SINDH MICROFINANCE BANK LTD.
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT MARCH 31, 2021

	Note	(Un-Audited) March 31,2021	(Audited) Dec 31,2020
		Rupees	
ASSETS			
Cash and balances with SBP and NBP	7	**9,096,649**	14,642,105
Balances with other banks NBFIs /MFBs	8	**500,480,314**	482,914,604
Lendings to financial institutions		**-**	-
Investments - net of provisions	9	**425,000,000**	687,933,096
Advances- net of provisions	10	**691,851,771**	553,805,824
Fixed assets	11	**44,380,372**	49,364,311
Intangible assets	12	**2,808,203**	2,769,336
Other assets	13	**79,175,914**	107,810,271
		1,752,793,223	1,899,239,547
LIABILITIES			
Borrowings	14	**750,000,000**	750,000,000
Deposits and other accounts	15	**19,921,025**	139,339,899
Subordinated debt		**-**	-
Deferred tax liabilities			-
Other liabilities	16	**34,698,201**	67,148,978
		804,619,226	956,488,877
NET ASSETS		**948,173,997**	942,750,670
REPRESENTED BY			
Share capital		**750,000,000**	750,000,000
Reserves		**49,560,045**	48,204,214
Unappropriated profit		**148,613,951**	144,546,456
		948,173,997	942,750,670
			-

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

President/CEO CFO Chairman Director Director

SINDH MICROFINANCE BANK LTD.
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2021

	Note	(Un-Audited) Quarter Ended March 31,2021	(Un-Audited) Quarter Ended March 31,2020	(Un-Audited) Period Ended March 31,2021	(Un-Audited) Period Ended March 31,2020
		Rupees			
Mark-up/Return/Interest Earned	17	**79,880,690**	106,535,592	**79,880,690**	106,535,592
Mark-up/Return/Interest Expensed	18	**-14,572,213**	-24,500,567	**-14,572,213**	-24,500,567
Net Mark-up / Interest Income		**65,308,477**	82,035,024	**65,308,477**	82,035,024
Provision against non-performing advances & written off directly	19	**-5,788,675**	-7,905,012	**-5,788,675**	-7,905,012
		-5,788,675	-7,905,012	**-5,788,675**	-7,905,012
Net Mark-up / Interest Income after provisions		**59,519,802**	74,130,013	**59,519,802**	74,130,013
NON MARK-UP/INTEREST INCOME					
Other Income		**-**	-	**-**	-
Total non-markup/interest Income		**-**	-	**-**	-
Total Income		**59,519,802**	74,130,013	**59,519,802**	74,130,013
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	20	**-52,203,963**	-54,307,428	**-52,203,963**	-54,307,428
Workers Welfare Fund		**-**	-	**-**	-
Other charges		**-**	-	**-**	-
Total non-markup/interest expenses		**-52,203,963**	-54,307,428	**-52,203,963**	-54,307,428
Profit / (Loss) before provisions		**7,315,839**	19,822,585	**7,315,839**	19,822,585
Extra ordinary / unusual items (to be specified)		**-**	-	**-**	-
PROFIT/(LOSS) BEFORE TAXATION		**7,315,839**	19,822,585	**7,315,839**	19,822,585
Taxation	21	**(1,892,513)**	(5,882,580)	**(1,892,513)**	(5,882,580)
PROFIT/(LOSS) AFTER TAXATION		**5,423,327**	13,940,005	**5,423,327**	13,940,005
Earnings per share - basic and diluted		**0.07**	0.19	**0.07**	**0.19**

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

President/CEO CFO Chairman Director Director

SINDH MICROFINANCE BANK LTD.
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2021

	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
	Quaarter Ended		Period Ended	
	March 31,2021	March 31,2020	March 31,2021	March 31,2020
	-------------(Rupees)-------------			
Profit / (Loss) after taxation for the period	**5,423,327**	13,940,005	**5,423,327**	13,940,005
Other comprehensive income :	**-**	-	**-**	-
Total comprehensive income	**5,423,327**	13,940,005	**5,423,327**	13,940,005

