



FINANCIAL STATEMENTS

(Un-audited)

**FOR THE QUATER ENDED
MARCH 31, 2022**

Directors' Report

On behalf of the Board of Directors, we are pleased to present the unconsolidated condensed interim financial statements of SME Bank Limited for the quarter ended 31st March, 2022.

Government of Pakistan (GOP) decided in their meeting held on November 19, 2018 to relaunch the privatization transaction of the Bank through Privatization Commission (PC). Cabinet Committee on Privatization (CCOP) approved the new privatization program of the Bank on March 06, 2019 to divest the GOPs equity stake in the Bank along with management control to a strategic investor. Accordingly, PC recommended the transaction structure for the privatization of the Bank to CCOP who approved the referred transaction structure on November 15, 2019. Thereafter through a due process invitation for expression of interest for acquisition of 93.88% shares of the Bank were advertised in newspapers on December 13, 2019. The last date for submission of EOIs and Statement of Qualifications (SOQs) was February 28, 2020. Five prospective investors have submitted their SOQs against the advertisement, out of that four have been cleared by SBP. The buyers side due diligence is completed on August 24, 2020 and the final draft of share purchase agreement (SPA) has been shared with three pre-qualified bidders. Comments from pre-qualified bidders on instructions to bidders (ITB) and SPA have been deliberated by the Transaction Committee and clarifications to this effect have been given to pre-qualified bidders. A joint meeting of the Transaction Committee, SBP and pre-qualified bidders held on December 29th, 2020 and December 30th, 2020 with reference to "Pre-Bid Conference" and "Valuation Model" wherein the queries of pre-qualified potential bidders have been clarified and some of them pertaining to license, merger and MCR have been forwarded to SBP for its clarification. Drafts of the bidding documents i.e. instruction to Bidders (ITB) and Share Purchase Agreements (SPA) could not be finalized. Board of Privatization Commission in its meeting held on November 25, 2021 has recommended to be delisted SME Bank Limited from list of privatizations. As Financial Adviser (FA) of Privatization Commission has asserted that despite all efforts and iterative interactions with the pre-qualified bidders to date positive feedback from the pre-qualified bidders is not forthcoming and owing to the deteriorating financial position of the FA has recommended to shelve the Transaction. Recommendation of the Board of Privatization was presented to Cabinet Committee on Privatization (CCoP) in its meeting held on December 31, 2021. The CCoP discussed delisting of SME Bank Ltd. from the active privatization program. The meeting, after a detailed discussion constituted a committee under the chairmanship of the finance minister and representatives from SBP, SECP, Finance Division and Privatization Division to evaluate alternative options for proceeding further.

The highlights of the financial results of the Bank for the quarter ended March 31, 2022 are presented as follows:

Investment portfolio of the Bank has reported Rs. 4,604 million as on March 31, 2022 (December 2021: Rs. 4,238 million). Major portion of investment is in government securities. The bank made fresh disbursements of Rs. 53 million during the quarter under review as compared to Rs. 103 million of corresponding period of last year. Shortage of funds remained bottleneck in accumulating sizeable loan portfolio. Non-performing loan (NPLs) was at Rs. 436 million as on March 31, 2021. Whereas NPLs was 491 million at end of corresponding period of last year. SME loan portfolio was at Rs. 1,776 million as on March 31, 2022 with reference to position of Rs. 1,880 million as on December 31, 2021.

During the period under review cost of funds of the Bank was Rs. 234 million as compare to the cost of Rs. 185 million for the corresponding period of last year. Administrative expenses for 1st quarter 2022 was of Rs. 233 million whereas administrative expenses for the corresponding period was Rs. 234 million.

Limited branch network, low rating of the Bank was remained major impediments to create a wide and economical deposit base. In spite of these hindrances the deposits were at Rs. 7,619 million by March 31, 2022. The Bank reported a net loss of Rs. 343 million for the 1st quarter 2022, as compared to Rs. 262 million during the same period of 2021. The bank's gross income was of Rs. 174 million, which comprises of Rs. 64 million from SME advances, Rs. 105 million from treasury operations and Rs. 5 million from non-mark-up income.

Bank was assigned a long-term credit rating of CCC and short-term rating of B (Single B) by PACRA credit rating agency on November 22, 2018. The credit rating company has expressed that the bank's operational performance is significantly under pressure because of delay in capital injection. Thus, continuation of the bank's operations going forward is dependent on fresh capital injection.

Our focus will be on harnessing digital solutions to ensure that customers' banking needs are fully met in a technologically advanced, secure and convenient manner. We aim to regain and grow our market share in deposits, consumer products and SME financing, while expanding our branch network to widen our outreach and serve our customers. Greater emphasis will be placed on increasing penetration in cash management with a focus on SME/commercial clients. To cope with changing business dynamics, we will accelerate digital transformation and focus on business process re-engineering across key segments in the Bank. At the same time, investing in human capital and creating a caring culture, will remain a key priority.

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

For and on Behalf of Board of Directors



Chairman

SME BANK LIMITED**Unconsolidated Condensed Interim Statement of Financial Position**

As at March 31, 2022

		(Un-audited) March 31, 2022	(Audited) December 31, 2021
	Note	(Rupees in '000)	
ASSETS			
* Cash and balances with treasury banks	7	640,133	824,944
Balances with other banks	8	3,147	2,737
Lendings to financial institutions		-	-
Investments	9	4,603,686	4,237,715
Advances	10	1,493,875	1,596,181
Fixed assets	11	410,106	424,240
Intangible assets	12	1,230	1,455
Deferred tax assets - net	13	977,404	1,008,206
Other assets	14	487,324	512,849
		8,616,905	8,608,327
LIABILITIES			
Bills payable	15	109,315	19,071
Borrowings	16	4,072,617	3,206,289
Deposits and other accounts	17	7,618,600	8,248,271
Liability against assets subject to finance lease		-	-
Sub-ordinated loans		-	-
Deferred tax liabilities		-	-
Other liabilities	18	1,416,870	1,395,672
		13,217,402	12,869,303
NET LIABILITIES		(4,600,497)	(4,260,976)
REPRESENTED BY			
Share capital		2,392,507	2,392,507
Reserves		206,526	206,526
Surplus/(deficit) on revaluation of assets - net of tax	19	(10,429)	(13,679)
Unappropriated loss		(7,189,101)	(6,846,330)
		(4,600,497)	(4,260,976)
CONTINGENCIES AND COMMITMENTS	20		



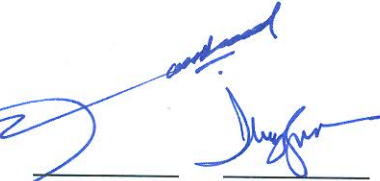


The annexed notes from 1 to 35 form an integral part of these unconsolidated condensed interim financial statements.

				
President/CEO	Chief Financial Officer	Director	Director	Director

SME BANK LIMITED**Unconsolidated Condensed Interim Profit and Loss Account (un-audited)****For the three months ended March 31, 2022**

		March 31, 2022	March 31, 2021
	Note	(Rupees in '000)	
Mark-up/ return/ interest earned	21	168,970	164,473
Mark-up/ return/ interest expensed	22	233,575	184,707
Net mark-up/ interest loss		(64,605)	(20,234)
NON MARK-UP/ INTEREST INCOME			
Fee and commission income	23	4,598	2,663
Dividend income		649	-
Foreign exchange income		-	-
Income / (loss) from derivatives		-	-
Gain/(loss) on securities	24	43	881
Other income	25	-	579
Total non-markup/ interest income		5,290	4,123
Total Income/(loss)		(59,315)	(16,111)
NON MARK-UP/ INTEREST EXPENSES			
Operating expenses	26	232,995	233,958
Workers Welfare Fund		-	-
Other charges	27	17,005	17,184
Total non-markup/ interest expenses		250,000	251,142
Loss before provisions		(309,315)	(267,253)
Provisions and write offs - net	28	41	(2,492)
LOSS BEFORE TAXATION		(309,356)	(264,761)
Taxation	29	33,415	(3,135)
LOSS AFTER TAXATION		(342,771)	(261,626)
Basic/diluted (loss) per share (rupees)	30	(1.43)	(1.09)

The annexed notes from 1 to 35 form an integral part of these unconsolidated condensed interim financial statements.

				
President/CEO	Chief Financial Officer	Director	Director	Director

SME BANK LIMITED**Unconsolidated Condensed Interim Statement of Comprehensive Income (un-audited)**

For the three months ended March 31, 2022

	March 31, 2022	March 31, 2021
	(Rupees in '000)	
Net loss after taxation	(342,771)	(261,626)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods		
Movement in deficit on revaluation of investment	3,250	(2,128)
Items that will not be reclassified to profit and loss account in subsequent periods		
Remeasurement gain on defined benefit obligations - net	-	-
Total comprehensive loss	<u>(339,521)</u>	<u>(263,754)</u>

The annexed notes from 1 to 35 form an integral part of these unconsolidated condensed interim financial statements.

