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Company Information

Board of Directors

Mr. Christopher Parsons	Chairperson
Mr. Rehan Muhammad Shaikh	Chief Executive Officer
Mr. Towfiq Habib Chinoy	
Mr. Ehsan Ali Malik	
Mr. Badaruddin Fatehali Vellani	
Ms. Rola Abu Manneh	
Mr. Sheikh Jobe	

Company Secretary

Mr. Asif Iqbal Alam

Board Audit Committee

Mr. Ehsan Ali Malik	Chairperson
Mr. Badaruddin Fatehali Vellani	Member
Mr. Sheikh Jobe	Member

Board Risk Committee

Mr. Towfiq Habib Chinoy	Chairperson
Mr. Ehsan Ali Malik	Member
Mr. Rehan Muhammad Shaikh	Member

Board Human Resource & Remuneration Committee

Mr. Badaruddin Fatehali Vellani	Chairperson
Mr. Towfiq Habib Chinoy	Member
Ms. Rola Abu Manneh	Member

Board IT Committee

Mr. Sheikh Jobe	Chairperson
Mr. Ehsan Ali Malik	Member
Mr. Rehan Muhammad Shaikh	Member

Shariah Board

Shaikh Nizam Yaqouby	Chairperson
Mufti Muhammad Abdul Mubeen	
Mufti Irshad Ahmad Aijaz	
Mufti Hafiz Muhammad Sarfaraz Nihal	(Resident)

Auditors

M/s EY Ford Rhodes
Chartered Accountants

Legal Advisors

Haidermota & Co
Advocates

Registered/ Main Office

Standard Chartered Bank (Pakistan) Limited
P.O. Box No. 5556, I.I. Chundrigar Road,
Karachi-74000, Pakistan.
Tel: (021) 32450000
Fax: (021) 32414914

Website

www.sc.com/pk

Registrar/ Share Registration Office

M/s CDC Share Registrar Services Limited
CDC House, 99-B, Block B,
SMCHS, Main Shahra-e-Faisal,
Karachi - 74400

Toll Free: 0800 - 23275
Fax: (021) 34326053
Email: info@cdcpak.com

STANDARD CHARTERED BANK (PAKISTAN) LIMITED
30 JUNE 2023
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 30th June 2023.

Economy

After witnessing GDP growth of 5.9% in FY-22, economic activity has decelerated to 0.3% in FY-23 due to political uncertainty, devastating floods, inflationary pressures driven by high global commodity prices and measures taken by authorities to curb imports in order to ease pressure on current account deficit.

The current account deficit narrowed by ~85% to \$2.6bn in FY-23. This substantial reduction was due to a sharp contraction in imports, reflecting the impact of policy tightening and administrative measures. Imports, exports, and remittances declined year on year by 31.0%, 12.7% and 13.6% in FY-23 respectively.

Recent staff level agreement of \$3bn with IMF has given relief to official reserves which were enduring FX pressure due to lower FX inflows and trade imbalances. The deal will help unlock near-term FX inflows from multilateral and bilateral sources paving way for improved macroeconomic environment.

On the external front, following a flexible exchange rate regime, PKR depreciated by 39% in FY-23, while the SBP foreign exchange reserves stood at \$8.0bn as of 4th August 2023. Higher international commodity prices together with domestic demand are driving inflation with a peak of 38% y/y in May'23 moderated to 29.4% in Jun'23. To address the rising inflationary pressure and widening current account deficit, SBP has increased policy rate by 8.25% to 22.00% during FY-23.

Banks in Pakistan continue to be well capitalized with an industry wide CAR of 16.3% and remain profitable with a ROE (after tax) of 27.8% for Q1-23. Meanwhile, NPLs of the banking sector stood at 7.8% at close of Q1-23 (7.3% at close of CY-22).

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

We have continued to make good progress against the strategic priorities. As we accelerate our strategy, we have refined our focus onto four strategic priorities:

1) Network

Our global 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.

2) Affluent

We continue to reinforce our strong credentials in the affluent segment by building loyalty and trust through offering our clients personalised wealth advice based on superior insight. Income from our affluent wealth business is up by 35%.

3) Mass Retail

We are investing in a range of proven digital capabilities that can substantially and economically scale up our mass market retail presence. We are doing this with enhanced data analytics and a superior end-to-end digital experience, developing opportunities on our own and with partners. Our digital transaction mix, including "SC Mobile" application customers, continue to increase. We have upgraded core banking system to advanced platform and are also spending on state of the art digital capabilities and solutions to drive enhanced client experience.

4) Sustainability

Our commitment to sustainability is not only about the economic activity we finance, but also about how we run our business. We invest in our people, promote the right values, behaviours and conduct, support the fight against financial crime and manage our environmental footprint. Our sustainability strategy seeks to strengthen relationships between our business, community, Government and clients. We will continue to focus on differentiated sustainability offering.

These strategic priorities are supported by three key enablers:

1) People & Culture

We are investing heavily in our people, giving colleagues the skills they need to succeed, bringing in expertise in critical areas and evolving to a more innovative and agile operating model.

2) Ways of Working

We are fundamentally changing the way we work, accelerating our time-to-market and increasing productivity.

3) Innovation & Technology

We are driving innovation to improve our clients' experience, increase our operational efficiency and tap new sources of income.

Operating Results and Business Overview

	30 June 2023 (PKR millions)	31 December 2022 (PKR millions)
Balance Sheet		
Paid-up capital	38,716	38,716
Total equity	96,530	87,521
Deposits	725,706	718,450
Advances – gross	238,110	236,923
Advances – net	217,225	216,208
Investments – net	465,532	477,732

	Half year ended 30 June 2023 (PKR millions)	Half year ended 30 June 2022 (PKR millions)
Profit and Loss		
Revenue	46,644	27,434
Operating expenses	7,900	6,240
Other non mark-up expenses	613	460
Operating profit (before provisions and tax)	38,130	20,734
Provisions / (recovery) and write offs - net	(12)	(1,314)
Profit before tax	38,142	22,048
Profit after tax	18,785	8,108
Earnings per Share (EPS) - Rupees	4.85	2.09

A strong performance by the Bank led to a growth of 73% in profit before tax to PKR 38.1 billion. Overall revenue grew 70%, whereas client revenue increased by 81% year on year with positive contributions from all segments. Operating expenses increased 27% from comparative period in line with inflation. Moreover, lower impairments as a result of prudent risk approach coupled with recoveries of bad debts led to a net release of PKR 12 million in H1'23 compared to a net release of PKR 1,314 million in the comparative period.

On the liabilities side, the Bank's total deposits stand at PKR 726bn; up by PKR 7.3 billion, whereas current and saving accounts grew by PKR 22 billion (up 3%) since the start of this year and comprise 98% of the deposit base. This was led by a strong pick up in current accounts of PKR 84 billion (up 25%). On assets side, net advances remained flat, reflecting bank's cautious lending approach. We continue to monitor the economic and political landscape and will position our portfolio accordingly. The Bank is well placed to cater for the needs of its clients and will continue its strategy to build a profitable, efficient and sustainable portfolio.

The Bank is investing 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.

Outlook

While the external environment remains challenging, pace of economic recovery will be dependent on improvement in external flows, domestic and geopolitical environment and global commodity prices.

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.

Changes in the Board of Directors since the last report

In order to fill casual vacancies created on the Board, the Board appointed Mr. Christoph r Parsons as Non- Executive Director / Chairman and Mr. Sheikh Jobe as Non- Executive Director in place of Mr. Ian Bryden and Mr. Mohamed Abdel Razek respectively. Pursuant to their regulatory clearances, Mr. Parsons and Mr. Jobe have joined the Board effective 18 July 2023 and 16 August 2023 respectively.

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.

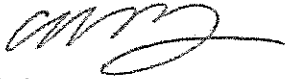
Dividend

Interim cash dividend of 40.0% (PKR 4.00/- per share) in respect of the half year ended June 30, 2023 has been declared by the Board of Directors in their meeting held on August 23, 2023.

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 State Bank of Pakistan 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



Chairman



Chief Executive Officer

Karachi: 23rd August 2023



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Chartered Accountants
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TO THE MEMBERS OF STANDARD CHARTERED BANK (PAKISTAN) LIMITED

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Standard Chartered Bank (Pakistan) Limited** (the Bank) as at **30 June 2023** and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement and notes to the condensed interim financial statements for the six-months' period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the three months ended 30 June 2023 and 30 June 2022 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2023.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Omer Chughtai.


Chartered Accountants

Karachi

Date: 25 August 2023



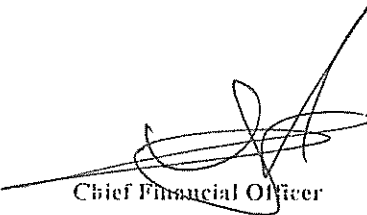
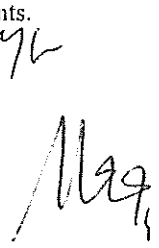

UDIN: RR202310120uqp4B3nFt

Standard Chartered Bank (Pakistan) Limited
Statement of Financial Position
As at 30 June 2023

	Note	(Un-audited) 30 June 2023	(Audited) 31 December 2022
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	75,844,693	68,918,645
Balances with other banks	7	23,207,999	8,737,656
Lendings to financial institutions	8	122,708,827	51,286,290
Investments	9	465,531,885	477,732,454
Advances	10	217,225,035	216,207,696
Fixed assets	11	11,193,384	11,474,182
Intangible assets	12	26,095,310	26,095,310
Deferred tax assets - net		-	-
Other assets	13	46,854,133	66,836,739
		988,661,266	927,288,972
LIABILITIES			
Bills payable	14	27,667,316	14,820,617
Borrowings	15	35,130,770	28,063,619
Deposits and other accounts	16	725,706,400	718,449,989
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debt		-	-
Deferred tax liabilities - net	17	5,914,714	5,354,762
Other liabilities	18	97,712,372	73,079,106
		892,131,572	839,768,093
NET ASSETS		96,529,694	87,520,879
REPRESENTED BY:			
Share capital		38,715,850	38,715,850
Reserves		32,968,881	29,211,960
Surplus on revaluation of assets	19	7,685,312	7,878,792
Unappropriated profit		17,159,651	11,714,277
		96,529,694	87,520,879

