



3rd Quarterly Report (July – September 2020)

Driving investment, trade
and the creation of wealth
across Asia, Africa and the Middle East.



futuremakers
by Standard Chartered

Empowering entrepreneurs to thrive

No business is too small to succeed. That is why, through our #SCWomenInTech programme, we are providing training, mentoring and seed funding of up to USD10,000 to female entrepreneurs to enable them to scale up their businesses. Because together, when we open doors, we can close the inequality gap for good.

sc.com/futuremakers#scfuturemaking



Here for good



Futuremakers is our global initiative to tackle inequality and promote greater economic inclusion in our markets.



\$50M IN FUNDRAISING & BANK-MATCHING 2019-2023



LEARN



EARN



GROW

Empowering the NEXT GENERATION

BENEFICIARIES Disadvantaged youth with a focus on **Girls &** Visually impaired people



FOCUS AREAS

Education

Employability

Entrepreneurship

Global reach targets →

500,000
adolescent girls

100,000
youth for work

50,000
micro & small businesses

Delivering across Pakistan

In Pakistan Futuremakers' programmes empower disadvantaged youth to learn new skills and improve the next generation's chances of getting a job or starting their own business.

Education

Goal

Empowering adolescent girls with life skills
15,000+ girls empowered since 2016

Financial Education

#TuesdayGoals is an initiative of the Bank whereby staff along with members of the Country Management Team volunteer their time to conduct Financial Education sessions for girls enrolled in the Goal programme

Employability

Goal – Employability: Be independent module

Employability work readiness and vocational training schemes for youth

Through **Goal**, we launched the 'Be Independent' module

700+ girls received vocational training

Employment of the visually impaired

25 Visually impaired employed at the Bank's call centre in Lahore and Karachi

Entrepreneurship

#SCWomenInTech

Launched in 2019 with the aim to focus on capacity building for women-owned small enterprises. After going through a two-month training, 5 most compelling business ideas were awarded up to USD10,000 to scale up their ventures

Seeing is Believing

- Over 12 million beneficiaries impacted, including
- Conducted 500,000 sight restoration surgeries
- Trained 85,000 lady healthcare workers on eye health
- Screened 1.5 million children for refractive errors



Employee Volunteering (EV) is critical to the successful delivery of our new and existing community programmes.

2019

580 EV days
20.7% participation

Get involved



Donate

All funds in Pakistan are directed towards the Bank's Goal Programme, a programme that focuses on empowering adolescent girls by teaching life skills combined with sports. You can make a donation at any Standard Chartered Branch. The account details are as follows:

Account Name: Right to Play – Futuremakers

Account Number: 18-4743873-18



Fundraise

Take part in any of the fundraising activities planned by Standard Chartered Bank (Pakistan) Limited



Contact

Pakistan.Corporate-Affairs@sc.com





Standard Chartered is a leading international banking group

We are a leading international banking group, with a presence in 59 of the world's most dynamic markets and serving clients in a further 85. Our purpose is to drive commerce and prosperity through our unique diversity, and our heritage and values are expressed in our brand promise, Here for good.

- **Standard Chartered Pakistan** is proud to be operating in the country as the **largest and oldest international Bank since 1863**.
- **Standard Chartered Pakistan** employs more than **2,800** people and has a network of **279** touch points (**60 branches, 170 ATMs, 29 CDMs and 20 CDKs**) across 11 cities.
- **Standard Chartered Pakistan** is the first International Bank to get an Islamic Banking licence and to open the **first Islamic Banking branch in the country**.
- **Standard Chartered Pakistan** is the leading bank for the **MNCs** operating in Pakistan. The Bank is the market leader for providing USD liquidity for **Corporates** and **Financial Institutions** in the country.
- **Standard Chartered Pakistan** plays a leading role in providing **FCY liquidity solutions** through innovative client centric structures.
- **Standard Chartered Pakistan** is a leading partner of **State Bank of Pakistan** in promoting **RMB** and increasing its use in Pakistan, which further strengthens its role as the main bank for **CPEC** led initiatives.
- **Standard Chartered Pakistan** partnered with **ANT FINANCIAL** in 2019 to launch the first block chain based **24/7**, cross border **wallet-to-wallet remittance** service between Malaysia and Pakistan.

AWARDS



Strong Recognition

Global Diversity and Inclusion Benchmark

Awards 2019/2020



- Best Practice Award in Vision category
- Progressive Award in Benefits category
- Progressive Award in Communications category
- Progressive Award in Social Responsibility category
- Diversity and Inclusion Awards

The Banker Magazine

Awards 2019/2020



- Best Islamic Bank

Asset Triple A - Islamic Finance

Awards 2019/2020



- Best Investment Bank
- Best Deal in Pakistan
- Best Bank in Treasury, Trade, SSC and Risk

Global Finance

Awards 2019/2020



- Best Digital Islamic Bank
- Best Sub-Custodian Bank 2020

16th Annual Excellence Awards

by CFA Society Awards 2019/2020



- Best medium sized Bank
- Best D&I Bank
- Runners up for Islamic Banking Window

Asia Money

Awards 2019



- Best International Bank
- Best Bank for Premium Services

Management Association of Pakistan

Awards 2019



- Best Commercial Bank

Finance Asia

Awards 2018/2019



- Best Foreign Bank in Pakistan

STANDARD CHARTERED BANK (PAKISTAN) LIMITED
30 SEPTEMBER 2020
DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the Directors' Report of Standard Chartered Bank (Pakistan) Limited (SCBPL or the Bank) along with the un-audited interim financial statements for the period ended 30 September 2020.

Economy

The rapid spread of COVID-19 and sharp deterioration in global economic outlook has created a severe economic and financial shock for many countries around the world. For Pakistan, the current shock transmits mainly through a sharp slowdown in economic activity, lower tax revenue and higher Government financing needs relative to pre-COVID-19 levels. Support from the International Monetary Fund (IMF) emergency financing under the Rapid Financing Instrument (USD 1.39bn) in April 2020 provided strong support to the authorities' emergency policy response, preserving fiscal space for essential health spending, shoring up confidence, and catalyzing additional donor support. Pakistan has also received approval for its participation in the G-20's Debt Service Suspension Initiative (DSSI), which will lower FY21 debt repayments to bilateral creditors by roughly USD2 billion.

State Bank of Pakistan (SBP) adopted timely and aggressive measures, including lowering of the policy rate (625 bps since March 2020) and new refinancing facilities, to support liquidity and credit conditions and safeguard financial stability. Under the SBP relief package, repayments of more than Pakistani Rupee (PKR) 650bn by the borrowers have been deferred along with disbursement of PKR ~220bn in payroll support facilities for Corporate/ SME sector.

On the fiscal side, public finances are expected to come under pressure from the increase in health-related expenditures and decline in tax revenues. IMF projects a growth of 1% for GDP in FY21, following a contraction of 0.4% (provisional) in FY20 resulting from the pandemic.

On the monetary front, average consumer price inflation (new base) in the month of September 2020 was 9.0% as compared to September 2019 average (new base) of 11.4%. At close of September 2020, external conditions showed steady improvement. The country posted a surplus of USD 0.8bn (Jul 20 to Sep 20) as compared to a deficit of USD 1.5bn in the comparative period. Improvement in Balance of Payments was primarily driven by import compression and growth in workers' remittances. The SBP foreign exchange reserves stood at USD 12.2bn at close of September 2020 (September 2019; USD 7.9bn) with PKR depreciating by 7.1% from the start of the year to September 2020.

Pakistani banks continue to remain well capitalized with an industry wide Capital Adequacy Ratio of 18.7% and remain profitable with a Return on Equity (after tax) of 14.6% for H1 2020. While banking sector Non-Performing Loans increased slightly to 9.7% at close of H1 2020 (8.6% at the end of 2019), it remains to be seen how the uncertainties surrounding COVID-19 impact the banking sector in rest of the year.

Purpose

At Standard Chartered, our purpose is to drive commerce and prosperity through our unique diversity. This captures the spirit of Standard Chartered by bringing together the best of what we already have – our incredible diversity of locations, cultures and expertise and ties it to what we do as a Bank – facilitating commerce in the real economy.

Our purpose signifies the way we want to do business with a human aspect as prosperity is not just about financial wealth but contributes towards creating healthier and happier communities. The purpose also embodies a more proactive and high performance culture.

Our strategic pillars

- **Deliver our network**
Our network is the key to our ability to compete profitably and remains a differentiator for our clients. We continue to leverage this strength and systematically increase network linked income through

innovative solutions, product specialization and structured off-shore offerings. Our focus remains on facilitating our clients in the Belt and Road Initiative and other trade corridors as well as building momentum in Sovereign, Multinational and Local corporates space.

- **Transform and disrupt with digital**
Our digital transaction mix, including “SC Mobile” application customers, continue to increase. SCBPL has recently upgraded core banking system to advanced platform and is also investing in state of the art digital capabilities and solutions to drive enhanced client experience.
- **Improve productivity**
We are strengthening our digital agenda in line with client needs. The increased focus on productivity resulted in controlled costs coupled with top line growth. We maintained best in class CASA mix in the industry.
- **Grow our affluent business**
Post launch of Premium segment in Q4 2019, we are now focusing on driving Emerging Affluent top-line growth to build a feeder for Priority Banking Segment.
- **Optimise returns**
We continue to enhance returns, increasing Return on Equity and improving the Cost to Income Ratio. Financial results are summarised in the next section.

Operating Results and Business Overview

	30 September 2020 (PKR millions)	31 December 2019 (PKR millions)
Balance Sheet		
Paid-up capital	38,716	38,716
Total equity	78,825	72,917
Deposits	569,698	465,629
Advances – gross	198,527	235,269
Advances – net	178,603	218,087
Investments – net	337,152	249,164
	Period ended 30 September 2020 (PKR millions)	Period ended 30 September 2019 (PKR millions)
Profit and Loss		
Revenue	32,076	28,618
Operating expenses	8,397	7,984
Other non-mark-up expenses	479	611
Operating profit (before provisions and tax)	23,200	20,023
Provisions / (recovery) and write offs - net	3,226	250
Profit before tax	19,974	19,773
Profit after tax	11,908	11,433
Earnings per Share (EPS) – Rupees	3.08	2.95

The Bank delivered resilient financial performance with Profit before tax of PKR19.9bn compared to PKR 19.7bn in 2019. Overall revenue growth was 12%, whereas client revenue increased by 19% year on year with positive contributions from financial markets, retail products and transaction banking. Operating expenses increased by only 5% year on year on account of spending mainly on the Bank's products, services and people to grow the franchise. The full impact of economic slowdown, regulatory changes and interest rate cuts in Q2 2020 are crystallising in the second half of 2020.

On advances side, momentum is impacted due to the slowdown in economic activity. The Bank is closely monitoring the portfolio given the uncertain economic environment and is maintaining adequate provisions, where required. With diversified product & client base, the Bank will continue its strategy to build a profitable, efficient and sustainable portfolio.

On the liabilities side, the Bank achieved another milestone as total deposits crossed PKR 550bn. At period end, total deposits closed at PKR 570bn with a growth of 22%, whereas current and saving accounts also grew by 24% from the start of the year and are now 94% of the deposit base. The optimal funding structure of the balance sheet continues to support the Bank's performance.

The Bank continues to invest in its digital capabilities and infrastructure to enhance our clients' banking experience through the introduction of innovative solutions. We have made steady progress in further strengthening our control and compliance environment by focusing on our people, culture and systems. We are fully committed to sustained growth by consistently focusing on our clients and product suite along with a prudent approach to building the balance sheet while bringing the best in class services to our customers.

Our digital journey is well on-track and we are continuously investing and innovating to provide a seamless client experience throughout all our segments.

Outlook

While the external environment remains challenging, we expect a gradual recovery from the COVID-19 pandemic. Pace of recovery will be dependent on the efficacy of Government initiatives and policies to ease restrictions, as well as on the persistence of the COVID-19 virus itself.

Our results demonstrate our strong business fundamentals. We recognise the challenging times ahead and are committed to support our clients and employees whilst ensuring our clients' needs are at the heart of everything we do.