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

President/CEO CFO Chairman Director Director

SINDH MICROFINANCE BANK LTD.
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2021

	Share Capital	General and Statutory Reserve	Depositors' Protection Fund	Unappropriated Profit	Total
	-----	-----	Rupees	-----	-----
Balance as at January 01, 2020	**750,000,000**	**27,930,569**	**6,982,643**	**104,673,450**	**889,586,661**
Total comprehensive income for the period					
Profir after tax for the period	-	-	-	52,684,481	52,684,481
Other comprehensive income - net of tax	-	-	-	479,528	479,528
Total comprehensive income for the period	-	-	-	53,164,009	53,164,009
20% Transfer to statutory reserve	-	10,632,802	-	(10,632,802)	-
5% Transfer to Depositors' Protection Fund	-	-	2,658,200	(2,658,200)	-
Balance as at December 31, 2020(audited)	**750,000,000**	**38,563,371**	**9,640,843**	**144,546,456**	**942,750,670**
Total comprehensive income for the period					
Profir after tax for the period	-	-	-	5,423,327	5,423,327
Other comprehensive income - net of tax	-	-	-		-
Total comprehensive income for the period		-	-	5,423,327	5,423,327
20% Transfer to statutory reserve	-	1,084,665	-	(1,084,665)	-
5% Transfer to Depositors' Protection Fund	-	-	271,166	(271,166)	-
Balance as at March 31, 2021 (un-audited)	**750,000,000**	**39,648,036**	**9,912,009**	**148,613,951**	**948,173,997**

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

President/CEO	CFO	Chairman	Director	Director

SINDH MICROFINANCE BANK LTD.
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2021

	Note	Quarter ended March 31,2021	Quarter ended March 31,2020
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		**7,315,839**	19,822,585
Adjustments:			
Depreciation		**5,065,934**	5,301,927
Amortization		**274,133**	258,902
Provision against non performing advances		**5,203,912**	7,445,965
IFRS-9		**74,249**	-
IFRS-16		**511,339**	933,813
		11,129,566	13,940,607
		18,445,405	33,763,191
(Increase)/ Decrease in operating assets			
Advances	*8*	**(143,413,598)**	45,143,154
Others assets (excluding advance taxation)		**32,052,449**	(13,231,051)
		(111,361,149)	31,912,103
Increase/ (Decrease) in operating liabilities			
Borrowings from financial institutions		**-**	(50,000,000)
Deposits	*13*	**(119,418,874)**	(107,425,891)
Other liabilities (excluding current taxation)		**(32,450,777)**	(26,740,294)
		(151,869,651)	(184,166,185)
Payments against off-balance sheet obligations			
Income tax paid		**(5,732,453)**	(8,370,727)
Net cash flow generated from / (used in) operating activities		**(250,517,848)**	(126,861,618)
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in operating fixed assets	*9.1*	**(394,994)**	(398,000)
Net cash flow generated from / (used in) investing activities		**(394,994)**	(398,000)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of Share capital		**-**	-
Net cash flow from / (used in) financing activities		**-**	-
Effects of exchange rate changes on cash and cash equivalents			
Increase / (Decrease) in cash and cash equivalents		**(250,912,842)**	(127,259,618)
Cash and cash equivalents at beginning of the period		**1,185,489,805**	965,231,905
Cash and cash equivalents at end of the period	*6-7*	**934,576,963**	837,972,287

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

President/CEO CFO Chairman Director Director

SINDH MICROFINANCE BANK LTD.
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED MARCH 31, 2021

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 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 (2020: 17) branches and 58 (2020: 58) service centers.

2 BASIS OF PREPARATION

2.1 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 SECP and SBP, the MFI Ordinance and the Companies Act differ with the requirements of these standards, such provisions of SBP directive, the MFI Ordinance and the Companies Act shall prevail.