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


Standard Chartered Bank (Pakistan) Limited


Profit and Loss Account (Un-audited)

For the six months period ended 30 June 2023

	Note	Three months period ended 30 June 2023	Six months period ended 30 June 2023	Three months period ended 30 June 2022	Six months period ended 30 June 2022
----- (Rupees in '000) -----					
Mark-up / return / interest earned	21	36,245,348	69,037,357	19,526,894	35,920,058
Mark-up / return / interest expensed	22	(13,447,194)	(26,513,773)	(10,700,625)	(18,881,737)
Net mark-up / interest income		22,798,154	42,523,584	8,826,269	17,038,321
NON MARK-UP / INTEREST INCOME					
Fee and commission income	23	1,237,821	2,561,053	709,714	1,741,041
Dividend income		50,049	50,084	25,838	25,838
Foreign exchange income	24	211,766	824,418	4,194,336	6,177,690
Income / (loss) from derivatives		696,626	1,917,497	(1,052,168)	748,944
Gain / (loss) on securities	25	1,066,080	(1,406,018)	392,958	1,677,123
Other income	26	155,618	173,097	34,558	25,557
Total non mark-up / interest income		3,417,960	4,120,131	4,305,236	10,396,193
Total Income		26,216,114	46,643,715	13,131,505	27,434,514
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	27	(4,103,367)	(7,899,958)	(3,206,025)	(6,239,957)
Workers welfare fund		(325,403)	(610,586)	(224,593)	(449,974)
Other charges	28	(1,260)	(2,725)	(10,150)	(10,161)
Total non mark-up / interest expenses		(4,430,030)	(8,513,269)	(3,440,768)	(6,700,092)
Profit before provisions		21,786,084	38,130,446	9,690,737	20,734,422
Reversals / (provisions) and write offs - net	29	207,988	11,931	583,996	1,314,313
Extra-ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		21,994,072	38,142,377	10,274,733	22,048,735
Taxation	30	(12,400,104)	(19,357,772)	(9,227,841)	(13,940,329)
PROFIT AFTER TAXATION		9,593,968	18,784,605	1,046,892	8,108,406
		(Rupees)		(Rupees)	
BASIC / DILUTED EARNINGS PER SHARE	31	2.48	4.85	0.27	2.09

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
Statement of Comprehensive Income (Un-audited)

For the six months period ended 30 June 2023

	Three months period ended 30 June 2023	Six months period ended 30 June 2023	Three months period ended 30 June 2022	Six months period ended 30 June 2022
----- (Rupees in '000) -----				
Profit after tax for the period	9,593,968	18,784,605	1,046,892	8,108,406
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	533,983	(128,995)	(223,323)	(174,561)
Movement in remeasurement of post employment obligations - deferred tax rate impact	(1,936)	(1,936)	-	-
Items that will not be reclassified as to profit and loss account in subsequent periods	-	-	-	-
Total comprehensive income for the period	<u>10,126,015</u>	<u>18,653,674</u>	<u>823,569</u>	<u>7,933,845</u>

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

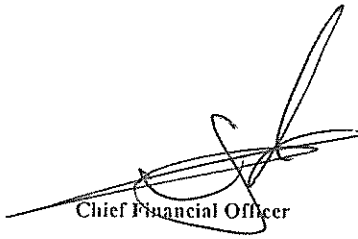
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Chairman



Chief Executive Officer



Chief Financial Officer



Director

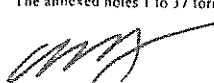


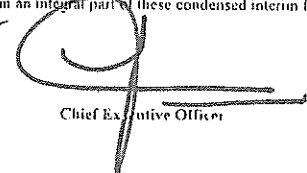
Director

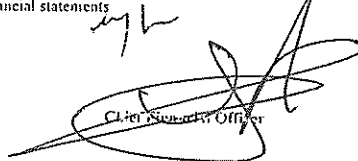
Standard Chartered Bank (Pakistan) Limited
Statement of Changes in Equity (Un-audited)
For the six months period ended 30 June 2023

	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 2022	38,715,850	1,036,090	24,206,995	(487,972)	7,859,797	8,274,496	79,605,256
Total comprehensive income for the period							
Profit after tax for the six months period ended from 01 January 2022 to 30 June 2022	-	-	-	-	-	8,108,406	8,108,406
Other comprehensive income	-	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	-	-	-	(174,561)	-	-	(174,561)
Transactions with owners, recorded directly in equity							
Share based payment transactions (Contribution from holding Company)	-	-	-	-	-	25,848	25,848
Cash dividend (Final 2021) at Rs 1.75 per share	-	-	-	-	-	(6,775,274)	(6,775,274)
Transfer to statutory reserve	-	-	1,621,681	-	-	(1,621,681)	-
Transferred from surplus on revaluation of fixed asset - net of deferred tax	-	-	-	-	(9,908)	9,908	-
Balance as at 30 June 2022 - Un-audited	38,715,850	1,036,090	25,828,676	(662,533)	7,849,889	8,021,703	80,789,675
Total comprehensive income for the period							
Profit after tax for the six months period ended from 01 July 2022 to 31 December 2022	-	-	-	-	-	11,735,969	11,735,969
Other comprehensive income	-	-	-	-	-	-	-
Movement in surplus on revaluation of investments - net of tax	-	-	-	756,505	-	-	756,505
Remeasurement of post employment obligations - net of tax	-	-	-	-	-	8,290	8,290
Transactions with owners, recorded directly in equity							
Share based payment transactions (Contribution from holding Company)	-	-	-	-	-	65,879	65,879
Cash dividend (Interim 2022) at Rs 1.50 per share	-	-	-	-	-	(5,807,378)	(5,807,378)
Transfer to statutory reserve	-	-	2,347,194	-	-	(2,347,194)	-
Surplus on revaluation - deferred tax rate impact	-	-	-	-	(28,062)	-	(28,062)
Realised on disposals during the period - net of deferred tax	-	-	-	-	(28,494)	28,494	-
Transferred from surplus on revaluation of fixed asset - net of deferred tax	-	-	-	-	(8,514)	8,514	-
Balance as at 31 December 2022 - Audited	38,715,850	1,036,090	28,175,870	93,973	7,784,819	11,714,277	87,520,879
Total comprehensive income for the period							
Profit after tax for the six months period ended from 01 January 2023 to 30 June 2023	-	-	-	-	-	18,784,605	18,784,605
Other comprehensive income	-	-	-	-	-	-	-
Movement in remeasurement of post employment obligations - deferred tax rate impact	-	-	-	-	-	(1,936)	(1,936)
Movement in surplus on revaluation of investments - net of tax	-	-	-	(128,995)	-	-	(128,995)
Transactions with owners, recorded directly in equity							
Share based payment transactions (Contribution from holding Company)	-	-	-	-	-	34,104	34,104
Cash dividend (Final 2022) at Rs. 2.50 per share	-	-	-	-	-	(9,678,963)	(9,678,963)
Transfer to statutory reserve	-	-	3,756,921	-	-	(3,756,921)	-
Realised on disposal during the period - net of deferred tax	-	-	-	-	(55,437)	55,437	-
Transferred from surplus on revaluation of fixed asset - net of deferred tax	-	-	-	-	(9,048)	9,048	-
Balance as at 30 June 2023 - Un-audited	38,715,850	1,036,090	31,932,791	(35,022)	7,720,334	17,159,651	96,529,694

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


Chairman


Chief Executive Officer


Chief Financial Officer

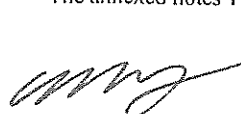

Director


Director

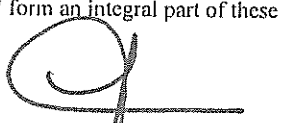
Standard Chartered Bank (Pakistan) Limited
Cash Flow Statement (Un-audited)
For the six months period ended 30 June 2023

	Note	30 June 2023	30 June 2022
----- (Rupees in '000) -----			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation for the period		38,142,377	22,048,735
Less: Dividend income		(50,084)	(25,838)
		<u>38,092,293</u>	<u>22,022,897</u>
Adjustments for:			
Depreciation	27	442,006	447,300
Gain on sale of asset held for sale		(144,717)	-
Gain on sale of fixed assets	26	(11,755)	(22,043)
Unrealized gain on revaluation of investments classified as held for trading - net	25	(30,196)	(69,052)
Finance cost against lease		104,047	120,554
Gain on lease termination		14,902	-
(Reversals) / provisions and write offs - net	29	(11,931)	(1,314,313)
		<u>362,356</u>	<u>(837,554)</u>
		<u>38,454,649</u>	<u>21,185,343</u>
(Increase) \ decrease in operating assets			
Lending to financial institutions		(71,422,537)	(2,810,177)
Held-for-trading securities		(1,260,433)	49,149,427
Advances		(1,004,846)	(3,267,357)
Other assets (excluding advance taxation)		<u>11,460,689</u>	<u>(59,160,139)</u>
		<u>(62,227,127)</u>	<u>(16,088,246)</u>
Increase / (decrease) in operating liabilities			
Bills payable		12,846,699	(3,245,395)
Borrowings from financial institutions		(44,583)	(7,135,843)
Deposits		7,256,411	48,064,997
Other liabilities		<u>15,161,307</u>	<u>(3,892,128)</u>
		<u>35,219,834</u>	<u>33,791,631</u>
Cash inflow before taxation		<u>11,447,356</u>	<u>38,888,728</u>
Income tax paid		(10,277,668)	(5,738,613)
Net cash flow generated from operating activities		<u>1,169,688</u>	<u>33,150,115</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		13,507,387	(28,944,622)
Dividend received		50,084	25,838
Investment in fixed assets		(208,008)	(191,426)
Proceeds from sale of fixed assets		11,755	22,043
Proceeds from sale of asset held for sale		260,500	-
Net cash flow generated from / (used in) investing activities		<u>13,621,718</u>	<u>(29,088,167)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(212,936)	(4,874,085)
Payment in respect of lease liability		(293,813)	(262,455)
Net cash flow used in financing activities		<u>(506,749)</u>	<u>(5,136,540)</u>
Increase / (decrease) in cash and cash equivalents for the period		<u>14,284,657</u>	<u>(1,074,592)</u>
Cash and cash equivalents at beginning of the period		65,886,124	67,034,500
Effect of exchange rate changes on cash and cash equivalents		8,695,619	2,817,648
		<u>74,581,743</u>	<u>69,852,148</u>
Cash and cash equivalents at end of the period		<u>88,866,400</u>	<u>68,777,556</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
Cash and balances with treasury banks	6	75,844,693	50,659,459
Balances with other banks	7	23,207,999	18,135,614
Overdrawn nostros	15	(10,186,292)	(17,517)
		<u>88,866,400</u>	<u>68,777,556</u>

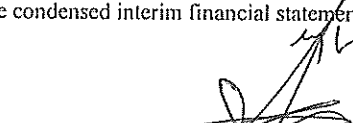
The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.




