

3rd Quarterly Report (July – September 2023)

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COMPANY INFORMATION

BOARD OF DIRECTORS

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

Chairperson
Chief Executive Officer
Director
Director
Director
Director
Director

LEGAL ADVISORS

Haidermota & Co
Advocates

COMPANY SECRETARY

Mr. Asif Iqbal Alam

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

BOARD AUDIT COMMITTEE

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

Chairperson
Member
Member

WEBSITE

www.sc.com/pk

BOARD RISK COMMITTEE

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

Chairperson
Member
Member

REGISTRAR/ SHARE REGISTRATION OFFICE

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

BOARD HUMAN RESOURCE & REMUNERATION COMMITTEE

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

Chairperson
Member
Member

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

BOARD IT COMMITTEE

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

Chairperson
Member
Member

SHARIAH BOARD

Shaikh Nizam Yaqoubi
Mufti Muhammad Abdul Mubeen
Mufti Irshad Ahmad Aijaz
Mufti Hafiz Muhammad Sarfaraz Nihal

Chairperson
Member
Member
Resident Member

AUDITORS

M/s EY Ford Rhodes
Chartered Accountants

STANDARD CHARTERED BANK (PAKISTAN) LIMITED
30 SEPTEMBER 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 30 September 2023.

Economy

After witnessing GDP growth of 5.9% in FY-22, economic activity 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. GDP growth in FY-24 is expected to recover gradually to 2.0% on better agriculture outlook and bottoming out of economic activity.

The current account deficit narrowed by 58% to \$0.9bn in first quarter of FY-24. 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 25.4%, 3.8% and 19.8% in first quarter of FY-24 respectively.

On the external front, the SBP foreign exchange reserves stood at \$7.7bn as of 13th October 2023. Following a flexible exchange rate regime, PKR depreciated by 39% in FY-23 with subsequent appreciation of 3% till 14th October 2023 owing to administrative measures of the Government. Higher international commodity prices together with domestic demand are driving inflation with a peak of 38% y/y in May'23 moderated to 31.4% in Sep'23. To address the rising inflationary pressure and widening current account deficit, SBP increased policy rate by 8.25% to 22.00% during FY-23. Recently, SBP has maintained the policy rate at 22.00% mindful of the improved inflation outlook.

Completion of the new IMF Stand-by Arrangement (SBA) and the upcoming first review in Nov'23 remains key for near term external and economic stability. Recent appreciation of PKR and the rise in Chinese investments lifted the Foreign Direct Investment (FDI) by 16% year on year during first two months of FY-24. This will further support in unlocking near-term FX inflows from multilateral and bilateral sources paving way for improved macroeconomic environment.

Banks in Pakistan continue to be well capitalized with an industry wide CAR of 17.8% and remain profitable with a ROE (after tax) of 26.0% during H1-23. Meanwhile, NPLs of the banking sector stood at 7.4% at close of H1-23 compared to 7.5% at close of H1-22.

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.

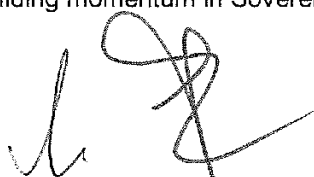
Our purpose signifies the way we want to do business with a human aspect as prosperity is not just about financial wealth but contributes towards creating healthier and happier communities. The purpose also embodies a more proactive and high-performance culture.

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 23%.

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 September 2023 (PKR millions) | 31 December 2022 (PKR millions) |
|--|--|---|
| Balance Sheet | | |
| Paid-up capital | 38,716 | 38,716 |
| Total equity | 93,738 | 87,521 |
| Deposits | 725,314 | 718,450 |
| Advances – gross | 256,040 | 236,923 |
| Advances – net | 234,592 | 216,208 |
| Investments – net | 486,231 | 477,732 |
| | Period ended | Period ended |
| | 30 September 2023 | 30 September 2022 |
| | (PKR millions) | (PKR millions) |
| Profit and Loss | | |
| Revenue | 76,942 | 45,140 |
| Operating expenses | 12,087 | 9,489 |
| Other non-mark-up expenses | 1,233 | 754 |
| Operating profit (before provisions and tax) | 63,621 | 34,897 |
| (Recovery) / Provisions and write offs - net | 615 | (1,535) |
| Profit before tax | 63,006 | 36,432 |
| Profit after tax | 31,448 | 14,245 |
| Earnings per Share (EPS) – Rupees | 8.12 | 3.68 |



A strong performance by the Bank led to a growth of 73% in profit before tax to PKR 63.0 billion. Overall revenue grew 70%, whereas client revenue increased by 80% year on year with positive contributions from all segments. Operating expenses increased 27% from comparative period in line with inflation. Moreover, as a result of prudent risk approach coupled with recoveries of bad debts led to a benign charge of PKR 615 million for the period.

