

DIRECTORS' REVIEW

On behalf of the Board the Board of Directors, we are pleased to place before you, the Financial Statements of Sindh Microfinance Bank (SMFB) for the Nine Months ended September 30, 2018.

Financial Review

The third quarter of 2018 ended with continued strong performance in profitability on the back of a low risk and high quality loan portfolio of Rs.481M as of September 30, 2018.

During the Nine Months Period ended September 30, 2018, SMFB reported Profit before Tax (PBT) of Rs.38.9M which is a growth of 68% in 2018 over corresponding period in 2017. Earnings per share (EPS) for the Nine Months Period ended September 30, 2018 was Rs.0.37 as compared to Rs.0.20 during the same period last year.

Key Figures	Rupees in Million		
	Nine Months ended Sep 30, 2018		
	2018	2017	Growth %
Interest/Markup	144.992	82.320	76
Administrative Expenses	103.519	57.121	81
Profit after Taxation	38.885	23.156	68
Disbursements	644.132	315.950	104
No. of Borrowers (No.)	26,278	14,578	80
No. of Br./Sc.	13/47	8/31	62/52

Net interest income of the Bank improved significantly by 76% over corresponding period last year (2018: Rs.145M compared to 2017: Rs.82M). Analysis of the interest earning assets highlights that income on advances increased by Rs.81M primarily on account of deployment of funds to the core microfinance business of the Bank. On the expense side administrative expenses increased from Rs.57 M in corresponding period in 2017 to Rs.104 M in 2018; the increase is mainly due to the network expansion from 39 locations in 2017 to 60 locations in 2018.

The increase in network has also led to doubling of disbursements from Rs.316M (14,748 clients) in corresponding period in 2017 to Rs.644M (26,278 clients) in 2018. The Bank's net provision charge against non-performing loans and advances was recorded at Rs.0.242M which corresponds to Portfolio at Risk of 60 days past due of 0.13% and is one of the lowest delinquency rates for a financial institution in the country.

However, there were some external challenges during the last two quarters of 2018 in the shape of national elections 2018, political uncertainty, worsening economic conditions and drought like situation in areas of Thar region which forced SMFB to adopt a more cautious approach in portfolio growth and expansion.

Future Outlook

In the year 2018 the bank will continue its expansion in outreach in the province of Sindh from the present network of 13 branches and 47 service centers. The aim of the Bank is to achieve low cost expansion to far flung areas of the province of Sindh in order to reach the marginalized and financially excluded segment of the society and provide them with basic financial services.

In order to improve the sustainability of the Bank, focus on deposit mobilization will be increased and the bank intends to improve its funding mix with retail deposits. In the near future, however, reliance on funding's from financial institutions for portfolio growth will be high and in this regard the Bank has approached the Pakistan Microfinance Investment Corporation and the SBP Line of Credit Fund for on-lending funds for 2019 portfolio growth. The Management of the Bank is confident that funding for 2019 portfolio growth will be achieved at low cost.

Acknowledgement

We would take this opportunity to place on record deep appreciation for the sincere cooperation the Bank has received from the State Bank of Pakistan, statutory authorities, financial Institutes, our customers and especially our parent bank Sindh Bank Ltd.

We also wish to thank all the employees for their dedicated and committed service which has helped the Bank meet its strategic objectives.

For and on behalf of the Board of Directors


Shoaib Arif
President / CEO

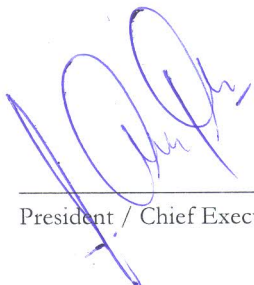
SINDH MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET - (UN-AUDITED)
AS AT SEPTEMBER 30, 2018

