

# **Sindh Microfinance Bank Limited**

**Review of Condensed Interim Financial Statements  
For the Half Year ended June 30, 2022**

**Naveed Zafar Ashfaq Jaffery & Co.**  
Chartered Accountants

A member firm of



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**INDEPENDENT AUDITORS' REVIEW REPORT**  
**To the members of Sindh Microfinance Bank Limited**  
**Report on Review of Condensed Interim Statement of Financial Position**

**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Sindh Microfinance Bank Limited (the Bank) as at June 30, 2022, and the related condensed interim statement of profit or loss for the half year then ended, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and the notes to the condensed interim financial statement for the six-month period then ended (here-in-after referred to as "condensed interim financial statements"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for the interim financial reporting. Our responsibility is to express a conclusion on the condensed interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with the International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by Independent Auditor of the Entity". A review of condensed interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The engagement partners on the audit resulting in this independent auditors' report is **Shah Saeed Naveed**.

Place: Islamabad

Date: \_\_\_\_\_

**Naveed Zafar Ashfaq Jaffery & Co.**  
Chartered Accountants

**SINDH MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (Un-Audited)**  
**AS AT JUNE 30, 2022**

	Note	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
		Rupees	
<b>ASSETS</b>			
Cash and balances with SBP and NBP	7	23,351,905	22,899,322
Balances with other banks/ NBFIs /MFBs	8	338,712,499	452,604,262
Lending to financial institutions		-	-
Investments	9	30,016,021	475,585,381
Advances- net of provisions	10	1,204,167,510	944,464,927
Operating fixed assets	11	88,573,068	88,345,333
Other assets	12	110,023,648	100,204,945
Deferred tax asset	13	1,666,341	1,253,008
<b>Total assets</b>		<b>1,796,510,992</b>	<b>2,085,357,178</b>
<b>LIABILITIES</b>			
Deposits and other accounts	14	408,947,736	271,022,792
Borrowings	15	310,000,000	750,000,000
Subordinated debt		-	-
Other liabilities	16	89,469,167	94,986,876
Deferred tax liabilities		-	-
<b>Total liabilities</b>		<b>808,416,903</b>	<b>1,116,009,668</b>
<b>NET ASSETS</b>		<b>988,094,089</b>	<b>969,347,510</b>
<b>REPRESENTED BY</b>			
Share capital		750,000,000	750,000,000
Statutory reserves		47,782,062	44,032,746
Depositors' Protection Fund		11,945,516	11,008,187
Unappropriated profit		178,366,511	164,306,577
<b>Total capital</b>		<b>988,094,089</b>	<b>969,347,510</b>
<b>MEMORANDUM / OFF-BALANCE SHEET ITEMS</b>	17	-	-

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

  
 \_\_\_\_\_  
 President / CEO

  
 \_\_\_\_\_  
 CFO

  
 \_\_\_\_\_  
 Chairman

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director



**SINDH MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-Audited)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2022**