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 six months period ended 30 June 2023

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 40 branches in Pakistan including 2 Islamic branches (31 December 2022: 40 branches in Pakistan including 2 Islamic branches) in operation at 30 June 2023.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements 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 are 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 and the Securities and Exchange Commission of Pakistan.

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

The SBP has deferred the applicability of International Accounting Standard (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 audited 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 these 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 audited annual financial statements for the year ended 31 December 2022.

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

The Bank has adopted the following amendments to the approved accounting and reporting standards which became effective for the current year:

Amendments to approved accounting standards

Definition of Accounting Estimates - Amendments to IAS 8

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

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

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2023:

Standard or Interpretation	Effective date (annual periods beginning on or after)
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	01 January 2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	01 January 2024
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	01 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture -Amendments to IFRS 10 and IAS 28	Not yet finalized

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

IFRS 9 'Financial Instruments' - SBP directed the banks to implement IFRS 9 with effect from 01 January 2024 vide BPRD circular no. 07 of 2023 dated April 13, 2023. 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. The Bank has been complying with the requirement of SBP to have parallel run of IFRS 9 until its adoption.

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, 2009
IFRS 17 – Insurance Contracts	01 January 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 2022.

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 2022.

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 2022. *ML*

6	CASH AND BALANCES WITH TREASURY BANKS	<i>Note</i>	30 June 2023 (Un-audited)	31 December 2022 (Audited)
(Rupees in '000)				
	In hand			
	- Local currency		5,271,227	4,726,792
	- Foreign currencies		13,090,259	8,351,423
	With State Bank of Pakistan in:			
	- Local currency current account	<i>6.1</i>	36,813,670	33,065,724
	- Local currency current account - Islamic Banking	<i>6.1</i>	3,242,648	8,445,224
	- Foreign currency deposit account			
	- Cash reserve account	<i>6.2</i>	5,697,084	4,785,732
	- Special cash reserve account	<i>6.2</i>	10,914,541	9,123,602
	- Local US Dollar collection account		779,423	402,751
	With National Bank of Pakistan in:			
	- Local currency current account		93	93
	Prize Bonds		35,748	17,304
			<u>75,844,693</u>	<u>68,918,645</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 DMMD Circular No. 20 dated November 13, 2021, cash reserve of 6 percent and special cash reserve of 10 percent (for Islamic 6 percent) are required to be maintained with SBP on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

7	BALANCES WITH OTHER BANKS	<i>Note</i>	30 June 2023 (Un-audited)	31 December 2022 (Audited)
(Rupees in '000)				
	In Pakistan			
	- In current accounts		279,657	19,329
	Outside Pakistan			
	- In current accounts	<i>7.1</i>	<u>22,928,342</u>	<u>8,718,327</u>
			<u>23,207,999</u>	<u>8,737,656</u>

7.1 This includes balances of Rs. 12,618.566 million (2022: Rs. 5,547.742 million) held with other branches and subsidiaries of Standard Chartered Group outside Pakistan.

8	LENDINGS TO FINANCIAL INSTITUTIONS	<i>Note</i>	30 June 2023 (Un-audited)	31 December 2022 (Audited)
(Rupees in '000)				
	Repurchase agreement lendings (Reverse Repo)	<i>8.1</i>	49,986,640	31,800,000
	Placements	<i>8.2</i>	<u>72,722,187</u>	<u>19,486,290</u>
			<u>122,708,827</u>	<u>51,286,290</u>

8.1 These carry mark-up rates ranging from 22.0 percent to 22.9 percent per annum (2022: 17.65 percent) per annum payable at maturity, and is due to mature in July 2023. This arrangement is governed under Master Repurchase Agreements.

8.2 These represents placements with other branches and subsidiaries of Standard Chartered Group outside Pakistan at mark-up rates ranging from 2.90 percent to 5.15 percent per annum (2022: 1.35 percent to 4.4 percent per annum), and are due to mature latest by November 2023.

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	Note	30 June 2023 (Un-audited)	31 December 2022 (Audited)
(Rupees in '000)			
8.3 Particulars of lending			
In local currency		49,986,640	31,800,000
In foreign currencies		72,722,187	19,486,290
	8.4	<u>122,708,827</u>	<u>51,286,290</u>

8.4 None of the lending to financial institutions were classified at period end.

9 INVESTMENTS

	30 June 2023 (Un-audited)				31 December 2022 (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	1,715,249	-	30,195	1,745,444	454,816	-	(131,784)	323,032
	<u>1,715,249</u>	<u>-</u>	<u>30,195</u>	<u>1,745,444</u>	<u>454,816</u>	<u>-</u>	<u>(131,784)</u>	<u>323,032</u>
<i>Available for sale securities</i>								
Federal Government Securities	463,751,383	-	(114,028)	463,637,355	477,141,307	-	118,480	477,259,787
Shares	838,126	(734,398)	45,358	149,086	837,648	(734,398)	46,385	149,635
Non Government Debt Securities	147,000	(147,000)	-	-	147,000	(147,000)	-	-
	<u>464,736,509</u>	<u>(881,398)</u>	<u>(68,670)</u>	<u>463,786,441</u>	<u>478,125,955</u>	<u>(881,398)</u>	<u>164,865</u>	<u>477,409,422</u>
Total Investments	<u>466,451,758</u>	<u>(881,398)</u>	<u>(38,475)</u>	<u>465,531,885</u>	<u>478,580,771</u>	<u>(881,398)</u>	<u>33,081</u>	<u>477,732,454</u>

	Note	30 June 2023 (Un-audited)	31 December 2022 (Audited)
(Rupees in '000)			
9.1.1 Investments given as collateral			
Market Treasury Bills		18,529	-
Pakistan Investment Bonds		-	18,664
	9.3	<u>18,529</u>	<u>18,664</u>

	30 June 2023 (Un-audited)	31 December 2022 (Audited)
(Rupees in '000)		
9.2 Provision for diminution in the value of investments		
Opening balance	881,398	881,398
Charge for the period / year	-	-
Closing Balance	<u>881,398</u>	<u>881,398</u>

9.2.1 Particulars of provision against debt securities

Category of classification	30 June 2023 (Un-audited)		31 December 2022 (Audited)	
	Non Performing Investments	Provision	Non Performing Investments	Provision
Domestic	(Rupees in '000)			
Loss	147,000	147,000	147,000	147,000

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10 ADVANCES

	Performing		Non Performing		Total	
	30 June 2023 (Un-audited)	31 December 2022 (Audited)	30 June 2023 (Un-audited)	31 December 2022 (Audited)	30 June 2023 (Un-audited)	31 December 2022 (Audited)
	(Rupees in '000)					
Loans, cash credits, running finances, etc	145,244,467	156,192,408	19,503,280	19,485,579	164,747,747	175,677,987
Islamic financing and related assets	66,921,108	56,346,207	1,542,513	1,751,236	68,463,621	58,097,443
Bills discounted and purchased (excluding treasury bills)	4,898,934	3,147,283	-	-	4,898,934	3,147,283
Advances - gross	217,064,509	215,685,898	21,045,793	21,236,815	238,110,302	236,922,713
Provision for non-performing advances						
- Specific	-	-	(19,900,169)	(19,692,817)	(19,900,169)	(19,692,817)
- General	(985,098)	(1,022,200)	-	-	(985,098)	(1,022,200)
	(985,098)	(1,022,200)	(19,900,169)	(19,692,817)	(20,885,267)	(20,715,017)
Advances - net of provision	216,079,411	214,663,698	1,145,624	1,543,998	217,225,035	216,207,696

10.1 Particulars of advances - gross

	30 June 2023 (Un-audited)	31 December 2022 (Audited)
	(Rupees in '000)	
In local currency	234,084,294	235,226,425
In foreign currencies	4,026,008	1,696,288
	238,110,302	236,922,713

10.2 Advances include Rs. 21,045 793 million (31 December 2022: Rs. 21,236.815 million) which have been placed under non-performing status as detailed below

Category of classification	30 June 2023 (Un-audited)		31 December 2022 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	136,198	-	187,726	13
Substandard	313,480	19,869	311,236	19,674
Doubtful	183,978	3,080	868,052	353,321
Loss	20,412,137	19,877,220	19,869,801	19,319,809
	21,045,793	19,900,169	21,236,815	19,692,817

10.2.1 At 30 June 2023, the provision requirement has been reduced by Rs. 526.650 million (31 December 2022: Rs. 518.584 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. 268.591 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 June 2023 (Un-audited)			31 December 2022 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	19,692,817	1,022,200	20,715,017	19,544,268	2,187,627	21,731,895
Charge for the period / year	537,107	8,260	545,367	1,184,921	9,940	1,194,861
Reversals	(530,919)	(45,362)	(576,281)	(1,139,022)	(1,175,367)	(2,314,389)
	6,188	(37,102)	(30,914)	45,899	(1,165,427)	(1,119,528)
Amounts written off	(203,413)	-	(203,413)	(236,423)	-	(236,423)
Other movements (including FX adjustments)	404,577	-	404,577	339,073	-	339,073
Closing balance	19,900,169	985,098	20,885,267	19,692,817	1,022,200	20,715,017

10.3.1 General provision includes provision amounting to Rs 985.098 million (31 December 2022: Rs 1,022.200 million) against the consumer finance portfolio.

