



SME Bank Ltd
small business - Big opportunities

**CONDENSED INTERIM
FINANCIAL STATEMENTS
(UNAUDITED)**

**FOR THE QUARTER ENDED
MARCH 31, 2017**

Directors' Report

On behalf of the Board of Directors, I am pleased to present the operational results of SME Bank for the quarter ended on March 31, 2017.

Bank has booked a net loss of Rs 110 million for the three months ended on March 31, 2017, as compared to Rs 105 million during the same period of 2016. Bank's gross income was Rs 160.7 million, which mainly constitutes Rs 69.2 million from SME Lending Operation, Rs 82.3 million from treasury operations and Rs 9.2 million from non-mark-up income.

During the period under review cost of funds of the Bank was Rs 120 million (March 2016: Rs 109 million) at average rate of 5.74% (March 2016: 6.16%). Increase in cost of funds was mainly due to increase in borrowing by Rs 1,238 million (Mar-17 Rs 3,657 million, Mar-16 Rs 2,419 million) and deposits by Rs 75 million (Mar-17 Rs 4,463 million, Mar-16 Rs 4,388 million) during the period as compared to corresponding period of last year. Administrative expenses increased by Rs 24.73 million from Rs 182 million on March 31, 2016 to Rs 206.73 million on March 31, 2017.

Limited branch network, credit rating of the Bank which is at (B) and low equity remained major impediments to attract a wide deposit base and we remain susceptible to movement of desire level of deposit. Deposits have reduced by Rs 766 million from Rs 5,229 million as on December 31, 2016, to Rs 4,463 million as on March 31, 2017 due to advertised EOI for privatization of the Bank.

SME loan portfolio was decreased by Rs 262 million from Rs 2,996 million as on December 31, 2016 to Rs 2,734 million as on March 31, 2017 due to substantial recovery of classified portfolio. Bank made disbursements of Rs 323 million during three months period ended on March 31, 2017 as compared to Rs 448 million of corresponding period of last year. Shortage of funds remained bottleneck in accumulating sizeable loan portfolio.

SME sector is facing the problem of energy crisis due to lack of access to alternate energy means which in turn seriously dampened the business activities in the country to a great extent and affected the repayment capacity and behaviour of Bank's borrowers but despite these hindrances management made persistent efforts to reduce non-performing loans resulting in decrease from Rs 575 million on March 31, 2016 to Rs 552 million on March 31, 2017.

Investment portfolio of Bank has decreased by Rs 64 million during the three months period and stands at Rs 4,806 million (December 2016: Rs 4,870 million). Major portion of investment is in government securities.

Bank is operating with paid up capital of Rs 2,392 million since 2007. Presently the equity of the Bank has been completely eroded and stands at Rs -83.49 million as on March 31, 2017.

GOP decided to divest its equity stake in the Bank along with management control to a strategic investor through Privatization Commission (PC). Transaction structure was approved by PC board on January 17, 2017 and recommended to Cabinet Committee on Privatization (CCOP). CCOP approved the transaction structure in its meeting held on January 27, 2017. PC invited Expression of Interest (EOI) on February 14, 2017, from reputed local and international investors who have an interest in entering the process towards acquiring strategic shareholding in SME Bank. SOQ's have been submitted by 5 potential investors.

Bank has been assigned a long term as well as short term credit rating of B (Single B) with developing outlook by PACRA credit rating agency on April 14, 2017. Credit rating company has expressed that growth in the Bank's operations is restricted. On a standalone basis, SME Bank Limited has a stressed profile. Due to subdued performance of the Bank, equity base has been almost eroded. Given continuous operational losses and limited equity base, timely completion of privatization process is critical.

On behalf of the Board, I would like to thank State Bank of Pakistan, Ministry of Finance and other regulatory authorities for their continued support and guidance. I would also like to express my gratitude to our shareholders for their counsel. Most importantly, I am grateful to our valued customers for their continued patronage. I will also like this opportunity to acknowledge the dedication and hard work of our employees who continue to contribute to the organization and enable us to perform well in a challenging business environment.

For and on Behalf of

Board of Directors


Chairman

SME BANK LIMITED
Condensed Interim Unconsolidated Statement of Financial Position
As at March 31, 2017

	Note	(Un-audited) March 31, 2017	(Audited) December 31, 2016
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		364,933	560,802
Balances with other banks		5,097	4,226
Lendings to financial institutions	7	285,000	445,000
Investments	8	4,806,493	4,869,535
Advances	9	2,507,363	2,771,720
Operating fixed assets	10	97,346	101,859
Deferred tax assets	11	310,656	256,177
Other assets		381,637	368,896
		8,758,525	9,378,215
LIABILITIES			
Bills payable	12	136,138	95,443
Borrowings	13	3,657,017	3,460,326
Deposits and other accounts	14	4,462,731	5,228,716
Deferred tax liabilities		-	-
Other liabilities		586,130	573,082
		8,842,016	9,357,567
NET ASSETS		(83,491)	20,648
REPRESENTED BY			
Share capital		2,392,507	2,392,507
Reserves		206,526	206,526
Unappropriated loss		(2,701,066)	(2,590,705)
		(102,033)	8,328
Surplus on revaluation of assets		18,542	12,320
		(83,491)	20,648
CONTINGENCIES AND COMMITMENTS			
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The annexed notes from 1 to 17 form an integral part of these condensed interim unconsolidated financial information.


 Chief Financial Officer


 President/Chief Executive


 Director

 
 Director Director