Note	Half year ended		Quarter ended		
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	
<b>Rupees</b>					
<b>MARK-UP/ INTEREST INCOME</b>					
Mark-up/ return/ interest earned	18	213,679,622	166,916,366	106,445,529	87,035,675
Mark-up/ return/ interest expensed	19	(50,455,005)	(28,059,936)	(22,876,345)	(13,487,722)
<b>Net mark-up/ interest income</b>		<b>163,224,617</b>	<b>138,856,430</b>	<b>83,569,184</b>	<b>73,547,953</b>
Provision against non-performing loans and advances		(7,232,090)	(10,247,876)	(4,737,701)	(4,969,715)
Bad debts written-off directly		(1,064,193)	(1,065,975)	(546,024)	(555,461)
		<b>(8,296,283)</b>	<b>(11,313,851)</b>	<b>(5,283,725)</b>	<b>(5,525,176)</b>
<b>Net mark-up/ interest income after provisions</b>		<b>154,928,334</b>	<b>127,542,579</b>	<b>78,285,459</b>	<b>68,022,777</b>
<b>NON MARK-UP/NON INTEREST INCOME</b>					
Other Income		-	-	-	-
Total non-markup/ non-interest income		-	-	-	-
		<b>154,928,334</b>	<b>127,542,579</b>	<b>78,285,459</b>	<b>68,022,777</b>
<b>NON MARK-UP/ NON INTEREST EXPENSES</b>					
Administrative expenses	20	(129,129,795)	(111,642,120)	(68,379,129)	(59,438,156)
Other provisions/ write offs		-	-	-	-
Other charges		(41,000)	-	-	-
Total non-markup/ non-interest expenses		<b>(129,170,795)</b>	<b>(111,642,120)</b>	<b>(68,379,129)</b>	<b>(59,438,156)</b>
		<b>25,757,539</b>	<b>15,900,459</b>	<b>9,906,330</b>	<b>8,584,621</b>
Extra ordinary / unusual items		-	-	-	-
<b>PROFIT FOR THE PERIOD BEFORE</b>		<b>25,757,539</b>	<b>15,900,459</b>	<b>9,906,330</b>	<b>8,584,621</b>
Taxation	21	(7,010,960)	(3,479,040)	(2,374,707)	(1,586,527)
<b>PROFIT FOR THE PERIOD AFTER TAXATION</b>		<b>18,746,579</b>	<b>12,421,419</b>	<b>7,531,623</b>	<b>6,998,094</b>
Unappropriated profit brought forward		<b>164,306,577</b>	<b>144,546,456</b>	<b>164,306,577</b>	<b>144,546,456</b>
<b>Profit available for appropriations</b>		<b>183,053,156</b>	<b>156,967,875</b>	<b>171,838,200</b>	<b>151,544,550</b>
<b>APPROPRIATIONS - TRANSFERS TO:</b>					
Statutory reserve		(3,749,316)	(2,484,284)	(2,664,651)	(2,484,284)
Depositors' protection fund		(937,329)	(621,071)	(666,163)	(621,071)
		<b>(4,686,645)</b>	<b>(3,105,355)</b>	<b>(3,330,814)</b>	<b>(3,105,355)</b>
Unappropriated profit carried forward		<b>178,366,511</b>	<b>153,862,520</b>	<b>168,507,386</b>	<b>148,439,195</b>
<b>Earnings per share - basic and diluted</b>	22	<b>0.19</b>	<b>0.12</b>	<b>0.06</b>	<b>0.05</b>

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

  
 President / CEO

  
 CFO

  
 Chairman

  
 Director

  
 Director

**SINDH MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-Audited)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2022**

	Half year ended		Quarter ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	Rupees			
Profit for the period after taxation	18,746,579	12,421,419	7,531,623	6,998,094
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>18,746,579</b>	<b>12,421,419</b>	<b>7,531,623</b>	<b>6,998,094</b>

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

17/6/2022

  
 \_\_\_\_\_  
 President / CEO

  
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 CFO

  
 \_\_\_\_\_  
 Chairman

  
 \_\_\_\_\_  
 Director





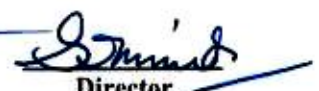
  
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 Director

**SINDH MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-Audited)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2022**