		September 30, 2018 (Un-audited)	December 31, 2017 (Audited)
	Note	-----Rupees-----	
ASSETS			
Cash and balances with SBP and NBP		5,152,029	1,005,398
Balances with other banks		383,260,987	423,921,212
Lending to financial institutions		-	-
Investment - net of provisions		-	-
Advances - net of provisions	6	475,934,466	338,388,828
Operating fixed assets	7	12,410,927	9,012,416
Other assets	8	47,198,860	31,577,415
Deferred tax asset - net		-	-
Total assets		923,957,269	803,905,269
LIABILITIES			
Deposits and other accounts	9	14,405,143	1,373,112
Borrowings	10	76,522,816	-
Subordinated debt		-	-
Other liabilities	11	5,392,523	2,729,942
Deferred tax liabilities - net	12	382,619	403,533
Total liabilities		96,703,101	4,506,587
NET ASSETS		827,254,168	799,398,682
REPRESENTED BY:			
Share capital	13	750,000,000	750,000,000
Statutory and General Reserves	14	15,450,832	9,879,735
Depositors' protection fund	15	3,862,709	2,469,934
Unappropriated profit		57,940,627	37,049,013
		827,254,168	799,398,682
Surplus/(deficit) on revaluation of assets		-	-
Deferred grants		-	-
TOTAL EQUITY		827,254,168	799,398,682

MEMORANDUM / OFF BALANCE SHEET ITEMS

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



 President / Chief Executive



 Chairman



 Director

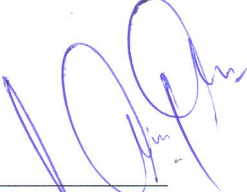


 Director

SINDH MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	Note	Nine months Ended		Quarter ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
		-----Rupees-----			
Mark-up / return / interest earned	17	148,115,012	82,320,457	52,397,915	32,595,905
Mark-up / return / interest expensed		(3,123,811)	-	(1,550,651)	-
Net mark-up / interest income		144,991,201	82,320,457	50,847,264	32,595,905
Provision against non-performing loans and advances		(1,628,065)	(1,786,846)	(92,382)	(639,593)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		(959,740)	(264,735)	(365,602)	(174,863)
		(2,587,805)	(2,051,581)	(457,984)	(814,456)
Net mark-up / interest income after provisions		142,403,396	80,268,876	50,389,280	31,781,449
NON MARK-UP/ NON INTEREST INCOME					
Fee, commission and brokerage income		-	-	-	-
Dividend income		-	-	-	-
Other income		-	8,925	-	8,800
		-	8,925	-	8,800
Total non mark-up / non interest income		142,403,396	80,277,801	50,389,280	31,790,249
NON MARKUP/ NON INTEREST EXPENSE					
Administrative expenses		(102,722,199)	(57,121,336)	(32,602,792)	(21,150,332)
Other provisions/write offs		-	-	-	-
Other charges		(796,500)	-	(796,500)	-
Total non mark-up / non interest expenses		(103,518,699)	(57,121,336)	(33,399,292)	(21,150,332)
Extra ordinary / unusual items		-	-	-	-
Profit before taxation		38,884,697	23,156,465	16,989,988	10,639,917
Taxation					
- current		(11,276,562)	(8,181,485)	(4,866,002)	(3,800,236)
- prior		-	-	-	-
- deferred		247,351	262,827	473,788	262,827
		(11,029,211)	(7,918,658)	(4,392,214)	(3,537,409)
Profit after taxation		27,855,486	15,237,807	12,597,774	7,102,508
Unappropriated profit - brought forward		37,049,013	20,755,006	-	-
Profit available for appropriation		64,904,499	35,992,813	12,597,774	7,102,508
APPROPRIATIONS :					
Transfer to					
- statutory reserve		5,571,097	3,047,561	2,519,555	1,420,502
- capital reserve		-	-	-	-
- contribution to depositors' protection fund		1,392,774	761,890	629,889	355,125
- revenue reserve		-	-	-	-
- proposed dividend		-	-	-	-
Unappropriated profit - carried forward		57,940,628	32,183,362	9,448,330	5,326,881
EARNINGS PER SHARE		0.37	0.20	0.17	0.09