11 FIXED ASSETS

	30 June 2023 (Un-audited)	31 December 2022 (Audited)
	(Rupees in '000)	
Capital work-in-progress	923,208	841,538
Property and equipment	10,270,176	10,632,644
	11,193,384	11,474,182
11.1 Capital work-in-progress		
Civil works	185,020	129,393
Equipment	738,188	712,145
	923,208	841,538

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	30 June 2023 (Un-audited)	30 June 2022 (Un-audited)
	----- (Rupees in '000) -----	
11.2 Additions / (transfers) to fixed assets		
The following additions / (transfers) have been made to fixed assets during the period:		
Capital work-in-progress - net	81,670	(78,090)
Building on leasehold land - owned	18,939	96,760
Furniture and fixture	18,576	28,518
Electrical office and computer equipment	75,205	137,274
Vehicles	11,700	-
Leasehold improvement	1,918	6,964
	<u>126,338</u>	<u>269,516</u>

11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is Rs. Nil (30 June 2022: Rs. Nil). In addition net book value upon derecognition of Right of use asset (ROU) during the period amounted to Rs. 76.7 million (30 June 2022: Rs Nil)

11.4 This also includes Right of use asset (ROU) in line with IFRS 16 amounting to Rs 1,468.024 million (31 December 2022: Rs 1,589.471 million)

12 INTANGIBLE ASSETS

	30 June 2023 (Un-audited)	31 December 2022 (Audited)
	----- (Rupees in '000) -----	
Goodwill	26,095,310	26,095,310
Computer Software	-	-
	<u>26,095,310</u>	<u>26,095,310</u>

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

13 OTHER ASSETS

	30 June 2023 (Un-audited)	31 December 2022 (Audited)
	----- (Rupees in '000) -----	
Income / mark-up accrued in local currency	9,127,896	9,219,776
Income / mark-up accrued in foreign currencies	34,672	30,454
Advances, deposits, advance rent and other prepayments	358,575	256,034
Defined benefit plans	32,270	32,270
Mark to market gain on forward foreign exchange contracts	455,126	277,236
Interest rate derivatives and currency options - positive fair value	111,099	142,689
Receivable from SBP / Government of Pakistan	1,136,584	1,047,900
Receivable from Associated undertakings	39,674	101,639
Assets Held for Sale	1,203,192	1,318,975
Receivable from Standard Chartered Bank, Sri Lanka operations	39,454	26,141
Advance Federal Excise Duty	199,747	199,747
Cards Settlement account	7,069,077	6,015,905
Acceptances	6,510,548	4,788,892
Unsettled trades - Debt Securities	19,746,004	42,718,948
Sundry receivables	596,679	623,965
Others	281,312	123,944
	<u>46,941,909</u>	<u>66,924,515</u>
Less: Provision held against other assets	(87,776)	(87,776)
Other Assets - net of provisions	<u>46,854,133</u>	<u>66,836,739</u>

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13.1 These represents carrying value of vacant owned properties which the Bank intends to dispose-off. The management considered these property to meet the criteria to be classified as held for sale at the date of classification. These assets are available for immediate sale and can be sold in it's current condition. Following the classification as held for sale, no impairment loss was recognized as fair value less cost to sell of the property exceeds its carrying value.

13.2 This represents receivable against sale of securities settled on T+2 basis.

13.3 Provision held against other assets

Note	30 June 2023 (Un-audited)	31 December 2022 (Audited)
	(Rupees in '000)	
Others - Trade related	35,495	35,495
Others - Fee related	52,281	52,281
	<u>87,776</u>	<u>87,776</u>

14 **BILLS PAYABLE**

In Pakistan	27,105,682	14,349,273
Outside Pakistan	561,634	471,344
	<u>27,667,316</u>	<u>14,820,617</u>

15 **BORROWINGS**

In Pakistan	24,963,855	24,989,061
Outside Pakistan	10,166,915	3,074,558
	<u>35,130,770</u>	<u>28,063,619</u>

15.1 **Details of borrowings secured / unsecured**

Secured

Borrowings from State Bank of Pakistan under Export Refinance (ERF) scheme	15.1.1	24,185,655	24,173,044
State Bank of Pakistan - LTFF		101,750	124,361
Financing facility for renewable energy plants		657,073	691,656
		<u>24,944,478</u>	<u>24,989,061</u>

Unsecured

Overdrawn nostro accounts		10,186,292	3,074,558
		<u>35,130,770</u>	<u>28,063,619</u>

15.1.1 Mark-up on Export Refinance (ERF) from State Bank of Pakistan is charged ranging from 2.5 percent to 18 percent (2022: 9 percent to 10 percent) per annum and are due to mature latest by November 2023. ERF borrowings also include borrowings under Islamic Export Refinance scheme amounting to Rs. 5,223 million (2022: Rs. 5,022 million). These borrowings are secured against demand promissory notes executed by the Bank in favour of State Bank of Pakistan.

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16 DEPOSITS AND OTHER ACCOUNTS

Note	30 June 2023 (Un-audited)			31 December 2022 (Audited)		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
- Fixed deposits	10,698,938	1,301,675	12,000,613	29,988,396	1,713,772	31,702,168
- Savings deposits	249,884,090	26,592,903	276,476,993	322,839,080	22,375,290	345,214,370
- Current accounts	301,611,405	87,350,859	388,962,264	195,219,814	72,106,066	267,325,880
- Margin accounts	10,287,895	287,421	10,575,316	44,957,304	227,563	45,184,867
- Other deposits	1,828,007	-	1,828,007	1,179,260	-	1,179,260
	574,310,335	115,532,858	689,843,193	594,183,854	96,422,691	690,606,545
Financial Institutions						
- Fixed deposits	5,505,650	14,844	5,520,494	525,650	11,752	537,402
- Savings deposits	17,634,816	2,171,156	19,805,974	11,280,395	1,487,433	12,767,828
- Current accounts	7,966,560	2,305,186	10,271,746	11,711,116	2,646,930	14,358,046
- Margin accounts	133,276	131,717	264,993	77,583	102,585	180,168
	31,240,302	4,622,905	35,863,207	23,594,744	4,248,700	27,843,444
	605,550,637	120,155,763	725,706,400	617,778,598	100,671,391	718,449,989

16.1 This includes Rs. 344.888 million (2022: Rs. 542.285 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:

Note	30 June 2023 (Un-audited)			
	At 01 January 2023	Recognised in profit and loss	Recognised in OCI	At 30 June 2023
	----- (Rupees in '000) -----			
Deductible Temporary Differences on				
Worker Welfare Fund	1,076,648	150,230	-	1,226,878
Provision against advances, off balance sheet etc.	642,019	89,584	-	731,603
Accelerated tax depreciation	108,769	37,016	-	145,785
Unpaid liabilities	4,407,698	615,028	-	5,022,726
	6,235,134	891,858	-	7,126,992
Taxable Temporary Differences on				
Surplus on revaluation of fixed assets	(284,146)	11,304	-	(272,842)
Surplus / (deficit) on revaluation of investments	(70,892)	-	104,540	33,648
Post retirement employee benefits	(13,876)	-	(1,936)	(15,812)
Goodwill	(11,220,982)	(1,565,718)	-	(12,786,700)
	(11,589,896)	(1,554,414)	102,604	(13,041,706)
	(5,354,762)	(662,556)	102,604	(5,914,714)
	----- (Rupees in '000) -----			
	31 December 2022 (Audited)			
	At 01 January 2022	Recognised in profit and loss	Recognised in OCI	At 31 December 2022
Deductible Temporary Differences on				
Worker Welfare Fund	976,495	100,153	-	1,076,648
Provision against advances, off balance sheet etc.	1,445,740	(803,721)	-	642,019
Accelerated tax depreciation	41,791	66,978	-	108,769
Unpaid liabilities	3,997,679	410,019	-	4,407,698
	6,461,705	(226,571)	-	6,235,134
Taxable Temporary Differences on				
Surplus on revaluation of fixed assets	(270,181)	13,897	(27,862)	(284,146)
Surplus on revaluation of investments	311,982	-	(382,874)	(70,892)
Post retirement employee benefits	(5,402)	-	(8,474)	(13,876)
Goodwill	(10,177,170)	(1,043,812)	-	(11,220,982)
	(10,140,771)	(1,029,915)	(419,210)	(11,589,896)
	(3,679,066)	(1,256,486)	(419,210)	(5,354,762)

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

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18 OTHER LIABILITIES	Note	30 June 2023 (Un-audited)	31 December 2022 (Audited)
------(Rupees in '000)-----			
Mark-up / return / interest payable in local currency		1,049,666	710,376
Mark-up / return / interest payable in foreign currencies		5,847	3,236
Accrued expenses		3,235,108	3,596,902
Advance payments		862,937	690,971
Sundry creditors		14,158,548	13,695,777
Mark to market loss on forward foreign exchange contracts		395,432	169,502
Unrealized loss on interest rate derivatives and currency options		20,174,024	12,341,108
Due to Holding Company	18.1	30,418,416	20,837,568
Taxation (provisions less payments)		9,157,130	739,582
Clearing and settlement accounts		4,662,663	8,848,884
Charity fund balance		14,233	18,354
Dividend payable		185,690	172,961
Branch adjustment account		65,696	103,376
Provision against off balance sheet obligations	18.2	220,949	189,808
Worker's welfare fund (WWF) payable	18.3	4,586,166	3,975,581
Lease liability	18.4	1,626,863	1,847,964
Acceptances		6,510,548	4,788,892
Unsettled trades	18.5	33,308	-
Others		349,148	348,264
		<u>97,712,372</u>	<u>73,079,106</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	20,167,940	10,587,092
	<u>30,418,416</u>	<u>20,837,568</u>

18.2 Provision against off-balance sheet obligations

Opening balance	189,808	233,808
Charge for the period / year	31,141	7,241
Reversals	-	(51,241)
Closing balance	<u>220,949</u>	<u>189,808</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.