	Share Capital	Statutory Reserve	Depositors' Protection Fund	Unappropriated Profit	Total
	Rupees				
<b>Balance as at 31 December 2020</b>	<b>750,000,000</b>	<b>38,563,371</b>	<b>9,640,843</b>	<b>144,546,456</b>	<b>942,750,670</b>
<b>Total comprehensive income for the half year ended 30 June 2021</b>					
Profit for the period after taxation	-	-	-	12,421,419	12,421,419
Other comprehensive income	-	-	-	-	-
				12,421,419	12,421,419
<b>Transfers to</b>					
Statutory reserve	-	2,484,284	-	(2,484,284)	-
Depositors' Protection Fund	-	-	621,071	(621,071)	-
	-	2,484,284	621,071	(3,105,355)	-
<b>Balance as at 30 June 2021</b>	<b>750,000,000</b>	<b>41,047,655</b>	<b>10,261,914</b>	<b>153,862,520</b>	<b>955,172,089</b>
<b>Total comprehensive income for the half year ended 31 December 2021</b>					
Profit for the period after taxation	-	-	-	14,925,456	14,925,456
Other comprehensive income	-	-	-	(750,035)	(750,035)
				14,175,421	14,175,421
<b>Transfers to</b>					
Statutory reserve	-	2,985,091	-	(2,985,091)	-
Depositors' Protection Fund	-	-	746,273	(746,273)	-
	-	2,985,091	746,273	(3,731,364)	-
<b>Balance as at 31 December 2021</b>	<b>750,000,000</b>	<b>44,032,746</b>	<b>11,008,187</b>	<b>164,306,577</b>	<b>969,347,510</b>
<b>Total comprehensive income for the half year ended 30 June 2022</b>					
Profit for the period after taxation	-	-	-	18,746,579	18,746,579
Other comprehensive income	-	-	-	-	-
				18,746,579	18,746,579
<b>Transfers to</b>					
Statutory reserve	-	3,749,316	-	(3,749,316)	-
Depositors' Protection Fund	-	-	937,329	(937,329)	-
	-	3,749,316	937,329	(4,686,645)	-
<b>Balance as at 30 June 2022</b>	<b>750,000,000</b>	<b>47,782,062</b>	<b>11,945,516</b>	<b>178,366,511</b>	<b>988,094,089</b>

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

12/06/2022

**President / CEO**      **CFO**      **Chairman**      **Director**      **Director**



**SINDH MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (Un-Audited)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2022**

Note	Half year ended	
	June 30, 2022	June 30, 2021
Rupees		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	25,757,539	15,900,459
Profit for the period before taxation		
<b>Adjustments:</b>		
	3,496,270	2,852,457
Depreciation and amortisation of operating fixed assets	7,799,423	7,525,696
Depreciation of right of use asset	2,400,000	2,400,000
Provision for defined benefit plan	3,964,683	885,404
Interest on lease liability	7,232,090	10,247,877
Provision against non performing advances	1,064,193	1,065,975
Bad debts written off directly	25,956,659	24,977,409
Operating cash flows before changes in working capital	51,714,198	40,877,868
<b>(Increase)/ decrease in operating assets</b>		
Advances	10 (267,998,866)	(160,278,539)
Others assets	12 (6,938,070)	20,369,106
	(274,936,936)	(139,909,433)
<b>Increase/ (decrease) in operating liabilities</b>		
Deposits and other accounts	14 137,924,944	(122,140,662)
Other liabilities	16 (845,807)	(4,370,894)
	137,079,137	(126,511,556)
Taxes paid	(10,304,917)	(11,544,605)
<b>Net cash flow used in operating activities</b>	<b>(96,448,518)</b>	<b>(237,087,726)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in / accrued interest on held to maturity securities - net	(4,430,640)	687,933,096
Purchase of operating fixed assets	(8,245,388)	(1,872,640)
<b>Net cash flow (used in) / generated from investing activities</b>	<b>(12,676,028)</b>	<b>686,060,456</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	15 (440,000,000)	-
Payment/remeasurement of lease liability	(14,314,634)	(11,401,539)
<b>Net cash flow used in financing activities</b>	<b>(454,314,634)</b>	<b>(11,401,539)</b>
<b>Increase/ (decrease) in cash and cash equivalents</b>	<b>(563,439,179)</b>	<b>437,571,191</b>
Cash and cash equivalents at the beginning of the period	925,503,584	497,556,709
Cash and cash equivalents at the end of the period	7 & 8 362,064,405	935,127,900
<b>Cash and cash equivalents comprise of the following:</b>		
Cash and balances with SBP and NBP	23,351,905	15,492,074
Balances with other banks/ NBFIs/ MFBs	338,712,499	919,635,825
	362,064,403	935,127,899

