



**SINDH MICROFINANCE BANK LTD**  
**سندھ مائیکرو فنانس بینک لمیٹڈ**

**Interim Condensed Quarterly Account  
(January-March 2017)**

**SINDH MICROFINANCE BANK LIMITED**  
**INTERIM CONDENSED BALANCE SHEET (UN-AUDITED)**  
**AS AT MARCH 31, 2017**

	Note	March 31, 2017 (Un-audited)	Dec 31, 2016 (Audited)
-----Rupees-----			
<b>ASSETS</b>			
Cash and balances with SBP and NBP	6	3,898,241	1,949,600
Balances with other banks	7	616,687,765	580,005,055
Lending to financial institutions	8	-	100,000,000
Investment -net of Provision		-	-
Advances - net of provisions	9	128,498,068	68,657,071
Operating fixed assets	10	7,188,270	7,399,608
Other assets	11	25,486,493	22,680,807
Deferred tax assets		-	-
<b>Total assets</b>		<b>781,758,838</b>	<b>780,692,141</b>

**LIABILITIES**

Deposits and other accounts	12	79,051	1,138,626
Borrowings		-	-
Subordinated debt		-	-
Other liabilities	13	1,145,154	1,472,269
Deferred tax liabilities-net	14	351,438	407,907
<b>Total liabilities</b>		<b>1,575,643</b>	<b>3,018,802</b>

**NET ASSETS**

<b>780,183,195</b>	<b>777,673,339</b>
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**REPRESENTED BY:**

Share capital	15	750,000,000	750,000,000
Statutory and General Reserves		6,036,637	5,534,666
Depositors' protection fund		1,509,160	1,383,667
Unappropriated profit		22,637,398	20,755,006
		<b>780,183,195</b>	<b>777,673,339</b>

Surplus/(deficit) on revaluation of assets

-

Deferred grants

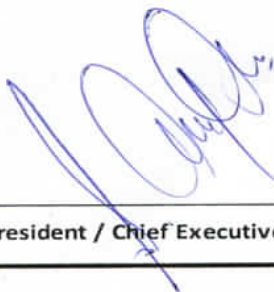
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**TOTAL EQUITY**

<b>780,183,195</b>	<b>777,673,339</b>
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**MEMORANDUM/OFF BALANCE SHEET ITEMS**

The annexed notes 1 to 20 form an integral part of these interim condensed financial information.



President / Chief Executive Officer



Chairman



Director



Director

**SINDH MICROFINANCE BANK LIMITED**  
**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2017**

	Note	Year to Date March 31, 2017	Quarter ended March 31, 2017	Year to Date March 31, 2016	Quarter ended March 31, 2016
-----Rupees-----					
Mark-up/return/interest earned	17	22,224,584	22,224,584	13,233,379	13,233,379
Mark-up/return/interest expensed		-	-	-	-
<b>Net mark-up/interest income</b>		<b>22,224,584</b>	<b>22,224,584</b>	<b>13,233,379</b>	<b>13,233,379</b>
Provision against non-performing loans and advances		(604,574)	(604,574)	-	-
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		(11,319)	(11,319)	-	-
		(615,893)	(615,893)	-	-
<b>Net mark-up/interest income after provisions</b>		<b>21,608,692</b>	<b>21,608,692</b>	<b>13,233,379</b>	<b>13,233,379</b>
<b>Non mark-up/non interest income</b>					
Fee, commission and brokerage income		-	-	-	-
Dividend income		-	-	-	-
Other income		-	-	-	-
Total non mark-up/non interest income		-	-	-	-
		21,608,692	21,608,692	13,233,379	13,233,379
<b>Non mark-up/non interest expenses</b>					
Administrative expenses	18	(17,834,250)	(17,834,250)	(7,410,525)	(7,410,525)
Other provisions/write offs		-	-	-	-
Other charges		-	-	-	-
Total non mark-up/non interest expenses		(17,834,250)	(17,834,250)	(7,410,525)	(7,410,525)
Extra ordinary / unusual items		-	-	-	-
<b>Profit before taxation</b>		<b>3,774,441</b>	<b>3,774,441</b>	<b>5,822,854</b>	<b>5,822,854</b>
Taxation					
- current		(1,321,054)	(1,321,054)	(2,037,999)	(2,037,999)
- prior		-	-	-	-
- deferred		56,469	56,469	-	-
		(1,264,585)	(1,264,585)	(2,037,999)	(2,037,999)
<b>Profit after taxation</b>		<b>2,509,856</b>	<b>2,509,856</b>	<b>3,784,855</b>	<b>3,784,855</b>
<b>Earnings per share - basic and diluted</b>		<b>0.03</b>	<b>0.03</b>	<b>0.05</b>	<b>0.05</b>

The annexed notes 1 to 20 form an integral part of these interim condensed financial information.

