	13.3	16,206,348	-
Amortization	13.2	756,191	590,599
Auditor's remuneration	23.1	738,150	809,976
Bank charges		2,085,786	1,539,394
Office cleaning and maintenance		1,073,689	1,599,567
Legal and professional fee		84,870	199,405
Fee and subscription		4,710,104	1,902,892
IT equipment and software maintenance		4,298,009	4,781,543
Others		843,976	729,249
		<u>193,871,073</u>	<u>144,938,808</u>
<b>23.1 Auditors' remuneration</b>			
Audit fee		350,000	210,000
Provident fund audit fee		30,000	60,000
Half yearly review fee		125,000	95,000
Tax services		111,500	158,976
Certification fee		35,140	203,000
Public sector code of corporate governance- report fee		38,500	35,000
Out of pocket (interim)		48,010	48,000
		<u>738,150</u>	<u>809,976</u>
<b>24 OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		-	796,500

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	2019	2018
	-----Rupees-----	
<b>25 TAXATION</b>		
For the year		
- current	23,677,311	14,969,096
- deferred	(3,766,551)	100,056
	<u>19,910,760</u>	<u>15,069,152</u>
For the prior year's		
- current	(98,018)	(1,190,578)
- deferred	(3,325,100)	-
	<u>(3,423,118)</u>	<u>(1,190,578)</u>
	<u>16,487,642</u>	<u>13,878,574</u>

**25.1 Relationship between tax expense and accounting profit**

Profit before tax	<u>68,657,792</u>	<u>51,962,595</u>
Tax at the tax rate of 29%	19,910,760	14,969,096
Effects of:		
- prior year	(3,423,118)	(1,190,578)
- reduce rate difference	-	-
- others	-	100,056
Tax expense	<u>16,487,642</u>	<u>13,878,574</u>

**26 EARNINGS PER SHARE**

**Basic**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

		2019	2018
		-----Rupees-----	
<b>26.1 Profit for the year</b>	<b>A</b>	<u>52,170,150</u>	<u>38,084,021</u>
		(Number)	(Number)
Weighted average ordinary shares	<b>B</b>	<u>75,000,000</u>	<u>75,000,000</u>
		-----Rupees-----	
Earnings per share	<b>A/B</b>	<u>0.70</u>	<u>0.51</u>

**Diluted**

There is no dilution effect on the basic earnings per share of the Bank as on December 31, 2019 (2018: Nil).

	Note	2019	2018
		-----Rupees-----	
<b>27 CASH AND CASH EQUIVALENTS</b>			
Cash in hand	9	737,313	534,674
Cash and balances with SBP and NBP	9	12,913,074	12,881,438
Balances with other banks	10	332,486,158	255,910,462
Investment - net of provisions		<u>250,000,000</u>	<u>100,000,000</u>
		<u>596,136,545</u>	<u>369,326,574</u>

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28 NUMBER OF EMPLOYEES

	Credit /Sales Staff	Banking Staff	Total
2019	-----Number-----		
Permanent	215	123	338
Contractual	40	1	41
Total number of employees	<u>255</u>	<u>124</u>	<u>379</u>
2018	-----Number-----		
Permanent	155	47	202
Contractual	64	2	66
Total number of employees	<u>219</u>	<u>49</u>	<u>268</u>
Average number of employees during the year	<u>324</u>	<u>242</u>	

29 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related Parties	Note	Holding Company	Key Management Personnel	Directors	Associates	Fund managed by the Bank
2019	----- Rupees -----					
<b>Balance with related party</b>						
<b>Sindh Bank Limited</b>						
Deposits in daily saving account		81,174,073	-	-	-	-
Rent payable		37,500	-	-	-	-
<b>Sindh Insurance Limited</b>						
Premium payable		-	-	-	15,431	-
Staff loan	29.2	-	18,307,086	-	-	-
Deposit of a relative of key management personnel	29.1	-	965,718	-	-	-
<b>Transaction with related party</b>						
<b>Sindh Bank Limited</b>						
Mark-up / return / interest earned		3,779,105	-	-	-	-
Mark-up / return / interest expensed		4,806,634	-	-	-	-
Bank charges		302,000	-	-	-	-
Rent paid		262,500	-	-	-	-
<b>Sindh Insurance Limited</b>						
Insurance premium paid		-	-	-	3,482,473	-
Remuneration paid to executive staff		-	39,266,192	-	-	-
Directors meeting fee	32	-	-	345,000	-	-
Interest on staff loan	21	-	180,538	-	-	-
Contribution to provident fund	23	-	-	-	-	3,874,564
Provision for gratuity	18.1	-	-	-	-	3,251,890