2.2 The condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2020.

3 SIGNIFICANT ACCOUNTING POLICIES

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 2020.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this condensed interim unconsolidated financial information is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2020.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2020

6 CHANGES IN ACCOUNTING POLICIES AND TRANSITION DISCLOSURES

IFRS 9 Financial Instruments

Effective January 01, 2021, the Bank has adopted the International Financial Reporting Standard (IFRS) 9, "Financial Instruments" (IFRS 9 / the Standard). As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition (i.e January 01, 2021), were recognised in the opening retained earnings as of the transition date.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly impacted disclosures related to financial instruments.

Set out below are disclosures relating to the impact of the adaptation of IFRS 9 on the Bank. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in note 6 below:

a) Classification and measurement of financial instruments

	Reporting under framework as defined in note 3	
Financial assets	**Measurment category**	**Carrying amount**
Advances - net of provisions	Amortised cost	691,851,771
Other assets	Amortised cost	79,175,914
		771,027,685

b) Reconciliation of reported statement of financial position balances to IFRS 9

The Bank has performed a detailed analysis of its business models for managing financial assets and analysis of their contractual cash flows and has classified the financial instruments accordingly.

The following table reconciles the carrying amount of financial assets, from their previous measurement category in accordance with the framework prescribed by the State Bank of Pakistan to their new measurement categories upon transition to IFRS 9.

Measurement category	Carrying amount as reported under current financial reporting framework as at March 31, 2021	Reclassification	Remeasurement	Revised carrying amount reporting under framework as defined in note 3
Financial assets at amortised cost				
Advances - net				
Opening balance	655,215,433	-	-	-
Reclassification of mark up receivable from other assets on adoption of IFRS 9	-	36,710,587	-	-
Reversal of regulatory provision	-		11,030,007	-
Remeasurement allowance: ECL	-	-	(11,104,256)	-
Closing balance	-	-	-	691,851,771
Other assets				
Opening balance	115,886,501	-	-	-

Reclassification of mark up receivable on adoption of IFRS 9	-	(36,710,587)		-
Remeasurement allowance: ECL			-	-
Closing balance	-	-	-	79,175,914

c) Reconciliation of reported impairment allowance balance to IFRS 9

Measurement category	Provision under Prudential Regulations	Reclassificatio n	Remeasurement	Expected crdit loss allowance under IFRS 9
Advances - net of provisions	(11,030,007)	-	(74,249)	(11,104,256)

c) Reconciliation of accumulated loss

The impact of transition to IFRS 9 on accumulated loss as at March 31, 2021 is as follows:

Closing balance under local regulations (March 31, 2021)	148,688,200
Impact of adoption of IFRS - 9	(74,249)
Closing balance under IFRS 9 (March 31, 2021)	**148,613,951**

6.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (EXTRACTS)

The preparation of these proforma financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 6.1.2.3, which also sets out key sensitivities of the ECL to

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward - looking scenarios for each type of product / market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 6.1.2.3

6.2 FINANCIAL RISK MANAGEMENT (EXTRACTS)

The following section discusses the Bank's risk management policies. The measurement of ECL under IFRS 9 uses the information and approaches that the Bank uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed separately in note 6.1.2.

6.3 Credit risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from both direct lending activities but can also arise from credit enhancements provided, such as financial guarantees, endorsement and acceptances.

6.3.1 Credit risk measurement

Loans and advances (incl. loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). Refer to note 6.1.2 for more details.

Credit risk management processes encompass identification, assessment, measurement, monitoring and control of Bank's exposure to credit risk. The Bank's credit risk management philosophy is based on Bank's overall business strategy / direction as established by the Board. The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly analysed, fully disclosed to the approving authorities and appropriately quantified, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Bank has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by the Board. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasising prudence in lending activities and ensuring the high quality of asset portfolio.

6.3.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit - impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 6.1.2.1 for a description of how the Bank determines when a significant increase in credit risk has occurred.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 6.1.2.2 for a description of how the Bank defines credit - impaired and default.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 6.1.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward - looking information. Note 6.1.2.4 includes an explanation of how the Bank has incorporated this in its ECL models.

- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

Further explanation is also provided of how the Bank determines appropriate groupings when ECL is measured on a collective basis (refer to note 6.1.2.5.)

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

6.3.2.1 Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

- Loan facilities that are past due for 30 days and above but less than 90 days (back stop indicator);

Qualitative criteria:

- Where the loan does not meet the definition of credit impaired and the loan has been restructured / renegotiated (which does not result in modification of financial asset) by the Bank due to credit difficulties faced by the customer.

The assessment of SICR incorporates forward-looking information (refer to note 6.1.2.4 for further information) and is performed on a quarterly basis at a portfolio level by the Bank. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Risk Department.

Definition of default and credit-impaired assets

6.3.2.2 (a) Definition of default:

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

The borrower is 90 days past due on its contractual payments.

Further, the following qualitative criteria has been determined for assessment of default.

- The Bank considers that the obligor is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if held).

- The obligor is past due more than 90 days on any material credit obligation to the banking group.

- The Bank makes a charge-off or account-specific provision resulting from a perceived decline in credit quality subsequent to the Bank taking on the exposure.

- The Bank sells the credit obligation at a material credit-related economic loss.

- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees.

- The Bank has filed for the obligor’s bankruptcy or a similar order in respect of the obligor’s credit obligation to the banking group.

- The obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation to the banking group.

6.3.2.3 Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the

- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). The expected amount to be drawn up is computed after adjustment of the appropriate credit conversion factor (CCF).

- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment / refinance assumptions are also incorporated into the calculation.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.

6.3.2.4 Forward - looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (economic scenario) provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the

In addition to the base economic scenario, the Bank also uses other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-monthor lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible

6.3.2.5 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the Bank to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal / external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

6.3.3 Credit risk exposure

6.3.3.1 Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

	March 2021				
	ECL Staging			Purchased credit impaired	Total
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL		
Gross carrying amount	#######	4,378,157.30	6,974,259.80	-	666,245,439.92
Reclassification of Accrued Int	#######				36,710,587.00
Loss allowance	#######	1,082,901.00	1,693,488.00	-	11,104,257.00
Carrying amount	#######	3,295,256.30	5,280,771.80	-	691,851,769.92

6.3.3.3 Collateral and other credit enhancements

The Bank incorporates the impact of collateral recovery in its impairment model by incorporating the fair value of security in the LGD.

6.3.4 Loss allowance

The loss allowance recognised in the year is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit - impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de - recognised in the period;

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;

- Impacts on the measurement of ECL due to changes made to models and assumptions;

- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;

- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and

- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 6.1.5).

6.3.5 Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

SINDH MICROFINANCE BANK LTD.
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED MARCH 31, 2021

	Un-Audited March 31,2021	Audited Dec 31,2020
	Rupees	
7 CASH AND BALANCES WITH SBP AND NBP		
In hand		
Local currency	**840,600**	1,020,493
Foreign currency	**-**	-
	840,600	1,020,493
With State Bank of Pakistan in		
Local currency current account	**8,256,049**	13,621,612
Local currency deposit account (to be specified)		
	8,256,049	13,621,612
	9,096,649	14,642,105
8 BALANCES WITH OTHER BANKS NBFIS /MFBS		
In Pakistan		
In deposit accounts	**500,480,314**	482,914,604
	500,480,314	482,914,604
9 Investments - net of provisions		
Term Deposit Certificate	**425,000,000**	675,000,000
Treasury Bills	**-**	12,933,096
	425,000,000	687,933,096

10 ADVANCES - NET OF PROVISIONS

	Note	After IFRS 9 Impact March-2021 Number of loans outstanding	After IFRS 9 Impact March-2021 Amount outstanding	Before IFRS 9 Impact March-2021 Number of loans outstanding	Before IFRS 9 Impact March-2021 Amount outstanding
		Rupees		Rupees	
Micro credit	10.1	38,441	666,245,440	38,441	666,245,440
Accrued Interest on Loans			36,710,587		
Less: Provision held					
- Specific	10.2		(4,770,284)		(4,770,284)
- General			(6,259,724)		(6,259,724)
			(11,030,007)		(11,030,007)
Reversal of Regulatory Provision held			11,030,007		
Expected Credit Loss as per IFRS 9			(11,104,256)		
		3		3	
			691,851,771		655,215,433