  
 \_\_\_\_\_  
 President / Chief Executive Officer

  
 \_\_\_\_\_  
 Chairman

  
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 Director

  
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 Director


**SINDH MICROFINANCE BANK LIMITED**  
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2017**


	Year to Date March 31, 2017	Quarter ended March 31, 2017	Year to Date March 31, 2016	Quarter ended March 31, 2016
	-----Rupees-----			
Profit after taxation for the period	2,509,856	2,509,856	3,784,855	3,784,855
Other comprehensive income:	-	-	-	-
Comprehensive income for the period transferred	<u>2,509,856</u>	<u>2,509,856</u>	<u>3,784,855</u>	<u>3,784,855</u>

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 \_\_\_\_\_  
 President / Chief Executive Officer

  
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 Chairman

  
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 Director

  
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 Director

**SINDH MICROFINANCE BANK LIMITED**  
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2017**

	Share capital	General and statutory reserve	Depositors' Protection Fund	Accumulated Profits	Total
-----Rupees-----					
Balance as at January 01, 2016	750,000,000	3,042,562	760,641	11,409,618	765,212,821
<b>Total comprehensive income for the period</b>					
Profit after tax for the period	-	-	-	12,460,518	12,460,518
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	12,460,518	12,460,518
Transfer to statutory reserve	-	2,492,104	-	(2,492,104)	-
5% Transfer to Depositors' Protection Fund	-	-	623,026	(623,026)	-
<b>Balance as at December 31, 2016</b>	<b>750,000,000</b>	<b>5,534,666</b>	<b>1,383,667</b>	<b>20,755,007</b>	<b>777,673,339</b>
<b>Total comprehensive income for the period</b>					
Profit after tax for the period	-	-	-	2,509,856	2,509,856
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,509,856	2,509,856
Transfer to statutory reserve	-	501,971	-	(501,971)	-
5% Transfer to Depositors' Protection Fund	-	-	125,493	(125,493)	-
<b>Balance as at March 31, 2017 (un-audited)</b>	<b>750,000,000</b>	<b>6,036,637</b>	<b>1,509,160</b>	<b>22,637,398</b>	<b>780,183,195</b>

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\_\_\_\_\_  
 President / Chief Executive Officer



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 Chairman



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 Director




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 Director

**SINDH MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2017**

	Quarter ended March 31, 2017	Quarter ended March 31, 2016
	(Un-audited)	(Un-audited)
	-----Rupees-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	3,774,441	5,822,854
<b>Adjustments for non cash items :</b>		
Depreciation and amortisation	417,338	140,250
Provision against non-performing advances	604,574	-
<b>Operating cash flows before changes in working capital</b>	<u>4,796,353</u>	<u>5,963,104</u>
<b>(Increase) / decrease in operating assets</b>		
Lending to financial institutions	-	-
Advances	(60,445,571)	-
increase in Other assets (excluding advance taxation)	(3,151,558)	(2,742,661)
	<u>(63,597,129)</u>	<u>(2,742,661)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Deposits and other accounts	(1,059,576)	-
Other liabilities (excluding current taxation)	(327,115)	743,920
	<u>(1,386,690)</u>	<u>743,920</u>
<b>Cash generated from operations</b>	<u>(60,187,465)</u>	<u>3,964,363</u>
Income tax paid	(975,184)	(2,816,645)
<b>Net cash flow from operating activities</b>	<u>(61,162,649)</u>	<u>1,147,718</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Disposal of COI	100,000,000	300,000,000
Acquisition of operating fixed assets	(206,000)	(1,985,336)
<b>Net cash flow from investing activities</b>	<u>99,794,000</u>	<u>298,014,664</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
issue of share capital	-	-
<b>Net cash flow from financing activities</b>	<u>-</u>	<u>-</u>
<b>increase/(Decrease) in cash and cash equivalents</b>	<u>38,631,351</u>	<u>299,162,382</u>
Cash and cash equivalents at the beginning of the period	<u>581,954,655</u>	<u>155,853,749</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><u>620,586,006</u></u>	<u><u>455,016,131</u></u>

The annexed notes 1 to 20 form an integral part of these interim condensed financial information.

  
 \_\_\_\_\_  
 President / Chief Executive Officer

  
 \_\_\_\_\_  
 Chairman

  
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 Director

  
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 Director

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED MARCH 31, 2017**

**1 STATUS AND NATURE OF BUSINESS**

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

The Bank is the wholly owned subsidiary of Sindh Bank Limited. The Bank operates through branches and service centers spread within the province of Sindh.

