

FINANCIAL STATEMENTS
(Un-audited)

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2022

SME Bank Limited

Directors' Review on Operational Results for the Quarter Ended September 30, 2022

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 30th September, 2022.

GDP - growth in Pakistan in fiscal year 2022 was driven by higher private consumption and expansion in agriculture, services and industry, especially large-scale manufacturing. But in fiscal year 2023—as well as climate change and Pakistan's key policy efforts—the low growth projections also reflect double-digit inflation.

Recent devastating flood in Pakistan have deeply jeopardized the country's economic outlook, it is expected that flood-related reconstruction and economic reforms will mobilize significant international financial assistance, spurring growth and preserve social and development spending to protect the vulnerable. Foreign aid will provide relief, rehabilitation and reconstruction to support people, livelihoods and infrastructure in the immediate and long term.

The State Bank of Pakistan (SBP) has expressed hope that the International Monetary Fund (IMF) will consider the economic difficulties faced by Pakistan as a result of the floods and ease its conditions. In addition, SBP is expected to maintain the policy rate at 15% in the upcoming monetary policy.

The economic outlook will largely be shaped by the restoration of political stability and continued implementation of reforms under the International Monetary Fund's revived program to stabilize the economy and restore fiscal and external buffers.

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