On the liabilities side, the Bank's total deposits stand at PKR 725bn; up by PKR 6.9 billion, whereas current and saving accounts grew by PKR 26 billion (up 4%) 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 68 billion (up 21%). On asset side, net advances registered a growth of PKR 18.4 billion (9%) since the start of this year. 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.

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 25.0% (PKR 2.50/- per share) in respect of the nine months period ended September 30, 2023 has been declared by the Board of Directors in their meeting held on October 25, 2023. This is in addition to 40.0% (PKR 4.00/- per share) interim cash dividend announced / paid during half year ended June 30, 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 its guidance and cooperation extended to the Bank. Finally, we are also thankful to our associates, staff and colleagues for their committed services provided to our valued clients.

On behalf of the Board



Chief Executive Officer



Director

Karachi: 25th October 2023



Standard Chartered Bank (Pakistan) Limited

Un-audited Financial Statements

**For the nine months period ended
30 September 2023**

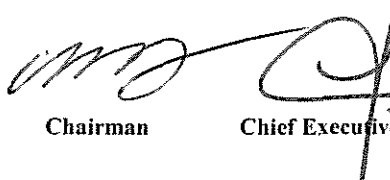



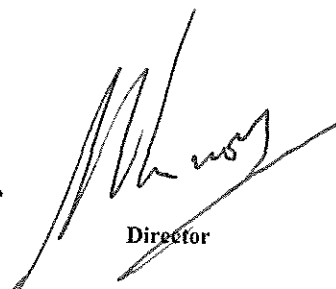
Standard Chartered Bank (Pakistan) Limited
Statement of Financial Position
As at 30 September 2023

| | Note | (Un-audited) 30 September 2023 | (Audited) 31 December 2022 |
|---|------|-----------------------------------|-------------------------------|
| (Rupees in '000) | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | 6 | 96,056,192 | 68,918,645 |
| Balances with other banks | 7 | 16,651,357 | 8,737,656 |
| Lendings to financial institutions | 8 | 108,179,650 | 51,286,290 |
| Investments | 9 | 486,231,114 | 477,732,454 |
| Advances | 10 | 234,591,503 | 216,207,696 |
| Fixed assets | 11 | 11,590,655 | 11,474,182 |
| Intangible assets | 12 | 26,095,310 | 26,095,310 |
| Deferred tax assets - net | | - | - |
| Other assets | 13 | 24,591,869 | 66,836,739 |
| | | 1,003,987,650 | 927,288,972 |
| LIABILITIES | | | |
| Bills payable | 14 | 13,202,944 | 14,820,617 |
| Borrowings | 15 | 43,191,473 | 28,063,619 |
| Deposits and other accounts | 16 | 725,314,487 | 718,449,989 |
| Liabilities against assets subject to finance lease | | - | - |
| Sub-ordinated debt | | - | - |
| Deferred tax liabilities - net | 17 | 6,011,117 | 5,354,762 |
| Other liabilities | 18 | 122,529,978 | 73,079,106 |
| | | 910,249,999 | 839,768,093 |
| NET ASSETS | | 93,737,651 | 87,520,879 |
| REPRESENTED BY: | | | |
| Share capital | | 38,715,850 | 38,715,850 |
| Reserves | | 35,501,551 | 29,211,960 |
| Surplus on revaluation of assets | 19 | 7,694,227 | 7,878,792 |
| Unappropriated profit | | 11,826,023 | 11,714,277 |
| | | 93,737,651 | 87,520,879 |

CONTINGENCIES AND COMMITMENTS

20

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

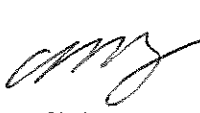

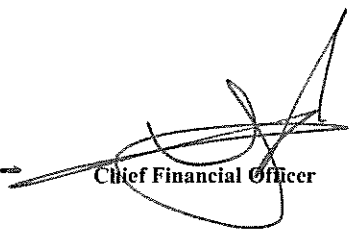
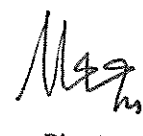







