

Director's Review

On behalf of the Board of Directors, I am pleased to present the unaudited condensed interim financial information of the Bank for the Quarter ended March 31, 2018.

Financial Highlights

The bank managed to achieve satisfactory results and continued to provide banking facilities to poor people through it expanded branch network in underserved and unserved areas of the province

During the first quarter ended on March 31, 2018, Bank posted a profit after taxation of Rs.7.84 million as compared to Rs.2.50 million recorded in the same corresponding period last year, registering a increase of 214%.

Key figures	2018 (Jan-Mar)	2017 (Jan-Mar)	Growth %
Interest / Mark up	44.91	22.22	102
Admin Expenses	32.67	17.83	83
Profit after Taxation	7.84	2.50	214
Disbursements	141.17	83.68	69
No. of Borrowers	5,371	4,071	32
No. of Br. / Sc.	10/40	5/20	100

Net interest income of the bank increased by 102% to reach Rs. 44.91 million as compared to Rs. 22.22 million recorded in corresponding period last year. Bank was able to serve 5,371 clients with an amount of 141.17 million in the first quarter of 2018 as against an amount of Rs. 83.682 disbursed to 4,071 customers in the corresponding period last year.

Bank continues to strengthen its presence in the markets place. As of March 31, 2018, Bank operates through 50 Branches and Service centres and continued to upgrade its touch point infrastructure to provide a better customer experience.

Future Outlook

Sindh Microfinance Bank aims to pursue a comprehensive strategy for growing business, developing new products and improving profitability of established branches. To achieve its objective, five more branches and 21 Service Centres are planned to be opened in the year 2018.

Acknowledgement

The Board would like to place on record its deep appreciation to the State Bank of Pakistan for providing assistance and guidance. It would also like to thank the Securities and Exchange Commission of Pakistan and other regulatory bodies for their support to us. We would like to express our gratitude to our valued customers, business partners and especially Sindh Bank Ltd. for their continued patronage and trust. Moreover, we would also like to acknowledge the dedication, commitment and hard work put in by our entire team of employees led by CEO whose talents, unreserved effort and commitment placed the Bank to greater heights.

On behalf of the Board of Directors,



Shoaib Arif
President / CEO

SINDH MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT MARCH 31, 2018

		March 31, 2018	Dec 31, 2017
	Note	(Un-audited)	(Audited)
-----Rupees-----			
ASSETS			
Cash and balances with SBP and NBP	6	1,474,227	1,005,398
Balances with other banks	7	379,917,818	423,921,212
Lending to financial institutions		-	-
Investment -net of Provision		-	-
Advances - net of provisions	8	427,794,184	338,388,828
Operating fixed assets	9	8,479,506	9,012,416
Other assets	10	33,025,657	31,577,415
Deferred tax assets		-	-
Total assets		850,691,391	803,905,269

LIABILITIES

Deposits and other accounts	11	368,859	1,373,112
Borrowings	12	39,800,346	-
Subordinated debt		-	-
Other liabilities	13	2,938,353	2,729,942
Deferred tax liabilities-net	14	342,700	403,533
Total liabilities		43,450,258	4,506,587

NET ASSETS

807,241,133	799,398,682
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REPRESENTED BY:

Share Capital	15	750,000,000	750,000,000
Statutory and General Reserves		11,448,225	9,879,735
Depositors' Protection Fund		2,862,057	2,469,934
Unappropriated Profit		42,930,851	37,049,013
		807,241,133	799,398,682
Surplus/(deficit) on revaluation of assets		-	-
Deferred grants		-	-
TOTAL EQUITY		807,241,133	799,398,682

MEMORANDUM/OFF BALANCE SHEET ITEMS

The annexed notes 1 to 21 form an integral part of these condensed interim financial information.