				
President/CEO	Chief Financial Officer	Director	Director	Director

SME BANK LIMITED
Unconsolidated Condensed Interim Statement of Change in Equity (un-audited)
For the three months ended March 31, 2022

	Share capital	Statutory reserve	Surplus/(deficit) on revaluation of investments (Rupees in '000)	Unappropriated loss	Total
Balance as at January 01, 2021	2,392,507	206,526	2,586	(5,761,702)	(3,160,083)
Total comprehensive income for the three months period ended March 31, 2021					
Net loss after taxation	-	-	-	(261,626)	(261,626)
Other comprehensive income - net of tax	-	-	(2,128)	-	(2,128)
Balance as at March 31, 2021 (un-audited)	2,392,507	206,526	458	(6,023,328)	(3,423,837)
Total comprehensive income for the nine months period ended December 31, 2021					
Loss after taxation	-	-	-	(680,795)	(680,795)
Other comprehensive income/ (loss) - net of tax	-	-	(14,137)	(142,207)	(156,344)
Balance as at December 31, 2020 (audited)	2,392,507	206,526	(13,679)	(6,846,330)	(4,260,976)
Total comprehensive income for the three months period ended March 31, 2022					
Net loss after taxation	-	-	-	(342,771)	(342,771)
Other comprehensive income - net of tax	-	-	3,250	-	3,250
Balance as at March 31, 2022 (un-audited)	2,392,507	206,526	(10,429)	(7,189,101)	(4,600,497)

The annexed notes from 1 to 35 form an integral part of these unconsolidated condensed interim financial statements.

President/CEO

Chief Financial Officer

Director

Director

Director

SME BANK LIMITED
Unconsolidated Condensed Interim Cash Flow Statement (un-audited)
For the three months ended March 31, 2022

	March 31, 2022	March 31, 2021
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(309,356)	(264,761)
Less: Dividend income	(649)	-
	(310,005)	(264,761)
Adjustments:		
Depreciation	14,367	16,829
Amortization	225	385
Provision and write-offs	41	(2,492)
Loss/(gain) on sale of fixed assets	-	(563)
Mark-up expense on leased liability against RO U assets	17,000	17,184
	31,633	31,343
	(278,372)	(233,418)
(Increase)/ decrease in operating assets		
Lendings to financial institutions	-	-
Held-for-trading securities	-	-
Advances	102,882	30,862
Other assets (excluding advance taxation)	22,843	1,222
	125,725	32,084
Increase/ (decrease) in operating liabilities		
Bills payable	90,244	(6,270)
Borrowings from financial institutions	866,328	652,958
Deposits	(629,671)	(402,377)
Other liabilities (excluding current taxation)	24,374	(30,189)
	351,275	214,122
	198,628	12,788
Income tax paid	(561)	(476)
Net cash flow generated (used in)/ from operating activities	198,067	12,312
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment/disinvestment in available-for-sale securities	(362,708)	(148,171)
Net investment in held-to-maturity securities	-	-
Dividend received	649	-
Investment in operating fixed assets	(233)	(1,825)
Proceeds from sale of fixed assets	-	590
Net cash flow generated from investing activities	(362,292)	(149,406)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of lease obligation	(20,176)	(19,250)
Net cash flow (used in) from financing activities	(20,176)	(19,250)
Decrease in cash and cash equivalents	(184,401)	(156,344)
Cash and cash equivalents at beginning of the period	827,681	670,850
Cash and cash equivalents at end of the period	643,280	514,506

The annexed notes from 1 to 35 form an integral part of these unconsolidated condensed interim financial statements.

			
President/CEO	Chief Financial Officer	Director	Director

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)

For the three months ended March 31, 2022

1. GENERAL INFORMATION

- 1.1** SME Bank Limited (the Bank) is a public limited company incorporated in Pakistan on October 30, 2001 under the repealed Companies Ordinance, 1984 having its registered office at 56-F, Nazim-ud-Din Road, F-6/1, Blue Area Islamabad. The Bank obtained its business commencement certificate on April 16, 2005 which became effective from the date of its issue. The Bank is a scheduled commercial bank engaged in the business of banking with the primary objective to support and develop Small and Medium Enterprise (SME) sector in Pakistan by providing necessary financial assistance and business support services on sustainable basis. The Bank is operating through a network of 13 commercial banking branches. Based on the latest credit rating report dated November 22, 2018 issued by Pakistan Credit Rating Agency Limited (PACRA), credit rating of the Bank was "CCC" in the long term and "B" (Single B) in the short term. Subsequent to above, the credit rating of Bank has not been updated.

In terms of Bank's License No. BL-05 dated September 13, 2004 issued under section 27 of the Banking Companies Ordinance 1962, the Bank is required to hold minimum paid-up-capital (net of losses) of Rs. 1.0 billion at the time of issuance of said license, and at all times thereafter during which the above capital is required to be raised to Rs. 1.5 billion by December 31, 2004 and to Rs. 2.0 billion by December 31, 2005 or any other amount prescribed by State Bank of Pakistan (SBP) from time to time. SBP granted exemption vide its letter No. BPRD/BA&CPD/646/332/2020 dated January 06, 2020 from meeting the minimum capital requirement (MCR) till December 31, 2019 or completion of restructuring/privatization of the Bank, whichever is earlier. Although further relaxation of MCR has not been granted but SBP has not objected the non-compliance of MCR as it is fully aware about the progress of the privatization of the Bank.

1.2 Amalgamation of defunct RDFC and SBFC

The Federal Government promulgated the Regional Development Finance Corporation (RDFC) and Small Business Finance Corporation (SBFC) Amalgamation and Conversion Ordinance, 2001 (the Ordinance 2001) setting forth the mechanism of amalgamation of defunct RDFC and SBFC. Both these entities were Development Financial Institutions (DFIs). In pursuance of the Ordinance 2001, Finance Division, Ministry of Finance issued an Order (SRO (1) 2001) dated December 29, 2001 setting forth the scheme of amalgamation of RDFC and SBFC with the Bank effective from January 1, 2002. Pursuant to this scheme entire assets and liabilities of defunct RDFC and SBFC as at December 31, 2001 were transferred to the Bank at fair value. These two institutions stand dissolved and ceased to exist effective January 1, 2002. The Bank allotted its shares to the share holders of defunct RDFC and SBFC in proportion to their shareholding therein based on the fair value of net assets of defunct RDFC and SBFC on December 31, 2001.

2. BASIS OF PRESENTATION

These unconsolidated condensed interim financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

The unconsolidated condensed interim financial statements are presented in Pakistani Rupee, which is the Bank's functional currency. Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

3. STATEMENT OF COMPLIANCE

These unconsolidated condensed interim 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 comprise of:

¹- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

¹- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and

¹- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

The SBP has deferred the applicability of International Accounting Standard 40, "Investment Property" (IAS 40), for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, according to the notification of SECP dated April 28, 2008, the International Financial Reporting Standard 7, "Financial Instruments: Disclosure" (IFRS 7), has not been made applicable for banks in Pakistan. Accordingly, the requirements of these standards have not been considered in the preparation of these interim unconsolidated financial statements. Accordingly, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

SME BANK LIMITED**Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)****For the three months ended March 31, 2022**

As per BPRD Circular Letter No. 24 of 2021 dated July 05, 2021 of SBP, effective date of IFRS 9 implementation is January 01, 2022. IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on assets of the Bank which are exposed to credit risk. The impact on the Bank's financial statements is being assessed as final implementation guidelines are awaited.

These unconsolidated condensed interim financial statements have been presented in accordance with the requirements of format prescribed by SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and International Accounting Standard 34 'Interim Financial Reporting' and do not include all the information and disclosures required in the audited annual unconsolidated financial statements, and should be read in conjunction with the audited annual unconsolidated financial statements for the financial year ended December 31, 2021

4. BASIS OF MEASUREMENT

The unconsolidated condensed interim financial statements have been prepared under the historical cost convention as modified for certain investments which are carried at fair value, obligations in respect of defined benefit schemes and lease liability under IFRS 16 at their present values.

5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS AND FINANCIAL RISK MANAGEMENT POLICIES**5.1 Significant accounting policies, estimates and judgements**

The accounting policies, underlying estimates and judgements and method of computation followed in the preparation of these condensed interim unconsolidated financial statements are same as those applied in preparing the financial statements of the Bank for the year ended December 31, 2021.

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated condensed interim financial statements.

5.2 Financial Risk Management

The Bank's 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, 2021.