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



 President / Chief Executive



 Chairman



 Director




 Director

SINDH MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	Nine months ended		Quarter ended	
	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
	-----Rupees-----			
Profit after taxation for the period	27,855,486	15,237,807	12,597,774	7,102,508
Other comprehensive income:				
Components of comprehensive income transferred to equity				
- Items that will not be reclassified to profit and loss account in subsequent periods	-	-	-	-
- Items that will be subsequently reclassified to profit and loss subsequent periods	-	-	-	-
Total Comprehensive income for the period transferred to equity	27,855,486	15,237,807	12,597,774	7,102,508
Components of comprehensive income not reflected in equity				
- Surplus/ (deficit) on revaluation of assets	-	-	-	-
- Deferred grants	-	-	-	-
Total comprehensive income for the period	27,855,486	15,237,807	12,597,774	7,102,508

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



 President / Chief Executive



 Chairman



 Director




 Director

SINDH MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	Reserve				Total
	Share capital	Capital		Revenue	
		Statutory and general reserve	Depositors' protection fund	Unappropriated profit/(loss)	
-----Rupees-----					
Balance as at June 30, 2017 (Un-audited)	750,000,000	7,161,726	1,790,432	26,856,479	785,808,637
Total comprehensive income for the period					
Profit after tax for the period	-	-	-	13,590,045	13,590,045
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	13,590,045	13,590,045
Transfer to statutory reserve	-	2,718,009	-	(2,718,009)	-
Transfer to depositors' protection fund	-	-	679,502	(679,502)	-
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	-	-	-	15,257,712	15,257,712
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	15,257,712	15,257,712
Transfer to statutory reserve	-	3,051,542	-	(3,051,542)	-
Transfer to depositors' protection fund	-	-	762,886	(762,886)	-
Balance as at June 30, 2018 (Un-audited)	750,000,000	12,931,277	3,232,820	48,492,297	814,656,394
Total comprehensive income for the period					
Profit after taxation for the period	-	-	-	12,597,774	12,597,774
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	12,597,774	12,597,774
Transfer to statutory reserve	-	2,519,555	-	(2,519,555)	-
Transfer to depositors' protection fund	-	-	629,889	(629,889)	-
Balance as at September 30, 2018 (Un-audited)	750,000,000	15,450,832	3,862,709	57,940,627	827,254,168

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



 President / Chief Executive



 Chairman



 Director




 Director

SINDH MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	September 30, 2018	September 30, 2017
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES	Note	
Profit before taxation	38,884,697	23,156,465
Adjustments for non - Cash Items :		
Depreciation and amortisation	2,133,125	1,284,035
Provision against Gratuity	1,800,000	-
Provision against non-performing advances	1,628,065	1,786,846
Operating cash flows before changes in working capital	44,445,887	26,227,346
(Increase) / decrease in operating assets		
Lending to financial institutions	-	100,000,000
Advances	(139,173,703)	(178,683,665)
Other assets (excluding advance taxation)	(18,987,302)	(21,426,626)
	(158,161,005)	(100,110,291)
(Decrease) / increase in operating liabilities		
Deposits and other accounts	13,032,031	(952,792)
Other liabilities (excluding current taxation)	862,581	1,118,695
	13,894,612	165,903
Cash (used in) / generated from operations	(99,820,506)	(73,717,042)
Income tax paid	(7,684,268)	(7,821,014)
Net cash (used in) / flow from operating activities	(107,504,774)	(81,538,056)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of operating fixed assets	7.1 (5,531,636)	(2,936,005)
Net cash used in investing activities	(5,531,636)	(2,936,005)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	-
Borrowing from Sindh bank Ltd.	76,522,816	-
Net cash flow from financing activities	76,522,816	-
Net (decrease) / increase in cash and cash equivalents	(36,513,594)	(84,474,061)
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	388,413,016	497,480,594

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



 President / Chief Executive



 Chairman



 Director



 Director

1 STATUS AND NATURE OF BUSINESS

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 the province of Sindh. Subsequently the Bank has received the certificate of commencement of business from Securities & Exchange Commission of Pakistan (SECP) on November 30, 2015, and received Letter for Commencement of Microfinance Banking Business on April 15, 2016 from SBP. The Bank registered office is situated at 39/F 2nd Floor, Muhammad Ali Cooperative Housing Society, Karachi.