 President / Chief Executive Officer



 Chairman



 Director



 Director

SINDH MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018

		Year to Date March 31, 2018	Quarter ended March 31, 2018	Year to Date March 31, 2017	Quarter ended March 31, 2017
	Note	-----Rupees-----			
Mark-up/return/interest earned	17	45,130,338	45,130,338	22,224,584	22,224,584
Mark-up/return/interest expensed		(215,076)	(215,076)	-	-
Net Mark-up/Interest Income		44,915,262	44,915,262	22,224,584	22,224,584
Provision against non-performing loans and advances		(902,982)	(902,982)	(604,574)	(604,574)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		(220,739)	(220,739)	(11,319)	(11,319)
		(1,123,721)	(1,123,721)	(615,893)	(615,893)
Net Mark-up/Interest Income After Provisions		43,791,541	43,791,541	21,608,692	21,608,692
NON MARK-UP/ NON INTEREST INCOME					
Fee, commission and brokerage income		-	-	-	-
Dividend income		-	-	-	-
Other income		-	-	-	-
Total non mark-up/non interest income		-	-	-	-
		43,791,541	43,791,541	21,608,692	21,608,692
NON MARK-UP/ NON INTEREST EXPENSE					
Administrative expenses	18	(32,674,944)	(32,674,944)	(17,834,250)	(17,834,250)
Other provisions/write offs		-	-	-	-
Other charges		-	-	-	-
Total non mark-up/non interest expenses		(32,674,944)	(32,674,944)	(17,834,250)	(17,834,250)
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		11,116,597	11,116,597	3,774,441	3,774,441
Taxation					
- current		(3,334,979)	(3,334,979)	(1,321,054)	(1,321,054)
- prior		-	-	-	-
- deferred		60,833	60,833	56,469	56,469
		(3,274,146)	(3,274,146)	(1,264,585)	(1,264,585)
PROFIT AFTER TAXATION		7,842,451	7,842,451	2,509,856	2,509,856
Unappropriated profit - brought forward					
Appropriations:					
Transfer to					
- statutory reserve		1,568,490	1,568,490	501,971	501,971
- capital reserve		-	-	-	-
- depositors' protection fund		392,123	392,123	125,493	125,493
- revenue reserve		-	-	-	-
Unappropriated profit - carried forward		5,881,838	5,881,838	1,882,392	1,882,392
Earnings per share - basic and diluted		0.10	0.10	0.03	0.03


The annexed notes 1 to 21 form an integral part of these condensed interim financial information.



President / Chief Executive Officer



Chairman



Director




Director

SINDH MICROFINANCE BANK LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE QUARTER ENDED MARCH 31, 2018

	Year to Date March 31, 2018	Quarter ended March 31, 2018	Year to Date March 31, 2017	Quarter ended March 31, 2017
	-----Rupees-----			
Profit after taxation for the period	7,842,451	7,842,451	2,509,856	2,509,856
Other comprehensive income:	-	-	-	-
Total Comprehensive income for the period transferred to equity	<u>7,842,451</u>	<u>7,842,451</u>	<u>2,509,856</u>	<u>2,509,856</u>


The annexed notes 1 to 21 form an integral part of these condensed interim financial information.



 President / Chief Executive Officer



 Chairman



 Director



 Director

SINDH MICROFINANCE BANK LIMITED
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
 FOR THE QUARTER ENDED MARCH 31, 2018

	Share Capital	General and Statutory Reserve	Depositors' Protection Fund	Unappropriated Profit	Total
	-----Rupees-----				
Balance as at January 01, 2017	750,000,000	5,534,666	1,383,667	20,755,006	777,673,339
Total comprehensive income for the period					
Profit after tax for the period	-	-	-	21,725,343	21,725,343
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	21,725,343	21,725,343
Transfer to statutory reserve	-	4,345,069	-	(4,345,069)	-
5% Transfer to Depositors' Protection Fund	-	-	1,086,267	(1,086,267)	-
Balance as at December 31, 2017(audited)	750,000,000	9,879,735	2,469,934	37,049,013	799,398,682
Total comprehensive income for the period					
Profit after tax for the period	-	-	-	7,842,451	7,842,451
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	7,842,451	7,842,451
Transfer to statutory reserve	-	1,568,490	-	(1,568,490)	-
5% Transfer to Depositors' Protection Fund	-	-	392,123	(392,123)	-
Balance as at March 31, 2018 (un-audited)	750,000,000	11,448,225	2,862,057	42,930,851	807,241,133


The annexed notes 1 to 21 form an integral part of these condensed interim financial information.



 President / Chief Executive Officer



 Chairman



 Director



 Director

SINDH MICROFINANCE BANK LIMITED
 CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
 FOR THE QUARTER ENDED MARCH 31, 2018