6. FINANCIAL RESTRUCTURING AND GOING CONCERN ASSUMPTION**6.1 Current status of privatization of SME Bank**

Government of Pakistan (GoP) decided in their meeting held on November 19, 2018 to relaunch the privatization transaction of the Bank through Privatization Commission (PC). Cabinet Committee on Privatization (CCoP) approved the new privatization program of the Bank on March 06, 2019 to divest the GoPs equity stake in the Bank along with management control to a strategic investor. Accordingly, PC recommended the transaction structure for the privatization of the Bank to CCoP who approved the referred transaction structure on November 15, 2019. Thereafter through a due process invitation for expression of interest for acquisition of 93.88% shares of the Bank were advertised in newspapers on December 13, 2019. The last date for submission of EoIs and Statement of Qualifications (SoQs) was February 28, 2020. Five prospective investors have submitted their SOQs against the advertisement, out of that four have been cleared by SBP. The buyers side due diligence issued completed on August 24, 2020 and the final draft of share purchase agreement (SPA) had been shared with three pre-qualified bidders. Comments from pre-qualified bidders on instructions to bidders (ITB) and SPA were deliberated by the Transaction Committee and clarifications to this effect were given to pre-qualified bidders. A joint meeting of the Transaction Committee, SBP and pre-qualified bidders held on December 29th, 2020 and December 30th, 2020 with reference to "Pre-Bid Conference" and "Valuation Model" wherein the queries of pre-qualified potential bidders were clarified and some of them pertaining to license, merger and MCR were forwarded to State Bank of Pakistan for its clarification. Drafts of the bidding documents i.e. instruction to Bidders (ITB) and Share Purchase Agreements (SPA) could not be finalized. Board of Privatization Commission in its meeting held on November 25, 2021 has recommended to delist SME Bank Limited from the list of privatization. Financial Adviser (FA) of Privatization Commission has asserted that despite all efforts and iterative interactions with the pre-qualified bidders to date, positive feedback from the pre-qualified bidders is not forthcoming and owing to the deteriorating financial position of the Bank, FA has recommended to shelve the Transaction. Recommendation of the Board of Privatization was presented to Cabinet Committee on Privatization (CCoP) in its meeting held on December 31, 2021. The CCoP discussed delisting of SME Bank Limited from the active privatization program. The meeting, after a detailed discussion constituted a committee under the chairmanship of the Finance Minister and representatives from SBP, SECP, Finance Division and Privatization Division to evaluate alternative options for proceeding further.

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)

For the three months ended March 31, 2022

6.2 Going concern assumption

During the current period the Bank incurred a net loss of Rs. 342.771 million (March 31, 2021: Rs. 261.626 million) resulting into accumulated losses of Rs. 7,189.101 million (December 31, 2021: Rs. 6,846.330 million). As of March 31, 2022, the reporting date, the total liabilities of the Bank have exceeded its total assets by Rs. 4,600.497 million (December 31, 2021: Rs. 4,260.976) indicating the complete erosion of the Bank's equity, which indicates the Bank's inadequate capacity to ensure the timely repayments. Due to cash inadequacy the Bank was unable to meet the statutory solvency requirements of minimum capital (MCR) of Rs. 10,000 million and the Capital Adequacy Ratio (CAR) of 10%. Due to continued stressed financial conditions the Bank's credit rating fell from B negative (single B-) to CCC. Based on the operational results SBP granted exemption from meeting the MCR and CAR up to December 31, 2019 or restructuring/privatization, whichever is earlier, subject to submission of a concrete plan from the Ministry of Finance (MoF) to provide a firm commitment to inject the required amount of capital funds in the Bank, if its privatization does not materialize by March 31, 2020. These conditions indicate the existence of material uncertainty that may cast a significant doubt on the Bank's ability to continue as going concern and therefore it may not be able to realize its assets and discharge its liabilities in the ordinary course of business. To overcome the same, the Government of Pakistan (GoP) being the majority shareholder with 93.88% shareholding in the Bank has initiated the process of privatization of the Bank. The MoF through its letter No. F.3(27)IF-III/2005-185 dated February 26, 2020 has informed SBP that the privatization process is likely to be completed within the period of three to four months and requested SBP for extension of relaxation of regulatory requirements till June 30, 2020. Thereafter, the Bank also vide its latest letter No. SMEBL: HO: CFO & CS: 02:2022/1818/1106 dated February 15, 2022 has requested SBP to allow exemption from MCR till June 30, 2022 or till privatization of the Bank whichever is earlier. MoF and management of the Bank are hopeful of a favorable response as SBP has not objected the non-compliance of MCR. Moreover, the process of privatization of the Bank has been described in Note 6.1 above. Based upon the options being considered in CCoP and support from MoF, the management of the Bank believes that the use of going concern assumption in preparation of these unconsolidated financial statements is appropriate and, therefore, have prepared the same on a going concern basis.

SME BANK LIMITED
Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)
For the three months ended March 31, 2022

		(Un-audited) March 31, 2022	(Audited) December 31, 2021
	Note	(Rupees in '000)	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		198,641	146,066
In transit - local currency		-	-
With State Bank of Pakistan (SBP) in:			
Local currency current accounts	7.1	411,088	584,093
With National Bank of Pakistan in:			
Local currency current accounts		30,187	94,767
Prize bonds		217	18
		<u>640,133</u>	<u>824,944</u>
7.1	Deposits with the State Bank of Pakistan are maintained to comply with the statutory requirements issued from time to time.		
		March 31, 2022	December 31, 2021
8. BALANCES WITH OTHER BANKS	Note	(Rupees in '000)	
In Pakistan:			
On current accounts		500	500
On deposit accounts		12,647	12,237
Provision for doubtful balance with a bank	8.1	(10,000)	(10,000)
		<u>3,147</u>	<u>2,737</u>
8.1	Particulars of provision for doubtful placement with a bank		
Opening balance		(10,000)	(10,000)
Charge for the year		-	-
Reversals		-	-
		-	-
Closing balance		<u>(10,000)</u>	<u>(10,000)</u>

Provision for doubtful balance is in respect of deposit of Rs. 10 million (December 31, 2021: Rs. 10 million) with Indus Bank Limited which is under liquidation.

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited) For the three months ended March 31, 2022

9. INVESTMENTS

9.1 Investment by type

	March 31, 2022 (un-audited)				December 31, 2021 (audited)			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value
Note (Rupees in '000)								
Available-for-sale securities								
Federal Government Securities	9.1.2							
Shares	4,469,030	-	(12,296)	4,456,734	4,106,322	-	(15,522)	4,090,800
	42,542	(15,863)	3,057	29,736	42,542	(15,863)	2,941	29,620
Mutual Funds	1,870	(218)	(184)	1,468	1,870	(218)	(105)	1,547
	4,513,442	(16,081)	(9,423)	4,487,938	4,150,734	(16,081)	(12,686)	4,121,967
Held-to-maturity securities								
Non Government Debt Securities								
- Term Deposit Receipts (TDRs)	9.1.1							
- Certificates of Investments (COIs)	35,000	-	-	35,000	35,000	-	-	35,000
	762	(762)	-	-	762	(762)	-	-
	35,762	(762)	-	35,000	35,762	(762)	-	35,000
Subsidiary	215,457	(134,709)	-	80,748	215,457	(134,709)	-	80,748
Total Investment	4,764,661	(151,552)	(9,423)	4,603,686	4,401,953	(151,552)	(12,686)	4,237,715
9.1.1	TDR of Rs. 35 million (December 31, 2021: Rs. 35 million) was under lien at period end.							

9.1.2 Investment given as collateral

Market Treasury Bills (MTBs)
Pakistan Investment Bonds (PIBs)

9.1.3 These represent market value of securities at reporting date.

	(Un-audited) March 31, 2022	(Audited) December 31, 2021
	(Rupees in '000)	
9.1.3	3,579,150	2,705,670
9.1.3	394,111	393,588
	3,973,261	3,099,258

SME BANK LIMITED
Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)
For the three months ended March 31, 2022

9.2 Provision for diminution in value of investments

9.2.1 Opening balance

Charge / reversals

Charge for the period/year

Reversal for the period/year

Reversal on disposals

Transfers - net

Amount written off

Closing balance

9.2.2 Particulars of provision against debt securities category of classification

Domestic

Other assets especially mentioned

Substandard

Doubtful

Loss

(Un-audited) (Audited)
 March 31, December 31,
 2022 2021

Rupees in 000

151,552 151,241

-	311
-	-
-	-

- 311

- -

151,552 151,552

March 31, 2022 (un-audited)	December 31, 2021 (audited)
Non performing investments	Non performing investments
Provision	Provision

Rupees in 000

-	-	-
-	-	-
762	762	762
762	762	762

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)
For the three months ended March 31, 2022

10. ADVANCES

Loans, cash credits, running finances, etc- In Pakistan

Extended by:

Defunct RDFC & SBFC

SME Bank Ltd

Due from employees

Net investment in finance lease

Advances - gross

Provision for non-performing advances

Specific provision

General provision

Advances - net of provision

Note

(Rupees in '000)