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Related Parties	Note	Holding Company	Key Management Personnel	Directors	Associates	Fund managed by the Bank
2018 ----- Rupees -----						
<b>Balance with related party</b>						
<b>Sindh Bank Limited</b>						
Deposits in daily saving account		31,744,411	-	-	-	-
Borrowing	17.1	76,522,815	-	-	-	-
Interest payable on borrowing		1,564,984	-	-	-	-
<b>Sindh Insurance Limited</b>						
Premium Payable		-	-	-	1,354,886	-
<b>Transaction with related party</b>						
<b>Sindh Bank Limited</b>						
Mark-up / return / interest earned		1,519,204	-	-	-	-
Mark-up / return / interest expensed	22	4,762,858	-	-	-	-
<b>Sindh Insurance Limited</b>						
Insurance premium Paid		-	-	-	2,126,360	-
Remuneration paid to executive staff		-	24,143,050	-	-	-
Directors meeting fee	32	-	-	264,000	-	-
Contribution to provident fund	23	-	-	-	-	2,924,309
Provision for gratuity	18.1	-	-	-	-	5,246,750

**29.1** The balance includes Rs. 965,718 (2018: Rs.500,000) of spouse of key management personal of the Bank in ordinary course of business.

**29.2** As detailed in note 12.5, the facility carries annual markup at the rate 3% and 4% on amounts of Rs. 15 million and Rs. 4 million respectively and is repayable through 88 monthly instalments. This facility is secured against the mortgage over the underlying property and lien over the employee's terminal benefits.

	2019	2018
	-----Numbers-----	
<b>30 NUMBER OF BRANCHES</b>		
At the beginning of the year	13	10
Opened during the year	4	3
Closed during the year	-	-
	17	13
<b>31 NUMBER OF SERVICE CENTERS</b>		
At the beginning of the year	47	40
Opened during the year	11	7
Closed during the year	-	-
	58	47

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**32 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

	2019			2018		
	Rupees			Rupees		
	CEO	Director	Executive	CEO	Director	Executive
-Managerial remuneration	8,970,000	-	12,165,348	6,987,500	-	4,677,114
-House rent allowance	4,036,500	-	5,474,400	3,144,375	-	2,104,701
-Medical allowance	897,000	-	1,216,536	698,750	-	467,711
-Utilities allowance	897,000	-	1,216,536	698,750	-	467,711
-Contribution to PF	897,000	-	1,216,536	698,750	-	487,329
-Directors fee	-	345,000	-	-	264,000	-
-Bonus	1,370,417	-	908,919	1,083,333	-	360,682
-Others	-	39,000	-	888,310	-	1,378,034
	<b>17,067,917</b>	<b>384,000</b>	<b>22,198,275</b>	<b>14,199,768</b>	<b>264,000</b>	<b>9,943,282</b>
Number of persons at year end	<b>1</b>	<b>4</b>	<b>7</b>	<b>1</b>	<b>4</b>	<b>3</b>

32.1 Executive means employees, other than the chief executive officer and directors, whose basic salary exceed Rs. 1,200,000 in a financial year.

32.2 The President / Chief Executive Officer is entitled to use bank maintained car and perquisites in accordance with the terms of his appointment.

**33 DEFINED CONTRIBUTION PLAN**

**33.1 Disclosures relating to Provident fund**

	2019	2018
	(un-audited)	(audited)
	-----Rupees-----	
Size of the fund	16,855,828	8,887,197
Cost of the investments made	14,000,000	6,287,000
Percentage of investments made	83%	71%
Fair value of investments	14,000,000	6,287,000
Break-up of investments		
TDR's	-	6,287,000
Government securities – T-Bills	14,000,000	-
Receivable from Sindh Microfinance Bank Limited	602,282	512,490
Bank balances	2,253,546	2,087,707
	<b>16,855,828</b>	<b>8,887,197</b>

Investments out of Provident Fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.