	Quarter ended March 31, 2018	Quarter ended March 31, 2017
	(Un-audited)	(Un-audited)
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	11,116,597	3,774,441
Adjustments for non cash items :		
Depreciation and amortisation	18 532,910	417,338
Provision against non-performing advances	8 902,982	604,574
Operating cash flows before changes in working capital	<u>12,552,489</u>	<u>4,796,354</u>
(Increase) / decrease in operating assets		
Lending to financial institutions	-	-
Advances	8 (90,308,338)	(60,445,571)
increase in Other assets (excluding advance taxation)	(4,217,372)	(3,151,558)
	<u>(94,525,710)</u>	<u>(63,597,129)</u>
Increase / (decrease) in operating liabilities		
Deposits and other accounts	11 (1,004,253)	(1,059,575)
Borrowing from Bank	12 39,800,346	-
Other liabilities (excluding current taxation)	208,411	(327,115)
	<u>39,004,504</u>	<u>(1,386,690)</u>
Cash generated from operations	<u>(42,968,717)</u>	<u>(60,187,465)</u>
Income tax paid	(565,848)	(975,184)
Net cash flow from operating activities	<u>(43,534,565)</u>	<u>(61,162,649)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Disposal of COI	-	100,000,000
Acquisition of operating fixed assets	-	(206,000)
Net cash flow from investing activities	<u>-</u>	<u>99,794,000</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Share Capital	-	-
Net cash flow from financing activities	<u>-</u>	<u>-</u>
Increase/(Decrease) in Cash and Cash Equivalents	<u>(43,534,565)</u>	<u>38,631,351</u>
Cash and cash equivalents at the beginning of the period	424,926,610	581,954,655
Cash and cash equivalents at the end of the period	<u>6 & 7 381,392,045</u>	<u>620,586,006</u>


The annexed notes 1 to 21 form an integral part of these condensed interim financial information.



 President / Chief Executive Officer



 Chairman



 Director



 Director

1 STATUS AND NATURE OF BUSINESS

1.1 Sindh Microfinance Bank Limited (the Bank) was incorporated on March 27, 2015 as a public Company limited by shares under the Companies Ordinance, 1984. The Bank obtained Microfinance banking license from SBP on October 16, 2015, to operate in Sindh Province. Subsequently the Bank has received the certificate of commencement of business from Securities & Exchange Commission of Pakistan (SECP) on November 30, 2015. 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 Bank operates through branches and service centers spread within the province of Sindh.

2 BASIS OF PRESENTATION

These interim condensed financial statements have been presented in accordance with the requirements of 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 Ordinance, 1984 (the Companies Ordinance) 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 SECP and SBP, the MFI Ordinance and the Companies Ordinance differ with the requirements of these standards, such provisions of SBP directive, the MFI Ordinance and the Companies Ordinance 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. Accordingly, the requirements of these standards 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 interim condensed financial statements have been prepared under the historical cost convention.

These interim condensed 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 interim condensed 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.

SINDH MICROFINANCE BANK LIMITED
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 FOR THE QUARTER ENDED MARCH 31, 2018

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 5.1 The accounting policies and the method of computation adopted in preparation of this condensed interim financial report are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2017.
- 5.2 The financial risk management objectives and policies adopted by the bank are consistent with those disclosed in the annual financial statements of the bank for the year ended 31 December 2017

	March 31st, 2018 (Un-Audited) Rupees	Dec 31st, 2017 (Audited) Rupees
6 CASH AND BALANCES WITH SBP AND NBP		
Cash in hand – local currency	310,667	280,262
Bank Balance With SBP – local currency	1,163,560	725,136
Bank Balance With NBP – local currency	-	-
	<u>1,163,560</u>	<u>725,136</u>
	<u>1,474,227</u>	<u>1,005,398</u>

- 6.1 This represents balance held with SBP to meet the requirement of maintaining a minimum balance equivalent to 5% (2017: 5%) and 10% (2017: 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.

7 BALANCES WITH OTHER BANKS

In Pakistan

- local currency current account	-	-
- local currency deposit accounts	4,917,818	23,921,212
Term deposit receipts	375,000,000	400,000,000
	<u>379,917,818</u>	<u>423,921,212</u>

8 Advances - net of provisions

	March 31,2018 (un-Audited)		Dec 31,2017-(Audited)	
	Number of loans outstanding	Amount outstanding (Rupees)	Number of loans outstanding	Amount outstanding (Rupees)
Micro Credit				
-Unsecured	28,592	432,115,337	23,221	341,806,999
-Secured	-	-	-	-
	28,592	432,115,337	23,221	341,806,999
Less : Provision held				
-General	-	(4,321,153)	-	(3,418,171)
-Specific	-	-	-	-
	-	-	-	(3,418,171)
	<u>28,592</u>	<u>427,794,184</u>	<u>23,221</u>	<u>338,388,828</u>

9 Operating Fixed Assets

Fixed assets	7,506,928	7,956,400
Intangible asset	972,578	1,056,016
	<u>8,479,506</u>	<u>9,012,416</u>

SINDH MICROFINANCE BANK LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2018