	Performing		Non Performing		Total	
	(Un-audited) March 31, 2022	(Audited) December 31, 2021	(Un-audited) March 31, 2022	(Audited) December 31, 2021	(Un-audited) March 31, 2022	(Audited) December 31, 2021
10.2	-	-	4,880,247	4,880,773	4,880,247	4,880,773
	1,339,088	1,441,446	436,449	438,245	1,775,537	1,879,691
	50,323	49,040	7,927	7,927	58,250	56,967
10.2	1,389,411	1,490,486	5,324,623	5,326,945	6,714,034	6,817,431
	280	280	973	973	1,253	1,253
	1,389,691	1,490,766	5,325,596	5,327,918	6,715,287	6,818,684
10.4	-	-	(5,220,950)	(5,221,619)	(5,220,950)	(5,221,619)
	(462)	(884)	-	-	(462)	(884)
	(462)	(884)	(5,220,950)	(5,221,619)	(5,221,412)	(5,222,503)
	1,389,229	1,489,882	104,646	106,299	1,493,875	1,596,181

10.1 Particulars of advances (Gross)

In local currency

In foreign currencies

(Un-audited) (Audited)
March 31, December 31,
2022 2021
(Rupees in '000)

6,715,287 6,818,684
6,715,287 6,818,684

10.2 Assignment of Non-Performing Loan (NPL) portfolios of defunct SBFC & RDFC to National Bank of Pakistan (NBP)

The Board through its resolution by circular No.10/cic/33 dated March 08, 2010 duly endorsed by the members in their meeting dated May 20, 2010 has approved the transfer and assignment of fully non-performing loan portfolios of defunct SBFC & RDFC to NBP on the basis of deferred transfer price. Subsequently transfer and assignment agreement was executed between the Bank and National Bank of Pakistan at Karachi on July 01, 2010 (Effective date). According to the agreement, the transferor (SME) and the acquirer (NBP) acknowledge, declare and confirm the transfer, assignment and vesting of all rights, interests, privileges, title, powers and remedies in favor of the acquirer with respect to:

a) the non-performing loans, collateral and the debtors;

b) all agreements, deeds, instruments and other documents relating to the non-performing loans, debtors and collateral and to which the transferor is, or legally deemed to be, a party or a beneficiary;

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited) For the three months ended March 31, 2022

c) all legal proceedings by and against the transferor with respect to the non-performing loans, the debtors and collateral, which may be pending before any court, tribunal, arbitrator or authority, without being subject to any liabilities of the transferor to any person.

The agreed transfer price was amount equal to 50% of net recoveries.

Under the above referred arrangements, portfolio of defunct SBFC & RDFC outstanding as on June 30, 2010 (except outstanding loans of RDFC where facility of Equity Participation Fund had also been extended) were transferred to NBP.

On request of the Bank's management the decision to transfer and assignment of the portfolio was revisited by the BoD in its 65th meeting held on July 13, 2011 and resolved that the agreement of assignment of the old portfolio to NBP should be cancelled and Board's pronouncement for revocation of agreement to Ministry of Finance to arrange retrieval/restoration of old portfolio to the Bank in the interest of recovery of public funds.

In the meeting held on March 04, 2013 the Board of Directors reconsidered the position taken earlier on this matter on grounds of related cost of recovery and infrastructure on request of then management and decided that since the Bank is still on the privatization list, BoD would be able to decide on portfolio after Bank's delisting from privatization.

The incumbent management has again reviewed the situation and noted that no comparative analysis/study pertaining to transfer of portfolio was conducted which could justify the decision of assigning old portfolio to NBP.

In view of the above, foregoing Board was requested in its 83rd meeting, held on August 30, 2014 and the management of the Bank was allowed to proceed further in pursuance of resolution / direction passed regarding the subject matter in 64th and 65th Meeting of the Board of Directors held on May 16, 2011 and July 13, 2011 respectively by overruling to verdict of the Board of Directors given on the issue in 75th Meeting of Board of Directors held on March 04, 2013.

Cabinet Committee on Privatization (CCOP) in its meeting held on January 27, 2017 has approved the transaction structure of the Bank's privatization. The transaction structure has excluded the above portfolios from the privatization transaction and the CCOP in above referred meeting has directed the Bank to transfer the said portfolios to NBP and that all recoveries made by NBP from the loan portfolio shall be deposited in the Federal Consolidated Fund (FCF), a related party as being managed by Ministry of Finance (MoF).

Pursuant to above, being directed by MoF the management of the Bank has obtained an independent legal advice for defining the legal procedures for the implementation of the requirement of MoF. The legal advice proposed that the Bank may via a tri party novation agreement between SME, NBP and GoP through MoF, transfer and surrender any rights, obligations and liabilities on the remaining receivable assets in the loan portfolio to FCF against any consideration amount. The Novation agreement will further allow for any recoveries made by NBP in relation to the loan portfolio to be deposited directly in FCF as the recoveries will no longer be an asset of the Bank.

In line with the steps proposed by the legal advisor the board of directors of the Bank in its meeting held on December 31, 2017 has approved the transfer of non-performing loan portfolios of defunct SBFC & RDFC to MoF and NBP via a tri party novation agreement between SME, NBP and GoP through MoF at a value of Rs.100 as a sale consideration. Thereafter, the shareholders of the Bank in their meeting held on January 22, 2018 through their special resolution have also authorized the transfer of the portfolios as approved by the board of directors of the Bank, however, the Allied Bank Limited carrying 0.33% holding in the Bank has opposed the resolution and required the sale of the portfolio at a fair market value (FMV). According to above majority decision of the shareholders both the portfolios have been transferred to the FCF and NBP against an aggregate sale consideration of Rs. 100 under a tri-party agreement (the Agreement) executed on February 23, 2018 between the Bank, NBP and FCF. As of the date of the tri-party Agreement the Bank has transferred and surrendered all the recoveries, rights, obligation, claims and liabilities of the referred loan portfolios in favor of the FCF.

The management of the Bank continues to show these loan portfolios in its book of accounts pending confirmation of recording by NBP in its books of accounts to ensure that the above loans are duly accounted by NBP in compliance to the terms of the agreement dated Feb 23, 2018. The Bank has requested with various intervals to share the details of the road map prepared by NBP for smooth transfer of accounting record related to the legacy loan portfolio from books of the Bank to books of NBP.

- 10.3 Advances include Rs. 5,325.596 million (December 31, 2021: Rs. 5,327.918 million) which have been placed under non-performing status as detailed below:

Category of Classification	Note	(Un-audited) March 31, 2022		(Audited) December 31, 2021	
		Non Performing Loans	Provision	Non Performing Loans	Provision
(Rupees in '000)					
Domestic					
Other Assets Especially Mentioned		16,416	389	5,674	-
Substandard		9,857	-	7,593	-
Doubtful		13,784	3	13,097	14
Loss		5,285,539	5,220,558	5,301,554	5,221,605
	10.3.1	5,325,596	5,220,950	5,327,918	5,221,619

- 10.3.1 This include non performing loans and provision of Rs: 436.449 million and Rs: 331.805 million respectively (December 31, 2021: Rs. 438.245 million & Rs. 331.959 million) relating to SME portfolio.

10.4 Particulars of provision against advances

	March 31, 2022 (un-audited)			December 31, 2021 (audited)		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	5,221,619	884	5,222,503	5,232,725	8,593	5,241,318
Charge/(Reversal)						
Charge for the period/year	1,772	4	1,776	23,582	22	23,604
Reversal for the period/year	(1,926)	(426)	(2,352)	(34,201)	(7,731)	(41,932)
	(154)	(422)	(576)	(10,619)	(7,709)	(18,328)
Amounts written off	-	-	-	-	-	-
Reversal of provision of transferred portfolio	(515)	-	(515)	(487)	-	(487)
Closing balance	5,220,950	462	5,221,412	5,221,619	884	5,222,503

- 10.4.1 General provision has been recorded at the rate of 1% (December 31, 2021: 1%) of unsecured performing small enterprises portfolio plus a buffer which approximates to 4.5% of covid affected borrowers who availed SBP enabled deferment as at Dec 31, 2020. However, subsequently the general provision have still been kept only for those borrowers whose payments of loan is delayed by more then 60 days and all the remaining provision has reversed.

- 10.4.2 The FSV benefit availed in last years has been decreased by Rs. 13.362 million, which has resulted increase in charge for specific provision for the period by the same amount. The FSV benefit is not available for cash or stock dividend / bonus to employees. Had the FSV benefit not recognized, loss before and after tax for the period would have been decreased by Rs. 13.362 million (March 31, 2021: increased by Rs. 5.356 million). As of the current reporting date the effect of FSV benefit taken against provision is aggregated to Rs. 75.588 million (December 31, 2021: Rs. 88.950 million).