The Bank principal business is to provide microfinance services to the poor and underserved segment of the society with a view to alleviate poverty under the Microfinance Institution Ordinance, 2001.

The Bank is a wholly owned subsidiary of Sindh Bank Limited.

2 BASIS OF PRESENTATION

This condensed interim financial information has been presented in accordance with the requirements of Banking Surveillance Department Circular No.11 dated December 30, 2003 issued by the State Bank of Pakistan (SBP).

3 STATEMENT OF COMPLIANCE

This condensed interim financial information have been prepared, in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting', provisions of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001, the Prudential Regulation for Microfinance Banks and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case where requirements differ, the provisions of the Companies Act, 2017, the Microfinance Institution Ordinance, 2001, the Prudential Regulation for Microfinance Banks and the said directives have been followed.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property'. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments : Disclosures' through its notification S.R.O. No. 411(I)/2008 dated April 28, 2008. 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 BSD through various circulars / regulations.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These condensed interim financial information have been prepared under the historical cost convention.

Critical accounting estimates and judgments

The preparation of these condensed interim financial information in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and assumptions are viewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2017.

SINDH MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 5.1 The accounting policies adopted in the preparation of these condensed interim financial information are consistent with those applied in the preparation of financial statements of the Bank for the year ended December 31, 2017.
- 5.2 The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed with the annual audited financial statements for the year ended December 31, 2017.

6	ADVANCES - NET OF PROVISIONS	September 30, 2018 (Un-audited)		December 31, 2017 (Audited)	
		Number of loans outstanding	Amount outstanding	Number of loans outstanding	Amount outstanding
		'----Rupees----		'---Rupees---	
	Loan type				
	<u>Micro credit</u>				
	Unsecured	34,705	480,980,702	23,221	341,806,999
	Secured	-	-	-	-
	Less: Provision held				
	- Specific provision		(241,986)		-
	- General provision		(4,804,250)		(3,418,171)
			(5,046,236)		(3,418,171)
			<u>475,934,466</u>		<u>338,388,828</u>

7	OPERATING FIXED ASSETS	September 30, 2018 (Un-audited)	December 31, 2017 (Audited)
		-----Rupees-----	
	Fixed assets -Net Book Value	9,967,815	7,956,400
	Intangible asset -Net Book Value	2,443,112	1,056,016
		<u>12,410,927</u>	<u>9,012,416</u>

7.1 Additions during the period - at cost

Office equipments	3,195,821	1,995,953
Office improvements	441,000	1,066,552
Furniture and fixtures	96,000	380,000
Intangibles	1,798,815	-
	<u>5,531,636</u>	<u>3,442,505</u>

8 OTHER ASSETS

Security deposit, prepayments & others	17,455,583	12,326,111
Interest receivable on placement	17,669,517	6,437,325
Interest receivable on advances	8,865,503	6,239,865
Advance tax - net of provision	3,208,257	6,574,114
	<u>47,198,860</u>	<u>31,577,415</u>

9 DEPOSITS

Current account	13,755,727	1,100,075
Saving account	649,416	273,037
	<u>14,405,143</u>	<u>1,373,112</u>

10 BORROWINGS

Borrowing from conventional Bank
Sindh Bank Ltd.

	<u>76,687,815</u>	-
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These facilities were availed from Sindh Banks amounting to Rs. 76.6 million (2017: Nil). The rates of mark-up is six month KIBOR plus 1.50%. This facility is secured against 25% margin on current assets of the bank in favour of Sindh bank Ltd. against running finance facility of Rs. 500 m.