Chairman Chief Executive Officer Chief Financial Officer Director Director

Standard Chartered Bank (Pakistan) Limited
Profit and Loss Account (Un-audited)
For the nine months period ended 30 September 2023

| | Note | Three months period ended 30 September 2023 | Nine months period ended 30 September 2023 | Three months period ended 30 September 2022 | Nine months period ended 30 September 2022 |
|---|------|--|---|--|---|
| ----- (Rupees in '000) ----- | | | | | |
| Mark-up / return / interest earned | 21 | 41,230,623 | 110,267,980 | 25,896,974 | 61,817,032 |
| Mark-up / return / interest expensed | 22 | (15,345,924) | (41,859,697) | (13,344,385) | (32,226,122) |
| Net mark-up / interest income | | 25,884,699 | 68,408,283 | 12,552,589 | 29,590,910 |
| NON MARK-UP / INTEREST INCOME | | | | | |
| Fee and commission income | 23 | 1,336,723 | 3,897,776 | 644,841 | 2,385,882 |
| Dividend income | | 56 | 50,140 | 63 | 25,901 |
| Foreign exchange income | 24 | 2,530,810 | 3,355,228 | 4,574,782 | 10,752,472 |
| Income / (loss) from derivatives | | 256,223 | 2,173,720 | (525,361) | 223,583 |
| Gain / (loss) on securities | 25 | 281,421 | (1,124,597) | 431,919 | 2,109,042 |
| Other income | 26 | 8,424 | 181,521 | 27,080 | 52,637 |
| Total non mark-up / interest income | | 4,413,657 | 8,533,788 | 5,153,324 | 15,549,517 |
| Total Income | | 30,298,356 | 76,942,071 | 17,705,913 | 45,140,427 |
| NON MARK-UP / INTEREST EXPENSES | | | | | |
| Operating expenses | 27 | (4,187,450) | (12,087,408) | (3,249,428) | (9,489,385) |
| Workers welfare fund | | (619,617) | (1,230,203) | (293,546) | (743,520) |
| Other charges | 28 | (381) | (3,106) | - | (10,161) |
| Total non mark-up / interest expenses | | (4,807,448) | (13,320,717) | (3,542,974) | (10,243,066) |
| Profit before provisions | | 25,490,908 | 63,621,354 | 14,162,939 | 34,897,361 |
| Reversals / (provisions) and write offs - net | 29 | (627,070) | (615,139) | 220,818 | 1,535,131 |
| Extra-ordinary / unusual items | | - | - | - | - |
| PROFIT BEFORE TAXATION | | 24,863,838 | 63,006,215 | 14,383,757 | 36,432,492 |
| Taxation | 30 | (12,200,486) | (31,558,258) | (8,247,197) | (22,187,526) |
| PROFIT AFTER TAXATION | | 12,663,352 | 31,447,957 | 6,136,560 | 14,244,966 |
| | | (Rupees) | | (Rupees) | |
| BASIC / DILUTED EARNINGS PER SHARE | 31 | 3.27 | 8.12 | 1.59 | 3.68 |

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





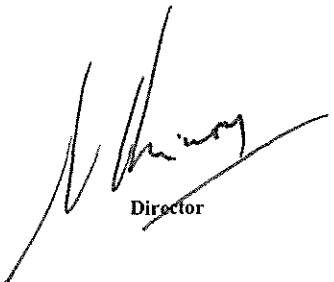
| | | | | |
|---|--|---|---|---|
|  Chairman |  Chief Executive Officer |  Chief Financial Officer |  Director |  Director |
|---|--|---|---|---|

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

For the nine months period ended 30 September 2023

| | Three months period ended 30 September 2023 | Nine months period ended 30 September 2023 | Three months period ended 30 September 2022 | Nine months period ended 30 September 2022 |
|--|--|---|--|---|
| | ----- (Rupees in '000) ----- | | | |
| Profit after tax for the period | 12,663,352 | 31,447,957 | 6,136,560 | 14,244,966 |
| 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 | 588,861 | (74,117) | 947,562 | 773,001 |
| Movement in surplus / (deficit) on revaluation of fixed assets - deferred tax rate impact | (39,501) | (39,501) | (28,062) | (28,062) |
| 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>13,210,776</u> | <u>31,332,403</u> | <u>7,056,060</u> | <u>14,989,905</u> |