10.4.3 Particulars of provisions against advances	March 31, 2022 (un-audited)			December 31, 2021 (audited)		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	5,220,950	462	5,221,412	5,221,619	884	5,222,503
In foreign currencies	-	-	-	-	-	-
	5,220,950	462	5,221,412	5,221,619	884	5,222,503

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)

For the three months ended March 31, 2022

		(Un-audited) March 31, 2022	(Audited) December 31, 2021
	Note	(Rupees in '000)	
11. FIXED ASSETS			
Property and equipment	11.1	10,727	11,556
Right of use assets	11.2	399,379	412,684
		<u>410,106</u>	<u>424,240</u>
11.1 Property and equipment			
Net book value at the beginning of the period/year		11,556	16,940
Additions		233	3,782
Disposals		-	(27)
Depreciation		(1,062)	(9,139)
Net book value at the end of the period/year		<u>10,727</u>	<u>11,556</u>
11.1.1 Additions to fixed assets			
Following additions have been made to fixed assets during the period/year:			
Property and equipment			
Leasehold improvements		-	125
Furniture and fixture		100	31
Electrical office and computer equipment		133	3,626
		<u>233</u>	<u>3,782</u>
11.1.2 Disposals of fixed assets			
The net book value of fixed assets disposed off during the period/year is as follows:			
Vehicles		-	(27)
		<u>-</u>	<u>(27)</u>
11.2 Right of use assets			
Opening net book value		412,684	455,244
Additions/adjustment		-	12,805
Depreciation		(13,305)	(55,365)
Closing net book value		<u>399,379</u>	<u>412,684</u>
The right-of-use assets (rented premises) are recognised on the present value of future cash flows, discounted using the incremental borrowing rate at the date of initial application.			
		(Un-audited) March 31, 2022	(Audited) December 31, 2021
12. INTANGIBLE ASSETS	Note	(Rupees in '000)	
Computer Software	12.1	1,230	1,455
12.1 Computer Software			
Net book value at the beginning of the period/year		1,455	1,756
Additions		-	777
Disposals		-	-
Amortizations		(225)	(1,078)
Net book value at the end of the period/year		<u>1,230</u>	<u>1,455</u>
13. DEFERRED TAX ASSET - NET			
Deferred tax asset		978,410	1,009,199
Deferred tax (liability)		(1,006)	(993)
		<u>977,404</u>	<u>1,008,206</u>
13.1	The Bank has recognized the deferred tax asset which represents management's best estimate of the probable benefits expected to be realized in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in those years against losses carried forward. The underlying assumption for recognition of deferred tax asset is the expected privatization of the Bank which would result in fresh equity injection from the new strategic shareholder of the Bank and, in view of above, the management of the Bank believes that it is probable that the Bank will be able to achieve the profits and, consequently, the deferred tax assets will be fully realized in future.		

SME BANK LIMITED
Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)
For the three months ended March 31, 2022

		(Un-audited) March 31, 2022	(Audited) December 31, 2021
	Note	(Rupees in '000)	
14. OTHER ASSETS			
Income/mark-up accrued in local currency - net of provision	14.1	69,577	84,185
Advances, deposits, advance rent and other prepayments		10,311	20,295
Advance taxation - net	14.2	234,228	236,293
Non banking asset acquired in satisfaction of claims	14.3	147,066	147,066
Due from benevolent fund- unsecured		8,685	8,685
Receivable from NBP		4,211	3,971
Receivable from subsidiary company		3,916	4,252
Receivable from Equity Participation Fund		3,017	3,017
Trading right entitlement certificate		21,560	21,560
Receivable from Speedway Fondmetall Pakistan Limited		19,640	19,640
Receivable against factorized portfolio		5,148	5,148
Others		78,501	76,656
		605,860	630,768
Less: Provision held against other assets	14.4	118,536	117,919
Other assets (net of provision)		487,324	512,849

14.1 The balance has been arrived at after adjusting interest in suspense of Rs. 4,041.765 million (December 31, 2021: Rs. 4,041.059 million) which includes Rs: 248.244 million (December 31, 2021: Rs. 247.449 million) relating to SME portfolio.

14.2 This includes the effect of refunds aggregating to Rs. 232.599 million (December 31, 2021: Rs. 232.599 million) due from government. In respect of tax years 2003 and 2004 the tax authorities disallowed the Bank's claims for provisions for bad debts and SBP's share in profits of the Bank. Subsequently, the Appellate Tribunal Inland Revenue (ATIR) through its order dated February 10, 2011 has ruled in favor of the Bank which results in creation of refunds of Rs. 80.059 million and Rs. 152.54 million for tax years 2003 and 2004 respectively. Thereafter, against the referred judgement of ATIR the tax authorities filed references before the Islamabad High Court which was fixed on January 11, 2021 and next hearing is pending adjudication to date. The management of the Bank is of the firm view that the Bank will be successful in the said references.

14.3 This include Rs. 138.6 million (December 31, 2021: Rs. 138.6 million) being the successful bid made by SME Bank for acquiring Bungalow No. 45, Block-C/3, Gulberg III, Lahore (the Property) mortgaged with the Bank as a security in a defaulted loan and Rs. 8.47 million pertaining stamps/stamps duties for registration of sale certificate issued by the High Court to SME Bank/Auction Purchaser of the Property. The auction was carried out on 30 June 2015 and subsequently the Honorable Lahore High Court through its decision dated 14 July 2015 allowed the Bank to adjust the bid price against its outstanding dues from the borrower against the finance facilities extended to the borrower, suspended mark-up and cost of funds. Thereafter the auction was also confirmed by the High Court on April 19, 2016 after hearing objection raised by the counter party. The sale certificate was issued by the High Court on June 30, 2016 and the same has been registered with concerned registrar on July 28, 2016. On November 24, 2016, ownership of the Property in the record of Excise and Taxation Department has been transferred in name of SME Bank Ltd. The Bank applied for possession of the acquired Property, which has been accepted by the court after hearing both the parties. The court has repeatedly issued orders to bailiff for taking possession of the Property to handover the Bank, however, due to non-availability of police force to the bailiff, the possession of the Property could not be handed over to the Bank. On 24 June 2019 the sponsor of the case was died and thereafter on 20 August 2019 the legal heirs of the judgement debtor submitted an objection petition for release of the Property. During argument the request of the legal heirs has been turned down by the Honorable judge as the transaction is past and closed and advised the council to discuss only the issue of remaining cost of funds (COF). Meanwhile, the Legal heirs also approached High Court and submitted a Civil Miscellaneous application (CMA) for restoration of RFA 635/13 which has been already decided ex-parte in favor of the Bank. The C.M.No.1-C of 2021 moved by plaintiffs for restoration of Application No.1 of 2016 for restoration of RFA No.635/2013 was dismissed by the Hon'ble Lahore High Court, Lahore vide Order dated 28.02.2022 in favour of the Bank and against the plaintiffs. Consequently, the main file returned back from the Hon'ble Lahore High Court, Lahore to Banking Court whereby execution proceedings have been restored on 12.03.2022. On 25.03.2022, the learned Judge Banking Court after hearing the arguments advanced by the Counsel of the Bank for compliance of warrant of possession with full force, adjourned the case to 05.04.2022 and thereafter for 07.04.2022 for arguments of the plaintiffs. Since neither the plaintiffs nor their counsel appeared before the Court, the learned Judge was pleased to close the right of plaintiffs for arguments and adjourned the matter to 21.04.2022 for orders. As per latest valuation report dated March 14, 2022, the market value of the Property was Rs. 240.368 million.

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)

For the three months ended March 31, 2022

	(Un-audited) March 31, 2022	(Audited) December 31, 2021
14.4 Provision held against other assets	(Rupees in '000)	
Advances, deposits, advance rent & other prepayments	4,477	4,477
Receivable from Speedway Fondmetall Pakistan Limited	19,640	19,640
Receivable against factorized portfolio	5,148	5,148
Other receivables - SME Portfolio	44,943	44,326
Legal charges recoverable from borrowers - SBFC & RDFC	22,659	22,659
Trading right entitlement certificate - TREC	21,560	21,560
Others	109	109
	118,536	117,919
14.4.1 Movement in provision held against other assets		
Opening balance	117,919	117,354
Charge for the period/year	1,646	3,891
Reversals for the period/year	(1,029)	(3,326)
	617	565
Transferred to NBP	-	-
Closing balance	118,536	117,919

SME BANK LIMITED
Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)
For the three months ended March 31, 2022

			(Un-audited) March 31, 2022	(Audited) December 31, 2021
15. BILLS PAYABLE	Note			
In Pakistan			109,315	19,071
Outside Pakistan			-	-
			<u>109,315</u>	<u>19,071</u>
16. BORROWINGS				
Secured				
Borrowing from State Bank of Pakistan				
Under Financing facility for storage of agricultural produce	16.2		63,237	67,981
Under Modernisation of small and medium enterprises	16.2		37,141	39,310
			<u>100,378</u>	<u>107,291</u>
Repurchase agreement borrowings				
State Bank of Pakistan	16.3		3,972,239	3,098,998
Financial Institutions	16.3		-	-
			<u>3,972,239</u>	<u>3,098,998</u>
			<u>4,072,617</u>	<u>3,206,289</u>
16.1 Particulars of borrowings with respect to Currencies				
In local currency			4,072,617	3,206,289
In foreign currencies			-	-
			<u>4,072,617</u>	<u>3,206,289</u>

16.2 These are secured against demand promissory note and carry mark up rate of 2.0% per annum payable on quarterly basis and having maturity period upto 7 years.