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

  
 \_\_\_\_\_  
 President / CEO

  
 \_\_\_\_\_  
 CEO

  
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 Chairman

  
 \_\_\_\_\_  
 Director

  
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 Director

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-Audited)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2022**

**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 (repealed by Companies Act, 2017). The Bank obtained the 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 a wholly owned subsidiary of Sindh Bank Limited (the 'Holding Bank'). The Bank operates through branches and service centers spread across the province of Sindh, the network of branches and service centers comprise of 18 (December 31, 2021: 17) branches and 64 (December 31, 2021: 58) service centers.

**2 BASIS OF PREPARATION & STATEMENT OF COMPLIANCE**

- 2.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting includes, International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as notified under the Companies Act 2017; the directives issued by the SBP and the SECP, the provisions and directives issued under the Microfinance Institution Ordinance, 2001 (the MFI Ordinance), the Companies Act, 2017 (the 'Companies Act') and 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, wherever the directives issued by the SBP and the SECP differ with the requirements of IFRS, the requirements of the MFI Ordinance, the Companies Act, 2017 and the said directives shall prevail.
- 2.2 The SBP vide BSD Circular No. 10, dated August 26, 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 July 10, 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.
- 2.3 The SBP vide BPRD Circular No. 03 of 2022, dated July 05, 2022 has further extended the date of implementation of IFRS 9 'Financial Instruments' to January 1, 2024 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.
- 2.4 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 December 31, 2021. Comparative statement of financial position is extracted from the audited annual financial statements as of December 31, 2021, whereas comparative condensed statement of profit and loss account, condensed interim statement of other comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from unaudited condensed interim financial information for half year ended June 30, 2021.



**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-Audited)**

**3 BASIS OF MEASUREMENT**

**3.1 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.

**3.2 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 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 December 31, 2021.

**5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The basis for accounting estimates adopted in the preparation of this condensed interim financial information is the same as that applied in the preparation of the audited financial statements for the year ended December 31, 2021.

**6 RISK MANAGEMENT**

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the audited financial statements for the year ended December 31, 2021.

	Note	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
		Rupees	
<b>7 CASH AND BALANCES WITH SBP AND NBP</b>			
Cash-in hand - local currency		697,663	763,708
Balance with State Bank of Pakistan in local currency current account	7.1	17,665,785	17,422,260
Balance with National Bank of Pakistan in local currency deposit account	7.2	4,988,457	4,713,354
		<b>23,351,905</b>	<b>22,899,322</b>

**7.1** This represents balance held with SBP to meet the requirement of maintaining a minimum balance equivalent to 5% (December 31, 2021: 5%) and 10% (December 31, 2021: 10%) as liquidity reserve against the Bank's time and demand liabilities with a tenure of less than one year, in accordance with the regulations R-3A and R-3B of the Prudential Regulations for microfinance banks.

**7.2** This represents the balance held in a saving account carrying interest at the average rate of 8.5%. (December 31, 2021, 6.25%) per annum.

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**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-Audited)**