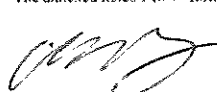
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| | | | | |
|--|---|---|--|--|
|  Chairman |  Chief Executive Officer |  Chief Financial Officer |  Director |  Director |
|--|---|---|--|--|

Standard Chartered Bank (Pakistan) Limited
Statement of Changes in Equity (Un-audited)
For the nine months period ended 30 September 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 nine months period ended 30 September 2022 | - | - | - | - | - | 14,244,966 | 14,244,966 |
| Other comprehensive income | | | | | | | |
| Movement in surplus / (deficit) on revaluation of fixed assets - deferred tax rate impact | - | - | - | - | (28,062) | - | (28,062) |
| Movement in surplus / (deficit) on revaluation of investments - net of tax | - | - | - | 773,001 | - | - | 773,001 |
| | - | - | - | 773,001 | (28,062) | 14,244,966 | 14,989,905 |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Share based payment transactions (Contribution from holding Company) | - | - | - | - | - | 47,778 | 47,778 |
| Cash dividend (Final 2021) at Rs. 1.75 per share | - | - | - | - | - | (6,775,274) | (6,775,274) |
| Cash dividend (Interim 2022) at Rs. 1.50 per share | - | - | - | - | - | (5,807,378) | (5,807,378) |
| | - | - | - | - | - | (12,534,874) | (12,534,874) |
| Transfer to statutory reserve | - | - | 2,848,993 | - | - | (2,848,993) | - |
| Transferred from surplus on revaluation of fixed asset - net of deferred tax | - | - | - | - | (13,858) | 13,858 | - |
| Balance as at 30 September 2022 - Un-audited | 38,715,850 | 1,036,090 | 27,055,988 | 285,029 | 7,817,877 | 7,149,453 | 82,060,287 |
| Total comprehensive income for the period | | | | | | | |
| Profit after tax for the three months period ended from 01 October 2022 to 31 December 2022 | - | - | - | - | - | 5,599,409 | 5,599,409 |
| Other comprehensive income | | | | | | | |
| Movement in surplus on revaluation of investments - net of tax | - | - | - | (191,056) | - | - | (191,056) |
| Remeasurement of post employment obligations - net of tax | - | - | - | - | - | 8,290 | 8,290 |
| | - | - | - | (191,056) | - | 5,607,699 | 5,416,643 |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Share based payment transactions (Contribution from holding Company) | - | - | - | - | - | 43,949 | 43,949 |
| | - | - | - | - | - | 43,949 | 43,949 |
| Transfer to statutory reserve | - | - | 1,119,882 | - | - | (1,119,882) | - |
| 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 | - | - | - | - | (4,564) | 4,564 | - |
| 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 nine months period ended from 01 January 2023 to 30 September 2023 | - | - | - | - | - | 31,447,957 | 31,447,957 |
| 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 | - | - | - | (74,117) | - | - | (74,117) |
| | - | - | - | (74,117) | (39,501) | 31,446,021 | 31,332,403 |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Share based payment transactions (Contribution from holding Company) | - | - | - | - | - | 49,673 | 49,673 |
| Cash dividend (Final 2022) at Rs. 2.50 per share | - | - | - | - | - | (9,678,963) | (9,678,963) |
| Cash dividend (Interim 2023) at Rs. 4.00 per share | - | - | - | - | - | (15,486,340) | (15,486,340) |
| | - | - | - | - | - | (25,115,630) | (25,115,630) |
| Transfer to statutory reserve | - | - | 6,289,591 | - | - | (6,289,591) | - |
| Realised on disposal during the period - net of deferred tax | - | - | - | - | (58,860) | 58,860 | - |
| Transferred from surplus on revaluation of fixed asset - net of deferred tax | - | - | - | - | (12,087) | 12,087 | - |
| Balance as at 30 September 2023 - Un-audited | 38,715,850 | 1,036,090 | 34,465,461 | 19,856 | 7,674,371 | 11,826,023 | 93,737,651 |