18.4 This represents liabilities on leases meeting the criteria prescribed within IFRS 16.

18.5 This represents payable against purchase of securities settled on T+2 basis.

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19	SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX	30 June 2023 (Un-audited)	31 December 2022 (Audited)
	<i>Note</i>	(Rupees in '000)	
	Surplus / (deficit) arising on revaluation of:		
	Fixed assets	7,993,176	8,068,965
	Available for Sale Securities	(68,670)	164,865
		<u>7,924,506</u>	<u>8,233,830</u>
	Deferred tax on surplus on revaluation of:		
	Fixed assets	(272,842)	(284,146)
	Available for Sale Securities	33,648	(70,892)
		<u>(239,194)</u>	<u>(355,038)</u>
		<u>7,685,312</u>	<u>7,878,792</u>
19.1	Surplus on revaluation of fixed assets - net of tax		
	Surplus on revaluation of fixed assets as at 1 January	8,068,965	8,129,978
	Recognised during the period	-	-
	Realised on disposal during the period	(59,915)	(28,694)
	Transferred to unappropriated profit in respect of incremental depreciation charged during the period	(15,874)	(32,319)
	Surplus on revaluation of fixed assets - Gross	7,993,176	8,068,965
	Less: Related deferred tax liability on:		
	Revaluation surplus as at 1 January	(284,146)	(270,181)
	Revaluation surplus recognised during the period	-	-
	Surplus realized on disposal during the period	4,478	200
	Deferred tax rate impact	-	(28,062)
	Incremental depreciation charged during the period	6,826	13,897
		<u>(272,842)</u>	<u>(284,146)</u>
	Surplus on revaluation of fixed assets - net of tax	<u>7,720,334</u>	<u>7,784,819</u>
19.2	(Deficit) / Surplus on revaluation of Available for Sale securities - net of tax		
	Market Treasury Bills	(54,483)	(713,450)
	Pakistan Investment Bonds	-	834,425
	Sukuk and Ijarah Bonds	(59,545)	(2,495)
	Listed shares	45,358	46,385
		<u>(68,670)</u>	<u>164,865</u>
	Related deferred tax asset / (liability)	33,648	(70,892)
		<u>(35,022)</u>	<u>93,973</u>
20	CONTINGENCIES AND COMMITMENTS		
	Guarantees	172,142,896	164,596,737
	Commitments	114,633,224	181,866,138
	Other contingent liabilities	33,020,431	30,736,676
		<u>319,796,551</u>	<u>377,199,551</u>
20.1	Guarantees:		
	Guarantees issued favouring:		
	Financial guarantees	11,498,951	11,464,512
	Performance guarantees	122,924,918	108,968,856
	Other guarantees	37,719,027	44,163,369
		<u>172,142,896</u>	<u>164,596,737</u>
20.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
	Letters of credit	21,206,921	35,040,339
	Commitments in respect of:		
	Forward foreign exchange contracts;		
	- Purchase	50,217,777	94,999,666
	- Sale	1,296,107	4,669,999
	Commitment in respect of derivatives		
	- Interest rate swaps	11,958,146	12,604,238
	- Cross currency swaps	29,726,940	34,120,092
	Commitment in respect of operating lease	362	850
	Commitment for acquisition of fixed assets	226,972	430,954
		<u>114,633,224</u>	<u>181,866,138</u>
20.3	Other contingent liabilities	<u>33,020,431</u>	<u>30,736,676</u>

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.

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20.3.2 The tax department amended the assessments for income years 2007 to 2021 (tax years 2008 to 2022 respectively) under the related provisions of the Income Tax Law and appeals against the amended assessment orders are pending before different appellate forums. The management considers that a significant amount of the additional tax liability is the result of timing differences and is confident that the issues in the above mentioned tax years will be decided in favour of the Bank at appellate forums. Accordingly, no additional provision is required.

Further, the Sindh High Court has decided the issue of goodwill amortisation in favour of the Bank for the tax years 2008 and 2012 and the Federal Board of Revenue has filed leave to appeal before the Supreme Court of Pakistan.

20.4 Commitments in respect of forward foreign exchange contracts	30 June 2023	31 December
	(Un-audited)	2022 (Audited)
	(Rupees in '000)	
Purchase from		
State Bank of Pakistan	49,504,747	56,151,740
Other banks	405,885	35,844,802
Customers	307,145	2,703,124
	<u>50,217,777</u>	<u>94,999,666</u>
Sale to		
State Bank of Pakistan	513,989	-
Other banks	112,444	3,770,185
Customers	669,674	899,814
	<u>1,296,107</u>	<u>4,669,999</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

20.6 Commitments in respect of derivatives	30 June 2023	31 December
	(Un-audited)	2022 (Audited)
	(Rupees in '000)	
Interest rate Swaps		
- Purchase	2,979,073	3,302,119
- Sale	8,979,073	9,302,119
	<u>11,958,146</u>	<u>12,604,238</u>
Cross currency Swaps		
- Purchase	-	-
- Sale	29,726,940	34,120,092
	<u>29,726,940</u>	<u>34,120,092</u>
20.7 Commitments in respect of operating lease		
Not later than one year	185	-
Later than one year and not later than five years	177	850
Later than five years	-	-
	<u>362</u>	<u>850</u>
20.8 Derivative instruments		
20.8.1 Product analysis		

Counterparties	30 June 2023 (Un-audited)					
	(Rupees in '000)					
	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	2,979,073	111,099	4,271,280	(500,638)	-	-
Market Making	-	-	182,372	(183,866)	-	-
With FIs other than banks						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	8,979,073	(1,363,204)	25,273,288	(18,126,316)	-	-
Total						
Hedging	2,979,073	111,099	4,271,280	(500,638)	-	-
Market Making	8,979,073	(1,363,204)	25,455,660	(18,310,182)	-	-
	31 December 2022 (audited)					
	(Rupees in '000)					
	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	3,302,119	142,689	4,478,469	(612,818)	-	-
Market Making	-	-	303,953	(170,404)	-	-
With FIs other than banks						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	9,302,119	(1,022,125)	29,337,670	(10,535,761)	-	-
Total						
Hedging	3,302,119	142,689	4,478,469	(612,818)	-	-
Market Making	9,302,119	(1,022,125)	29,641,623	(10,706,165)	-	-

* At the exchange rate prevailing at period end

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		Three months period ended	Six months period ended	Three months period ended	Six months period ended
	Note	30 June 2023 (Un-audited)	30 June 2023 (Un-audited)	30 June 2022 (Un-audited)	30 June 2022 (Un-audited)
----- (Rupees in '000) -----					
21	MARK-UP / RETURN / INTEREST EARNED				
		11,200,938	20,904,608	7,118,433	13,338,311
		31,796	60,887	38,907	44,222
		22,910,262	44,200,891	12,064,954	22,154,264
		231,596	417,511	12,830	14,125
		940,742	2,271,901	252,372	306,365
		930,014	1,181,559	39,398	62,771
		<u>36,245,348</u>	<u>69,037,357</u>	<u>19,526,894</u>	<u>35,920,058</u>
22	MARK-UP / RETURN / INTEREST EXPENSED				
		12,009,885	23,883,182	8,918,577	16,160,148
		282,739	377,984	818,555	1,275,231
		-	-	-	667
		958,629	1,535,325	132,405	251,107
		-	326,047	627,918	794,708
	22.1	143,596	287,188	139,661	279,322
		52,345	104,047	63,509	120,554
		<u>13,447,194</u>	<u>26,513,773</u>	<u>10,700,625</u>	<u>18,881,737</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.				
		Three months period ended	Six months period ended	Three months period ended	Six months period ended
	Note	30 June 2023 (Un-audited)	30 June 2023 (Un-audited)	30 June 2022 (Un-audited)	30 June 2022 (Un-audited)
----- (Rupees in '000) -----					
23	FEE & COMMISSION INCOME				
		84,098	181,559	91,559	185,809
		21,101	32,111	22,540	33,581
		62,217	306,561	196,088	635,219
		108,481	110,283	1,822	3,674
		37,221	98,614	31,224	66,725
		(1,392)	(5,755)	(20,929)	(38,720)
		753,885	1,476,714	209,282	454,296
		86,679	176,815	79,777	196,622
		38,673	76,724	42,407	98,380
		14,208	23,456	12,932	24,631
		32,650	83,971	43,012	80,824
		<u>1,237,821</u>	<u>2,561,053</u>	<u>709,714</u>	<u>1,741,041</u>
24	FOREIGN EXCHANGE INCOME				
	Gain/ (loss) realised from dealing in :				
	Foreign Currencies	1,183,146	2,586,692	4,147,901	6,130,579
	Derivative financial instruments	(971,380)	(1,762,274)	46,435	47,111
		<u>211,766</u>	<u>824,418</u>	<u>4,194,336</u>	<u>6,177,690</u>
25	GAIN / (LOSS) ON SECURITIES				
	Realised	1,071,786	(1,436,214)	494,624	1,608,071
	Unrealised - held for trading	(5,706)	30,196	(101,666)	69,052
		<u>1,066,080</u>	<u>(1,406,018)</u>	<u>392,958</u>	<u>1,677,123</u>
25.1	Realised gain on:				
	Federal Government Securities				
	Market Treasury Bills	174,469	951,238	459,284	1,128,980
	Pakistan Investment Bonds	530,451	(1,731,962)	32,995	475,317
	Ijarah Sukuk	366,866	(655,490)	2,345	3,774
		<u>1,071,786</u>	<u>(1,436,214)</u>	<u>494,624</u>	<u>1,608,071</u>
26	OTHER INCOME				
	Rent on property	14,969	17,736	13,614	16,206
	Gain on sale of fixed assets - net	3,040	11,755	20,718	22,043
	Gain on sale of asset held for sale	144,717	144,717	-	-
	Sri Lanka branch operations cost & FX translation	2,814	13,313	226	(12,692)
	Loss on lease termination	(9,961)	(14,902)	-	-
	Gain on acquisition of assets	39	478	-	-
		<u>155,618</u>	<u>173,097</u>	<u>34,558</u>	<u>25,557</u>