	Note	June 30, 2022 (Un-Audited)	December 31, 2021 (Audited)		
<u>Rupees</u>					
<b>8 BALANCES WITH OTHER BANKS/ NBFIS /MFBS</b>					
In Pakistan					
- Local currency accounts	8.1 & 8.2	338,712,499	452,604,262		
		<u>338,712,499</u>	<u>452,604,262</u>		
<b>8.1</b>	This includes an amount of Rs. 35,083,231 maintained in the daily product saving accounts with the Sindh Bank Limited (the Holding Company of the Bank).				
<b>8.2</b>	This represents the balance held in a saving accounts carrying interest at the rate ranging from 12.50% to 16.00% (December 31, 2021, 8.25% to 11.75%) per annum.				
	Note	June 30, 2022 (Un-Audited)	December 31, 2021 (Audited)		
<u>Rupees</u>					
<b>9 INVESTMENT - net of provision</b>					
<b>Held to maturity (HTM)</b>					
- Federal Government Security					
-Market Treasury Bill	9.1 & 9.2	30,016,021	25,585,381		
- Term Deposits receipts (TDRs)		-	450,000,000		
		<u>30,016,021</u>	<u>475,585,381</u>		
<b>9.1</b>	This represents the market treasury bill held with SBP to meet the requirement of maintaining a minimum balance equivalent to 10% of demand and time liabilities less than one year (December 31, 2021: 10%) as liquidity reserve of the Bank's time and demand deposits with a tenure of less than one year, in accordance with the regulation number R-3B of the prudential regulations.				
<b>9.2</b>	This represents market treasury bill carrying interest at the rate ranging from 15.00% (December 31, 2021: 11.22%).				
	Note	<u>June 30, 2022 (Un-Audited)</u>		<u>December 31, 2021 (Audited)</u>	
		Number of loans outstanding	Amount of loans outstanding (In Rupees)	Number of loans outstanding	Amount of loan outstanding (In Rupees)
<b>10 ADVANCES - NET OF PROVISIONS</b>					
<b>Loan type:</b>					
<b>Micro Credit</b>					
Unsecured		63,129	1,190,114,848	53,981	929,130,544
Secured		8	1,666,661	9	1,744,226
<b>Staff loans</b>					
Advances - net of provisions		3	32,983,898	3	26,955,964
		<u>63,140</u>	<u>1,224,765,407</u>	<u>53,993</u>	<u>957,830,734</u>
<b>Less: Provision held</b>					
Specific	10.1		(8,836,718)		(4,145,513)
General	10.2		(11,761,179)		(9,220,294)
			<u>(20,597,897)</u>		<u>(13,365,807)</u>
<b>Advances (net of provisions)</b>		<u>63,140</u>	<u>1,204,167,510</u>	<u>53,993</u>	<u>944,464,927</u>

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-Audited)**

**10.1 Particulars of Non-Performing Loans**

Advances include Rs. 40,753,844 (December 31, 2021: Rs. 10,611,601) which as detailed below, have been placed under non-performing status.

Category of Classification	June 30, 2022 (Un-Audited)		
	Amount Outstanding	Provisions Required	Provisions Held
	Rupees		
OAEM	25,090,257	-	-
Substandard	2,110,225	527,556	527,556
Doubtful	10,488,400	5,244,200	5,244,200
Loss	3,064,962	3,064,962	3,064,962
	<u>40,753,844</u>	<u>8,836,718</u>	<u>8,836,718</u>

Category of Classification	December 31, 2021 (Audited)		
	Amount Outstanding	Provisions Required	Provisions Held
	Rupees		
OAEM	1,766,315	-	-
Substandard	1,529,368	382,342	382,342
Doubtful	7,105,493	3,552,746	3,552,746
Loss	210,425	210,425	210,425
	<u>10,611,601</u>	<u>4,145,513</u>	<u>4,145,513</u>

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

**10.3 Particulars of provision against non-performing advances**

	June 30, 2022 (Un-Audited)		
	Specific	General	Total
	Rupees		
Opening balance	4,145,513	9,220,294	13,365,807
Charge for the period	4,691,205	2,540,885	7,232,090
Amounts written off	-	-	-
Closing balance	<u>8,836,718</u>	<u>11,761,179</u>	<u>20,597,897</u>

	December 31, 2021 (Audited)		
	Specific	General	Total
	Rupees		
Opening balance	908,713	5,280,141	6,188,854
Charge for the period	9,214,845	3,940,153	13,154,998
Amounts written off	(5,978,045)	-	(5,978,045)
Closing balance	<u>4,145,513</u>	<u>9,220,294</u>	<u>13,365,807</u>

Note	June 30, 2022 (Un-Audited)	December 31, 2021 (Audited)
Rupees		

**10.4 Particulars of write offs:**

Against provision	-	5,978,045
Directly charged to profit and loss account	<b>10.5</b>	2,296,714
	<u>1,064,193</u>	<u>8,274,759</u>

**10.5** This represents write-offs against unsecured micro credit advances which were not recovered due to the deceased borrowers.