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


Chairman


Chief Executive Officer


Chief Financial Officer

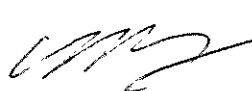





Director


Director

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

| | Note | 30 September 2023 | 30 September 2022 |
|--|------|---------------------|---------------------|
| | | (Rupees in '000) | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before taxation for the period | | 63,006,215 | 36,432,492 |
| Less: Dividend income | | (50,140) | (25,901) |
| | | <u>62,956,075</u> | <u>36,406,591</u> |
| Adjustments for: | | | |
| Depreciation | 27 | 690,155 | 653,426 |
| Gain on sale of asset held for sale | | (144,717) | - |
| Gain on sale of fixed assets | 26 | (13,455) | (30,943) |
| Unrealized gain on revaluation of investments classified as held for trading - net | 25 | (6,495) | (129,099) |
| Finance cost against lease | | 160,237 | 173,957 |
| (Loss) / gain on lease termination | | 15,380 | (6,826) |
| (Reversals) / provisions and write offs - net | 29 | 615,139 | (1,535,131) |
| | | <u>1,316,244</u> | <u>(874,616)</u> |
| | | <u>64,272,319</u> | <u>35,531,975</u> |
| (Increase) \ decrease in operating assets | | | |
| Lending to financial institutions | | (56,893,360) | (7,272,657) |
| Held-for-trading securities | | (518,861) | 50,823,325 |
| Advances | | (18,998,384) | 2,550,042 |
| Other assets (excluding advance taxation) | | 33,274,544 | (54,622,146) |
| | | <u>(43,136,061)</u> | <u>(8,521,436)</u> |
| Increase / (decrease) in operating liabilities | | | |
| Bills payable | | (1,617,673) | (2,037,360) |
| Borrowings from financial institutions | | 3,756,587 | (10,583,440) |
| Deposits | | 6,864,498 | 107,659,998 |
| Other liabilities | | 28,043,840 | (9,921,721) |
| | | <u>37,047,252</u> | <u>85,117,477</u> |
| Cash inflow before taxation | | <u>58,183,510</u> | <u>112,128,016</u> |
| Income tax paid | | (22,118,784) | (10,297,443) |
| Net cash flow generated from operating activities | | <u>36,064,726</u> | <u>101,830,573</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net investments in available for sale securities | | (7,933,414) | (77,480,773) |
| Dividend received | | 50,140 | 25,901 |
| Investment in fixed assets | | (662,415) | (447,184) |
| Proceeds from sale of fixed assets | | 13,455 | 30,943 |
| Proceeds from sale of asset held for sale | | 260,500 | - |
| Net cash flow used in investing activities | | <u>(8,271,734)</u> | <u>(77,871,113)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | (3,663,410) | (4,926,399) |
| Payment in respect of lease liability | | (449,601) | (316,775) |
| Net cash flow used in financing activities | | <u>(4,113,011)</u> | <u>(5,243,174)</u> |
| Increase / (decrease) in cash and cash equivalents for the period | | <u>23,679,981</u> | <u>18,716,286</u> |
| Cash and cash equivalents at beginning of the period | | 64,951,836 | 64,640,768 |
| Effect of exchange rate changes on cash and cash equivalents | | 9,629,907 | 5,211,380 |
| | | <u>74,581,743</u> | <u>69,852,148</u> |
| Cash and cash equivalents at end of the period | | <u>98,261,724</u> | <u>88,568,434</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | | | |
| Cash and balances with treasury banks | 6 | 96,056,192 | 66,584,278 |
| Balances with other banks | 7 | 16,651,357 | 22,339,527 |
| Overdrawn nostros | 15 | (14,445,825) | (355,371) |
| | | <u>98,261,724</u> | <u>88,568,434</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 nine months period ended 30 September 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 September 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.

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 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 | 01 January 2024 |
| Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1 | 01 January 2024 |

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.