16.3 These represent transactions with financial institutions for sale of Government Securities under re-purchase agreement (REPO) in the inter bank money market at mark-up rate 10.26% (December 31, 2021: 10.00% to 10.15%) per annum for period upto one week (December 31, 2021: for period upto three months). REPO transactions are secured against investment of the Bank in Government securities.

17. DEPOSITS AND OTHER ACCOUNTS

March 31, 2022 (un-audited)			December 31, 2021 (audited)		
In Local Currency	In Foreign Currency	Total	In Local Currency	In Foreign Currency	Total

(Rupees in '000)

Customers

Current deposits	1,003,381	-	1,003,381	1,394,107	-	1,394,107
Savings deposits	3,376,985	-	3,376,985	3,911,666	-	3,911,666
Term deposits	2,477,012	-	2,477,012	2,163,357	-	2,163,357
Others	110,479	-	110,479	141,070	-	141,070
	<u>6,967,857</u>	<u>-</u>	<u>6,967,857</u>	<u>7,610,200</u>	<u>-</u>	<u>7,610,200</u>

Financial Institutions

Current deposits	20	-	20	441	-	441
Savings deposits	582,325	-	582,325	570,330	-	570,330
Term deposits	68,398	-	68,398	67,300	-	67,300
Others	-	-	-	-	-	-
	<u>650,743</u>	<u>-</u>	<u>650,743</u>	<u>638,071</u>	<u>-</u>	<u>638,071</u>
	<u>7,618,600</u>	<u>-</u>	<u>7,618,600</u>	<u>8,248,271</u>	<u>-</u>	<u>8,248,271</u>

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)

For the three months ended March 31, 2022

Note	(Un-audited) March 31, 2022	(Audited) December 31, 2021
	(Rupees in '000)	
18. OTHER LIABILITIES		
Mark-up/ return/ interest payable in local currency	117,606	98,484
Unearned commission on guarantees	3,424	3,840
Accrued expenses	15,733	14,513
Sundry creditors	134,561	132,585
Branch adjustment account	612	1,548
Payable against employees' benefit plans		
Defined benefit pension	500,705	500,705
Defined benefit funded gratuity scheme	7,362	7,362
Unfunded compensated absences	70,491	67,410
Security deposits against lease	280	280
Leased liability against right of use assets	533,989	537,165
Employees' VSS payments withheld	12,076	12,076
Income tax withheld payable	18,352	18,049
Others	1,679	1,655
	<u>1,416,870</u>	<u>1,395,672</u>

18.1 This include Rs. 90.615 million (December 31, 2021: Rs. 90.615 million) payable to SBP/MoF representing the leftover funds after settlement of VSS-2009 payments and amount of stale bills payable Rs. 31.775 million (December 31, 2021: Rs. 31.027 million).

Note	(Un-audited) March 31, 2022	(Audited) December 31, 2021
	(Rupees in '000)	
18.2 This represents lease liability under IFRS 16 :		
Opening net book value	537,165	541,078
- Additions/adjustment	-	12,805
- Interest	17,000	69,183
- Payment	(20,176)	(85,901)
Closing net book value	<u>533,989</u>	<u>537,165</u>

Note	(Un-audited) March 31, 2022	(Audited) December 31, 2021
	(Rupees in '000)	
19. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS		
Surplus/(deficit) on revaluation of available-for-sale securities		
- Federal Government securities	(12,296)	(15,522)
- Listed companies/mutual funds	2,873	2,836
	(9,423)	(12,686)
Deferred tax on surplus/(deficit) on revaluation of available-for-sale securities		
- Federal Government securities	-	-
- Listed companies/mutual funds	(1,006)	(993)
	<u>(10,429)</u>	<u>(13,679)</u>

SME BANK LIMITED
Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)
For the three months ended March 31, 2022

		(Un-audited) March 31, 2022		(Audited) December 31, 2021
		(Rupees in '000)		
20.	CONTINGENCIES AND COMMITMENTS	Note		
	- Guarantees	20.1	310,289	338,308
	- Commitments	20.2	4,202,702	3,316,589
	- Other contingent liabilities	20.3	1,187,639	1,170,700
			<u>5,700,630</u>	<u>4,825,597</u>
20.1	Guarantees			
	Financial guarantees		-	-
	Performance guarantees	20.1.1	310,289	338,308
	Other guarantees		-	-
			<u>310,289</u>	<u>338,308</u>
20.1.1	This include expired letter of guarantees/performance aggregating to Rs. 56.050 million (December 31, 2021: Rs. 92.941 million) for which formalities for return of original documents are in process.			
20.2	Commitments			
	Commitments in respect of:			
	- forward government securities transactions	20.2.1	3,973,261	3,099,258
	- forward lending	20.2.2	228,908	215,662
	Commitments for acquisition of:			
	- operating fixed assets		533	1,669
	- intangible assets		-	-
	Other commitments	20.2.3	-	-
			<u>4,202,702</u>	<u>3,316,589</u>
20.2.1	Commitments in respect of forward government securities transactions			
	Sale and repurchase agreements		3,973,261	3,099,258
20.2.2	Commitments in respect of forward lending			
	Undrawn facilities		172,708	142,562
	Commitments to extend credit		56,200	73,100
			<u>228,908</u>	<u>215,662</u>
20.2.3	Other commitments			
	Bills for collection			
	Payable in Pakistan		-	-
20.3	Other contingent liabilities		<u>1,187,639</u>	<u>1,170,700</u>
	a) Claims not acknowledged as debt from various borrowers of defunct RDFC.		31,860	31,860
	b) Tax demands of Rs. 612.707 million raised by the Income Tax Authorities related to VSS staff cost (tax year-2005) which has been decided in favor of the Bank. However tax authorities have filed appeal before ATIR against the decision of the Commissioner Income Tax (Appeals) which is pending adjudication. The management of the Bank strongly believes and expects favorable outcome and therefore no provision has been made for these effect in the unconsolidated financial statements.		612,707	612,707

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)

For the three months ended March 31, 2022

	(Un-audited) March 31, 2022	(Audited) December 31, 2021
	(Rupees in '000)	
c) The Bank and the income tax department have filed cross appeals against the appellate order of the Commissioner (Appeals), who had partly set aside the order of the taxation officer, resulting in taxable income of Rs. 151.234 million and tax liability of Rs. 52.932 (payable amounting Rs. 6.163 million after adjustment of credit for taxes paid/ suffered at source amounting Rs. 46.768 million) against the declared tax loss of Rs. 23,489 thousand and tax liability of Rs. 4.249 million for the tax year 2008. Without prejudice to the appeal, the Bank has offered adjustment of said demand against refunds available for tax year 2009. However no provision has been made in these unconsolidated financial statements as the management is confident of a favorable outcome.	6,163	6,163
d) DCIR raised tax demand for the tax year 2010 for Rs. 211.716 million which was again amended to Rs.198, 528,541/- vide Order # 11/40 dated 22-May-2013 u/s 221, stay against from Islamabad High Court was obtained and also appeal was filed with CIRA-II who partly accepted the Bank's plea in the case and remanded it back to DCIR for verification of evidences and opportunity of hearing the Bank for certain issues vide his order in Appeal # 968/2013 dated 07-Jan-2014. Parallel to that Bank has filed 2nd appeal in ATIR on 27-Feb-2014 and rectification application was also submitted with CIRA on 24-Feb-2014 no decision has been made yet. The tax department has also filed an appeal with the ATIR through Commissioner (Legal) vide their letter # 249 dated 7-Mar-2014. Based on the facts revealed by the consultants vide letter # IT/1156/2015 dated March 03, 2015, the management strongly believes for favorable outcome in the case and therefore no provision in this respect has been recorded in these unconsolidated financial statements.	198,529	198,529
e) The taxation officer created aggregate demand of Rs.53.674 million for withheld amount of Rs.17.598 million from VSS payment of employees for the Tax Years 2003-2004 -2005-2006-2008-2009-2010-2011-2013 which was not deposited upon advice of the legal advisor due to stay order of Supreme Court of Pakistan. The case is pending before Appellate Tribunal Inland Revenue and the provision of default surcharge Rs. 36.076 million was not made ipso facto.	36,076	36,076
f) The Officer Inland Revenue, LTU, Islamabad created demand for Rs. 21.171 million for tax year 2016 under section 161/205 of the Income Tax Ordinance, 2001. After rejection of the first appeal by CIRA the Bank has submitted second appeal before Appellate Tribunal Inland Revenue along with stay application to keep the recovery proceedings in abeyance. The referred second appeal has not yet been fixed for hearing.	21,171	21,171
g) The Officer Inland Revenue, LTU, Islamabad issued an order u/s 161/205 for the tax year 2013. The Bank filed an appeal before the Commissioner (Appeals), who has remanded the case back to assessing officer, notice to fresh proceeding have been replied no further action on the response.	18,663	18,663