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**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-Audited)**

	Note	June 30, 2022 (Un-Audited)	December 31, 2021 (Audited)
Rupees			
<b>11 OPERATING FIXED ASSETS</b>			
Property and equipment		22,499,454	17,257,492
Right of use assets (ROUA)		64,169,066	68,690,449
Intangible assets		1,904,548	2,397,392
		88,573,068	88,345,333
<b>11.1 Additions to operating fixed assets</b>			
The following additions have been made to fixed assets during the period:			
<b>Operating Fixed Assets</b>			
Furniture and fixtures		30,000	-
Office equipments		5,777,888	2,792,811
Vehicles		2,234,000	-
Others		165,000	76,986
Intangible		38,500	-
		8,245,388	2,869,797
<b>12 OTHER ASSETS</b>			
Income/ Mark-up accrued on advances		62,551,453	61,158,246
Income/ Mark-up accrued on term deposit receipts		-	619,178
Advances, deposits, prepayments and other receivables		19,744,100	13,580,060
Advance taxation (payments less provisions)		27,728,095	24,847,461
		110,023,648	100,204,945
<b>13 DEFERRED TAX ASSETS / (LIABILITES) - Net</b>			
<b>Deferred tax assets arising on account of temporary deductible difference in:</b>			
- Provision against advances and other assets		5,973,390	3,876,084
- Employee defined benefit plan		473,512	1,476,303
- Lease finance facility		14,305,554	16,356,404
		20,752,455	21,708,791
<b>Deferred tax liabilities arising on account of temporary taxable difference in:</b>			
- Operating fixed assets		(477,086)	(865,444)
- Right to use assets		(18,609,029)	(19,561,887)
- Other comprehensive income - gratuity payable		-	(28,452)
		(19,086,115)	(20,455,783)
Deferred tax assets - net		1,666,341	1,253,008

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**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-Audited)**

	Note	June 30, 2022 (Un-Audited)		December 31, 2021 (Audited)	
		Number of accounts	Rupees	Number of accounts	Rupees
<b>14 DEPOSITS AND OTHER ACCOUNTS</b>					
Fixed deposits	14.2		142,020,000		250,000,000
Saving deposits	14.3	118,072	266,803,691	103,095	20,898,159
Current deposits		11	124,045	11	124,633
		<u>118,083</u>	<u>408,947,736</u>	<u>103,106</u>	<u>271,022,792</u>

**14.1 Particulars of Deposits by Ownership**

	June 30, 2022 (Un-Audited)	Rupees	December 31, 2021 (Audited)	Rupees
Individual Depositors	118,082	144,883,647	103,105	21,006,214
Institutional Depositors				
- Corporation/ Firms etc.	-	-	-	-
- Banks & Financial Institutions	1	264,064,089	1	250,016,578
	<u>1</u>	<u>264,064,089</u>	<u>1</u>	<u>250,016,578</u>
	<u>118,083</u>	<u>408,947,736</u>	<u>103,106</u>	<u>271,022,792</u>

**14.2** This representative term deposits having tenure ranging from 3 months to 36 months (December 31, 2021: 06 month) carrying interest rate ranging from 10.94% to 17.00% (December 31, 2021: 13%) per annum.

**14.3** These are remunerative saving deposits of corporate and individual clients are carrying interest rate ranging from 8.50% to 17.50% per annum (December 31, 2021: 8% to 13.25%).

	Note	June 30, 2022	December 31,
		(Un-Audited)	2021 (Audited)
		Rupees	
<b>15 BORROWINGS</b>			
Borrowings from State Bank of Pakistan	15.1	<u>310,000,000</u>	<u>750,000,000</u>

**15.1** The Bank obtained borrowing from the State Bank of Pakistan under its line of credit fund Scheme (SBP-LOCF). 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% and the second tranche of Rs. 640.78 million was received at a markup rate of six months KIBOR - 1%. The interest on the facility is payable bi-annually and the principle can be repaid within 5 years by 2024.