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27 OPERATING EXPENSES	Note	Three months period ended	Six months period ended	Three months period ended	Six months period ended
		30 June 2023 (Un-audited)	30 June 2023 (Un-audited)	30 June 2022 (Un-audited)	30 June 2022 (Un-audited)
		------(Rupees in '000)-----			
Total compensation expense		2,601,375	4,884,808	1,979,909	3,682,876
Property expense					
Rent & taxes		24,189	65,940	18,713	43,130
Insurance		2,050	4,100	2,280	5,392
Utilities cost		103,770	202,923	85,680	150,532
Security (including guards)		54,013	107,167	49,453	100,743
Repair & maintenance		104,782	160,127	46,665	112,039
Civil works		53,315	90,914	70,726	109,646
Facilities management cost		36,010	73,258	33,504	67,007
Depreciation (Property related)		27,855	54,777	28,009	54,208
Depreciation (Right of use assets)		100,782	198,811	97,050	211,619
Cleaning and Janitorial		92,989	210,393	114,437	218,070
Minor improvements, additions and others		33,946	77,090	65,031	97,242
		633,701	1,245,500	611,548	1,169,628
Information technology expenses					
Software maintenance		63,286	130,729	32,135	110,383
Hardware maintenance		88,434	190,365	5,963	58,516
Depreciation (IT related)		66,282	138,650	82,506	154,406
Network charges		17,461	17,975	12,692	14,928
		235,463	477,719	133,296	338,233
Other operating expenses					
Directors' fees and allowances		7,300	9,950	3,625	6,725
Fees and allowances to Shariah Board		6,103	11,048	4,320	8,985
Legal & professional charges		55,289	100,870	34,815	72,592
Outsourced services costs		29,806	56,769	23,240	49,954
Travelling & conveyance		72,376	123,971	23,285	42,431
Depreciation (Other fixed assets)		27,513	49,768	15,198	27,067
Training & development		2,259	5,889	676	955
Postage & courier charges		18,937	51,126	31,192	66,987
Communication		111,438	233,566	94,499	189,110
Stationery & printing		71,615	123,909	45,613	106,763
Marketing, advertisement & publicity		88,881	191,639	117,879	239,915
Donations		1,000	1,000	-	-
Auditors remuneration		10,689	17,439	7,943	16,019
Cash transportation services		24,366	45,450	12,271	25,383
Documentation and processing charges		59,653	109,730	47,092	86,323
Insurance		7,929	14,268	5,286	9,761
Others		37,674	145,539	14,338	100,250
		632,828	1,291,931	481,272	1,049,220
		4,103,367	7,899,958	3,206,025	6,239,957
28 OTHER CHARGES					
Net charge against fines and penalties imposed by SBP		1,260	2,725	10,150	10,161
29 (PROVISIONS) / REVERSALS & WRITE OFFS - NET					
Provision against loans and advances	10.3	228,820	30,914	559,390	1,258,978
Provision against off-balance sheet obligations - net	18.2	(4,030)	(31,141)	(4,031)	(3,531)
Recovery of amounts written off		72,750	181,529	82,155	168,377
Bad debts written off directly		(89,524)	(168,809)	(53,518)	(109,511)
Fixed assets write offs		(28)	(562)	-	-
		207,988	11,931	583,996	1,314,313
30 TAXATION					
- Current		11,722,415	18,695,216	7,020,385	11,334,450
- Prior years		-	-	1,321,995	1,321,995
- Deferred		677,689	662,556	885,461	1,283,884
		12,400,104	19,357,772	9,227,841	13,940,329
31 EARNINGS PER SHARE - BASIC AND DILUTED					
Profit for the period		9,593,968	18,784,605	1,046,892	8,108,406
		(Number of shares)			
Weighted average number of ordinary shares		3,871,585,021	3,871,585,021	3,871,585,021	3,871,585,021
		(Rupees)		(Rupees)	
Earnings per share - basic and diluted		2.48	4.85	0.27	2.09

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32 FAIR VALUE

32.1 Fair value of financial instrument

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised

On balance sheet financial instruments

		30 June 2023 (Un-audited)								
Note	Carrying value					Fair value				
	Held 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	1,745,144	463,637,355	-	-	465,382,799	-	465,382,799	-	465,382,799
	Equity securities traded (Shares)	-	99,086	-	-	99,086	99,086	-	-	99,086
Financial assets not measured at fair value										
	Cash and bank balances with SBP and NBP	32.2	-	-	75,814,693	75,814,693	-	-	-	75,814,693
	Balances with other banks	32.1	-	-	23,207,959	23,207,959	-	-	-	23,207,959
	Lending to financial institutions	32.2	-	-	122,708,827	122,708,827	-	-	-	122,708,827
	Investments - ordinary shares	32.2	-	50,000	-	50,000	-	-	-	50,000
	Advances	32.2	-	217,225,035	-	217,225,035	-	-	-	217,225,035
	Other assets	32.2	-	-	46,061,554	46,061,554	-	-	-	46,061,554
			1,745,144	463,786,441	217,225,035	267,823,073	-	-	-	950,579,893
Financial liabilities not measured at fair value										
	Bills Payable	32.2	-	-	-	27,667,316	27,667,316	-	-	27,667,316
	Deposits and other accounts	32.2	-	-	-	725,706,400	725,706,400	-	-	725,706,400
	Borrowings	32.2	-	-	-	35,130,770	35,130,770	-	-	35,130,770
	Other liabilities (excluding Liabilities against assets subject to finance lease)	32.2	-	-	-	94,850,302	94,850,302	-	-	94,850,302
			-	-	-	883,354,788	883,354,788	-	-	883,354,788
Off-balance sheet financial instruments										
Interest Rate swaps / Foreign currency options / Forward purchase contracts										
			-	-	-	53,196,850	-	53,196,850	-	53,196,850
Interest Rate swaps / Foreign currency options / Forward sale contracts										
			-	-	-	40,002,121	-	40,002,121	-	40,002,121
On balance sheet financial instruments										
31 December 2022 (audited)										
Note	Carrying value					Fair value				
	Held 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	323,032	477,259,787	-	-	477,582,819	-	477,582,819	-	477,582,819
	Equity securities traded (Shares)	-	99,635	-	-	99,635	99,635	-	-	99,635
Financial assets not measured at fair value										
	Cash and bank balances with SBP and NBP	32.2	-	-	68,918,645	68,918,645	-	-	-	68,918,645
	Balances with other banks	32.2	-	-	8,737,656	8,737,656	-	-	-	8,737,656
	Lending to financial institutions	32.2	-	-	51,286,290	51,286,290	-	-	-	51,286,290
	Investments - ordinary shares	32.2	-	50,000	-	50,000	-	-	-	50,000
	Advances	32.2	-	216,207,696	-	216,207,696	-	-	-	216,207,696
	Other assets	32.2	-	-	66,292,186	66,292,186	-	-	-	66,292,186
			323,032	477,409,422	216,207,696	195,234,777	-	-	-	889,174,927
Financial liabilities not measured at fair value										
	Bills Payable	-	-	-	-	14,820,617	14,820,617	-	-	14,820,617
	Deposits and other accounts	32.2	-	-	-	718,449,989	718,449,989	-	-	718,449,989
	Borrowings	32.2	-	-	-	28,063,619	28,063,619	-	-	28,063,619
	Other liabilities (excluding Liabilities against assets subject to finance lease)	32.2	-	-	-	70,355,122	70,355,122	-	-	70,355,122
			-	-	-	831,689,347	831,689,347	-	-	831,689,347
Off-balance sheet financial instruments										
Interest Rate swaps / Foreign currency options / Forward purchase contracts										
			-	-	-	98,301,785	-	98,301,785	-	98,301,785
Interest Rate swaps / Foreign currency options / Forward sale contracts										
			-	-	-	48,092,212	-	48,092,212	-	48,092,212

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

32.3 Fair value of non-financial assets

	30 June 2023 (Un-audited)				31 December 2022 (audited)			
	Carrying value	Fair value			Carrying value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
----- Rupees in '000 -----								
Fixed assets	11,193,384	-	-	11,193,384	11,474,182	-	-	11,474,182

32.4 During the period ended 30 June 2023, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

32.5 The Bank measures fair values 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 input for the asset or liability that are not based on observable market data (i.e. unobservable inputs)

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

Federal Government Securities (T-bills + PIBs + 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 (MUFAP).
Derivatives	The Group enters in to derivatives contracts with various counter parties. 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.

33 SEGMENT INFORMATION

The Bank's segmental reporting is in accordance with IFRS 8 'Operating Segments' and is reported consistently with the internal performance framework and as presented to the Bank's management.

Corporate Commercial and Institutional Banking (CCIB)

Corporate Commercial & Institutional Banking comprises Global Subsidiaries, International Corporates, Local corporates and small & medium sized clients, 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.