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)

For the three months ended March 31, 2022

	(Un-audited) March 31, 2022	(Audited) December 31, 2021
	(Rupees in '000)	
h) The Officer Inland Revenue, LTU, Islamabad issued an order u/s 161/205 for the tax year 2017 without serving proper notices. An appeal against this impugned order has been filed before the Commissioner (Appeals), which is pending for fixation. Without prejudice, the tax department has been requested to adjust the tax demand with the available income tax refunds.	38,723	38,723
i) The Officer Inland Revenue, LTU, Islamabad made an assessment for the year 2001-2002 vide order dated June 20, 2005 of Rs. 590.667 million and a tax demand of Rs. 118.721 million which was contested in ATIR which ordered the appeal in Bank's favor vide Order no. ITA No.857/IB/2006 dated April 05, 2007. Tax department has filed income tax reference with the Islamabad High Court having no. I.T.R. 48 of 2007.	118,721	118,721
j) Sales Demands of Rs. 0.791 million and Rs. 17.098 million were created for the year 2008 & 2010 respectively during proceedings of sales audit. Against the said demands advance payments of Rs. 0.299 million and Rs. 3.743 million respectively were made to avail stay against recovery of entire amount. Appellate Tribunal Inland Revenue has remanded both cases back to the Commissioner for fresh proceedings, which have not been initiated yet. Furthermore, sales demands amounting Rs. 1.708 million & Rs. 1.045 million were created for the year 2009 and 2012 respectively during proceedings of sales audit. Against the said demands advance payments of Rs. 0.577 million & Rs.1.045 million respectively were made to avail stay against recovery of entire amount. Both appeals are pending before Appellate Tribunal Inland Revenue for fixation of hearing. The management strongly believes for favorable outcome in the said cases.	20,807	20,807
k) The Officer Inland Revenue, LTU, Islamabad demand of Rs. 16.939 million for the tax year 2016 under section 122(5A) of the Income tax Ordinance, 2001. An appeal is pending before Commissioner (Appeals). Meanwhile stay is also granted in the instant case to keep the recovery proceedings in abeyance.	16,939	-
l) Back benefits and claims of staff/employees under litigation.	67,280	67,280

SME BANK LIMITED
Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)
For the three months ended March 31, 2022

		March 31, 2022	March 31, 2021
	Note	(Rupees in '000)	
21. MARK-UP/ RETURN/ INTEREST EARNED			
On loans and advances to Customers			
Extended by:			
Defunct RDFC & SBFC		-	-
SME Bank Limited		59,883	57,578
		<u>59,883</u>	<u>57,578</u>
Employees		562	705
Financial Institution - SME Leasing Limited - a subsidiary company		3,914	4,092
		<u>64,359</u>	<u>62,375</u>
On investments in			
Available for sale securities		103,479	100,850
Held to maturity securities		853	774
		<u>104,332</u>	<u>101,624</u>
On deposits with financial institutions		51	31
Lendings to financial institutions		228	443
		<u>168,970</u>	<u>164,473</u>
22. MARK-UP/ RETURN/ INTEREST EXPENSED			
On deposits		143,298	112,673
On securities sold under repurchase agreements		89,369	71,156
On SBP Refinance Scheme		454	558
Brokerage and commission		429	269
Bank charges		25	51
		<u>233,575</u>	<u>184,707</u>
23. FEE & COMMISSION INCOME			
Branch banking customer fees		686	827
Card related fees		136	56
Credit related fees		330	586
Commission on guarantees		3,434	1,181
Commission on remittances		5	11
Others		7	2
		<u>4,598</u>	<u>2,663</u>
24. GAIN / (LOSS) ON SECURITIES			
Realised	24.1	43	881
Unrealised - held for trading		-	-
		<u>43</u>	<u>881</u>
24.1 Federal Government Securities - net		43	881
Shares		-	-
		<u>43</u>	<u>881</u>
25. OTHER INCOME			
Gain on sale of operating fixed assets - net		-	563
Others		-	16
		<u>-</u>	<u>579</u>

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)

For the three months ended March 31, 2022

	March 31, 2022	March 31, 2021
26. OPERATING EXPENSES	(Rupees in '000)	
Total compensation expense	179,465	177,565
Property expense		
Rent & taxes	2,003	2,261
Insurance	1,224	2,047
Utilities cost	5,390	4,592
Security (including guards)	5,511	3,526
Repair & maintenance	2,158	2,010
Depreciation	13,500	13,663
Others	-	-
	29,786	28,099
Information technology expenses		
Software maintenance	1,402	1,628
Hardware maintenance	474	414
Depreciation	243	989
Amortization	225	385
Network charges	4,033	4,046
Others	76	38
	6,453	7,500
Other operating expenses		
Directors' fees, allowances and other expenses	575	1,306
Legal and professional charges	1,354	2,483
Outsourced services costs	6,472	5,525
Travelling and conveyance	584	634
NIFT clearing charges	612	521
Depreciation	624	2,177
Training & development	180	254
Postage & courier charges	180	212
Communications	1,033	1,097
Stationery and printing	1,308	1,169
Marketing, advertisement & publicity	228	590
Donations	-	-
Auditors' remuneration	261	261
Separations Cost	-	1,389
Vehicle running and maintenance	1,271	981
Entertainment	542	557
Subscription, books and newspapers	1,024	826
Deposits premium	996	740
Others	47	72
	17,291	20,794
	<u>232,995</u>	<u>233,958</u>

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)

For the three months ended March 31, 2022

	March 31, 2022	March 31, 2021
	(Rupees in '000)	
27. OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	5	-
Right of use assets - unwinding of present value	17,000	17,184
	<u>17,005</u>	<u>17,184</u>
28. PROVISIONS & WRITE OFFS - NET		
Provisions/(reversals) for diminution in value of investment	-	311
Provisions/(reversals) against loans & advances	(576)	(2,912)
Provisions/(reversals) against other assets	617	109
Bad debts written off directly	-	-
	<u>41</u>	<u>(2,492)</u>
29. TAXATION		
Current	2,626	2,583
Prior periods	-	-
Deferred	30,789	(5,718)
	<u>33,415</u>	<u>(3,135)</u>
	March 31, 2022	March 31, 2021
	(Rupees in '000)	
30. BASIC/ DILUTED LOSS PER SHARE		
Net loss after tax for the period	<u>(342,771)</u>	<u>(261,626)</u>
	Number of shares	
Weighted average number of ordinary shares	<u>239,250,700</u>	<u>239,250,700</u>
	Rupees	
Basic/ diluted loss per share	<u>(1.43)</u>	<u>(1.09)</u>

There is no dilutive effect on the basic earning per share of the Bank.

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)

For the three months ended March 31, 2022

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of break-up value of these investments as per their latest available audited financial statements.

The fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

March 31, 2022 (un-audited)

FAIR VALUE				
Level 1	Level 2	Level 3	carrying / notional value	Total

Note (Rupees in '000)

31.1 On balance sheet financial instruments

Financial assets measured at fair value

- Investments

Government securities (T bills and PIBs)

Ordinary shares of listed companies/Mutual funds

Ordinary shares of unlisted companies

Financial assets not measured at fair value

- Bank balances with treasury banks

- Balances with other banks

- Lending to financial institutions

- Advances

- Other assets

- Other Investment (COI/TDR)

- Subsidiary

SME Leasing Limited

	-	4,456,734	-	-	4,456,734
	4,734	-	-	-	4,734
	-	-	-	26,470	26,470
	-	-	-	-	-
	31.2	-	-	441,275	441,275
	31.2	-	-	3,147	3,147
	31.2	-	-	-	-
	31.2	-	-	1,493,875	1,493,875
	31.2	-	-	83,016	83,016
	31.2	-	-	35,000	35,000
	-	-	-	80,748	80,748

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited) For the three months ended March 31, 2022

December 31, 2021 (audited)

FAIR VALUE				
Level 1	Level 2	Level 3	carrying / notional value	Total

Note (Rupees in '000)

On balance sheet financial instruments				
Financial assets measured at fair value				
- Investments				
Government Securities (T bills and PIBs)	-	4,090,800	-	-
Ordinary shares of listed companies/Mutual funds	4,697	-	-	-
Ordinary shares of unlisted companies	-	-	-	26,470
Financial assets not measured at fair value				
- Bank balances with treasury banks	31.2	-	-	678,860
- Balances with other banks	31.2	-	-	2,737
- Lending to financial institutions	31.2	-	-	-
- Advances	31.2	-	-	1,596,181
- Other assets	31.2	-	-	98,077
- Other Investment (COI/TDR)	31.2	-	-	35,000
Subsidiary- SME Leasing Limited	-	-	-	80,748

The bank measures fair values using the following fair values hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurement using quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Fair value measurement using inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the assets and liabilities that are not based on observable market data (i.e. unobservable inputs).