During the period, principal repayment of Rs. 109.22 million was made against the SBP\_LOCF first tranche and Rs. 330.78 million against the SBP-LOCF second tranche.

	Note	June 30, 2022	December 31,
		(Un-Audited)	2021 (Audited)
		Rupees	
<b>16 OTHER LIABILITIES</b>			
Mark-up/ Return/ Interest payable in local currency		28,742,285	27,181,307
Accrued expenses		8,980,713	4,734,954
Audit Fee		783,876	645,000
Payable to defined benefit plan		1,632,799	5,095,699
Payable to defined contribution plan		-	928,520
Lease liability against right of use assets		<u>49,329,495</u>	<u>56,401,393</u>
		<u>89,469,168</u>	<u>94,986,873</u>

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-Audited)**

**17 MEMORANDUM / OFF BALANCE SHEET ITEMS**

There are no contingencies as at June 30, 2022 (December 31, 2021: Nil).

	<u>Half year ended</u>		<u>Quarter ended</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
	<u>Rupees</u>			
<b>18 MARK-UP/RETURN/INTEREST EARNED</b>				
Mark-up/ interest/ gain on:				
Advances	174,490,183	114,625,346	90,336,988	63,321,428
Investments in Government Securities	1,431,247	71,903	723,677	4,999
Deposit accounts/ placement with other banks/FIs/MFBs etc.	37,758,192	52,219,117	15,384,864	23,709,248
	<u>213,679,622</u>	<u>166,916,366</u>	<u>106,445,529</u>	<u>87,035,675</u>
<b>19 MARK-UP/RETURN/INTEREST EXPENSED</b>				
Deposits	18,440,715	2,131,519	9,840,954	522,971
Borrowings	28,049,607	25,043,013	11,090,505	12,590,686
Interest on lease liability	3,964,683	885,404	1,944,886	374,065
	<u>50,455,005</u>	<u>28,059,936</u>	<u>22,876,345</u>	<u>13,487,722</u>
<b>20 OPERATING EXPENSES</b>				
Total compensation expense	92,163,671	82,258,783	46,942,767	44,784,061
<b>Property expense</b>				
Insurance	1,877,936	1,849,957	1,146,897	833,311
Utilities cost	2,233,312	1,905,673	1,550,061	1,118,025
Repair & maintenance	1,269,796	1,074,054	767,577	426,858
	<u>5,381,044</u>	<u>4,829,684</u>	<u>3,464,535</u>	<u>2,378,194</u>
<b>Information technology expenses</b>				
Software maintenance and other IT expenses	1,853,499	2,208,855	712,854	824,628
<b>Other operating expenses</b>				
Directors' fees and allowances	347,760	230,000	117,760	170,000
Legal and professional charges	72,000	72,000	36,000	36,000
Entertainment	805,943	756,191	250,765	265,041
Travelling and conveyance	3,801,487	2,600,722	2,066,683	1,191,940
Depreciation	11,295,693	10,378,153	6,419,831	5,312,219
Training and development	514,776	208,833	269,677	164,815
Audit fee	287,376	210,556	287,376	210,556
Communication	2,096,907	1,848,930	968,973	875,507
Stationery and printing	1,214,215	949,546	781,756	536,672
Marketing, advertisement and publicity	151,098	109,620	63,099	31,453
Fee and Subscription	6,716,317	2,753,081	4,568,467	1,158,567
Bank Charges	1,251,715	917,274	670,592	442,879
Office Supplies	11,890	32,950	(24,195)	7,310
Others	1,164,404	1,276,942	782,189	1,048,314
	<u>29,731,581</u>	<u>22,344,798</u>	<u>17,258,973</u>	<u>11,451,273</u>
	<u>129,129,795</u>	<u>111,642,120</u>	<u>68,379,129</u>	<u>59,438,156</u>