| 6 | CASH AND BALANCES WITH TREASURY BANKS | Note | 30 September 2023 (Un-audited) | 31 December 2022 (Audited) |
|-----|--|------|-----------------------------------|-------------------------------|
| | | | (Rupees in '000) | |
| | In hand | | | |
| | - Local currency | | 5,240,457 | 4,726,792 |
| | - Foreign currencies | | 13,495,701 | 8,351,423 |
| | With State Bank of Pakistan in: | | | |
| | - Local currency current account | 6.1 | 54,582,551 | 33,065,724 |
| | - Local currency current account - Islamic Banking | 6.1 | 3,506,771 | 8,445,224 |
| | - Foreign currency deposit account | | | |
| | - Cash reserve account | 6.2 | 6,451,230 | 4,785,732 |
| | - Special cash reserve account | 6.2 | 12,386,050 | 9,123,602 |
| | - Local US Dollar collection account | | 340,275 | 402,751 |
| | With National Bank of Pakistan in: | | | |
| | - Local currency current account | | 93 | 93 |
| | Prize Bonds | | 53,064 | 17,304 |
| | | | <u>96,056,192</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 | Note | 30 September 2023 (Un-audited) | 31 December 2022 (Audited) |
| | | | (Rupees in '000) | |
| | In Pakistan | | | |
| | - In current accounts | | 69,779 | 19,329 |
| | Outside Pakistan | | | |
| | - In current accounts | 7.1 | <u>16,581,578</u> | <u>8,718,327</u> |
| | | | <u>16,651,357</u> | <u>8,737,656</u> |
| 7.1 | This includes balances of Rs. 2,065.725 million (2022: Rs. 5,547.742 million) held with other branches and subsidiaries of Standard Chartered Group outside Pakistan. | | | |
| 8 | LENDINGS TO FINANCIAL INSTITUTIONS | Note | 30 September 2023 (Un-audited) | 31 December 2022 (Audited) |
| | | | (Rupees in '000) | |
| | Repurchase agreement lendings (Reverse Repo) | | - | 31,800,000 |
| | Placements | 8.1 | <u>108,179,650</u> | <u>19,486,290</u> |
| | | | <u>108,179,650</u> | <u>51,286,290</u> |
| 8.1 | These represents placements with other branches and subsidiaries of Standard Chartered Group outside Pakistan at mark-up rates ranging from 3.00 percent to 5.40 percent per annum (2022: 1.35 percent to 4.4 percent per annum), and are due to mature latest by March 2024. | | | |

| | Note | 30 September 2023 (Un- audited) | 31 December 2022 (Audited) |
|-----------------------------------|------|---------------------------------------|-------------------------------|
| | | (Rupees in '000) | |
| 8.2 Particulars of lending | | | |
| In local currency | | - | 31,800,000 |
| In foreign currencies | | 108,179,650 | 19,486,290 |
| | 8.3 | 108,179,650 | 51,286,290 |

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

9 INVESTMENTS

| | 30 September 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 | 973,677 | - | 6,495 | 980,172 | 454,816 | - | (131,784) | 323,032 |
| | 973,677 | - | 6,495 | 980,172 | 454,816 | - | (131,784) | 323,032 |
| <i>Available for sale securities</i> | | | | | | | | |
| Federal Government Securities | 485,108,760 | - | (96,250) | 485,012,510 | 477,141,307 | - | 118,480 | 477,259,787 |
| Shares | 837,648 | (734,398) | 135,182 | 238,432 | 837,648 | (734,398) | 46,385 | 149,635 |
| Non Government Debt Securities | 147,000 | (147,000) | - | - | 147,000 | (147,000) | - | - |
| | 486,093,408 | (881,398) | 38,932 | 485,250,942 | 478,125,955 | (881,398) | 164,865 | 477,409,422 |
| Total Investments | 487,067,085 | (881,398) | 45,427 | 486,231,114 | 478,580,771 | (881,398) | 33,081 | 477,732,454 |

| | Note | 30 September 2023 (Un- audited) | 31 December 2022 (Audited) |
|--|------|---------------------------------------|-------------------------------|
| | | (Rupees in '000) | |
| 9.1.1 Investments given as collateral | | | |
| Market Treasury Bills | | 5,943,937 | - |
| Pakistan Investment Bonds | | - | 18,664 |
| | 9.3 | 5,943,937 | 18,664 |

| | 30 September 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 | 881,398 | 881,398 |