Having strengthened our foundations on controls and conduct we are well equipped to manage our risks, capital and liquidity effectively. The prudent and proactive measures that we are taking now will make us leaner and fitter to take advantage of the opportunities that lie ahead.

Credit Rating

Pakistan Credit Rating Agency (PACRA) has maintained the Bank's long-term and short-term ratings of "AAA" (Triple A) and "A1+" (A One Plus) respectively. These ratings denote the lowest expectation of credit risk emanating from an exceptionally strong capacity for timely payment of financial commitments.

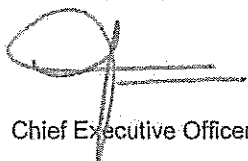
Changes in the Board of Directors

The Board has appointed Mr. Ehsan Ali Malik as independent director in place of Mr. Waqar Ahmed Malik subject to his regulatory clearance from State Bank of Pakistan.

Appreciation and Acknowledgment

We take this opportunity to express our gratitude to our clients and business partners for their continued support and trust. We offer sincere appreciation to the SBP for their guidance and cooperation extended to the Bank. Finally, we are also thankful to our associates, staff and colleagues for their committed services provided to our valued clients.

On behalf of the Board



Chief Executive Officer



Director

Karachi: 27 October 2020

Standard Chartered Bank (Pakistan) Limited

Un-audited
Financial Statements

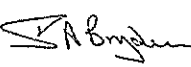
For the nine months period ended
30 September 2020

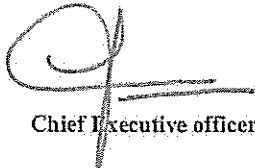
INTERNAL

Standard Chartered Bank (Pakistan) Limited
Statement of Financial Position
As at 30 September 2020

		(Un-audited)	(Audited)
	Note	30 September 2020	31 December 2019
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	49,205,534	61,290,428
Balances with other banks	7	21,014,305	3,484,265
Lendings to financial institutions	8	84,050,578	17,012,089
Investments	9	337,151,841	249,164,030
Advances	10	178,602,520	218,087,193
Fixed assets	11	9,973,187	10,563,451
Intangible assets	12	26,095,337	26,095,375
Deferred tax assets - net		-	-
Other assets	13	21,868,955	34,273,754
		727,962,257	619,970,585
LIABILITIES			
Bills payable	14	12,186,274	12,375,271
Borrowings	15	21,323,889	20,256,731
Deposits and other accounts	16	569,697,576	465,628,985
Liabilities against assets subject to finance lease		-	-
Sub -ordinated debt		-	-
Deferred tax liabilities - net	17	3,072,161	3,707,964
Other liabilities	18	42,857,295	45,085,131
		649,137,195	547,054,082
NET ASSETS		78,825,062	72,916,503
REPRESENTED BY:			
Share capital		38,715,850	38,715,850
Reserves		22,252,498	19,870,955
Surplus on revaluation of assets	19	6,188,775	5,382,841
Unappropriated profit		11,667,939	8,946,857
		78,825,062	72,916,503
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.


Chairman


Chief Executive officer


Chief Financial Officer


Director

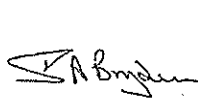

Director


INTERNAL

Standard Chartered Bank (Pakistan) Limited
Profit and Loss Account (Un-audited)
For the nine months period ended 30 September 2020

		Three months period ended 30 September 2020	Nine months period ended 30 September 2020	Three months period ended 30 September 2019	Nine months period ended 30 September 2019
	Note	(Rupees in '000)			
Mark-up / return / interest earned	21	11,567,300	41,785,623	13,900,296	37,336,079
Mark-up / return / interest expensed	22	(4,931,325)	(19,615,598)	(6,711,011)	(17,106,915)
Net mark-up / interest income		6,635,975	22,170,025	7,189,285	20,229,164
NON MARK-UP / INTEREST INCOME					
Fee and commission income	23	694,049	2,370,626	889,728	3,005,218
Dividend income		-	-	-	-
Foreign exchange income	24	829,249	3,431,523	1,092,384	3,760,925
Income / (loss) from derivatives		133,014	1,123,628	370,917	604,515
Gain / (loss) on securities	25	230,419	2,920,306	377,270	944,457
Other income	26	44,809	59,787	25,345	73,931
Total non mark-up / interest income		1,931,540	9,905,870	2,755,644	8,389,044
Total Income		8,567,515	32,075,895	9,944,929	28,618,208
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	27	(2,781,208)	(8,397,103)	(2,606,285)	(7,984,153)
Workers welfare fund		(110,885)	(474,380)	(189,253)	(578,242)
Other charges	28	(1,380)	(4,265)	(11,115)	(32,508)
Total non mark-up / interest expenses		(2,893,473)	(8,875,748)	(2,806,653)	(8,594,903)
Profit before provisions		5,674,042	23,200,147	7,138,276	20,023,305
Provisions and write offs - net	29	(1,952,404)	(3,226,593)	(263,626)	(250,518)
Extra-ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		3,721,638	19,973,554	6,874,650	19,772,787
Taxation	30	(1,664,849)	(8,065,838)	(2,673,512)	(8,340,189)
PROFIT AFTER TAXATION		2,056,789	11,907,716	4,201,138	11,432,598
		Rupees		(Rupees)	
BASIC / DILUTED EARNINGS PER SHARE	31	0.53	3.08	1.09	2.95

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.


Chairman


Chief Executive Officer


Chief Financial Officer


Director


Director

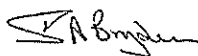
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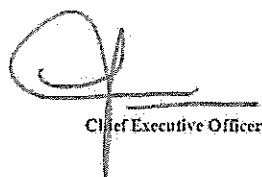
Standard Chartered Bank (Pakistan) Limited
Statement of Comprehensive Income (Un-audited)

For the nine months period ended 30 September 2020

	Three months period ended 30 September 2020	Nine months period ended 30 September 2020	Three months period ended 30 September 2019	Nine months period ended 30 September 2019
	(Rupees in '000)			
Profit after tax for the period	2,056,789	11,907,716	4,201,138	11,432,598
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments - net of tax	(561,360)	818,018	490,978	(71,538)
Items that will not be reclassified as to profit and loss account in subsequent periods	-	-	-	-
Total comprehensive income for the period	<u>1,495,429</u>	<u>12,725,734</u>	<u>4,692,116</u>	<u>11,361,060</u>


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Chairman


Chief Executive Officer


Chief Financial Officer

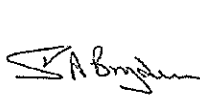

Director



Director

Standard Chartered Bank (Pakistan) Limited
Statement of Changes in Equity (Un-audited)
For the nine months period ended 30 September 2020

	Share Capital	Share Premium	Statutory Reserve	Surplus / (Deficit) on revaluation of		Unappropriated Profit	Total
				Investments	Fixed Assets		
				(Rupees in '000)			
Balance as at 01 January 2019	38,715,850	1,026,090	15,631,376	(92,271)	5,620,942	6,326,582	67,238,369
Total comprehensive income for the period							
Profit after tax for the nine months period ended 30 September 2019	-	-	-	-	-	11,432,598	11,432,598
Other comprehensive income	-	-	-	-	-	-	-
Surplus / (Deficit) on revaluation - net of deferred tax	-	-	-	-	22,510	-	22,510
Movement in surplus / (deficit) on revaluation of investments - net of tax	-	-	-	(71,535)	-	-	(71,535)
	-	-	-	(71,535)	22,510	11,432,598	11,383,570
Transactions with owners, recorded directly in equity							
Cash dividend (Final 2018) at Rs. 1.50 per share	-	-	-	-	-	(5,807,378)	(5,807,378)
Cash dividend (Interim 2019) at Rs. 1.25 per share	-	-	-	-	-	(4,839,481)	(4,839,481)
	-	-	-	-	-	(10,646,859)	(10,646,859)
Transfer to statutory reserve	-	-	2,286,520	-	-	(2,286,520)	-
Realised on disposals during the year - net of deferred tax	-	-	-	-	(151,432)	151,432	-
Transferred from surplus on revaluation of fixed asset - net of deferred tax	-	-	-	-	(12,100)	12,100	-
Balance as at 30 September 2019 - Un-audited	38,715,850	1,036,090	17,917,596	(163,809)	5,449,920	5,019,133	67,975,080
Total comprehensive income for the period							
Profit after tax for the three months ended 31 December 2019	-	-	-	-	-	4,584,849	4,584,849
Other comprehensive income	-	-	-	-	-	-	-
Movement in surplus on revaluation of investments - net of tax	-	-	-	99,027	-	-	99,027
Remeasurement of post employment obligations - net of tax	-	-	-	-	-	8,878	8,878
Surplus on revaluation of fixed asset - net of deferred tax	-	-	-	-	7,873	-	7,873
	-	-	-	99,027	7,873	4,593,727	4,700,627
Transactions with owners, recorded directly in equity							
Share based payment transactions (Contribution from holding Company)	-	-	-	-	-	72,007	72,007
Reversal of liability (to holding company) for share based payment transaction recorded in earlier years	-	-	-	-	-	168,789	168,789
	-	-	-	-	-	240,796	240,796
Transfer to statutory reserve	-	-	916,969	-	-	(916,969)	-
Transferred from surplus on revaluation of fixed asset - net of deferred tax	-	-	-	-	(10,170)	10,170	-
Balance as at 31 December 2019 - Audited	38,715,850	1,036,090	18,834,565	(64,782)	5,447,623	5,846,857	72,916,503
Total comprehensive income for the period							
Profit after tax for the nine months period ended 30 September 2020	-	-	-	-	-	11,907,716	11,907,716
Other comprehensive income	-	-	-	-	-	-	-
Movement in surplus on revaluation of investments - net of tax	-	-	-	818,018	-	-	818,018
	-	-	-	818,018	-	11,907,716	12,725,734
Transactions with owners, recorded directly in equity							
Share based payment transactions (Contribution from holding Company)	-	-	-	-	-	(41,901)	(41,901)
Cash dividend (Final 2019) at Rs. 1.75 per share	-	-	-	-	-	(6,775,274)	(6,775,274)
	-	-	-	-	-	(6,817,175)	(6,817,175)
Transfer to statutory reserve	-	-	2,381,543	-	-	(2,381,543)	-
Transferred from surplus on revaluation of fixed asset - net of deferred tax	-	-	-	-	(12,084)	12,084	-
Balance as at 30 September 2020 - Un-audited	38,715,850	1,036,090	21,216,408	753,236	5,435,539	11,667,939	78,825,062

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.