Consumer Private Business Banking (CPBB)

Retail Banking serves priority, premium, personal and business banking clients. The product and service offering include wealth management, deposits, secured lending (mortgages, 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 Saadiq brand and state of the art digital banking solutions. Refer note 36 for Islamic Banking Business

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33.1 Segment Details with respect to Business Activities

	Six months period ended 30 June 2023 (Un-audited)			
	Corporate Commercial Institutional Banking	Consumer Private Business Banking	Central and Other Items	Total
	----- (Rupees in '000) -----			
Profit & Loss				
Inter segment revenue - net	14,011,312	21,283,350	(35,294,662)	-
Net mark-up / return / profit	3,988,214	(6,369,384)	44,904,754	42,523,584
Non mark-up / return / interest income	3,783,268	3,215,291	(2,878,428)	4,120,131
Total Income	21,782,794	18,129,257	6,731,664	46,643,715
Segment direct expenses	2,715,969	4,621,413	1,175,887	8,513,269
Inter segment expense allocation	-	-	-	-
Total expenses	2,715,969	4,621,413	1,175,887	8,513,269
(Reversals) / provisions	(114,946)	102,454	561	(11,931)
Profit before taxation	19,181,771	13,405,390	5,555,216	38,142,377
Balance Sheet	30 June 2023 (Un-audited)			
Cash & Bank balances	-	-	99,052,692	99,052,692
Investments	3,249,211	50,000	462,232,674	465,531,885
Net inter segment lending	189,405,536	310,135,493	(499,541,029)	-
Lending to financial institutions	-	-	122,708,827	122,708,827
Advances - Performing	173,133,290	42,946,121	-	216,079,411
- Non performing	157,494	988,130	-	1,145,624
Others	45,470,552	14,556,897	24,115,378	84,142,827
Total Assets	411,416,083	368,676,641	208,568,542	988,661,266
Borrowings	-	-	35,130,770	35,130,770
Deposits & other accounts	359,602,550	366,086,974	16,876	725,706,400
Net inter segment borrowing	-	-	-	-
Others	51,813,533	2,589,667	76,891,202	131,294,402
Total liabilities	411,416,083	368,676,641	112,038,848	892,131,572
Equity	-	-	96,529,694	96,529,694
Total Equity & liabilities	411,416,083	368,676,641	208,568,542	988,661,266
Contingencies & Commitments	234,034,134	1,000,769	84,761,648	319,796,551
	Six months period ended 30 June 2022 (Un-audited)			
Inter segment revenue - net	5,201,618	12,095,774	(17,297,392)	-
Net mark-up / return / profit	(363,623)	(3,786,204)	21,188,148	17,038,321
Non mark-up / return / interest income	7,921,486	2,381,524	93,183	10,396,193
Total Income	12,759,481	10,691,094	3,983,939	27,434,514
Segment direct expenses	1,804,983	3,966,693	928,416	6,700,092
Inter segment expense allocation	-	-	-	-
Total expenses	1,804,983	3,966,693	928,416	6,700,092
(Reversals) / provisions	(1,167,425)	(146,888)	-	(1,314,313)
Profit before taxation	12,121,923	6,871,289	3,055,523	22,048,735
Balance Sheet	31 December 2022 (Audited)			
Cash & Bank balances	-	-	77,656,301	77,656,301
Investments	323,036	50,000	477,359,418	477,732,454
Net inter segment lending	155,328,894	322,546,472	(477,875,366)	-
Lending to financial institutions	-	-	51,286,290	51,286,290
Advances - Performing	169,863,579	44,800,119	-	214,663,698
- Non performing	531,869	1,012,129	-	1,543,998
Others	64,929,995	14,638,632	24,837,604	104,406,231
Total Assets	390,977,373	383,047,352	153,264,247	927,288,972
Borrowings	-	-	28,063,619	28,063,619
Deposits & other accounts	337,038,043	381,399,385	12,561	718,449,989
Net inter segment borrowing	-	-	-	-
Others	53,939,330	1,647,967	37,667,188	93,254,485
Total liabilities	390,977,373	383,047,352	65,743,368	839,768,093
Equity	-	-	87,520,879	87,520,879
Total Equity & liabilities	390,977,373	383,047,352	153,264,247	927,288,972
Contingencies & Commitments	246,035,098	326,309	130,838,144	377,199,551

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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 June 2023 (Un-audited)				31 December 2022 - 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	12,618,566	-	-	-	5,547,742	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-
	<u>12,618,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,547,742</u>	<u>-</u>	<u>-</u>	<u>-</u>
Lending to financial institutions								
Opening balance period / year	19,486,290	-	-	-	6,560,984	-	-	-
Addition during the period / year	181,674,308	-	-	-	1,754,767,391	-	-	-
Repaid during the period / year	(128,438,410)	-	-	-	(1,741,842,085)	-	-	-
Closing balance period / year	<u>72,722,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,486,290</u>	<u>-</u>	<u>-</u>	<u>-</u>
Advances								
Opening balance period / year	-	76	215,089	-	-	84	217,158	-
Addition during the period / year	-	405	69,502	-	-	5,097	148,147	-
Repaid during the period / year	-	(481)	(92,893)	-	-	(5,105)	(128,776)	-
Transfer in / (out) - net	-	-	-	-	-	-	(21,440)	-
Closing balance period / year	<u>-</u>	<u>-</u>	<u>191,698</u>	<u>-</u>	<u>-</u>	<u>76</u>	<u>215,089</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	394,937	-	1,072	-	11,594	-	1,105	-
Receivable from staff retirement fund	-	-	-	32,270	-	-	-	32,270
Due from associated undertakings	79,128	-	-	-	127,780	-	-	-
Other receivable	-	-	-	-	-	-	-	-
	<u>474,065</u>	<u>-</u>	<u>1,072</u>	<u>32,270</u>	<u>139,374</u>	<u>-</u>	<u>1,105</u>	<u>32,270</u>
Borrowings								
Opening balance period / year	3,074,559	-	-	-	10,846	-	-	-
Borrowings during the period / year	7,092,356	-	-	-	3,074,558	-	-	-
Settled during the period / year	-	-	-	-	(10,845)	-	-	-
Closing balance period / year	<u>10,166,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,074,559</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deposits and other accounts								
Opening balance period / year	542,284	3,340	150,835	84,277	732,691	155,902	144,835	116,030
Received during the period / year	83,313	255,412	802,221	4,742,361	35,276	186,597	940,665	3,765,295
Withdrawn during the period / year	(280,708)	(254,754)	(724,211)	(4,677,309)	(225,683)	(177,321)	(942,697)	(3,797,048)
Transfer in / (out) - net	-	43	-	-	-	(161,838)	8,032	-
Closing balance period / year	<u>344,889</u>	<u>4,041</u>	<u>228,845</u>	<u>149,329</u>	<u>542,284</u>	<u>3,340</u>	<u>150,835</u>	<u>84,277</u>
Other Liabilities								
Due to holding company	30,418,416	-	-	-	20,837,568	-	-	-
Other liabilities	-	2	-	-	-	-	-	-
	<u>30,418,416</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>20,837,568</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contingencies and Commitments								
Transaction-related contingent liabilities - guarantees	80,795,072	-	-	-	70,335,480	-	-	-
Commitments in respect of forward foreign exchange contracts	698,050	-	-	-	3,691,387	-	-	-
Derivatives								
Derivative instruments - Interest rate swaps - notional	2,979,073	-	-	-	3,828,190	-	-	-
Derivative instruments - Cross currency swaps - notional	4,271,280	-	-	-	4,478,469	-	-	-
Derivative assets	121,546	-	-	-	144,644	-	-	-
Derivative liabilities	500,638	-	-	-	616,269	-	-	-

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RELATED PARTY TRANSACTIONS

	30 June 2023 (Un-audited)				30 June 2022 (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	1,425,574	55	16,793	-	67,573	36	13,206	-
Fee and commission income	2,930	5	81	-	5,977	16	60	-
Income / (loss) from derivatives	94,502	-	-	-	3,285,264	-	-	-
Expense								
Mark-up / return / interest paid	-	17	5,189	21,093	-	293	2,170	7,276
Fee and commission expense	-	-	-	-	-	-	-	-
Operating expenses	-	9,950	292,639	-	18,054	7,125	221,757	-
Rent and Renovation expense	-	-	-	-	-	-	-	-
Other transactions								
Dividend paid	-	-	-	-	4,790,424	-	-	-
Contribution to defined contribution plans	-	-	-	292,891	-	-	-	208,937
Net charge for defined contribution plans	-	-	-	292,891	-	-	-	208,937

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 June 2023 31 December
(Un-audited) 2022 (Audited)

(Rupees in '000)

Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	38,715,850	38,715,850
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	75,468,479	64,735,488
Eligible Additional Tier 1 (AT1) Capital	-	-
Total Eligible Tier 1 Capital	75,468,479	64,735,488
Eligible Tier 2 Capital	8,705,432	8,900,992
Total Eligible Capital (Tier 1 + Tier 2)	84,173,911	73,636,480
Risk Weighted Assets (RWAs)		
Credit Risk	302,522,352	287,625,617
Market Risk	10,227,871	21,033,154
Operational Risk	85,479,076	85,479,076
Total	398,229,299	394,137,847
Common Equity Tier 1 Capital Adequacy ratio	18.95%	16.42%
Tier 1 Capital Adequacy Ratio	18.95%	16.42%
Total Capital Adequacy Ratio	21.14%	18.68%
Minimum CAR (including Capital Conservation Buffer)	11.50%	11.50%
Leverage Ratio (LR):		
Eligible Tier 1 Capital	75,468,479	64,735,488
Total Exposures	1,177,880,648	1,141,761,856
Leverage Ratio	6.41%	5.67%
Minimum SBP Requirement	3.00%	3.00%
Liquidity Coverage Ratio (LCR):		
Average High Quality Liquid Assets	521,556,156	486,035,026
Average Net Cash Outflow	129,699,605	114,563,947
Average Liquidity Coverage Ratio	402.1%	424.2%
Minimum SBP Requirement	100.0%	100.0%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	657,946,248	637,896,049
Total Required Stable Funding	261,542,137	261,554,915
Net Stable Funding Ratio	252%	244%
Minimum SBP Requirement	100%	100%

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
36 ISLAMIC BANKING BUSINESS

The bank is operating 2 (31 December 2022: 2) Islamic banking branches and 38 (31 December 2022: 38) Islamic banking windows at the end of the period.