9.2.1 Particulars of provision against debt securities

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

10 ADVANCES

Note

| | Performing | | Non Performing | | Total | |
|---|--------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|
| | 30 September 2023 (Un-audited) | 31 December 2022 (Audited) | 30 September 2023 (Un-audited) | 31 December 2022 (Audited) | 30 September 2023 (Un-audited) | 31 December 2022 (Audited) |
| (Rupees in '000) | | | | | | |
| Loans, cash credits, running finances, etc. | 168,394,994 | 156,192,408 | 20,681,639 | 19,485,579 | 189,076,633 | 175,677,987 |
| Islamic financing and related assets | 60,781,688 | 56,346,207 | 1,616,726 | 1,751,236 | 62,398,414 | 58,097,443 |
| Bills discounted and purchased (excluding treasury bills) | 4,565,101 | 3,147,283 | - | - | 4,565,101 | 3,147,283 |
| Advances - gross | 233,741,783 | 215,685,898 | 22,298,365 | 21,236,815 | 256,040,148 | 236,922,713 |
| Provision for non-performing advances | | | | | | |
| - Specific | - | - | (20,463,854) | (19,692,817) | (20,463,854) | (19,692,817) |
| - General | (984,791) | (1,022,200) | - | - | (984,791) | (1,022,200) |
| | (984,791) | (1,022,200) | (20,463,854) | (19,692,817) | (21,448,645) | (20,715,017) |
| Advances - net of provision | 232,756,992 | 214,663,698 | 1,834,511 | 1,543,998 | 234,591,503 | 216,207,696 |

10.1 Particulars of advances - gross

30 September 2023 (Un-audited)
31 December 2022 (Audited)
(Rupees in '000)

| | | |
|-----------------------|-------------|-------------|
| In local currency | 252,231,166 | 235,226,425 |
| In foreign currencies | 3,808,982 | 1,696,288 |
| | 256,040,148 | 236,922,713 |

10.2 Advances include Rs. 22,291.829 million (31 December 2022: Rs. 21,236.815 million) which have been placed under non-performing status as detailed below:

| Category of classification | 30 September 2023 (Un-audited) | | 31 December 2022 (Audited) | |
|-----------------------------------|--------------------------------|------------|----------------------------|------------|
| | Non Performing Loans | Provision | Non Performing Loans | Provision |
| (Rupees in '000) | | | | |
| Domestic | | | | |
| Other assets especially mentioned | 227,226 | - | 187,726 | 13 |
| Substandard | 322,671 | 25,015 | 311,236 | 19,674 |
| Doubtful | 1,511,444 | 773,014 | 868,052 | 353,321 |
| Loss | 20,237,024 | 19,665,825 | 19,869,801 | 19,319,809 |
| | 22,298,365 | 20,463,854 | 21,236,815 | 19,692,817 |

10.2.1 At 30 September 2023, the provision requirement has been reduced by Rs. 539.604 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. 275.198 million due to the said FSV benefit is not available for distribution of cash and stock dividend / bonus to employees.

10.3 Particulars of provision against advances

| | 30 September 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 | 1,356,331 | 33,555 | 1,389,886 | 1,184,921 | 9,940 | 1,194,861 |
| Reversals | (724,452) | (70,964) | (795,416) | (1,139,022) | (1,175,367) | (2,314,389) |
| | 631,879 | (37,409) | 594,470 | 45,899 | (1,165,427) | (1,119,528) |
| Amounts written off | (277,286) | - | (277,286) | (236,423) | - | (236,423) |
| Other movements (including FX adjustments) | 416,444 | - | 416,444 | 339,073 | - | 339,073 |
| Closing balance | 20,463,854 | 984,791 | 21,448,645 | 19,692,817 | 1,022,200 | 20,715,017 |

10.3.1 General provision includes provision amounting to Rs 948.791 million (31 December 2022 Rs 1,022.200 million) against the consumer finance portfolio.

11 FIXED ASSETS

| | 30 September 2023 (Un-audited) | 31 December 2022 (Audited) |
|--------------------------|--------------------------------|----------------------------|
| (Rupees in '000) | | |
| Capital work-in-progress | 1,196,899 | 841,538 |
| Property and equipment | 10,393,756 | 10,632,644 |
| | 11,590,655 | 11,474,182 |

11.1 Capital work-in-progress

| | | |
|-------------|-----------|---------|
| Civil works | 185,020 | 129,393 |
| Equipment | 1,011,879 | 712,145 |
| | 1,196,899 | 841,538 |

| | 30 September 2023 (Un- audited) | 30 September 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 | 355,361 | 82,547 |
| Building on leasehold land - owned | 24,071 | 96,760 |
| Furniture and fixture | 18,576 | 28,518 |
| Electrical office and computer equipment | 244,779 | 232,397 |
| Vehicles | 13,640 | - |
| Leasehold improvement | 5,988 | 6,962 |
| | <u>307,054</u> | <u>364,637</u> |

11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is Rs. Nil (30 September 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 September 2022: Rs 20.1 million)

11.4 This also includes Right of use asset (ROU) in line with IFRS 16 amounting to Rs 1,534.370 million (31 December 2022: Rs 1,589.471 million)