10.1 All advances are secured by personal guarantees

10.2 Particulars of provision against non-performing advances

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

	March 2021 Specific	March 2021 General	March 2021 Total
	Rupees		
Opening balance	908,713	5,280,141	6,188,854
Charge		979,583	979,583
on non-performing advances	4,224,329		4,224,329
Reversals			-
	4,224,329	979,583	5,203,912
Written off	(362,758)	-	(362,758)
Closing balance - As reported under local regulations	4,770,284	6,259,724	11,030,008
Reversal of regulatory provision	(4,770,284)	(6,259,724)	(11,030,008)
Expected Credit Loss as per IFRS-9	(11,104,256)	-	(11,104,256)
	(11,104,256)	**-**	**(11,104,256)**

SINDH MICROFINANCE BANK LTD.
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED MARCH 31, 2021

		Un-Audited March 31,2021	Audited Dec 31,2020
		Rupees	
11	**FIXED ASSETS**		
	Property and equipment	**18,040,431**	19,261,522
	Right of use assets (ROUA)	**26,339,941**	30,102,789
		44,380,372	49,364,311

11.1 Additions to fixed assets

The following additions have been made to fixed assets during the period:

Property and equipment

Furniture and fixture	**-**	-
Office Equipments	**294,994**	264,000
Vehicles		-
Others		134,000
Intangible	**100,000**	
Total	**394,994**	398,000

12	**INTANGIBLE ASSETS**		
	Computer Software	**2,808,203**	2,769,336
		2,808,203	2,769,336

		Un-Audited March 31,2021	Audited Dec 31,2020
		Rupees	
13	**OTHER ASSETS**		
	Income/ Mark-up accrued on Advances	**-**	28,589,637
	Income/ Mark-up accrued on TDRs	**46,146,712**	48,521,918
	Advances, deposits, advance rent and other prepayments	**11,309,693**	12,819,146
	Advance taxation (payments less provisions)	**17,841,264**	14,423,170
	Deferred Tax Assets	**3,878,244**	3,456,398
	Other Assets - total	**79,175,914**	107,810,269
14	**BORROWINGS**		
	Borrowings from State Bank of Pakistan Under LOCF	**750,000,000**	750,000,000
		750,000,000	750,000,000

15 DEPOSITS AND OTHER ACCOUNTS

	Un-Audited		Audited	
	March 31, 2021		December 31, 2020	
	In Local Currency	Total	In Local Currency	Total
	Rupees			
Customers				
Current deposits	**3,335,543**	**3,335,543**	298,424	298,424
Savings deposits	**2,163,123**	**2,163,123**	4,622,153	4,622,153
Term deposits	**14,408,000**	**14,408,000**	14,408,000	14,408,000
Others	**-**	**-**	-	-
	19,906,666	**19,906,666**	19,328,577	19,328,577
Financial Institutions				
Current deposits	**-**	**-**		-
Savings deposits	**14,359**	**14,359**	11,322	11,322
Term deposits	**-**	**-**	120,000,000	120,000,000
	14,359	**14,359**	120,011,322	120,011,322
	19,921,025	**19,921,025**	139,339,899	139,339,899

16 OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency	**12,523,893**	24,119,290
Accrued expenses	**3,467,166**	7,777,027
Audit Fee	**479,167**	350,000
Payable to defined benefit plan	**1,195,000**	12,581,199
Payable to defined contribution plan	**773,277**	834,524
Lease liability against right of use assets	**16,259,697**	21,486,938
	34,698,200	67,148,978

17 MARK-UP/RETURN/INTEREST EARNED

On:

