



Government of Pakistan's ("GoP") Sale of Majority Shareholding in SME Bank



Introduction:

The Privatisation Commission on behalf of the Government of Pakistan intends to sell a 93.88% of its shareholding in SME Bank Limited ("SME Bank").

Background:

SME Bank Limited (SME Bank) is a public limited company incorporated on October 30, 2001 under the Companies Ordinance, 1984. 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).

SME Bank subsequently obtained its business commencement certificate on Jun 07, 2002 and its banking business commencement certificate (as required by the License) on Apr 16, 2005 (effective from the date of issue). Pursuant to 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. Entire assets and liabilities of defunct RDFC and SBFC as at December 31, 2001 were transferred to SME Bank at fair value. These two institutions stood dissolved and ceased to exist effective January 1, 2002. SME 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.

The License of the Bank, being unrestricted, is authorized to undertake and carry on banking business in Pakistan. As of December 31, 2007 SME Bank had a paid up share capital of PKR 2,392.507 million divided into 239,250,700 shares of PKR 10 / share. The Government and Government controlled institutions shareholding is 93.88% with the remaining held by the private sector. Presently, SME Bank's Board has 7 members drawn both from public and private sectors.



SME Bank is currently catering to the Small & Medium Enterprise (SME) sector with the objective of supporting and developing the sector through financial assistance and support services. At present, SME Bank is operating through a diverse network of 27 branches which include 13 commercial branches.

Significant Achievements:

- In 2005, JCR-VIS upgraded the medium to long-term rating of SME Bank to BBB from previous BB+ & short term rating was also upgraded to A-2 from A-3 (unchanged as on April 2008)
- Launched Commercial Banking Operations in 2005 and commenced online operations in 2006.

Subsidiary:

SME Leasing Limited, listed on the Lahore Stock Exchange (“LSE”), was incorporated as a wholly owned subsidiary of SME Bank (73.14% shareholding) and obtained business commencement certificate in Jan 2003.



Significant Financial Highlights

	PKR. In Million					
	2007	2006	2005	2004	2003	2002
Profitability						
Income						
Total Income	915.9	987.1	872.3	819.7	1,473.4	1,558.2
Interest Income	875.6	960.3	844.7	786.8	1,260.8	1,485.5
Expenses						
Total Expenses	1,725.4	1,008.1	846.0	750.8	718.3	895.3
Interest Expenses	380.0	454.1	337.4	320.3	90.2	92.1
Spread(Net Interest Income/Gross Interest Income)	56.6%	52.7%	60.1%	59.3%	92.9%	93.8%
Profit Before Tax	152.1	231.7	369.1	711.3	43.7	49.8
Profit After Tax	110.4	153.2	206.2	458.9	33.7	34.3
Financial Position						
Shareholder's Funds						
Share Capital	2,392.5	2,000.0	1,500.0	1,100.0	365.0	365.0
Total Equity	2,808.6	2,287.9	2,162.3	1,796.6	807.1	975.3
Liabilities						
Total Liabilities	3,775.1	7,336.9	5,697.8	614.3	7,418.2	14,165.1
Loan from State Bank of Pakistan	-	2,430.0	2,500.0	4,000.0	5,127.5	12,686.5
Borrowings from Financial Institutions	1,400.0	2,600.0	1,530.0	1,680.0	1,300.0	-
Deposits	2,057.2	1,666.4	1,022.7	203.8	234.0	447.1
Assets						
Total Assets	6,583.8	9,624.9	7,860.1	8,411.0	8,225.3	15,140.3
Advances	2,118.3	1,731.3	1,184.8	1,136.4	1,183.4	2,883.3
Investment	3,058.1	5,566.6	4,807.7	4,383.8	5,133.2	5,173.4



SME Leasing Ltd.

Significant Financial Highlights

PKR. In Million

	2007	2006	2005	2004	2003
<u>Balance Sheet</u>					
Paid-up Capital	320.0	320.0	200.0	200.0	200.0
Total Equity	435.2	404.9	277.8	255.1	224.2
Gross lease Recievable	2,028.2	1,700.3	1,370.7	1,027.2	740.1
Net Investment in Lease	1,776.8	1,488.2	1,196.2	889.2	606.5
Long-term liabilities	921.7	688.5	561.8	430.8	239.8
Current Liabilities	559.9	521.2	453.5	274.5	210.2
Current Assets	655.9	524.2	409.5	347.3	209.8
Total Assets	1,916.9	1,614.8	1,293.3	960.5	674.3
<u>Income Statement</u>					
Lease Income	170.1	144.2	103.3	88.1	55.8
Total Revenue	171.5	145.4	104.6	88.4	55.9
Financial Charges	86.3	73.9	50.1	25.7	7.5
Administrative Expenses	47.1	40.2	32.6	27.1	18.5
Provisions	2.9	1.4	0.6	0.1	0.9
Total Expenses	133.4	114.1	83.2	52.8	26.9
Profit Before Tax	35.1	29.9	21.4	35.5	28.9
Profit Afet Tax	30.7	24.1	22.8	30.9	24.5



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For further company details please visit <http://www.smebank.org>
<http://www.smelease.com>

EOI for Strategic Investors to participate in the privatisation of SME Bank Ltd. invited

Extension in Date for Submission of EOIs and SOQs for Strategic Investors to participate in the privatisation of SME Bank Ltd. invited