Chairman


Chief Executive Officer


Chief Financial Officer


Director

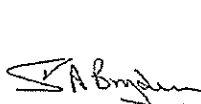

Director

INTERNAL

Standard Chartered Bank (Pakistan) Limited
Cash Flow Statement (Un-audited)
For the nine months period ended 30 September 2020

	Note	30 September 2020	30 September 2019
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation for the period		19,973,554	19,772,787
Less: Dividend income		-	-
		19,973,554	19,772,787
Adjustments for:			
Depreciation	27	837,948	724,779
Amortization	27	38	76
Gain on sale of fixed assets	26	(4,388)	(51,502)
Unrealized gain on revaluation of investments classified as held for trading - net	25	48,804	100,159
Finance cost against lease		289,913	156,657
(Gain) / loss on lease termination		(16,390)	-
Provisions and write offs - net	29	3,226,593	250,518
		4,382,518	1,180,687
		24,356,072	20,953,474
Increase in operating assets			
Lending to financial institutions		(67,038,489)	(35,189,869)
Held-for-trading securities		565,942	(11,271,989)
Advances		36,310,362	(27,561,960)
Other assets (excluding advance taxation)		6,185,406	795,088
		(23,976,779)	(73,228,730)
Decrease in operating liabilities			
Bills payable		(188,997)	(5,577,376)
Borrowings from financial institutions		1,734,321	(368,847)
Deposits		104,068,591	27,216,564
Other liabilities		(2,079,633)	4,013,830
		103,534,282	25,284,171
Cash inflow / (outflow) before taxation		103,913,575	(26,991,085)
Income tax paid		(2,870,437)	(5,184,905)
Net cash flow generated from / (used in) operating activities		101,043,138	(32,175,990)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(87,344,067)	46,926,903
Investment in fixed assets		(315,004)	(148,241)
Proceeds from sale of fixed assets		7,373	247,908
Net cash flow (used in) / generated from investing activities		(87,651,698)	47,026,570
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(6,765,224)	(10,588,795)
Payment in respect of lease liability		(513,907)	(308,514)
Net cash flow used in financing activities		(7,279,131)	(10,897,309)
Increase in cash and cash equivalents for the period		6,112,309	3,953,271
Cash and cash equivalents at beginning of the period		60,921,115	49,399,730
Effect of exchange rate changes on cash and cash equivalents		3,185,884	1,228,806
		64,106,999	50,628,536
Cash and cash equivalents at end of the period		70,219,308	54,581,807
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
Cash and balances with treasury banks		49,205,534	50,558,131
Balances with other banks		21,014,305	4,170,984
Overdrawn nostros		(531)	(147,308)
		70,219,308	54,581,807

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer



Director



Director

Standard Chartered Bank (Pakistan) Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months period ended 30 September 2020

1 STATUS AND NATURE OF BUSINESS

Standard Chartered Bank (Pakistan) Limited ("the Bank") was incorporated in Pakistan on 19 July 2006 and was granted approval for commencement of banking business by State Bank of Pakistan, with effect from 30 December 2006. The ultimate holding company of the Bank is Standard Chartered Plc., incorporated in England. The registered office is at Standard Chartered Bank Building, I.I. Chundrigar Road, Karachi.

The Bank commenced formal operations on 30 December 2006 through amalgamation of entire undertaking of Union Bank Limited and the business carried on by the branches in Pakistan of Standard Chartered Bank, a bank incorporated by Royal Charter and existing under the laws of England. The scheme of amalgamation was sanctioned by State Bank of Pakistan vide its order dated 4 December 2006. The Bank's shares are listed on Pakistan Stock Exchange.

The Bank is engaged in the banking business as defined in the Banking Companies Ordinance, 1962 and has a total number of 60 branches in Pakistan including 4 Islamic branches (31 December 2019: 61 branches in Pakistan including 4 Islamic branches) in operation at 30 September 2020.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial information has 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:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP).

In case the requirement of Companies Act, 2017, Banking Companies Ordinance, 1962, directives issued thereunder or IFAS differ from the requirements of IAS 34, the requirements of Companies Act, 2017, Banking Companies Ordinance, 1962, directives issued thereunder and IFAS have been followed.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning after 1 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the condensed interim financial statements of the Bank. The SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BSD Circular 04 of 2006 and BPRD Circular Letter No. 05 of 2019, as amended from time to time.

The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular No. 5 dated March 22, 2019 and IAS 34. These condensed interim financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the financial statements for the year ended 31 December 2019.

INTERNAL

The condensed interim financial statements do not include all the information and disclosures required for the full set of annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended 31 December 2019.

2.1 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current period

There are certain interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after 01 January 2020 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 condensed interim financial statements.

2.2 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective in the current period

There are various standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not effective in the current year.

Standard or Interpretation	Effective date (annual periods beginning on or after)
- Covid-19-Related Rent Concessions – Amendment to IFRS 16	June 01, 2020
- Classification of liabilities as current or non-current – Amendment to IAS 1	January 01, 2022
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendment to IFRS 10 and IAS 28	Not yet finalized

The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application.

The State Bank of Pakistan, vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. According to initial exercise to estimate the impairment required under expected credit loss model, the provision is estimated to increase by Rs. 627 million as at 30 September 2020.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
- IFRS 1 - First-time Adoption of International Financial Reporting Standards	July 01, 2014
- IFRS 17 – Insurance Contracts	January 01, 2023

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2019.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2019.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended 31 December 2019.

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit on extension of credit to SMEs to Rs 180 million; (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing banks to defer clients' payment of principal on loan obligations by one year; (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year and (vi) introduction of refinancing schemes for payment of wages and salaries.

COVID-19 will impact banks in Pakistan on a number of areas including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a significant number of the Bank's staff is working from home and an ever increasing number of customers are being encouraged to use digital channels.

5.1 Credit Risk

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of COVID-19. The Bank is continuously reviewing the portfolio, to identify customers susceptible to higher risk, resulting from the pandemic. The Bank has granted deferment / restructuring / rescheduling to customers under schemes announced by SBP. The full potential impact of economic stress is difficult to predict given the uncertain economic environment. Hence, the management believes it is appropriate to maintain a general provision of up to 1% of the performing credit portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations. Based on management's best estimate a provision of Rs 1,773 million has been recognised in the profit and loss account in the current period.

5.2 Liquidity Risk

Bank has received applications for deferral of principal and mark-up. These applications were being reviewed and granted by the Bank as per its established policies. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Bank has conducted various stress testings on its liquidity ratios and is confident that the liquidity buffer maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

5.3 Operational Risk

The Bank is closely monitoring the situation and has taken necessary actions to ensure safety and security of Bank staff and uninterrupted services to our customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has enhanced monitoring for all cyber security risks. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections.

The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved and the Bank continues to meet the expectations of their clients.

5.4 Capital Adequacy Ratio (CAR)

The SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the Banks to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Bank for its tier 2 capital. The Senior management of the Bank is continuously monitoring the impacts of various decisions on its CAR and taking further lending decisions based on the overall impacts on RWA. The Bank also believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

INTERNAL

6	CASH AND BALANCES WITH TREASURY BANKS	Note	30 September 2020 (Un-audited)	31 December 2019 (Audited)
			(Rupees in '000)	
	In hand			
	- Local currency		5,527,017	4,372,414
	- Foreign currencies		7,796,562	3,957,268
	With State Bank of Pakistan in:			
	- Local currency current account	6.1	18,487,761	28,246,958
	- Local currency current account - Islamic Banking	6.1	2,782,010	7,074,948
	Foreign currency deposit account			
	- Cash reserve account	6.2	4,769,981	4,470,826
	- Special cash reserve account	6.2	9,193,844	12,422,663
	- Local US Dollar collection account		6,315	27,063
	With National Bank of Pakistan in:			
	- Local currency current account		638,444	679,642
	Prize Bonds		3,600	38,646
			<u>49,205,534</u>	<u>61,290,428</u>
6.1	The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 22 of the Banking Companies Ordinance, 1962. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its demand and time liabilities in Pakistan as may be prescribed by SBP.			
6.2	As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% and special cash reserve of 15% (for Islamic 6%) are required to be maintained with SBP on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits). However due to the COVID - 19 pandemic, the State Bank of Pakistan (SBP) has given relaxation vide Circular No. 08 of 2020, dated 17 April 2020 to maintain cash reserve of 5% and special cash reserve of 10% (for Islamic 6%) with SBP on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).			
7	BALANCES WITH OTHER BANKS	Note	30 September 2020 (Un-audited)	31 December 2019 (Audited)
			(Rupees in '000)	
	Outside Pakistan			
	- In current accounts	7.1	<u>21,014,305</u>	<u>3,484,265</u>
			<u>21,014,305</u>	<u>3,484,265</u>
7.1	This includes balances of Rs. 20,969.641 million (2019: Rs. 3,434.676 million) held with other branches and subsidiaries of Standard Chartered Group outside Pakistan.			
8	LENDINGS TO FINANCIAL INSTITUTIONS	Note	30 September 2020 (Un-audited)	31 December 2019 (Audited)
			(Rupees in '000)	
	Repurchase agreement lendings (Reverse Repo)	8.1	21,701,757	1,968,136
	Bai Muajjal receivable from State Bank of Pakistan	8.2	1,845,421	4,117,655
	Placements	8.3	<u>60,503,400</u>	<u>10,926,298</u>
			<u>84,050,578</u>	<u>17,012,089</u>
8.1	These carry mark-up rate ranging from 7.0 percent to 7.25 percent per annum (2019: 13.1 percent) payable at maturity, and are due to mature in October 2020. These arrangements are governed under Master Repurchase Agreements.			
8.2	These represent placements to State Bank of Pakistan by Islamic Banking Business under Bai Muajjal agreements at 10.09 percent per annum with maturities upto February 2021.			
8.3	This represents placements with other branches and subsidiaries of Standard Chartered Group outside Pakistan at mark-up rates ranging from 0.05 percent to 0.10 percent per annum (2019: 0.60 percent to 1.55 percent per annum), and are due to mature in October 2020.			

	Note	30 September 2020 (Un-audited)	31 December 2019 (Audited)
		(Rupees in '000)	
8.4 Particulars of lending			
In local currency		23,547,178	6,085,791
In foreign currencies		60,593,400	10,926,268
	8.3.1	<u>84,050,578</u>	<u>17,012,059</u>

8.3.1 None of the lending to financial institutions were classified at year end.

9 INVESTMENTS

	30 September 2020 (Un-audited)				31 December 2019 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
9.1 Investments by type	(Rupees in '000)							
<i>Held for trading securities</i>								
Federal Government Securities	20,979,051	-	(48,804)	20,930,247	21,544,993	-	297,850	21,842,843
	20,979,051	-	(48,804)	20,930,247	21,544,993	-	297,850	21,842,843
<i>Available for sale securities</i>								
Federal Government Securities	314,711,086	-	1,097,581	315,808,667	226,969,169	-	(145,771)	226,823,398
Shares	786,081	(734,398)	59,066	110,749	786,081	(734,398)	42,958	94,641
Non Government Debt Securities	585,025	(285,025)	2,178	302,178	685,025	(285,025)	3,148	403,148
	316,082,192	(1,019,423)	1,158,825	316,221,594	228,440,275	(1,019,423)	(99,665)	227,321,187
Total Investments	337,061,243	(1,019,423)	1,110,021	337,151,841	249,985,268	(1,019,423)	198,185	249,164,030

	30 September 2020 (Un-audited)	31 December 2019 (Audited)
	(Rupees in '000)	
9.2 Provision for diminution in the value of investments		
Opening balance	1,019,423	967,517
Charge for the period / year	-	51,906
Closing Balance	<u>1,019,423</u>	<u>1,019,423</u>

9.2.1 Particulars of provision against debt securities

	30 September 2020 (Un-audited)		31 December 2019 (Audited)	
Category of classification	Non Performing Investment	Provision	Non Performing Investment	Provision
	(Rupees in '000)			
Domestic	-	-	-	-
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	285,025	285,025	285,025	285,025
	<u>285,025</u>	<u>285,025</u>	<u>285,025</u>	<u>285,025</u>

10 ADVANCES

Note

	Performing		Non Performing		Total	
	30 September 2020 (Un-audited)	31 December 2019 (Audited)	30 September 2020 (Un-audited)	31 December 2019 (Audited)	30 September 2020 (Un-audited)	31 December 2019 (Audited)
(Rupees in '000)						
Loans, cash credits, running finances, etc.	129,325,189	165,469,857	19,098,615	16,315,364	148,423,804	181,785,221
Islamic financing and related assets	42,645,292	41,295,830	2,168,304	1,422,679	44,813,596	42,717,909
Bills discounted and purchased (excluding treasury bills)	5,290,043	10,764,990	-	-	5,290,043	10,764,990
Advances - gross	177,260,524	217,530,677	21,266,919	17,737,943	198,527,443	235,268,620
Provision for non-performing advances						
- Specific	-	-	(17,405,374)	(16,375,109)	(17,405,374)	(16,375,109)
- General	(2,519,549)	(806,318)	-	-	(2,519,549)	(806,318)
Advances - net of provision	(2,519,549)	(806,318)	(17,405,374)	(16,375,109)	(19,924,923)	(17,181,427)
	174,740,975	216,724,359	3,861,545	1,362,834	178,602,520	218,067,193

10.1 Particulars of advances - gross

30 September 2020 (Un-audited) 31 December 2019 (Audited)
(Rupees in '000)

In local currency	192,856,930	227,723,865
In foreign currencies	5,670,513	7,544,755
	198,527,443	235,268,620

10.2 Advances include Rs. 21,266,919 million (31 December 2019: Rs. 17,737,943 million) which have been placed under non-performing status as detailed below:

Category of classification	30 September 2020 (Un-audited)		31 December 2019 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	413,224	130	129,362	-
Substandard	3,451,689	792,453	1,116,851	257,494
Doubtful	1,129,656	462,167	533,507	264,565
Loss	16,272,430	16,150,624	15,958,163	15,853,050
	21,266,919	17,405,374	17,737,943	16,375,109

10.2.1 At 30 September 2020, the provision requirement has been reduced by Rs. 200,608 million (31 December 2019: Rs. 34,662 million) being benefit of Forced Sale Value (FSV) of commercial, residential and industrial properties (land and building only) held as collateral, in accordance with the State Bank of Pakistan Prudential Regulations (PR) and SBP Circular 10 dated 21 October 2011. Increase in accumulated profits amounting to Rs. 130,395 million due to the said FSV benefit is not available for distribution of cash and stock dividend / bonus to employees.