		September 30, 2018	December 31, 2017
		(Un-audited)	(Audited)
-----Rupees-----			
11 OTHER LIABILITIES			
EOBI payable		81,639	135,749
Employee provident fund payable		534,718	396,848
Interest Payable to SBL-RF		1,535,093	-
Interest Payable to Depositors		5,832	-
Audit fee payable		-	175,000
Other Payable		3,235,241	2,022,345
		<u>5,392,523</u>	<u>2,729,942</u>
12 DEFERRED TAX LIABILITIES			
Opening balance		629,970	407,907
Charge during the year		(247,351)	(4,374)
Closing balance		<u>382,619</u>	<u>403,533</u>
13 SHARE CAPITAL			
13.1 Authorized capital			
	<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>
13.2 Issued, subscribed and paid-up share capital			
	<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>
14 STATUTORY AND GENERAL RESERVES			
In accordance with the requirements of the Microfinance Institution Ordinance, 2001 and the Prudential Regulations for Microfinance Banks issued by SBP (Prudential Regulations), the Bank has transferred an amount equivalent to 20% of profit after tax to the statutory and general reserves.			
15 DEPOSITORS' PROTECTION FUND			
In accordance with the requirements of the Microfinance Institution Ordinance, 2001 and the Prudential Regulations, the Bank has transferred an amount equivalent to 5% of profit after tax to the Depositors' protection fund.			
16 MEMORANDUM/OFF BALANCE SHEET ITEMS			
There are no memorandum/off balance sheet items as at the end of Sep 30, 2018 (December 31, 2017: Nil).			
		Nine months ended	Quarter ended
		September	September
		30, 2018	30, 2017
		(Un-audited)	(Un-audited)
-----Rupees-----			
17 MARK-UP/RETURN/INTEREST EARNED			
On deposits accounts and placements		22,361,508	37,664,449
On loans and advances		125,753,504	44,656,008
		<u>148,115,012</u>	<u>82,320,457</u>
		6,849,603	12,034,295
		45,548,313	20,561,610
		<u>52,397,916</u>	<u>32,595,905</u>

18 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Bank comprises of Sindh Bank Limited (holding company), associates (including entities having directors in common with the Bank), major shareholders, directors and key management personnel and their close family members.

Balances with related parties have been disclosed in their respective notes. Transactions with related parties other than those disclosed elsewhere in the condensed interim financial information are summarized as follows:

	September 30, 2018 (Un-audited)	December 31, 2017 (Audited)
	-----Rupees-----	
<u>Balances with related parties</u>		
<u>Sindh Bank Limited (the Holding Bank)</u>		
Balances in deposit accounts	28,414,884	4,338,692
Borrowing with Sindh Bank Ltd.	76,522,816	-
<u>Sindh Insurance limited (Associate)</u>		
Prepaid insurance	697,842	127,836
<u>Transactions with related parties</u>		
<u>Sindh Bank Limited (the Holding Bank)</u>		
Mark-up received on Daily Saving accounts	647,583	3,956,652
Mark up paid on Borrowing	1,573,917	-
<u>Directors</u>		
Directors' fee	201,000	135,000
<u>Sindh Insurance limited (Associate)</u>		
Insurance expense - other related party	1,721,623	383,554

19 CASH AND CASH EQUIVALENTS

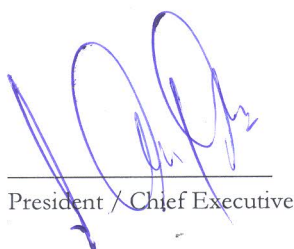
Cash and balances with SBP and NBP	5,152,029	1,054,219
Balances with other banks	133,260,987	496,426,375
	138,413,016	497,480,594

20 GENERAL

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

21 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information were approved and authorized for issue by the Board of Directors on



President / Chief Executive



Chairman



Director



Director