*MFB/2022*



**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-Audited)**

	Half year ended		Quarter ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	Rupees			
<b>21 TAXATION</b>				
Current	7,424,283	3,818,475	2,273,581	1,699,979
Deferred	(413,323)	(339,435)	101,126	(113,452)
	<u>7,010,960</u>	<u>3,479,040</u>	<u>2,374,707</u>	<u>1,586,527</u>
<b>22 EARNINGS PER SHARE - BASIC</b>				
Profit for the period after taxation	18,746,579	12,421,419	7,531,623	6,998,094
Less: Statutory reserve	(3,749,316)	(2,484,284)	(2,664,651)	(2,484,284)
Depositors' protection fund	(937,329)	(621,071)	(666,163)	(621,071)
	<u>(4,686,645)</u>	<u>(3,105,355)</u>	<u>(3,330,814)</u>	<u>(3,105,355)</u>
Profit attributable to equity shareholders	<u>14,059,934</u>	<u>9,316,064</u>	<u>4,200,809</u>	<u>3,892,739</u>
Weighted average number of ordinary shares	<u>75,000,000</u>	<u>75,000,000</u>	<u>75,000,000</u>	<u>75,000,000</u>
Earnings per share - basic (Rupees)	<u>0.19</u>	<u>0.12</u>	<u>0.06</u>	<u>0.05</u>

**Diluted**

There is no dilutive effect on the basic earnings per share of the Bank. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Bank has no dilutive equity instruments.

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-Audited)**

**23 RELATED PARTY TRANSACTIONS**

The Bank's related parties comprise of President, Directors, Executives, Shareholders, Entities over which the Directors are able to exercise significant influence and employees retirement funds. The detail of significant transactions with the related parties during the half year ended 30 June 2022 and the balances outstanding at that date are as follows:

Balances with related parties	June 30, 2022 (Un-Audited)					December 31, 2021 (Audited)				
	Holding Company	Key Management Personnel	Directors	Associates	Funds managed by the Bank	Holding Company	Key Management Personnel	Directors	Associates	Funds managed by the Bank
<b>Sindh Bank Limited</b>										
Balances with Bank	35,083,231	-	-	-	-	36,751,419	-	-	-	-
<b>Sindh Insurance Limited</b>										
Claim Receivable	-	-	-	34,731	-	-	-	-	-	-
Staff loan	-	32,983,898	-	-	-	-	26,955,964	-	-	-
Deposits	-	2,007	-	-	-	-	5,507	-	-	-
Transactions with related parties	For the half year ended June 30, 2022 (Un-Audited)					For the half year ended June 30, 2021 (Un-Audited)				
	Holding Company	Key Management Personnel	Directors	Associates	Funds managed by the Bank	Holding Company	Key Management Personnel	Directors	Associates	Funds managed by the Bank
<b>Sindh Bank Limited</b>										
Mark-up / return / interest earned	1,928,921	-	-	-	-	615,215	-	-	-	-
<b>Sindh Insurance Ltd.</b>										
Insurance premium	-	-	-	1,028,557	-	-	-	-	1,141,057	-
Directors meeting fee	-	-	347,760	-	-	-	-	230,000	-	-
Interest on staff loan	-	410,821	-	-	-	-	500,711	-	-	-
Contribution to provident fund	-	-	-	-	2,686,855	-	-	-	-	2,611,722
Gratuity	-	-	-	-	2,400,000	-	-	-	-	2,400,000

H28/2020

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-Audited)**

**24 GENERAL**

**24.1** Amounts in these financial statements have been rounded off to the nearest rupee except stated otherwise.

**24.2** Corresponding figures have been reclassified, wherever necessary, to facilitate comparisons. However, there were no significant reclassifications during the period to report.

**25 DATE OF AUTHORIZATION**

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

17/3/20

  
\_\_\_\_\_  
President / CEO

  
\_\_\_\_\_  
CEO

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director