10.3 Particulars of provision against advances

	30 September 2020 (Un-audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	16,375,109	806,318	17,181,427	16,841,631	776,856	17,618,487
Charge for the period / year	1,538,499	1,724,516	3,263,015	850,740	25,059	885,799
Reversals	(211,639)	(11,285)	(222,924)	(629,558)	(5,597)	(635,155)
	1,326,860	1,713,231	3,040,091	21,152	29,462	50,614
Amounts written off	(370,325)	-	(370,325)	(365,808)	-	(365,808)
Other movements	73,730	-	73,730	78,134	-	78,134
Closing balance	17,405,374	2,519,549	19,924,923	16,375,109	806,318	17,181,427

10.3.1 General provision includes provision amounting to Rs 745.90 million (31 December 2019: Rs 794.758 million) against the consumer finance portfolio. It also includes Rs 1.05 million (31 December 2019: Rs 11.560 million) pertaining to Small Enterprise (SE) portfolio in accordance with SBP Prudential Regulations.

Given the uncertain economic environment, the management believes it is appropriate to maintain a general provision of up to 1% of the performing credit portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations. Based on management's best estimate a provision of Rs 1,773 million has been recognised in the profit and loss account in the current period.

10.3.2 The State Bank of Pakistan (the SBP), vide BPRD Circular letter 13 of 2020 dated 26 March 2020, has relaxed certain criteria for classification of the SBP Prudential Regulations R-8 (Classification and Provisioning of Assets) to mitigate the impact of COVID-19 as disclosed in note 5.

11 FIXED ASSETS

30 September 2020 (Un-audited) 31 December 2019 (Audited)

Note

(Rupees in '000)

Capital work-in-progress	11.1	74,754	248,599
Property and equipment	11.4	9,898,433	10,314,852
		9,973,187	10,563,451
11.1 Capital work-in-progress			
Civil works		9,757	6,776
Equipment		64,997	241,823
		74,754	248,599

	30 September 2020 (Un-audited)	30 September 2019 (Un-audited)
	----- (Rupees in '000) -----	
11.2 Additions to fixed assets		
The following additions have been made to fixed assets during the period:		
Capital work-in-progress	(173,845)	32,859
Building on leasehold land - owned	-	1,284
Building on leasehold land - Right of use assets	2,722	-
Furniture and fixture	-	2,100
Electrical office and computer equipment	486,127	100,103
Vehicles	-	11,895
	<u>488,849</u>	<u>115,382</u>

11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is Rs. 2.98 million (30 June 2019: Rs. Nil). In addition net book value upon derecognition of Right of use asset (ROU) during the period amounting to Rs. 90.2 million (31 December 2019: Rs Nil)

11.4 This also includes Right of use asset (ROU) in line with IFRS 16 amounting to Rs 2,761.500 million (31 December 2019: Rs 3,308.651 million)

12 INTANGIBLE ASSETS

	Note	30 September 2020 (Un-audited)	31 December 2019 (Audited)
		----- (Rupees in '000) -----	
Goodwill		26,095,310	26,095,310
Core deposits intangible	12.1	-	-
Customer relationships intangible		27	65
Brand names	12.1	-	-
Computer Software	12.1	-	-
		<u>26,095,337</u>	<u>26,095,375</u>

12.1 The above mentioned items under intangible assets are fully amortized.

12.1 Additions to intangible assets

The additions made to intangible assets during the period is Rs. Nil (31 December 2019: Rs. Nil)

12.2 Disposals of intangible assets

The disposal made to intangible assets during the period is Rs. Nil (31 December 2019: Rs. Nil).

	Note	30 September 2020 (Un-audited)	31 December 2019 (Audited)
		----- (Rupees in '000) -----	
13 OTHER ASSETS			
Income / mark-up accrued in local currency		7,269,955	5,640,392
Income / mark-up accrued in foreign currencies		13,760	28,096
Advances, deposits, advance rent and other prepayments		284,036	358,824
Defined benefit plans		31,542	31,542
Advance taxation (payments less provisions)		4,147,676	11,861,988
Branch adjustment account		1,957	8
Mark to market gain on forward foreign exchange contracts		1,939,764	3,755,586
Interest rate derivatives and currency options - positive fair value		96,785	256,896
Receivable from SBP / Government of Pakistan		265,745	364,927
Receivable from associated undertakings		42,090	257,654
Assets Held for Sale		329,735	329,735
Receivable from Standard Chartered Bank, Sri Lanka operations		39,698	37,713
Advance Federal Excise Duty		188,443	188,443
Cards Settlement account		1,273,904	776,988
Acceptances		3,447,041	5,344,566
Unsettled trades		2,196,531	4,244,466
Sundry receivables		270,122	703,082
Others		118,847	128,343
		<u>21,956,731</u>	<u>34,309,249</u>
Less: Provision held against other assets	13.1	(87,776)	(35,495)
Other Assets - net of provisions		<u>21,868,955</u>	<u>34,273,754</u>

INTERNAL

13.1 Provision held against other assets

30 September 2020 31 December 2019
(Un-audited) (Audited)

(Rupees in '000)

Others - Trade related

87,776	35,495
<u>87,776</u>	<u>35,495</u>

13.1.1 Movement in provision against other assets

Opening balance

35,495 35,495

Charge for the period / year

52,281 -

Closing balance

87,776 35,495

14 BILLS PAYABLE

In Pakistan

11,719,399 11,944,994

Outside Pakistan

466,875 430,27712,186,274 12,375,271

15 BORROWINGS

In Pakistan

21,323,358 19,589,433

Outside Pakistan

531 667,29821,323,889 20,256,731

15.1 Details of borrowings secured / unsecured

Secured

Borrowings from State Bank of Pakistan

under Export Refinance (ERF) scheme

17,316,315 19,533,921

Refinance scheme for payment of wages and salaries

3,791,798 -

State Bank of Pakistan - LTFF

215,245 55,11621,323,358 19,589,037

Unsecured

Call borrowings

- -

Overdrawn nostro accounts

531 667,69421,323,889 20,256,731

16 DEPOSITS AND OTHER ACCOUNTS

	30 September 2020 (Un-audited)			31 December 2019 (Audited)		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
(Rupees in '000)						
Customers						
- Fixed deposits	31,613,594	347,842	31,961,436	30,909,511	472,936	31,382,447
- Savings deposits	256,541,072	25,563,533	282,104,605	194,710,890	24,072,229	218,783,119
- Current accounts	148,965,963	63,273,550	212,239,513	119,521,063	56,357,019	175,878,082
- Margin accounts	3,213,749	221,516	3,435,265	3,381,984	175,170	3,557,154
- Special exporters' account	5,694,647	-	5,694,647	6,255,671	-	6,255,671
	446,029,025	89,406,441	535,435,466	354,779,119	81,077,354	435,856,473
Financial Institutions						
- Fixed deposits	2,025,284	8,548	2,033,832	434,427	124,462	558,889
- Savings deposits	11,129,604	2,504,277	13,633,881	7,593,833	1,794,542	9,388,375
- Current accounts	11,601,123	6,900,018	18,501,141	12,685,930	7,088,396	19,774,326
- Margin accounts	18,078	75,178	93,256	15,797	35,125	50,922
	24,774,089	9,488,021	34,262,110	20,729,987	9,042,525	29,772,512
	470,803,114	98,894,462	569,697,576	375,509,106	90,119,879	465,628,985

16.1 This includes Rs. 471,800 million (2019: Rs. 597,736 million) against balances of other branches and subsidiaries of Standard Chartered Group.

17 DEFERRED TAX ASSETS / (LIABILITIES)

The following are major deferred tax assets / (liabilities) recognised and movement thereon:

30 September 2020 (Un-audited)

At 1 January 2020	Recognised in profit and loss	Recognised in OCI	At 30 September 2020
(Rupees in '000)			
Deductible Temporary Differences on			
Post retirement employee benefits	2,476	-	2,476
Deficit on revaluation of investments	34,883	(440,472)	(405,589)
Provision against advances, off balance sheet etc.	1,805,362	471,607	2,276,969
Accelerated tax depreciation	71,424	(41,793)	29,631
Unpaid liabilities	2,403,306	-	3,043,260
	4,317,451	1,069,768	(440,472)
			4,946,747
Taxable Temporary Differences on			
Surplus on revaluation of fixed assets	(194,429)	6,507	-
Goodwill	(7,830,986)	-	-
	(8,025,415)	6,507	-
			(8,018,908)
	(3,707,964)	1,076,275	(440,472)
			(3,072,161)

31 December 2019 (Audited)

At 1 January 2019	Recognised in profit and loss	Recognised in OCI	At 31 December 2019
(Rupees in '000)			
Deductible Temporary Differences on			
Post retirement employee benefits	2,256	(4,780)	2,476
Deficit on revaluation of investments	49,685	(14,802)	34,883
Provision against advances, off balance sheet etc.	2,485,817	(680,455)	1,805,362
Unpaid liabilities	1,902,215	501,091	2,403,306
	4,444,973	(179,364)	(19,582)
			4,246,027
Taxable Temporary Differences on			
Surplus on revaluation of fixed assets	(202,903)	8,474	-
Goodwill	(7,830,986)	-	-
Accelerated tax depreciation	(42,293)	113,717	-
	(8,076,182)	122,191	-
	(3,631,209)	(57,173)	(19,582)
			(3,707,964)

17.1 In terms of the Seventh Schedule to the Income Tax Law, the claim of provision for advances and off balance sheet items in respect of Corporate and Consumer (including SME) advances has been restricted to 1% and 5% of gross advances respectively. As such deferred tax asset has been recognised. The management based on projection of taxable profits, considers that the Bank would be able to claim deductions in future years within the prescribed limits in seventh schedule. It also includes deferred tax asset on pre seventh schedule provision against loans and advances disallowed, which only become tax allowable upon being written off.

INTERNAL

18 OTHER LIABILITIES

		30 September 2020 (Un-audited)	31 December 2019 (Audited)
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest payable in local currency		998,206	447,174
Mark-up / return / interest payable in foreign currencies		968	248
Accrued expenses		2,499,233	3,058,823
Advance payments		450,858	523,345
Sundry creditors		5,307,357	4,082,939
Mark to market loss on forward foreign exchange contracts		2,068,291	6,147,974
Unrealized loss on interest rate derivatives and currency options		4,404,584	3,992,870
Due to Holding Company	18.1	11,340,638	10,835,325
Charity fund balance		11,421	12,985
Dividend payable		111,570	101,520
Provision against off balance sheet obligations	18.2	183,695	235,130
Worker's welfare fund (WWF) payable	18.3	2,029,719	2,997,975
Lease liability	18.4	3,128,114	3,477,995
Short sell - Government Securities		5,202,622	3,684,152
Acceptances		3,447,041	5,344,566
Unsettled trades		1,399,543	-
Others		273,435	142,110
		<u>42,857,295</u>	<u>45,085,131</u>

18.1 Due to Holding Company

On account of reimbursement of executive and general administrative expenses	10,250,476	10,250,476
Dividend and other payable	1,090,162	584,849
	<u>11,340,638</u>	<u>10,835,325</u>

18.2 Provision against off-balance sheet obligations

Opening balance	235,130	283,541
Charge for the period / year	-	51,987
Reversals	(51,435)	(100,398)
Closing balance	<u>183,695</u>	<u>235,130</u>

These primarily represents provision against off balance sheet exposures such as bank guarantees.