**2 BASIS OF PRESENTATION**

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

**3 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the directives issued by SECP and SBP, the requirements of the Microfinance Institution Ordinance, 2001 (the MFI Ordinance), the Companies Ordinance, 1984 (the Companies Ordinance) and the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), The Prudential Regulations issued by State Bank of Pakistan and interpretations issued by the Standards Interpretation Committee of IASB as adopted in Pakistan. In case where provisions of directives issued by the SECP and SBP, the MFI Ordinance and the Companies Ordinance differ with the requirements of these standards, such provisions of SBP directive, the MFI Ordinance and the Companies Ordinance shall prevail.

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, the SECP vide its SRO 633 (I)/ 2014, dated 10 July 2014 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement", IAS 40, "Investment Property" and International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars / regulations

**4 BASIS OF MEASUREMENT**

**4.1 Accounting convention**

These financial statements have been prepared under the historical cost convention.

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

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED MARCH 31, 2017**

**4.2 Functional and presentation currency**

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

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

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

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

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

- a) Useful life of depreciable assets
- b) Provision for taxation
- c) Provision against non performing advances

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

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 5.1** The accounting policies and the method of computation adopted in preparation of this condensed interim financial report are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2016.
- 5.2** The financial risk management objectives and policies adopted by the bank are consistent with those disclosed in the annual financial statements of the bank for the year ended 31 December 2016



**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2017**

	Note	March 31st, 2017 Rupees	December 31st, 2016 Rupees
<b>6 CASH AND BALANCES WITH SBP AND NBP</b>			
Cash in hand – local currency		193,134	185,040
Bank Balance With SBP – local currency		331,765	331,765
Bank Balance With NBP – local currency		3,373,342	1,432,795
		<u>3,705,107</u>	<u>1,764,560</u>
		<u><b>3,898,241</b></u>	<u><b>1,949,600</b></u>
<b>7 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On current account - local currency			-
On deposit accounts - local currency		116,687,765	180,005,055
Term deposit receipts		500,000,000	400,000,000
		<u>616,687,765</u>	<u>580,005,055</u>
<b>8 Lending to financial institutions</b>			
	8.1	0	100,000,000
		<u>0</u>	<u>100,000,000</u>
8.1 This includes an amount of Rs.100 million invested in certificate of investment with Orix Leasing Pakistan Ltd. for a period of 12 month.			
<b>9 Advances - net of provisions</b>			
Advances		129,796,148	69,350,577
Provision - General		(1,298,080)	(693,506)
		<u>128,498,068</u>	<u>68,657,071</u>
<b>10 Operating Fixed Assets</b>			
At cost		8,980,479	8,774,479
Less: accumulated depreciation		(1,792,209)	(1,374,871)
<i>At net book value</i>		<u>7,188,270</u>	<u>7,399,608</u>
<b>11 Other Assets</b>			
Income/ mark-up accrued on advances		2,366,585	1,176,814
Profit receivable on investments		12,671,720	8,671,035
Advances, Prepayments and Deposits		6,271,815	8,310,714
Advance tax - net of provision		4,176,373	4,522,244
		<u>25,486,493</u>	<u>22,680,807</u>
<b>12 Deposits</b>			
- Current		-	1,100,100
- Savings		79,051	38,526
		<u>79,051</u>	<u>1,138,626</u>

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2017**

	March 31st, 2017	December 31st, 2016
	Rupees	Rupees
<b>13 Other liabilities</b>		
Other payable	748,540	861,571
EOBI payable	79,559	70,979
Withholding tax payable	84,327	288,083
Employees provident fund payable	232,728	251,636
	<u>1,145,154</u>	<u>1,472,269</u>
<b>14 DEFERED TAX LIABILITIES</b>		
Opening Balance	407,907	(1,082,485)
Charged during the year	(56,469)	1,490,392
Closing balance	<u>351,438</u>	<u>407,907</u>
<b>15 SHARE CAPITAL</b>		
<b>15.1 Authorised share capital</b>		
<b>Number of shares</b>		
Ordinary shares of Rs. 10 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
<u>100,000,000</u>		
<b>15.2 Issued, subscribed and paid-up share capital</b>		
Ordinary shares of Rs. 10 each fully paid in cash	<u>750,000,000</u>	<u>750,000,000</u>
<u>75,000,000</u>		
<b>16 MEMORANDUM/OFF BALANCE SHEET ITEMS</b>		
<b>Contingencies and commitments</b>		
There were no material contingencies and commitments as at period end.		
	Quarter ended March 31, 2017	Quarter ended March 31, 2016
	Rupees	Rupees
<b>17 MARK-UP / RETURN / INTEREST EARNED</b>		
On:		
- Advances	9,253,545	-
- Deposits on daily savings account	2,220,229	2,763,305
- Certificate of deposits	6,750,004	184,932
- Term deposit receipts	4,000,806	3,707,249
- Letter of placements	-	6,577,893
	<u>22,224,584</u>	<u>13,233,379</u>