	<i>Note</i>	30 June 2023 (Un-audited)	31 December 2022 (Audited)
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		4,789,161	9,775,522
Due from financial institutions	36.1	8,374,212	7,032,585
Investments	36.2	18,050,868	37,098,455
Islamic financing and related assets - net	36.3	67,507,456	57,189,213
Fixed assets		43,931	49,668
Other assets		2,295,426	2,196,823
Total Assets		101,061,054	113,342,266
LIABILITIES			
Bills payable		175,479	54,692
Due to financial institutions		5,223,329	5,022,029
Deposits and other accounts	36.4	68,615,129	87,691,012
Due to Head Office		10,591,413	2,540,210
Other liabilities		837,916	822,453
		85,443,266	96,130,396
NET ASSETS		15,617,788	17,211,870
REPRESENTED BY			
Islamic Banking Fund		500,000	500,000
Deficit on revaluation of assets		(59,545)	(2,495)
Unappropriated / Unremitted profit	36.9	15,177,333	16,714,365
		15,617,788	17,211,870
CONTINGENCIES AND COMMITMENTS	36.6		

The profit and loss account of the Bank's Islamic banking branches for the period ended 30 June 2023 is as follows:

	<i>Note</i>	Six months period ended 30 June 2023 (Un-audited)	Six months period ended 30 June 2022 (Un-audited)
------(Rupees in '000)-----			
Profit / return earned	36.7	7,079,082	4,783,226
Profit / return expensed	36.8	(1,456,744)	(1,102,162)
Net Profit / return		5,622,338	3,681,064
Other income			
Fee and Commission Income		425,129	290,282
Foreign Exchange Income		269,299	164,835
(Loss) / gain on securities		(420,049)	57,262
Other (loss) / income		15	21,784
Total other income		274,394	534,163
Total Income		5,896,732	4,215,227
Other expenses			
Operating expenses		(1,390,552)	(1,101,678)
		(1,390,552)	(1,101,678)
Profit / (loss) before provisions		4,506,180	3,113,549
Provisions and write offs - net		(43,212)	150,700
Profit / (loss) before taxation		4,462,968	3,264,249

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 (based on Bank's effective tax rate) for Islamic Banking is expected to be Rs. 2.187 billion (30 June 2022: Rs. 1.404 billion). 

	30 June 2023 (Un-audited)			31 December 2022 (Audited)				
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total		
36.1 Due from Financial Institutions								
Unsecured	-	8,374,212	8,374,212	-	7,032,585	7,032,585		
	(Rupees in '000)							
36.2 Investments by segments:	30 June 2023 (Un-audited)				31 December 2022 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	(Rupees in '000)							
Federal Government Securities:								
Ijarah Sukuk	16,392,709	-	(35,907)	16,356,802	35,736,913	-	(91,527)	35,645,386
Islamic Naya Pakistan Certificates	1,694,066	-	-	1,694,066	1,453,069	-	-	1,453,069
Total Investments	18,086,775	-	(35,907)	18,050,868	37,189,982	-	(91,527)	37,098,455
36.3 Islamic financing and related assets								
					30 June 2023 (Un-audited)		31 December 2022 (Audited)	
					(Rupees in '000)			
Murabaha					6,847,671		6,160,026	
Musharakah					10,913,617		9,360,545	
Diminishing Musharakah					29,286,166		30,671,524	
Musawamah					1,260,000		1,300,000	
Ujrah (Saadiq Credit Cards)					491,115		480,360	
Advances against Islamic assets - Murabaha					11,663,088		5,841,119	
Advances against Islamic assets - Diminishing Musharakah					54,791		743,585	
Advances against Islamic assets - Istisna					2,335,600		1,881,000	
Advances against Islamic assets - Musawamah					5,160,202		-	
Inventory related to Islamic financing - Murabaha					451,371		1,657,284	
Gross Islamic financing and related assets					68,463,621		58,097,443	
Less: provision against Islamic financings								
Specific					(610,660)		(567,423)	
General					(345,505)		(340,807)	
Islamic financing and related assets net of provision					(956,165)		(908,230)	
					67,507,456		57,189,213	
36.4 Deposits								
Customers								
Current deposits					40,734,133		39,046,511	
Savings deposits					25,740,741		22,136,809	
Term deposits					151,755		484,778	
Margin accounts					1,236,707		25,384,540	
					67,863,336		87,052,638	
Financial Institutions								
Current deposits					124,807		58,429	
Savings deposits					626,986		579,945	
					751,793		638,374	
					68,615,129		87,691,012	
36.5 Charity Fund								
Opening Balance					18,110		9,886	
Additions during the period								
Received from customers on account of delayed payment					4,655		3,530	
Other Non-Shariah compliant income					2,314		15,712	
					6,969		19,272	
Payments / utilization during the period								
Education					(11,048)		(11,048)	
Health					-		-	
					(11,048)		(11,048)	
Closing Balance					14,031		18,110	
36.6 CONTINGENCIES AND COMMITMENTS								
Guarantees					575,495		1,442,579	
Commitments					-		-	
Other contingent liabilities					4,994,904		6,089,906	
					5,570,399		7,532,485	
36.7 Profit/Return Earned of Financing, Investments and Placement								
					Six months period ended 30 June 2023 (Un-audited)		Six months period ended 30 June 2022 (Un-audited)	
					(Rupees in '000)			
Profit earned on Financing					4,874,868		3,799,121	
Investments					1,957,410		971,423	
Placements					246,804		12,682	
					7,079,082		4,783,226	
36.8 Profit on Deposits and other Dues Expensed								
Deposits and other accounts					(1,070,614)		(1,010,904)	
Due to Financial Institutions					(346,543)		(42,577)	
Deposit protection premium					(38,545)		(37,010)	
Finance cost of lease liability					(1,042)		(5,671)	
					(1,456,744)		(1,102,162)	

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	30 June 2023 (Un-audited)	31 December 2022 (Audited)
	(Rupees in '000)	
36.9 Islamic Banking Business Unappropriated Profit		
Opening Balance	16,714,365	13,178,301
Add: Islamic Banking profit for the period / year	4,462,968	7,530,064
Less: Transferred / Remitted to Head Office	(6,000,000)	(4,000,000)
Closing Balance	<u>15,177,333</u>	<u>16,714,365</u>

36.10 Profit & Loss distribution and Pool Management

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

- Islamic Export Refinance Scheme (IERS) Musharakah Pool; and
- 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. Banks'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 (Rupees in '000)	SBP Profit (Rupees in '000)	Bank Profit %	SBP Profit %
IERF Pool	Monthly	14.0%	445,230	332,680	57.2%	42.8%

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:

- General Pool
- Special Pool
- High Yield Pool
- Special Term Deposit Pool
- Special Pool - CCIB
- High Yield Pool 2
- Special Pool TD- CCIB
- Special Pool-2

i) Key features and risk & reward characteristics

Sandi 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, (backed by Government of Pakistan), Sugar, Textile, Fertilizer, Cement, Power, Packaging, Fast-moving consumer goods (FMCG), Edible Oil, Steel, Logistics, Automobile, Rice, etc.

iv) Other information

	Type of Pool							
	General Pool	Special Pool	High Yield Pool	Special Pool - TD	Special Pool - CCIB	High Yield - Pool 2	Special Pool - TD - CCIB	Special Pool - 2
Profit rate / weightage announcement frequency	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Mudarib share (amount in '000)	502,950	86,824	145,501	4,725	36,363	-	-	108,249
Mudarib share (%)	50.0%	41.7%	39.1%	34.2%	35.7%	0.0%	0.0%	45.6%
Mudarib Share transferred through Hiba (Amount in '000)	-	10,158	24,536	1,268	10,734	-	-	8,699
Mudarib Share transferred through Hiba (%)	-	10.5%	14.4%	21.2%	22.8%	0.0%	0.0%	7.4%
Average return on pool assets	16.1%	16.5%	17.4%	17.5%	12.8%	15.3%	17.5%	17.4%
Average return on deposits	8.0%	9.9%	10.6%	11.3%	8.0%	0.0%	0.0%	12.4%

37. GENERAL

37.1 Subsequent Event

The Board of Directors in its meeting held on 23 August 2023 has declared a cash dividend of 40 percent (Rs. 4.00/- per share) in respect of the half year ended 30 June 2023 (30 June 2022 : Rs 1.50/- per share). These condensed interim financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

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37.2 Corresponding Figures

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

37.3 Financial information presented in Pakistan Rupees has been rounded off to the nearest thousands.

37.4 Date of Authorization

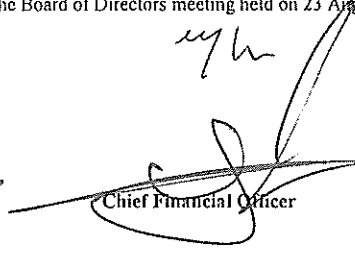
These condensed interim financial statements were authorized for issue in the Board of Directors meeting held on 23 August 2023.



Chairman



Chief Executive Officer



Chief Financial Officer



Director



Director



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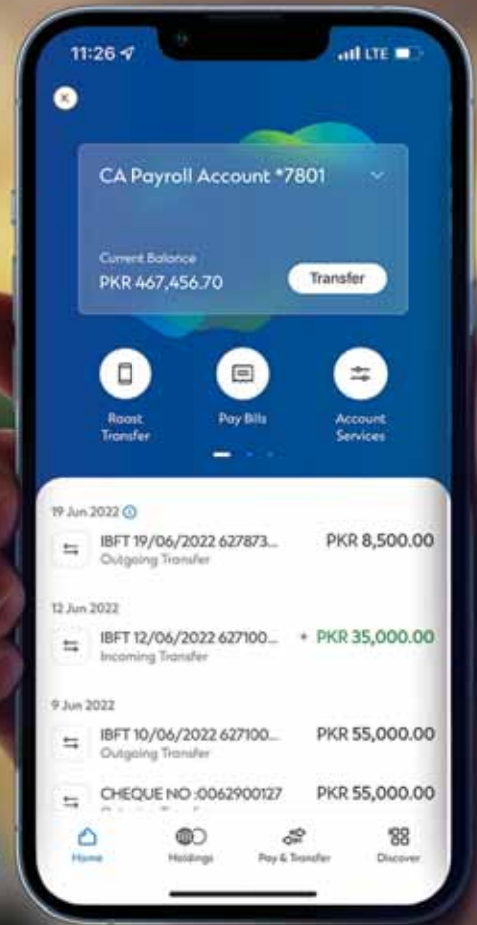


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