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**34.2 Credit risk management**

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 advance. The bank has an effective loan disbursement and recovery monitoring system which allow it to evaluate borrowers' credit worthiness and identify potential problem loans. Provision for loan losses is maintained as required by the Prudential Regulation.

In summary, the maximum exposure to credit risk as at reporting date was as follows:

	Note	2019	2018
		-----Rupees-----	
Bank balances	9 & 10	334,410,865	255,910,462
Advances - net of provisions	12	849,973,816	583,101,762
Investment - net of provisions	11.2	600,000,000	100,000,000
Other assets	14	29,501,812	32,450,674
		<u>1,813,886,493</u>	<u>971,462,898</u>

**34.3 Liquidity risk management**

Liquidity risk is the risk of being unable to raise funds at a reasonable price to meet commitment when they fall due or take the advantage of investment opportunities when they rise. The management ensure that funds are available at all times to meet the funding requirements of the Bank.

As at the reporting date the Bank's financial liabilities have contractual maturities as summarized below:

2019	Effective yield / interest rate	Upto one year	Over one year	Total
Deposits and other accounts	8 - 14.60	126,446,866	-	126,446,866
Borrowings	11.86 - 14.60	50,000,000	750,000,000	800,000,000
Other liabilities		53,339,446	37,598,917	90,938,363
		<u>229,786,312</u>	<u>787,598,917</u>	<u>1,017,385,229</u>
<b>2018</b>				
Deposits and other accounts	4 - 12.15	77,769,113	-	77,769,113
Borrowings	3M Kibor+1.5	76,522,815	-	76,522,815
Other liabilities		10,710,259	-	10,710,259
		<u>165,002,187</u>	<u>-</u>	<u>165,002,187</u>

**34.4 Interest risk measurement**

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rate. The risk is managed by regular review of market rates.

Sensitivity analysis of interest rate risk on financial assets and liabilities is presented below:

	Note	2019	2018
		-----Rupees-----	
Net financial assets	34.1	<u>916,814,763</u>	<u>811,410,273</u>
Effect on profit and loss account			
Interest rate + 100 bps		<u>9,168,148</u>	<u>8,114,103</u>
Interest rate - 100 bps		<u>(9,168,148)</u>	<u>(8,114,103)</u>

**34.5 Fair value measurement**

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

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).

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

**Financial instrument in level 1**

Currently, no financial instruments are classified in level 1.

**Financial instrument in level 2**

Currently, no financial instruments are classified in level 2.

**Financial instrument in level 3**

Currently, no financial instruments are classified in level 3.

The fair value of assets and liabilities except for staff loan and non-performing advances, their carrying values since these assets and liabilities are either short term in nature or frequently repriced in case of customer loan and deposits.

The fair value of staff loan cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The provision for non-performing advances is calculated in accordance with the Bank's accounting policy as stated in policy note.



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**35 MATURITIES OF ASSETS AND LIABILITIES**

	2019				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	-----Rupees-----				
<b>Market rate assets</b>					
Advances	864,362,104	115,031,468	477,641,516	255,740,187	15,948,933
Investments	619,095,360	200,000,000	319,095,360	100,000,000	-
Other earning assets	361,311,698	351,538,273	9,773,425	-	-
<b>Total market rate assets</b>	<b>1,844,769,162</b>	<b>666,569,741</b>	<b>806,510,301</b>	<b>355,740,187</b>	<b>15,948,933</b>
Other non-earning assets	17,639,314	11,725,680	-	2,600,979	3,312,655
<b>Total assets</b>	<b>1,862,408,476</b>	<b>678,295,421</b>	<b>806,510,301</b>	<b>358,341,166</b>	<b>19,261,588</b>
<b>Market rate liabilities</b>					
Time deposits of Rs.100,000 and above	118,151,105	103,743,105	-	-	14,408,000
Time deposits below Rs.100,000	1,211,427	-	11,009	1,200,418	-
Borrowing	800,000,000	50,000,000	-	-	750,000,000
Other cost bearing liabilities	8,591,867	-	-	715,547	7,876,320
<b>Total market rate liabilities</b>	<b>927,954,399</b>	<b>153,743,105</b>	<b>11,009</b>	<b>1,915,965</b>	<b>772,284,320</b>
Other non- cost bearing liabilities	89,950,676	59,516,700	711,379	-	29,722,597
<b>Total liabilities</b>	<b>1,017,905,075</b>	<b>213,259,805</b>	<b>722,388</b>	<b>1,915,965</b>	<b>802,006,917</b>