18.3 The Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the law introduced by the Federal Government by Finance Act 2008 for the levy of Worker's Welfare Funds (WWF) on banks were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending. Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive until the review petition is decided. Accordingly, the amount charged for WWF since 2008 has not been reversed.

Further, as a consequence of passage of 18th Amendment to the Constitution, levy for Worker's Welfare fund was also introduced by the Government of Sindh (Sindh WWF) which was effective from 1 January 2014. The definition of industrial undertakings under the aforesaid Sindh WWF law includes banks and financial institutions as well. The Bank along with the other banks has challenged applicability of the said law on Banks before the Sindh High Court.

18.4 This represent liabilities from operating leases meeting the criteria prescribed within IFRS 16 and are presented as on-balance sheet items.

19 SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		30 September 2020 (Un-audited)	31 December 2019 (Audited)
		Note	(Rupees in '000)
Surplus / (deficit) arising on revaluation of:			
Fixed assets	19.1	5,623,461	5,642,052
Available for Sale Securities	19.2	1,158,825	(99,665)
		6,782,286	5,542,387
Deferred tax on surplus / (deficit) on revaluation of:			
Fixed assets	19.1	(187,922)	(194,429)
Available for Sale Securities	19.2	(405,589)	34,883
		(593,511)	(159,546)
		6,188,775	5,382,841
19.1 Surplus on revaluation of fixed assets - net of tax			
Surplus on revaluation of fixed assets as at 1 January		5,642,052	5,823,845
Surplus/ (Deficit) on revaluation - net of deferred tax		-	34,623
Realized on disposal during the period - net of deferred tax		-	(182,154)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(12,084)	(22,270)
Related deferred tax liability on incremental depreciation charged during the period		(6,507)	(11,992)
		(18,591)	(34,262)
Surplus on revaluation of fixed assets as at 31 December		5,623,461	5,642,052
Less: Related deferred tax liability on:			
Revaluation surplus as at 1 January		(194,429)	(202,903)
Revaluation surplus recognised during the period		-	(4,240)
Surplus realized on disposal during the period		-	722
Incremental depreciation charged during the period		6,507	11,992
		(187,922)	(194,429)
Surplus on revaluation of fixed assets as at 31 December - net of tax		5,435,539	5,447,623
19.2 (Deficit) / Surplus on revaluation of Available for Sale securities - net of tax			
Market Treasury Bills		417,547	(106,335)
Pakistan Investment Bonds		698,625	(59,926)
Sukuk and Ijarah Bonds		(16,413)	23,638
Listed shares		59,066	42,938
		1,158,825	(99,665)
Related deferred tax asset / (liability)		(405,589)	34,883
		753,236	(64,782)
20 CONTINGENCIES AND COMMITMENTS			
Guarantees	20.1	131,451,041	126,880,752
Commitments	20.2	423,389,380	504,664,407
Other contingent liabilities	20.3	10,778,932	10,988,197
		565,619,353	642,533,355
20.1 Guarantees:			
Guarantees issued favouring:			
Financial guarantees		15,938,014	19,018,743
Performance guarantees		82,635,488	78,572,604
Other guarantees		32,877,539	29,289,405
		131,451,041	126,880,752
20.2 Commitments:			
Documentary credits and short-term trade-related transactions		22,035,045	26,644,590
Letters of credit			
Commitments in respect of:			
Forward foreign exchange contracts:			
- Purchase	20.4	190,625,168	262,611,679
- Sale	20.4	173,371,002	186,080,094
Commitment in respect of derivatives:			
- Interest rate swaps	20.6	8,409,382	464,542
- Cross currency swaps	20.6	28,822,440	28,561,180
Commitment in respect of operating lease	20.7	60,747	72,530
Commitment for acquisition of fixed assets		65,597	229,792
		423,389,380	504,664,407
20.3 Other contingent liabilities		10,778,932	10,988,197
20.3.1 The Bank has a case before the Court on the land where an office building is constructed and the Bank owns a portion of that premises. A request for clearance of its premises from the competent court has been filed based on the fact that the Bank is a bonafide purchaser of the premises having no relevance with the principal case. Considering the facts of the case, the management expects a favourable decision in this case from the competent court. The Bank is also in litigation with various tenants for repossessing its office space in one of its other owned properties. These cases are now being adjudicated before the Court of Rent Controller. Based on the facts of the case and the opinion of legal counsel, the management expects a favourable decision from the dealing court in remaining cases.			
20.3.2 Further, an order for income year 2011 levying Federal Excise Duty of Rs. 515.6 million has been issued. The demand has been stayed by the Sindh High Court.			

20.3.3 The tax department has amended the assessments for income years up to 2018 (tax years 2019) under the related provisions of the Income Tax Law, determining additional tax liability on account of various issues such as disallowances relating to provision against losses and advances, goodwill etc. Appeals against the amended assessment orders are pending before different appellate forums and the management is confident that the pending issues will be decided in favour of the Bank. Accordingly, no additional provision is required. The Sindh High Court has decided the issue of goodwill amortization in favour of the Bank and the Federal Board of Revenue has filed leave to appeal before the Supreme Court of Pakistan.

	30 September 2020 (Un-audited)	31 December 2019 (Audited)
(Rupees in '000)		
20.4 Commitments in respect of forward foreign exchange contracts		
Purchase from:		
State Bank of Pakistan	64,243,011	102,632,973
Other banks	123,963,784	149,755,699
Customers	2,418,373	19,233,087
	<u>190,625,168</u>	<u>271,621,769</u>
Sale to:		
State Bank of Pakistan	-	32,014,212
Other banks	152,099,650	140,125,724
Customers	31,271,352	13,940,158
	<u>173,371,002</u>	<u>186,080,094</u>

The maturities of the above contracts are spread over a period of one year.

20.5 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	30 September 2020 (Un-audited)	31 December 2019 (Audited)
(Rupees in '000)		
20.6 Commitments in respect of derivatives		
Interest rate Swaps:		
- Purchase	4,204,691	232,271
- Sale	<u>4,204,691</u>	<u>232,271</u>
	<u>8,409,382</u>	<u>464,542</u>
Cross currency Swaps		
- Purchase	2,405,558	5,419,666
- Sale	<u>26,416,882</u>	<u>23,141,514</u>
	<u>28,822,440</u>	<u>28,561,180</u>

20.7 Commitments in respect of operating lease:

Not later than one year	3,922	15,808
Later than one year and not later than five years	56,825	56,662
Later than five years	-	-
	<u>60,747</u>	<u>72,470</u>

20.8 Derivative Instruments

20.8.1 Product analysis

30 September 2020 (Un-audited)						
(Rupees in '000)						
Counterparties	Interest Rate Swaps		Cross Currency Swaps		FX Options	
	Notional Principal *	Mark to market gain / loss	Notional Principal *	Mark to market gain / loss	Notional Principal *	Mark to market gain / loss
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	4,204,691	221	8,646,517	(912,096)	-	-
With FIs other than banks						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	4,204,691	(321)	20,175,923	(3,395,793)	-	-
Total						
Hedging	-	-	-	-	-	-
Market Making	8,409,382	-	28,822,440	(4,307,799)	-	-
	<u>8,409,382</u>	<u>-</u>	<u>28,822,440</u>	<u>(4,307,799)</u>	<u>-</u>	<u>-</u>
31 December 2019 (audited)						
(Rupees in '000)						
Counterparties	Interest Rate Swaps		Cross Currency Swaps		FX Options	
	Notional Principal *	Mark to market gain / loss	Notional Principal *	Mark to market gain / loss	Notional Principal *	Mark to market gain / loss
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	232,271	185	15,593,813	(1,173,504)	-	-
With FIs other than banks						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	232,271	(185)	12,967,367	(2,562,470)	-	-
Total						
Hedging	-	-	-	-	-	-
Market Making	464,542	-	28,561,180	(3,735,974)	-	-
	<u>464,542</u>	<u>-</u>	<u>28,561,180</u>	<u>(3,735,974)</u>	<u>-</u>	<u>-</u>

* At the exchange rate prevailing at period end.

		Three months period ended	Nine months period ended	Three months period ended	Nine months period ended
		30 September 2020 (Un-audited)	30 September 2020 (Un-audited)	30 September 2019 (Un-audited)	30 September 2019 (Un-audited)
	Note			(Rupees in '000)	
21 MARK-UP / RETURN / INTEREST EARNED					
On loans and advances to customers		4,260,108	18,188,260	5,928,713	15,257,987
On loans and advances to financial institutions		1,504	14,012	11,793	33,477
On investments in: i) Held for trading securities		461,680	1,067,344	16,743	29,964
ii) Available for sale securities		6,421,562	21,232,370	7,473,568	19,618,163
On deposits with financial institutions / State Bank of Pakistan		-	27,222	44,056	128,404
On securities purchased under resale agreements		319,061	865,649	119,272	1,455,298
On call money lending / placements		103,385	390,766	306,151	812,786
		<u>11,567,300</u>	<u>41,785,623</u>	<u>13,900,295</u>	<u>37,336,079</u>
22 MARK-UP / RETURN / INTEREST EXPENSED					
Deposits		4,360,288	16,330,683	5,568,327	14,437,833
Securities sold under repurchase agreements		56,775	630,798	332,530	592,749
Call borrowings		5,729	17,635	3,102	87,504
Borrowings from State Bank of Pakistan under Export Refinance (ERF) scheme		102,423	298,291	86,708	256,381
Cost of foreign currency swaps against foreign currency deposits / borrowings		223,847	1,726,923	573,517	1,276,608
Deposit protection premium	22.1	106,929	321,355	99,728	299,183
Finance cost of lease liability		75,334	289,913	47,099	156,657
		<u>4,931,325</u>	<u>19,615,598</u>	<u>6,711,011</u>	<u>17,106,915</u>
22.1	As per State Bank of Pakistan DPC Circular No. 04 of 2018, dated 22nd June 2018, all member banks are required to pay deposits protection premium at the rate of 0.16% on eligible deposits as defined in the aforesaid circular.				
23 FEE & COMMISSION INCOME					
Branch banking customer fees		79,371	240,238	90,951	272,861
Consumer finance related fees		22,910	42,365	9,996	32,097
Card related fees (debit and credit cards)		180,487	679,335	206,993	822,893
Credit related fees		35,100	185,715	52,205	188,270
Investment banking fees		31,649	76,734	24,649	73,394
Brokerage charges		(19,099)	(60,875)	(18,160)	(48,083)
Commission on trade and cash management		144,224	469,128	284,073	980,650
Commission on guarantees		105,853	385,153	134,559	383,162
Commission on remittances including home remittances		42,629	136,396	41,650	122,517
Commission on bancassurance		24,177	65,664	11,709	35,982
Custody Fees		46,748	150,773	30,503	141,475
		<u>694,049</u>	<u>2,370,626</u>	<u>888,728</u>	<u>3,005,218</u>
24 FOREIGN EXCHANGE INCOME					
Gain/(loss) realised from dealing in:					
Foreign Currencies		1,269,114	4,085,662	1,404,835	3,630,065
Derivative financial instruments		(439,865)	(654,139)	(312,451)	130,858
		<u>829,249</u>	<u>3,431,523</u>	<u>1,092,384</u>	<u>3,760,923</u>
25 GAIN / (LOSS) ON SECURITIES					
Realised	25.1	518,345	2,969,110	615,380	1,044,616
Unrealised - held for trading	9.1	(287,926)	(48,804)	(238,110)	(100,159)
		<u>230,419</u>	<u>2,920,306</u>	<u>377,270</u>	<u>944,457</u>
25.1	Realised gain on:				
Federal Government Securities					
Market Treasury Bills		790,030	2,624,263	749,190	859,809
Pakistan Investment Bonds		(271,685)	326,672	(133,810)	184,897
Ijarah Sukuk		-	18,175	-	-
		<u>518,345</u>	<u>2,969,110</u>	<u>615,380</u>	<u>1,044,616</u>
26 OTHER INCOME					
Rent on property		56	3,222	6,149	18,169
Gain on sale of fixed assets - net		(89)	4,388	21,461	51,502
Sri Lanka branch operations cost & FX translation		(335)	1,985	(2,265)	4,260
Gain / (loss) on lease termination		11,375	16,390	-	-
Others		33,802	33,802	-	-
		<u>44,809</u>	<u>59,787</u>	<u>25,345</u>	<u>73,931</u>