Loans and advances	**51,303,918**	77,257,471
Lendings to financial institutions/ T-Bills	**15,017,459**	19,239,015
Balances with banks	**13,559,314**	10,039,106
	79,880,690	106,535,592

18 MARK-UP/RETURN/INTEREST EXPENSED

On:

Deposits	**1,608,548**	1,625,033
Lease of ROUA	**511,339**	933,813
Borrowings	**12,452,327**	21,941,721
	14,572,213	24,500,567

		(Un-Audited)	(Un-Audited)
		Quarter Ended	
		March 31,2021	March 31,2020
		Rupees	
19	**PROVISIONS & WRITE OFFS - NET**		**5,278,161**
	Provisions against loans & advances	**5,203,912**	7,445,965
	Provisions against -IFRS-09	**74,249**	-
	Bad debts written off directly	**510,514**	459,047
		5,788,675	7,905,012
20	**OPERATING EXPENSES**		
	Total compensation expense	**37,474,722**	39,421,229
	Property expense		
	Insurance	**1,016,646**	1,095,798
	Utilities cost	**787,648**	613,398
	Repair & maintenance (including janitorial charges)	**647,196**	540,243
		2,451,490	2,249,439
	Information technology expenses		
	Software maintenance & Others IT Expenses	**1,110,094**	776,713
	Amortisation	**274,133**	258,902
		1,384,227	1,035,615
	Other operating expenses		
	Directors' fees and allowances	**60,000**	110,000
	Legal & professional charges	**36,000**	15,000
	Entertainment	**491,150**	482,680
	Travelling & conveyance	**1,408,782**	1,456,203
	Depreciation	**5,065,934**	5,301,927
	Training & development	**44,018**	142,042
	Communication	**973,423**	1,093,715
	Stationery & printing	**412,874**	972,602
	Marketing, advertisement & publicity	**78,167**	58,000
	Fee & Subscription	**1,594,514**	1,231,148
	Bank Charges	**474,395**	532,694
	Office Supplies	**25,640**	80,134
	Others	**228,628**	125,000
		10,893,524	11,601,145
		52,203,963	54,307,428
21	**TAXATION**		
	Current	**2,118,496**	6,088,726
	Deferred	**(225,983)**	(206,146)
		1,892,513	5,882,580
22	**BASIC EARNINGS/ (LOSS) PER SHARE**		
	Profit for the period	**5,423,327**	13,940,005
	Weighted average number of ordinary shares	**75,000,000**	75,000,000
	Basic earnings per share	**0.07**	0.19

23 RELATED PARTY TRANSACTIONS

Balance with related party	MARCH-21					December-20				
	Holding Company	Key Management Personal	Directors	Associates	Fund managed by the bank	Holding Company	Key Management Personal	Directors	Associates	Fund managed by the bank
Sindh Bank Limited										
Deposits in Current /Daily Saving Account	7,100,748	-	-	-		75,049,927	-	-	-	
Rent Payable	37,500					37,500				
Sindh Insurance ltd.										
Premium payable				-					1,516,599	
Staff loan		29,158,932					29,432,947			
Deposit of a relative of Key management staff		2,007					2,007			

Transaction with related party

Balance with related party	MARCH-21					MARCH-20				
	Holding Company	Key Management Personal	Directors	Associates	Fund managed by the bank	Holding Company	Key Management Personal	Directors	Associates	Fund managed by the bank
Sindh Bank Limited										
Mark-up / return / interest earned	302,237					1,137,004				
Mark-up / return / interest expensed	-					-				
Sindh Insurance ltd.										
Insurance premium Exp				922,234					788,091	
Remuneration paid to executive staff		7,592,832	-				7,408,577	-		
Directors meeting fee		-	60,000				-	110,000		
Interest on Staff Loan		252,052					145,396			
Contribution to provident fund					1,271,795					1,019,327
Gratuity					1,200,000					1,200,000

24 **SUBSEQUENT EVENTS**

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

25 **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue on ____________ by the Board of Directors of the Bank.

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

____________	____________	____________	____________	____________
President/CEO	CFO	Chairman	Director	Director