31.2 The Bank has not disclosed the fair value for these financial assets and liabilities, as these are for short term and or re-priced over short term. Therefore their carrying amounts are reasonable approximation of fair value.

31.3 The Bank's policy is to recognise transfer into and out of the different fair value hierarchy levels at the date, the event or change in circumstances, that caused the transfer occurred. There were no transfers between level 1 and level 2 during the year.

31.4 Valuation techniques and inputs used in determination of fair values within level 1

Fully paid-up ordinary shares

Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

Valuation techniques and inputs used in determination of fair values within level 2

Pakistan Investment Bonds / Market Treasury Bills
Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).

SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)

For the three months ended March 31, 2022

32. SEGMENT INFORMATION

32.1 Segment details with respect to business activities

The segment analysis with respect to business activity is as follows:

	March 31, 2022 (un-audited)		
	Trading & Sales	Commercial Banking	Total
	(Rupees in '000)		
Profit & Loss			
Net mark-up/return/profit	104,561	64,409	168,970
Inter segment revenue - net	-	30,018	30,018
Non mark-up/return/interest income	692	4,598	5,290
Total income	105,253	99,025	204,278
Segment direct expenses	95,190	388,385	483,575
Inter segment expenses allocation	30,018	-	30,018
Total expenses	125,208	388,385	513,593
Provisions	-	41	41
Loss before tax	(19,955)	(289,401)	(309,356)
	Trading & Sales	Commercial Banking	Total
	(Rupees in '000)		
Balance Sheet			
Cash & bank balances	417,110	226,170	643,280
Investments	4,603,686	-	4,603,686
Net inter segment lending	-	971,941	971,941
Lending to financial institutions	-	-	-
Advances - Performing	-	1,389,229	1,389,229
- Non-performing	-	104,646	104,646
Others	745,575	1,130,489	1,876,064
Total Assets	5,766,371	3,822,475	9,588,846
Borrowings	3,972,239	100,378	4,072,617
Deposits & other accounts	-	7,618,600	7,618,600
Net inter segment borrowing	971,941	-	971,941
Others	442,898	1,083,287	1,526,185
Total Liabilities	5,387,078	8,802,265	14,189,343
Equity	379,293	(4,979,790)	(4,600,497)
Total Equity & liabilities	5,766,371	3,822,475	9,588,846
Contingencies & Commitments	3,973,261	1,727,369	5,700,630

SME BANK LIMITED
Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)
For the three months ended March 31, 2022

	March 31, 2021 (un-audited)		
	Trading & Sales	Commercial Banking	Total
	(Rupees in '000)		
Profit & Loss			
Net mark-up/return/profit	102,067	62,406	164,473
Inter segment revenue - net	-	38,288	38,288
Non mark-up/return/interest income	881	3,242	4,123
Total income	102,948	103,936	206,884
Segment direct expenses	76,614	359,235	435,849
Inter segment expenses allocation	38,288	-	38,288
Total expenses	114,902	359,235	474,137
Provisions	311	(2,803)	(2,492)
Loss before tax	(12,265)	(252,496)	(264,761)
	December 31, 2021 (audited)		
	Trading & Sales	Commercial Banking	Total
	(Rupees in '000)		
Balance Sheet			
Cash & Bank balances	584,101	243,580	827,681
Investments	4,237,715	-	4,237,715
Net inter segment lending		2,088,831	2,088,831
Lending to financial institutions	-	-	-
Advances - Performing	-	1,489,882	1,489,882
- Non-performing	-	106,299	106,299
Others	754,044	1,192,706	1,946,750
Total Assets	5,575,860	5,121,298	10,697,158
Borrowings	3,098,998	107,291	3,206,289
Deposits & other accounts	-	8,248,271	8,248,271
Net inter segment borrowing	2,088,831	-	2,088,831
Others	425,361	989,382	1,414,743
Total Liabilities	5,613,190	9,344,944	14,958,134
Equity	(37,330)	(4,223,646)	(4,260,976)
Total Equity & liabilities	5,575,860	5,121,298	10,697,158
Contingencies & Commitments	3,099,258	1,726,339	4,825,597

Assumptions used:

- Unallocatable assets representing 8.71% (December 31, 2021: 9.02%) of the gross assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 5.53% (December 31, 2021: 5.64%) of the gross liabilities have been allocated to segments based on their respective incomes.

32.2 Segment details with respect to geographical locations

Presently the Bank does not deal outside Pakistan

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)

For the three months ended March 31, 2022

33. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its majority shareholder (Government of Pakistan) Subsidiary, Directors/ CEO, Key management personnel, EPR and Staff retirement benefit plans. Details of balances outstanding at year end and transactions with related parties are as follows:

March 31, 2022 (un-audited)

December 31, 2021 (audited)

[illegible]

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)
For the three months ended March 31, 2022

	March 31, 2022 (un-audited)	March 31, 2021 (un-audited)
	Rupees in '000	Rupees in '000
Income		
Mark-up / return / interest earned	3,914	64
Fee and commission income	-	-
Expense		
Mark-up / return / interest expense	-	263
Fees and other expenses	-	575
Remuneration and allowances	-	21,820
Charge for the period relating to employees benefit plans	-	-
	-	35,321
Description		Interest rate
Principal terms of loan facility to SMEI.	Running finance facility upto Rs. 150 million	6 months Kibor + 4.0%
Principal terms of deposit to Equity Participation Fund	Remunerative deposits	8.25%
Principal terms of deposit to Employee Benefit Plans	Remunerative deposits	7.70% to 10.0%
Principal terms of deposit to Employee Provident Trust	Remunerative deposits	8.25%
Principal terms of deposit to Directors/CEO	Remunerative deposits	6.50% to 8.25%

SME BANK LIMITED
Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)
For the three months ended March 31, 2022
34. CAPITAL ADEQUACY

The risk weighted assets to capital ratio, calculated in accordance with the State Bank's guidelines on capital adequacy is as follows:

		(Un-audited)	(Audited)
		March 31, 2022	December 31, 2021
		(Rupees in '000)	
Regulatory capital base			
<i>Tier I capital</i>			
Shareholders capital/assigned capital		2,392,507	2,392,507
Reserves		206,526	206,526
Unappropriated/unremitted profits (net of losses)		(7,189,101)	(6,846,330)
		(4,590,068)	(4,247,297)
Less: Adjustments			
Goodwill/intangible Assets		1,230	1,455
Investment in equity of subsidiary		80,748	80,748
Deficit on revaluation of available for sale investments		10,429	13,679
		92,407	95,882
<i>Total tier I capital</i>		(4,682,475)	(4,343,179)
<i>Tier II capital</i>		462	884
<i>Eligible tier III capital</i>		-	-
Total regulatory capital	(a)	(4,682,013)	(4,342,295)
		March 31, 2022 (un-audited)	December 31, 2021 (audited)
		Book value	Risk adjusted value
		Book value	Risk adjusted value
		(Rupees in '000)	
Risk-weighted exposures			
Balance sheet items:			
Cash and other liquid assets		643,280	629
Investments/ lending to financial institutions		4,603,686	66,205
Loans and advances		1,493,875	904,209
Fixed assets		411,336	410,106
Deferred tax assets		977,404	977,404
Other assets		487,324	251,814
		8,616,905	2,610,367
Off balance sheet items			
Weighted Non-funded exposures		259,543	129,772
		259,543	129,772
Credit risk-weighted exposures	(b)	8,876,448	2,740,139
Market risk		159,298	163,072
Market risk-weighted exposures		-	159,298
Total risk-weighted exposures	(c)	2,899,437	3,028,331
<i>Capital adequacy ratio credit risk</i> [(a) / (b) x 100]		-170.87%	-151.55%
<i>Total capital adequacy ratio</i> [(a) / (c) x 100]		-161.48%	-143.39%

State Bank of Pakistan (SBP) has granted exemption to the Bank vide letter No. BSD/SU-21/220/1624/2007 dated June 08, 2007 from computing capital adequacy ratio under BASEL II till restructuring/privatization and has granted exemption from implementation of Basel III Capital Instructions till restructuring/privatization vide SBP letter # BPRD/BA&CPD/646/000886/16 dated January 12, 2016. Accordingly, the Bank computes capital adequacy ratio under BASEL I and SBP has allowed exemption in meeting the minimum CAR requirements of 10% till December 31, 2019 or completion of restructuring/ privatization of the Bank, whichever is earlier vide SBP letter No. BPRD/BA&CPD/646/332/20 dated January 6, 2020. SME Bank has requested SBP to allow further extension which is pending.






SME BANK LIMITED

Notes to the Unconsolidated Condensed Interim Financial Statements (un-audited)

For the three months ended March 31, 2022

35. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Bank on April 29, 2022.

				
_____ President/CEO	_____ Chief Financial Officer	_____ Director	_____ Director	_____ Director