27 OPERATING EXPENSES

Note

Three months period ended
30 September
2020 (Un-audited)

Nine months period ended
30 September
2020 (Un-audited)

Three months period ended
30 September 2019
(Un-audited)

Nine months period ended
30 September 2019
(Un-audited)

(Rupees in '000)

Total compensation expense	1,524,283	4,645,844	1,456,339	4,396,875
Property expense				
Rent & taxes	34,370	110,893	42,782	224,328
Insurance	2,041	7,878	2,643	8,657
Utilities cost	72,907	182,234	80,720	190,462
Security (including guards)	51,989	146,457	58,377	168,119
Repair & maintenance	46,682	142,124	28,881	148,206
Civil works	39,423	120,133	38,478	124,844
Facilities management cost	34,299	102,822	34,262	103,165
Depreciation (Property related)	34,890	121,267	38,343	122,574
Depreciation (Right of use assets)	158,439	485,539	128,105	399,256
Cleaning and Janitorial	101,307	301,292	84,216	304,165
Minor improvements, additions and others	31,920	70,808	56,895	81,617
	608,267	1,791,447	593,700	1,875,093
Information technology expenses				
Software maintenance	65,808	153,790	38,273	116,779
Hardware maintenance	107,309	263,442	70,322	224,385
Depreciation (IT related)	64,984	171,862	50,121	144,945
Amortization	12	38	25	76
Network charges	49	2,123	1,200	5,041
	238,162	591,255	159,941	491,227
Other operating expenses				
Directors' fees and allowances	2,700	8,250	1,109	3,800
Fees and allowances to Shariah Board	2,655	7,561	2,316	7,378
Legal & professional charges	31,797	147,932	17,403	74,039
Outsourced services costs	12,868	92,694	22,363	54,101
Travelling & conveyance	6,072	48,713	30,569	84,442
Depreciation (Other fixed assets)	19,502	59,280	21,073	58,003
Training & development	757	3,727	2,687	6,501
Postage & courier charges	30,297	90,505	34,535	94,192
Communication	86,277	245,349	69,423	214,807
Stationery & printing	34,322	99,340	48,294	134,299
Marketing, advertisement & publicity	57,298	181,769	69,174	205,311
Donations	10,277	30,035	-	7,000
Auditors remuneration	8,747	22,247	9,050	25,863
Cash transportation services	18,521	53,576	8,716	48,252
Documentation and processing charges	40,346	113,067	36,639	106,477
Insurance	5,112	16,019	6,086	14,915
Others	42,948	148,493	16,677	81,578
	410,496	1,368,557	396,305	1,220,958
	2,781,208	8,397,103	2,606,285	7,984,153
28 OTHER CHARGES				
Net charge against fines and penalties imposed by SBP	1,388	4,265	11,115	32,508
29 (PROVISIONS) / REVERSALS & WRITE OFFS - NET				
(Provision) / reversals against loans and advances	10.3 & 18.2	(1,860,180)	(2,988,656)	(259,483)
Recovery of amounts written off	10.3	64,569	156,442	57,989
Provision for diminution in the value of investments	9.1	-	-	(4,027)
Bad debts written off directly		(156,793)	(342,097)	(58,105)
Fixed assets write offs		-	-	-
Impairment against fixed assets		-	-	-
Provision against other assets		-	(52,282)	-
		(1,952,404)	(3,226,593)	(263,626)
				(250,518)
30 TAXATION:				
- Current		1,902,823	9,031,325	2,691,862
- Prior years		87,122	110,788	-
- Deferred		(325,096)	(1,076,275)	71,650
		1,664,849	8,065,838	2,673,512
				8,340,189
31 EARNINGS PER SHARE - BASIC AND DILUTED				
Profit for the period		2,056,789	11,907,716	4,201,138
				11,432,598
Weighted average number of ordinary shares		3,871,585,021	3,871,585,021	3,871,585,021
		(Rupees)	(Rupees)	
Earnings per share - basic and diluted		0.53	3.08	1.09
				2.95

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

32.1 The table below analyses financial instruments monitored at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized.

On balance sheet financial instruments	30 September 2020 (Un-audited)										
Note	Carrying value					Fair value					
	Hold for Trading	Available for Sale	Loans and Receivables	Other Financial Assets	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total	
(Rupees in '000)											
Financial assets measured at fair value											
- Investments											
Federal Government Securities (T-Bills + TFRs + Sukuk)		30,838,247	245,298,647	-	-	336,236,894	-	336,236,894	-	336,236,894	
Sukuk Bonds (other than government)		-	352,128	-	-	352,128	-	352,128	-	352,128	
Equity securities traded (Share)		-	118,749	-	-	118,749	118,749	-	-	118,749	
- Other assets											
Unrealized gains on Forward Foreign exchange contracts		3,339,744	-	-	-	3,339,744	-	3,339,744	-	3,339,744	
Unrealized gains on Interest rate derivatives & currency options		96,705	-	-	-	96,705	-	96,705	-	96,705	
Financial assets and liabilities at fair value											
- Cash and bank balances with SFP and SFP	32.2	-	-	-	49,205,534	49,205,534					
- Balances with other banks	32.2	-	-	-	21,814,595	21,814,595					
- Lending to Financial Institutions	32.2	-	-	-	14,450,874	14,450,874					
- Net Margin with ODP	32.2	-	-	-	1,392,978	1,392,978					
- Advances	32.2	-	-	178,492,528	-	178,492,528					
- Other assets	32.2	-	-	-	11,497,878	11,497,878					
		35,444,546	316,231,544	178,492,528	187,648,262	639,361,127					
Financial liabilities measured at fair value											
- Other liabilities											
Unrealized loss on Forward Foreign exchange contracts	32.2	2,648,291	-	-	-	2,648,291	-	2,648,291	-	2,648,291	
Unrealized loss on Interest rate derivatives & currency options	32.2	4,444,844	-	-	-	4,444,844	-	4,444,844	-	4,444,844	
Financial liabilities not measured at fair value											
- Bills Payable	32.2	-	-	-	12,194,274	12,194,274					
- Deposits and other accounts	32.2	-	-	-	449,417,574	449,417,574					
- Borrowings	32.2	-	-	-	21,322,899	21,322,899					
- Other liabilities (including Liabilities against assets subject to finance lease)	32.2	-	-	-	26,448,547	26,448,547					
		6,723,715	-	-	429,442,294	436,165,909					
Off-balance sheet financial instruments											
Interest Rate swaps / Foreign currency options / Forward purchase contracts		-	-	-	147,235,414	147,235,414	-	147,235,414	-	147,235,414	
Interest Rate swaps / Foreign currency options / Forward sale contracts		-	-	-	263,992,577	263,992,577	-	263,992,577	-	263,992,577	
On balance sheet financial instruments											
(Rupees in '000)											
Financial assets measured at fair value											
- Investments											
Federal Government Securities (T-Bills + TFRs + Sukuk)		21,814,595	226,825,216	-	-	248,640,211	-	248,640,211	-	248,640,211	
Sukuk Bonds (other than government)		-	803,148	-	-	803,148	-	803,148	-	803,148	
Equity securities traded (Share)		-	94,641	-	-	94,641	94,641	-	-	94,641	
- Other assets											
Unrealized gains on Forward Foreign exchange contracts		3,735,566	-	-	-	3,735,566	-	3,735,566	-	3,735,566	
Unrealized gains on Interest rate derivatives & currency options		256,896	-	-	-	256,896	-	256,896	-	256,896	
Financial assets and liabilities at fair value											
- Cash and bank balances with SFP and SFP	32.2	-	-	-	61,240,478	61,240,478					
- Balances with other banks	32.2	-	-	-	2,494,265	2,494,265					
- Lending to Financial Institutions	32.2	-	-	-	17,612,610	17,612,610					
- Net Margin with ODP	32.2	-	-	-	1,392,978	1,392,978					
- Advances	32.2	-	-	219,067,191	-	219,067,191					
- Other assets	32.2	-	-	-	18,804,764	18,804,764					
		25,435,225	227,325,167	219,067,191	181,245,464	572,272,147					
Financial liabilities measured at fair value											
- Other liabilities											
Unrealized loss on Forward Foreign exchange contracts	32.2	6,147,874	-	-	-	6,147,874	-	6,147,874	-	6,147,874	
Unrealized loss on Interest rate derivatives & currency options	32.2	3,992,870	-	-	-	3,992,870	-	3,992,870	-	3,992,870	
Financial liabilities not measured at fair value											
- Bills Payable	32.2	-	-	-	12,195,271	12,195,271					
- Deposits and other accounts	32.2	-	-	-	449,417,574	449,417,574					
- Borrowings	32.2	-	-	-	20,258,731	20,258,731					
- Other liabilities (including Liabilities against assets subject to finance lease)	32.2	-	-	-	11,232,313	11,232,313					
		10,149,944	-	-	511,296,190	521,446,134					
Off-balance sheet financial instruments											
Interest Rate swaps / Foreign currency options / Forward purchase contracts		-	-	-	215,682,515	215,682,515	-	215,682,515	-	215,682,515	
Interest Rate swaps / Foreign currency options / Forward sale contracts		-	-	-	191,728,182	191,728,182	-	191,728,182	-	191,728,182	

The Bank monitors fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using inputs that are not based on observable market data (i.e. unobservable inputs).

32.2 There financial assets and liabilities are for short-term or require over short-term. Therefore their carrying amounts are reasonable approximation of fair value.

32.3 Valuation techniques used in determination of fair values within level 2 and level 3

Federal Government Securities (T-Bills + TFRs + Sukuk)	The fair values of Federal Government securities are determined on the basis of rates prices sourced from Reuters.
Non-Government debt securities (Sukuk Bonds other than government)	Investment in non-Government debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan.
Derivatives	The Group enters into derivatives contracts with various counterparties. Derivatives that are valued using valuation techniques based on market observable inputs are mainly interest rate swaps and cross currency swaps. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations.
Forward Foreign exchange contracts	The fair values of forward foreign exchange contracts are determined using forward pricing calculations.
Fixed assets	Land, buildings are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets.