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2018

	Total	Upto one month	Rupees		Over one year
			Over one month upto six months	Over six months upto one year	
<b>Market rate assets</b>					
Advances	589,666,316	80,805,603	289,241,517	187,211,677	32,407,519
Investments	100,000,000	100,000,000	-	-	-
Other earning assets	255,910,462	255,910,462	-	-	-
<b>Total market rate assets</b>	<b>945,576,778</b>	<b>436,716,065</b>	<b>289,241,517</b>	<b>187,211,677</b>	<b>32,407,519</b>
Other non-earning assets	64,441,704	13,416,112	-	-	51,025,592
<b>Total assets</b>	<b>1,010,018,482</b>	<b>450,132,177</b>	<b>289,241,517</b>	<b>187,211,677</b>	<b>83,433,111</b>
<b>Market rate liabilities</b>					
Time deposits of Rs.100,000 and above	(965,231,905)	26,898,267	50,000,000	100,000	-
Time deposits below Rs.100,000	770,846	-	-	770,846	-
Borrowing	76,522,815	76,522,815	-	-	-
Other cost bearing liabilities	-	-	-	-	-
<b>Total market rate liabilities</b>	<b>154,291,928</b>	<b>103,421,082</b>	<b>50,000,000</b>	<b>870,846</b>	<b>-</b>
Other non- cost bearing liabilities	11,175,708	11,175,708	-	-	-
<b>Total liabilities</b>	<b>165,467,636</b>	<b>114,596,790</b>	<b>50,000,000</b>	<b>870,846</b>	<b>-</b>

36 CAPITAL RISK MANAGEMENT

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 and comply with capital requirement set by SBP. It is the policy of the Bank to maintain a strong capital base at reasonable cost so as to maintain investors, creditor and market confidence, sustained future development of the business and achieve low overall cost of the capital with appropriate mix of cost of capital. The impact of the level of capital on shareholders return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with higher gearing and the advantages and security afforded by a sound capital position.

As per amendments in Prudential Regulations (R-1) issued 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 at December 31, 2019, the paid up share capital of the Bank stood at Rs. 750 million (2018: Rs. 750 million).

The capital of the Bank is managed keeping in view the minimum Capital Adequacy Ratio CAR (15%) required by the Prudential Regulations for the Microfinance Banks / Institutions. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank. The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank conducts business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organization.

The Bank manages its capital structure and makes adjustments to it in 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, 2019, the Bank's Capital adequacy ratio (CAR) is approximately 77.33% (2018: 114.88%) of its weighted exposure, as against the minimum requirement of 15% prescribed by SBP.

37 COMPARATIVE FIGURES

Items presented in the statement of financial position as at December 31, 2018 have been reclassified to confirm to current year's presentation.

	Note	Before classification	Reclassification	After classification
<b>Balances with other Banks/NBFIs/MFBs</b>				
Local currency deposit account	10	255,910,462	(6,703,156)	249,207,306
<b>Cash and balances with SBP and NBP</b>				
Balances with National Bank of Pakistan	9	-	6,703,156	6,703,156
		<u>255,910,462</u>	<u>-</u>	<u>255,910,462</u>
<b>Mark-Up/ Return/ Interest Earned</b>				
Term deposit receipts	21	25,984,927	(25,984,927)	-
Deposits / Placements with Banks / MFB etc.	21	6,491,908	25,984,927	32,476,835
		<u>32,476,835</u>	<u>-</u>	<u>32,476,835</u>

38 SUBSEQUENT EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date and date of authorization.

39 DATE OF AUTHORIZATION

These financial statements were authorized for issue on \_\_\_\_\_ by the Board of Directors of the Bank. *R.M.*

\_\_\_\_\_  
 President & Chief Executive

\_\_\_\_\_  
 Chief Financial Officer

\_\_\_\_\_  
 Chairman

\_\_\_\_\_  
 Director

\_\_\_\_\_  
 Director