	March 31st, 2018 (Un-Audited) Rupees	Dec 31st, 2017 (Audited) Rupees
10 Other Assets		
Income/ mark-up accrued on advances	8,361,518	6,239,865
Profit receivable on TDRs	12,692,805	6,437,325
Advances, Prepayments and Deposits	8,166,351	12,326,111
Advance tax - net of provision	3,804,983	6,574,114
	<u>33,025,657</u>	<u>31,577,415</u>
11 Deposits		
- Current	342	1,100,075
- Savings	368,517	273,037
	<u>368,859</u>	<u>1,373,112</u>
12 Borrowings		
Borrowing from Bank	39,800,346	-
	<u>39,800,346</u>	<u>-</u>
12.1	Running finance facility of limit upto Rs. 500 million has been obtained from Sindh Bank Limited and secured against a demand promissory note and first hypothecation charged on the present and future current assets of the bank with 25% margin.	
13 Other liabilities		
EOBI payable	155,219	135,749
Withholding tax payable	365,067	291,580
Employees provident fund payable	442,590	396,848
Other payable	1,975,478	1,905,765
	<u>2,938,353</u>	<u>2,729,942</u>
14 DEFERED TAX LIABILITIES		
Opening Balance	403,533	407,907
Charged during the year	(60,833)	(4,374)
Closing balance	<u>342,700</u>	<u>403,533</u>
15 SHARE CAPITAL		
15.1 Authorised share capital		
Number of shares		
Ordinary shares of Rs. 10 each	1,000,000,000	1,000,000,000
	<u>100,000,000</u>	
15.2 Issued, subscribed and paid-up share capital		
Ordinary shares of Rs. 10 each fully paid in cash	750,000,000	750,000,000
	<u>75,000,000</u>	

15.3 Sindh Bank Limited is the parent bank holding 99.99% shares of Sindh Microfinance Bank Limited.

SINDH MICROFINANCE BANK LIMITED
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 FOR THE QUARTER ENDED MARCH 31, 2018

16 MEMORANDUM/OFF BALANCE SHEET ITEMS

Contingencies and commitments

There were no material contingencies and commitments as at period end.

<u>Quarter ended</u> <u>March 31, 2018</u>	<u>Quarter ended</u> <u>March 31, 2017</u>
<u>Rupees</u>	<u>Rupees</u>

17 MARK-UP / RETURN / INTEREST EARNED

On:

- Advances	36,501,913	9,253,545
- Deposits on daily savings account	503,082	2,220,229
- Certificate of deposits	0	6,750,004
- Term deposit receipts	8,125,342	4,000,806
- Letter of placements	-	-
	<u>45,130,338</u>	<u>22,224,584</u>

18 ADMINISTRATIVE EXPENSES

Salaries, wages & other allowances	23,422,641	14,212,068
Staff welfare	181,223	66,445
Rent and taxes	3,249,049	1,233,666
Directors' fee	60,000	45,000
Repair & Maintenance	206,118	130,470
Printing and stationery	671,234	248,491
Communication	657,201	392,972
Office supplies	134,265	84,925
Travelling and conveyance	669,620	387,067
Insurance	802,475	54,279
Training and development	64,710	29,945
Utilities	427,194	237,667
Advertisement	176,160	6,000
Depreciation / Amortization	532,910	417,338
Bank charges	378,023	55,482
Office cleaning & maintenance	274,788	123,535
Legal & professional fee	111,525	15,000
Fee and subscription	557,038	44,203
Others	98,770	49,697
	<u>32,674,944</u>	<u>17,834,250</u>

19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of Sindh Bank Limited (Holding company) it's subsidiary, associates, directors and key management personnel. Detail of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Balances with Sindh Bank Limited - Holding company	Not March 31, 2018 (Un-audited)	March 31, 2017 (Un-audited)
Deposit account	<u>4,942,449</u>	<u>116,687,765</u>
Running Finance facility availed	<u>39,800,346</u>	<u>-</u>

SINDH MICROFINANCE BANK LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2018

Transactions with Sindh Bank Limited

Mark-up on deposits accounts	<u>173,064</u>	<u>2,220,229</u>
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Markup Payable	<u>215,076</u>	<u>-</u>
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Director

Directors' fee	<u>60,000</u>	<u>45,000</u>
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Transactions with Sindh Insurance Limited

Insurance expense	<u>219,871</u>	<u>54,279</u>
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20 **GENERAL**

Comparative figures have been reclassified for the purposes of better comparison and presentation as follows, however, no material rearrangements / reclassifications have been made.

21 **DATE OF AUTHORIZATION**

These condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on April 27, 2018.



 President / Chief Executive Officer



 Chairman



 Director



 Director