32.4 Fair value of non-financial assets

	30 September 2020 (Un-audited)				31 December 2019 (Audited)			
	Carrying value		Fair value		Carrying value		Fair value	
	Level 1	Level 2	Level 3	Level 3	Level 1	Level 2	Level 3	Level 3
(Rupees in '000)								
Fixed assets	9,973,187	-	-	9,973,187	10,561,451	-	-	10,561,451

33 SEGMENT INFORMATION

33.1 Segment Details with respect to Business Activities

	30 September 2020 (Un-audited)				
	Corporate and Institutional Banking	Commercial Banking	Retail Banking	Central and Other Items	Total
	(Rupees in '000)				
Profit & Loss					
Inter segment revenue - net	2,844,227	(3,097,685)	19,236,605	(18,983,147)	-
Net mark-up / return / profit	184,369	5,862,880	(5,882,706)	22,095,482	22,170,025
Non mark-up / return / interest income	6,734,781	773,487	2,341,739	155,863	9,905,870
Total Income	9,763,377	3,538,682	15,595,638	3,178,198	32,075,895
Segment direct expenses	1,563,601	997,019	5,312,925	1,002,203	8,875,748
Inter segment expense allocation	-	-	-	-	-
Total expenses	1,563,601	997,019	5,312,925	1,002,203	8,875,748
(Reversals) / provisions	764,686	1,789,113	672,794	-	3,226,593
Profit before taxation	7,435,098	752,550	9,609,919	2,175,995	16,973,554
Balance Sheet					
Cash & Bank balances	-	-	-	70,219,839	70,219,839
Investments	20,930,248	-	-	316,221,593	337,151,841
Net inter segment lending	86,946,244	-	322,670,709	(409,616,953)	-
Lending to financial institutions	-	-	-	84,050,578	84,050,578
Advances - performing	76,468,575	71,137,308	27,135,092	-	174,740,975
- Non performing	-	2,812,619	1,048,926	-	3,861,545
Others	14,612,539	7,717,659	15,003,640	20,603,641	57,937,479
Total Assets	198,957,606	81,667,586	365,858,367	81,478,698	727,962,257
Borrowings	-	-	-	21,323,889	21,323,889
Deposits & other accounts	170,207,205	35,458,353	364,003,847	28,141	569,697,546
Net inter segment borrowing	-	38,166,932	-	(38,166,932)	-
Others	28,750,401	8,042,271	1,854,824	19,468,534	58,115,730
Total Liabilities	198,957,606	81,667,586	365,858,371	2,653,632	649,137,195
Equity	-	-	-	78,825,062	78,825,062
Total Equity & Liabilities	198,957,606	81,667,586	365,858,371	81,478,694	727,962,257
Contingencies & Commitments	165,233,842	25,071,594	412,472	374,859,475	565,577,383
	30 September 2019 (Un-audited) - restated				
Inter segment revenue - net	3,922,382	(3,818,640)	15,622,074	(15,789,591)	16,225
Net mark-up / return / profit	(680,876)	5,552,487	(5,107,653)	20,465,206	20,229,164
Non mark-up / return / interest income	5,214,230	1,030,430	2,166,318	(42,134)	8,389,044
Total Income	8,455,736	2,764,277	12,680,739	4,713,481	28,614,233
Segment direct expenses	1,396,070	922,965	5,362,859	913,009	8,594,903
Inter segment expense allocation	1,788	647	10,519	3,271	16,225
Total expenses	1,397,858	923,612	5,373,378	916,280	8,611,128
(Reversals) / provisions	-	89,981	40,601	119,936	250,518
Profit before taxation	7,057,877	1,770,685	7,266,950	3,677,565	19,773,077
Balance Sheet					
Cash & Bank balances	-	-	-	54,729,115	54,729,115
Investments	23,538,611	119,516	-	219,490,739	243,148,866
Net inter segment lending	27,531,665	-	265,996,451	(293,528,116)	-
Lending to financial institutions	-	-	-	41,655,377	41,655,377
Advances - performing	85,596,920	81,962,900	27,988,812	-	195,548,632
- Non performing	-	1,217,920	208,587	-	1,426,507
Others	18,476,969	8,199,539	14,739,627	22,712,443	64,128,578
Total Assets	135,144,165	91,499,875	308,933,477	45,059,558	600,637,075
Borrowings	-	-	-	21,792,900	21,792,900
Deposits & other accounts	124,614,970	20,703,648	306,783,515	14,367	452,115,500
Net inter segment borrowing	-	63,468,666	-	(63,468,666)	-
Others	30,529,195	7,328,561	2,149,062	18,745,877	58,753,595
Total Liabilities	155,144,165	91,499,875	308,933,477	(22,915,522)	532,661,995
Equity	-	-	-	67,975,080	67,975,080
Total Equity & Liabilities	155,144,165	91,499,875	308,933,477	45,059,558	600,637,075
Contingencies & Commitments	188,551,536	3,014,428	160,882	458,464,801	650,101,597

Corporate and Institutional Banking

Corporate & Institutional Banking comprises Global Subsidiaries, International Corporates, Financial Institutions and Sovereign clients. The product and services offered include deposits & cash management, trade, advisory services, secured lending, structured financing, FX forwards and derivatives.

Commercial Banking

Commercial Banking serves local corporates and small & medium sized clients. The product and services offered include deposits & cash management, trade, advisory services, secured lending, structured financing, FX forwards and derivatives.

Retail Banking

Retail Banking serves priority, premium, personal and business banking clients. The product and service offering include wealth management, deposits, secured lending (mortgages, auto loans, overdrafts etc.) and unsecured lending (credit cards, personal loans etc.).

Central & Other Items

Activities not directly related to a client segment are included in Central & other Items. This mainly includes Treasury-Markets (Asset and Liability Management), specific strategic investments (if any) and certain central costs of the Bank such as workers welfare fund and property management unit.

All segments offer a complete suite of Islamic Banking products and services under Standard Chartered Sandik brand and state of the art digital banking solutions. Refer note 36 for Islamic Banking Business.

34 RELATED PARTY TRANSACTIONS

Related parties comprise of Standard Chartered Plc., ultimate parent company, its other subsidiaries and branches, key management personnel, employees' retirement benefit funds and other associated undertakings. The transactions with related parties are conducted at commercial / agreed terms. The Bank also provides advances to employees at reduced rates in accordance with their terms of employment.

The transactions and balances with related parties are summarised as follows:

	30 September 2020 (Un-audited)				31 December 2019 - audited			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
	(Rupees in '000)							
Balances with other banks								
In current accounts	20,969,640	-	-	-	3,434,676	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-
	<u>20,969,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,434,676</u>	<u>-</u>	<u>-</u>	<u>-</u>
Lending to financial institutions								
Opening balance	10,926,298	-	-	-	6,465,508	-	-	-
Addition during the year	4,003,923,475	-	-	-	5,351,639,953	-	-	-
Repaid during the year	(3,954,346,333)	-	-	-	(5,347,179,173)	-	-	-
Closing balance	<u>68,593,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,926,298</u>	<u>-</u>	<u>-</u>	<u>-</u>
Advances								
Opening balance	-	129	210,371	-	-	5,269	198,459	-
Addition during the year	-	121	45,840	-	-	1,814	124,566	-
Repaid during the year	-	(250)	(58,631)	-	-	(6,954)	(93,362)	-
Transfer in / (out) - net	-	-	1,998	-	-	-	(29,292)	-
Closing balance	<u>-</u>	<u>-</u>	<u>199,578</u>	<u>-</u>	<u>-</u>	<u>129</u>	<u>210,371</u>	<u>-</u>
Provision held against advances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Assets								
Interest / mark-up accrued	981	-	517	-	1,533	-	663	-
Receivable from staff retirement fund	-	-	-	31,542	-	-	-	31,542
Due from associated undertakings	81,788	-	-	-	295,367	-	-	-
Other receivable	-	-	-	-	-	-	1,354	-
	<u>82,769</u>	<u>-</u>	<u>517</u>	<u>31,542</u>	<u>296,900</u>	<u>-</u>	<u>2,017</u>	<u>31,542</u>
Borrowings								
Opening balance	666,612	-	-	-	6,174,771	-	-	-
Borrowings during the year	-	-	-	-	70,102	-	-	-
Settled during the year	(666,612)	-	-	-	(5,578,261)	-	-	-
Closing balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>666,612</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deposits and other accounts								
Opening balance	597,736	190,190	94,863	176,457	964,772	403,272	50,143	122,721
Received during the year	23,645	222,303	624,773	1,049,174	37,851	859,863	502,255	17,375,169
Withdrawn during the year	(155,608)	(176,802)	(592,951)	(1,032,428)	(404,957)	(1,072,945)	(787,535)	(17,321,453)
Transfer in / (out) - net	-	(141,493)	3,236	-	-	-	-	-
Closing balance	<u>465,773</u>	<u>94,198</u>	<u>129,920</u>	<u>193,203</u>	<u>597,736</u>	<u>190,190</u>	<u>94,863</u>	<u>176,457</u>
Other Liabilities								
Due to holding company	11,340,638	-	-	-	10,835,325	-	-	-
Other liabilities	-	2,858	-	-	-	-	-	-
	<u>11,340,638</u>	<u>2,858</u>	<u>-</u>	<u>-</u>	<u>10,835,325</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contingencies and Commitments								
Transaction-related contingent liabilities - guarantees	58,446,241	-	-	-	55,067,647	-	-	-
Commitments in respect of forward foreign exchange contracts	7,908,043	-	-	-	3,286,846	-	-	-
Derivatives								
Derivative instruments - Interest rate swaps - notional	10,344,201	-	-	-	6,070,617	-	-	-
Derivative assets	69,362	-	-	-	18,413	-	-	-
Derivative liabilities	271,726	-	-	-	495,681	-	-	-

RELATED PARTY TRANSACTIONS

	30 September 2020 (Un-audited)				30 September 2019 (Un-audited)			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
(Rupees in '000)								
Income								
Mark-up / return / interest earned	91,072	27	22,711	-	410,242	275	17,186	-
Fee and commission income	5,289	-	-	-	556,915	-	-	-
Income / (loss) from derivatives	265,903	-	-	-	(215,240)	-	-	-
Expense								
Mark-up / return / interest paid	762	6,472	3,196	10,358	77,710	20,703	2,057	24,439
Fee and commission expense	113,823	-	-	-	27,132	-	-	-
Operating expenses	-	8,250	309,442	-	-	3,800	297,150	-
Rent and Renovation expense	-	-	1,761	-	-	-	2,592	-
Other transactions								
Dividend paid	6,706,594	-	-	-	5,748,491	-	-	-
Contribution to defined contribution plans	-	-	-	321,928	-	-	-	269,418
Net charge for defined contribution plans	-	-	-	321,928	-	-	-	269,418

The term 'related party' shall have the same meaning as specified under IAS 24 - 'Related party disclosures'.

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

30 September 2020
(Un-audited)

31 December
2019 (Audited)

(Rupees in '000)

Minimum Capital Requirement (MCR):
Paid-up capital (net of losses)

28,715,850 38,715,850

Capital Adequacy Ratio (CAR):
Eligible Common Equity Tier 1 (CET 1) Capital
Eligible Additional Tier 1 (ADT 1) Capital
Total Eligible Tier 1 Capital
Eligible Tier 2 Capital
Total Eligible Capital (Tier 1 + Tier 2)

54,340,394 49,172,949
- -
54,340,394 49,172,949
8,708,324 6,253,941
63,048,718 55,426,890

Risk Weighted Assets (RWAs):

Credit Risk
Market Risk
Operational Risk
Total

245,876,617 239,728,627
30,236,292 31,719,263
55,836,821 55,836,821
331,949,730 327,284,711

Common Equity Tier 1 Capital Adequacy ratio
Tier 1 Capital Adequacy Ratio
Total Capital Adequacy Ratio
Minimum CAR (including Capital Conservation Buffer)

16.37% 15.02%
16.37% 15.02%
18.99% 16.94%
11.50% 12.50%

Leverage Ratio (LR):

Eligible Tier 1 Capital
Total Exposures
Leverage Ratio
Minimum SBP Requirement

54,340,394 49,172,949
872,313,822 784,627,968
6.23% 6.27%
3.00% 3.00%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets
Total Net Cash Outflow
Liquidity Coverage Ratio
Minimum SBP Requirement

386,839,301 287,918,837
60,673,445 70,433,462
637.6% 408.8%
100.0% 100.0%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding
Total Required Stable Funding
Net Stable Funding Ratio
Minimum SBP Requirement

528,190,162 444,118,240
210,718,235 226,386,744
251% 196%
100% 100%

36 ISLAMIC BANKING BUSINESS

The bank is operating 4 (31 December 2019: 4) Islamic banking branches and 56 (31 December 2019: 57) Islamic banking windows at the end of the period.