**SINDH MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2017**

	Quarter ended March 31, 2017	Quarter ended March 31, 2016
	<u>Rupees</u>	<u>Rupees</u>
<b>18 ADMINISTRATIVE EXPENSES</b>		
Salaries, wages & other allowances	13,684,969	4,292,727
EOBI Co. Contribution	191,100	-
Provident Fund Co. Contribution	335,999	145,455
Staff welfare	66,445	67,657
Rent and taxes	1,233,666	686,705
Directors' fee	45,000	30,000
Repair & Maintenance	73,405	434,367
Printing and stationery	248,491	38,106
Communication	392,972	114,959
Office supplies	56,925	77,998
Travelling and conveyance	387,067	100,155
Insurance	54,279	15,536
Training and development	29,945	-
Utilities	237,667	39,720
Advertisement	6,000	35,500
Depreciation	417,338	140,250
Bank charges	55,482	1,050
Computer & electronics Expenses	57,065	-
Fixture & Furnishing Exp	28,000	-
Office cleaning & maintenance	123,535	-
Legal & professional fee	15,000	768,570
Fee and subscription	44,203	418,970
Others	49,697	2,800
	<u>17,834,250</u>	<u>7,410,525</u>

**19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

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

	Note	March 31, 2017 (Un-audited)	Dec 31, 2016 (Audited)
<b>Balances with Sindh Bank Limited - Holding company</b>			
- deposit account		<u>116,687,765</u>	<u>354,955,156</u>
- term deposit receipts		<u>-</u>	<u>100,000,000</u>
<b>Balances with Sindh Insurance Limited</b>			
Prepaid insurance		<u>97,312</u>	<u>43,965</u>
<b>Transactions with Sindh Bank Limited</b>			
Mark-up on deposits accounts		<u>2,220,229</u>	<u>2,763,305</u>
Mark up on term deposit receipts		<u>-</u>	<u>176,712</u>
<b>Director</b>			
Directors' fee		<u>45,000</u>	<u>30,000</u>
<b>Transactions with Sindh Insurance Limited</b>			
Insurance expense		<u>54,279</u>	<u>15,536</u>

**20 DATE OF AUTHORIZATION**

These condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on

  
 \_\_\_\_\_  
 President / Chief Executive Officer

  
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 Chairman

  
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 Director

  
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 Director



## DIRECTOR REVIEW

On behalf of the Board of Directors, I am pleased to present the review of operations of Sindh Microfinance Bank Limited and its financial results for the quarter ended March 31, 2017.

## FINANCIAL RESULT

Sindh Microfinance Bank Limited (the Bank), a wholly owned subsidiary of Sindh Bank Limited obtained Province-wide Microfinance Banking License from State Bank of Pakistan (SBP) on October 16, 2015 to operate in the province of Sindh. The Bank was issued commencement of operations letter by SBP on April 15, 2016 and has started its operations from May 3, 2016.

During the first quarter of 2017, Bank has focused on flagship "SujagAurat" solidarity loan product and disbursed Rs.83.682 Million among 4,071 customers, compared to disbursement of Rs. 78.715 Million among 3,837 customers in the whole year of 2016. Accumulated numbers of active borrowers have reached to 7,908 by the end of March 2017.

Return on funds placements and interest on advances stood at Rs. 22.225 Million against Rs. 13.233 Million in the corresponding period showing an increase of Rs.8.992 Million. Profit before tax for the period amounted to Rs. 3.775 Million against the profit Rs. 5.823 Million of same period last year.

## FUTURE OUTLOOK

The microfinance sector has become a significant player in providing access to credit to the largely underserved low income population of the country. Large unsatisfied demand opportunities, an enabling regulatory environment and an increasing interest of both domestic and foreign investors have been the main drivers for the healthy development of the sector. Lending under group methodology continues to dominate the overall microcredit portfolio though the sector participants prefer individual lending for Micro Small and Medium Enterprises (MSME) and secured segments.

We have planned to expand the network of Branches and Services centres and State Bank of Pakistan has granted permission to open five (5) more branches and twenty one (21) service centres in various locations in the province of Sindh.

## ACKNOWLEDGEMENT

We would like to acknowledge the trust of our valued customers, State Bank of Pakistan, Securities and Exchange Commission of Pakistan for continuous guidance and support. The Board sincerely appreciates the dedication, commitment and team work of all employees of the Bank who are striving very hard to transform it into a successful enterprise with noble aspirations.

On behalf of the Board of Directors,

  
Shoaib Arif  
President and CEO

April 21, 2017  
Karachi