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KPMG Taseer Hadi & Co.
Chartered Accountants

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SME Bank Limited

Unconsolidated Financial
Statements

For the year ended 31 December
2013

CORPORATE INFORMATION

Board of Directors

1. Mr. Majyd Aziz Balagamwala
2. Mr. Nasser Durrani
3. Mr. Muhammad Tanvir Butt
4. Mr. Muhammad Adnan Jalil
5. Mr. Zarar Haider
6. Mr. Zahid Oosman
7. Sardar Ahmad Nawaz Sukhera

President and Chief Executive Officer

Mr. Nasser Durrani

Audit Committee

Mr. Zahid Oosman
Mr. Muhammad Tanvir Butt
Mr. Muhammad Adnan Jalil

Company Secretary

Mr. Sajjad Ahmad Warraich

Chief Financial Officer

Mian Tahir Bashir

Legal Advisors

Basir Law Associates
Islamabad

Auditors

M/s KPMG Taseer Hadi & Co
Chartered Accountants
Islamabad

Registered Office

56-F, Nazimuddin Road
F-6/1, Blue Area
Islamabad
Tel: 051-9217000, Fax: 051-9217001
UAN: 111 11 00 11
Website: www.smebank.org

Mission Statement

- *To support & develop Small and Medium Enterprise (SME) Sector in Pakistan by providing necessary financial and technical assistance on a sustainable basis.*
- *To enable the SME Sector to contribute to economic development through value addition & exports, promote entrepreneurship and create employment opportunities*

Corporate Vision Statement

- *We will be the leading institution for providing financial assistance for the development and support of Small and Medium Enterprises (SMEs) in Pakistan.*
- *We will respond to the needs of Small and Medium Enterprises by providing them with the necessary financial assistance and business support services in the form of medium to long term funds.*
- *We will, through support of the SME sector, contribute to the growth of local entrepreneurs, develop export markets and provide employment opportunities in the country.*

PRESIDENT'S MESSAGE

It is my pleasure to present the 12th Annual Report of SME Bank for the year ended December 31, 2013.

The economic activity continued to be depressed, and the SME sector also bore the brunt of the energy crisis due lack of access to alternate energy. In the coming year the Bank will focus on facilitating SMEs in arranging their own sources of energy either on collective or individual basis.

SME Bank continued to work with a limited equity base as the amount allocated by the GoP could not be released during 2013. The Bank is operating with paid-up capital of Rs 2.39 billion since 2007 and State Bank has granted exemption to meet the requirement of minimum paid-up capital which otherwise should have been Rs 10 billion by the end of 2013. In the shareholders' meeting on October 7, 2009, it was advised that the Bank be recapitalized by increasing paid-up capital; management has approached Ministry of Finance for the same over the years. Ministry of Finance has allocated an amount of Rs 1 billion for equity in the 2013-14 budget, it is hoped this amount will be released to sustain the bank.

With 13 branches the Bank has very limited outreach. The bank's Directors have authorised the opening of additional branches, however the in-principal approval from the State Bank is not forthcoming pending additional equity or privatization.

There is no let up in the Bank's primary operations, albeit at a slower than desired pace for reasons stated. We have been able to increase our deposit base from Rs 3,328 million last year to Rs 3,713 million at year end. Rs 571 million was disbursed during the year and the advances portfolio stands at Rs 3,053 million (2013: Rs 2,980 million).

The mindset of borrowers being depressed repayment commitments were dishonoured by many, due to which the non-performing portfolio increased by Rs 89 million with a resultant additional provision of Rs 6.6 million during the year. The change in the State Bank's regulations has delayed the settlement process with delinquent borrowers and has resulted in only Rs 66.5 million being recovered from them.

The Bank has incurred before tax loss to Rs 426 million during the year as compared to before tax loss of Rs 391 million before adjusting for actuarial gains in the year 2012. The difference is mainly due to increase in provisions and an increase of Rs 24.7 million in administrative expenses due to the inflationary trend; which in fact have increased by only 4.2% as strict control has been maintained over administrative expenses. In this regard, the Bank has relocated its Head Office and Islamabad Branch to new premises with lesser rental.

We are hopeful that injection of equity and opening of new branches will cause further expansion in business to the advantage of all stakeholders.

On behalf of the management I would like to take this opportunity to thank the State Bank of Pakistan, the Ministry of Finance and the Board of Directors for their continued support and guidance.



President