	Note	30 September 2020 (Un-audited)	31 December 2019 (Audited)
————(Rupees in '000)————			
ASSETS			
Cash and balances with treasury banks		3,821,186	8,028,214
Due from financial institutions	36.1	8,495,671	6,944,460
Investments	36.2	23,981,543	3,640,376
Islamic financing and related assets – net	36.3	43,381,226	41,985,594
Fixed assets		137,532	185,135
Due from Head Office	4	766,618	-
Other assets		1,763,870	1,566,815
Total Assets		82,347,646	62,350,594
LIABILITIES			
Bills payable		141,117	139,575
Due to financial institutions		3,930,000	4,050,000
Deposits and other accounts	36.4	68,433,160	48,471,603
Due to Head Office		-	674,733
Other liabilities		1,707,003	879,377
		74,211,280	54,215,288
NET ASSETS		8,136,366	8,135,306
REPRESENTED BY			
Islamic Banking Fund		200,000	200,000
(Deficit) / surplus on revaluation of assets		(16,413)	23,638
Unappropriated / Unremitted profit	36.9	7,952,779	7,911,668
		8,136,366	8,135,306

CONTINGENCIES AND COMMITMENTS

36.6

The profit and loss account of the Bank's Islamic banking branches for the period ended 30 September 2020 is as follows:

	Note	30 September 2020 (Un-audited)	30 September 2019 (Un-audited)
————(Rupees in '000)————			
Profit / return earned	36.7	5,059,066	4,857,331
Profit / return expensed	36.8	(1,568,359)	(1,019,378)
Net Profit / return		3,490,707	3,837,953
Other income			
Fee and Commission Income		338,789	341,127
Foreign Exchange Income		339,023	595,308
Gain / (loss) on securities		18,175	-
Other Income		4,626	158
		700,613	936,593
Total Income		4,191,320	4,774,546
Other expenses			
Operating expenses		(1,451,603)	(1,345,888)
		(1,451,603)	(1,345,888)
Profit / (loss) before provisions		2,739,717	3,428,658
Provisions and write offs – net		(698,606)	(221,891)
Profit / (loss) before taxation		2,041,111	3,206,767

The Bank calculates and files a single corporate tax return as per the requirements of Income Tax Ordinance, 2001. Segmental calculation is not required for filing. However, considering the revised format requirement of the financial statements to disclose Islamic Banking segment's tax charge separately, a notional tax charge for Islamic Banking is expected to be Rs. 0.8 billion (30 September 2019: Rs. 1.25 billion).

36.1 Due from Financial Institutions

	30 September 2020 (Un-audited)			31 December 2019 (Audited)		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Unsecured	-	6,650,250	6,650,250	-	2,826,805	2,826,805
Bai Muqajal Receivable from State Bank of Pakistan	1,845,421	-	1,845,421	4,117,655	-	4,117,655
	<u>1,845,421</u>	<u>6,650,250</u>	<u>8,495,671</u>	<u>4,117,655</u>	<u>2,826,805</u>	<u>6,944,460</u>

(Rupees in '000)

36.2 Investments by segments:

	30 September 2020 (Un-audited)				31 December 2019 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Federal Government Securities:								
Gharah Sukuk	21,306,978	-	(18,591)	21,288,387	1,825,760	-	20,490	1,846,250
Bai Muqajal with GOP	1,390,978	-	-	1,390,978	1,590,978	-	-	1,590,978
	<u>23,697,956</u>	<u>-</u>	<u>(18,591)</u>	<u>23,679,365</u>	<u>3,416,738</u>	<u>-</u>	<u>20,490</u>	<u>3,237,228</u>
Non Government Debt Securities								
Listed	300,000	-	2,178	302,178	400,000	-	3,148	403,148
Unlisted	-	-	-	-	-	-	-	-
	<u>300,000</u>	<u>-</u>	<u>2,178</u>	<u>302,178</u>	<u>400,000</u>	<u>-</u>	<u>3,148</u>	<u>403,148</u>
Total Investments	<u>23,997,956</u>	<u>-</u>	<u>(16,413)</u>	<u>23,981,543</u>	<u>3,816,738</u>	<u>-</u>	<u>23,638</u>	<u>3,640,376</u>

(Rupees in '000)

36.3 Islamic financing and related assets

	30 September 2020 (Un-audited)	31 December 2019 (Audited)
	(Rupees in '000)	
Murabaha	2,774,936	1,726,466
Musharaka	16,079,794	18,182,094
Diminishing Musharaka	21,537,139	20,134,278
Musawamah	1,091,250	588,791
Ujrah (Saadiq Credit Cards)	378,515	444,345
Advances against Islamic assets - Murabaha	323,951	68,261
Advances against Islamic assets - Diminishing Musharaka	491,587	25,531
Inventory related to Islamic financing - Murabaha	2,136,424	1,545,143
Gross Islamic financing and related assets	<u>44,813,596</u>	<u>42,717,509</u>
Less: provision against Islamic financings		
Specific	(844,651)	(626,693)
General	(587,719)	(105,622)
	<u>(1,432,370)</u>	<u>(732,315)</u>
Islamic financing and related assets - net of provision	<u>43,381,226</u>	<u>41,985,194</u>

36.4 Deposits

Customers		
Current deposits	32,845,541	28,068,407
Savings deposits	33,887,549	19,058,151
Term deposits	871,563	710,367
Margin accounts	1,533	120,468
	<u>67,606,186</u>	<u>47,957,394</u>
Financial Institutions		
Current deposits	119,200	12,006
Savings deposits	707,774	562,204
	<u>826,974</u>	<u>574,209</u>
	<u>68,433,160</u>	<u>48,471,603</u>

36.5 Charity Fund

Opening Balance	12,985	7,932
Additions during the period		
Received from customers on account of delayed payment	2,818	6,295
Other Non-Shariah compliant income	3,497	6,690
	<u>6,315</u>	<u>12,985</u>
Payments / utilization during the period		
Education	(1,323)	(6,902)
Health	(6,562)	(1,930)
	<u>(7,885)</u>	<u>(7,932)</u>
Closing Balance	<u>11,415</u>	<u>12,985</u>

36.6 CONTINGENCIES AND COMMITMENTS

Guarantees	1,469,350	380,254
Commitments	15,406,069	17,726,029
Other contingent liabilities	6,851,841	2,329,305
	<u>23,727,260</u>	<u>20,435,588</u>

36.7 Profit/Return Earned of Financing, Investments and Placement

	30 September 2020 (Un-audited)	30 September 2019 (Un-audited)
	(Rupees in '000)	
Profit earned on:		
Financing	4,393,036	4,310,702
Investments	661,113	472,776
Placements	4,917	73,853
	<u>5,059,066</u>	<u>4,857,331</u>

INTERNAL

36.8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	(1,453,806)	(913,114)
Due to Financial Institutions	(59,890)	(48,402)
Deposit protection premium	(42,240)	(42,523)
Finance cost of lease liability	(12,423)	(15,329)
	<u>(1,568,359)</u>	<u>(1,019,378)</u>

36.9 Islamic Banking Business Unappropriated Profit

	30 September 2020 (Un-audited)	31 December 2019 (Audited)
	(Rupees in '000)	
Opening Balance	7,911,668	6,258,514
Add: Islamic Banking profit for the period	2,041,111	4,133,154
Less: Transferred / Remitted to Head Office	(2,000,000)	(2,500,000)
Closing Balance	<u>7,952,779</u>	<u>7,911,668</u>

36.10 Profit & Loss distribution and Pool Management

The Bank manages following assets pools for profit and loss distribution:

- a) Islamic Export Refinance Scheme (IERS) Musharakah Pool; and
b) Mudarabah Depositors Pool

a) Islamic Export Refinance Scheme (IERS) Musharakah Pool

Banks create Musharakah Pool as advised by SBP, consisting of financing to a minimum of 10 blue chip companies on Islamic modes with diversification in multiple sectors. Bank's investment in Musharakah Pool is at least equal to the amount of export refinance availed from SBP. Key features, risks, rewards and calculation of profit / loss of IERS pool is as per SBP IER Scheme and the relevant circulars issued by SBP from time to time.

The relevant details are mentioned hereunder:

Type of Pool	Profit rate and weightage announcement period	Average return on Pool Assets	Bank Profit	SBP Profit	Bank Profit %	SBP Profit %
IERS Pool	Monthly	7.3%	401,081	60,386	86.9%	13.1%

b) Mudarabah Pool

The profit and loss sharing between the depositor (Rabb-ul-Maal) and Bank (Mudarib) is based upon the underlying principles of Mudaraba. In this regard, following pools are managed by the Bank:

1. General Pool
2. Special Pool
3. High Yield Pool
4. Special Term Deposit Pool

i) Key features and risk & reward characteristics

Sandiq Savings accounts & Term Deposit Account (Mudarabah based remunerative deposits) are Shariah compliant accounts based on the Islamic principle of "Mudarabah".

Mudarabah is a partnership where one party provides funds to other for investing in a business. The partner who is investing the funds is "Rabb-ul-Mal (Depositor)" and the partner who manages the investment is "Mudarib" (Working Partner). The Bank (Mudarib) invests the funds in Shariah compliant avenues to generate return/profit. This return & profit is shared on the basis of profit & loss sharing as per the pre-agreed mechanism between the Bank and the customer.

In case of loss, the same is borne by the depositor in proportion to their investments, and the Bank (Mudarib) bears the loss of its efforts/services in managing Mudarabah.

ii) Parameters used for allocation of profit, charging expenses and provisions

The profit is calculated from income earned on the remunerative assets tagged to the pool and is distributed between Mudarib (Bank) and Rabb-ul-Maal (Depositor) based on the declared sharing ratios and weightages before the beginning of the concerned period.

iii) Deployment of Mudarabah based deposits

The applications of the Mudarabah based remunerative deposits are Islamic Advances, Investments, and Placements for generating profits to be shared among the depositors as per the agreed and approved weightage mechanism. The deposits and funds are invested in different sectors and avenues including Sukuk, Bai Muajjal (backed by Government of Pakistan), Sugar, Textile, Fertilizer, Cement, Power, Packaging, Fast-moving consumer goods (FMCG), Edible Oil, Steel, Logistics, Automobile etc.

iv) Other information

	Type of Pool			
	General	Special	High Yield	Special Term Deposit
Profit rate / weightage announcement frequency	Monthly	Monthly	Monthly	Monthly
Mudarib share (amount in '000)	366,817	101,530	125,380	4,501
Mudarib share (%)	45.1%	20.7%	17.4%	23.5%
Mudarib Share transferred through Hiba (Amount in '000)	40,093	44,933	67,378	1,477
Mudarib Share transferred through Hiba (%)	9.9%	30.7%	35.0%	24.7%
Average return on pool assets	10.5%	10.2%	10.7%	12.9%
Average return on deposits	5.7%	8.0%	8.8%	9.5%

INTERNAL

37. GENERAL

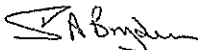
37.1 Corresponding Figures

Certain Corresponding figures have been re-arranged / reclassified to reflect more appropriate presentation that are not material in nature.

37.2 All amounts have been rounded to the nearest thousand Rupees.

37.2 Date of Authorization

These condensed interim financial statements were authorized for issue in the Board of Directors meeting held on 27 October 2020.



Chairman



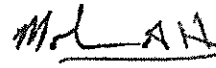
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Director



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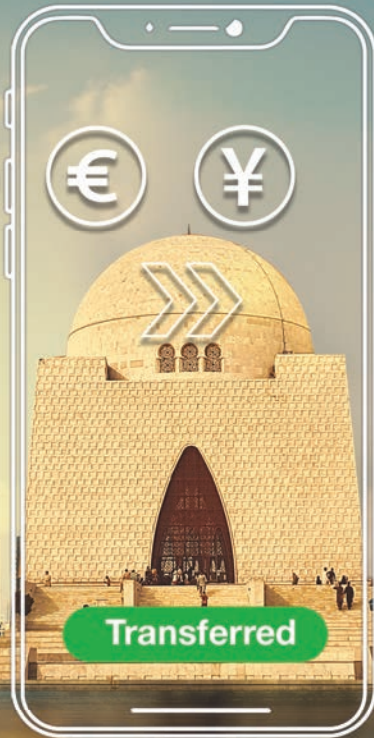
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