12 INTANGIBLE ASSETS

| | Note | 2023 (Un- audited) | 31 December 2022 (Audited) |
|-------------------|------|------------------------------|-------------------------------|
| | | ----- (Rupees in '000) ----- | |
| Goodwill | | 26,095,310 | 26,095,310 |
| Computer Software | 12.1 | - | - |
| | | <u>26,095,310</u> | <u>26,095,310</u> |

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

| | Note | 30 September 2023 (Un- audited) | 31 December 2022 (Audited) |
|--|------|---------------------------------------|-------------------------------|
| | | ----- (Rupees in '000) ----- | |
| 13 OTHER ASSETS | | | |
| Income / mark-up accrued in local currency | | 8,545,583 | 9,219,776 |
| Income / mark-up accrued in foreign currencies | | 34,672 | 30,454 |
| Advances, deposits, advance rent and other prepayments | | 338,953 | 256,034 |
| Defined benefit plans | | 32,270 | 32,270 |
| Branch adjustment account | | 8,543 | - |
| Mark to market gain on forward foreign exchange contracts | | 454,379 | 277,236 |
| Interest rate derivatives and currency options - positive fair value | | 75,903 | 142,689 |
| Receivable from SBP / Government of Pakistan | | 718,411 | 1,047,900 |
| Receivable from Associated undertakings | | 44,809 | 101,639 |
| Assets Held for Sale | 13.1 | 1,203,192 | 1,318,975 |
| Receivable from Standard Chartered Bank, Sri Lanka operations | | 37,652 | 26,141 |
| Advance Federal Excise Duty | | 199,747 | 199,747 |
| Cards Settlement account | | 7,350,521 | 6,015,905 |
| Acceptances | | 4,625,976 | 4,788,892 |
| Unsettled trades - Debt Securities | 13.2 | 62,657 | 42,718,948 |
| Sundry receivables | | 745,823 | 623,965 |
| Others | | 200,554 | 123,944 |
| | | <u>24,679,645</u> | <u>66,924,515</u> |
| Less: Provision held against other assets | 13.3 | (87,776) | (87,776) |
| Other Assets - net of provisions | | <u>24,591,869</u> | <u>66,836,739</u> |

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 September 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 | 12,633,196 | 14,349,273 |
| Outside Pakistan | 569,748 | 471,344 |
| | <u>13,202,944</u> | <u>14,820,617</u> |

15 BORROWINGS

| | | |
|------------------|-------------------|-------------------|
| In Pakistan | 28,865,979 | 24,989,061 |
| Outside Pakistan | 14,325,494 | 3,074,558 |
| | <u>43,191,473</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 | 22,072,723 | 24,173,044 |
| State Bank of Pakistan - LTFF | | 90,444 | 124,361 |
| Repurchase agreement borrowings (Repo) | 15.1.2 | 5,925,408 | - |
| Financing facility for renewable energy plants | | 657,073 | 691,656 |
| | | <u>28,745,648</u> | <u>24,989,061</u> |

Unsecured

| | | | |
|---------------------------|--|-------------------|-------------------|
| Overdrawn nostro accounts | | 14,445,825 | 3,074,558 |
| | | <u>43,191,473</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 18.0 percent (2022: 9 percent to 10 percent) per annum and are due to mature latest by March 2024. ERF borrowings also include borrowings under Islamic Export Refinance scheme amounting to Rs. 4,536 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.

15.1.2 Repurchase agreement borrowing carry mark up rate at 23.0 percent (2022: Nil) per annum payable at maturity and are due to mature by October 2023. These are secured against three months market treasury bills. The market value of securities given as collateral against this borrowing amounted to Rs. 5,940.342 million.

16 DEPOSITS AND OTHER ACCOUNTS

| | 30 September 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 | 11,091,340 | 1,399,547 | 12,490,887 | 29,988,396 | 1,713,772 | 31,702,168 |
| - Savings deposits | 272,078,163 | 28,200,210 | 300,278,373 | 322,839,080 | 22,375,290 | 345,214,370 |
| - Current accounts | 273,537,332 | 104,366,710 | 377,904,042 | 195,219,814 | 72,106,066 | 267,325,880 |
| - Margin accounts | 6,083,147 | 289,177 | 6,372,324 | 44,957,304 | 227,563 | 45,184,867 |
| - Other deposits | 1,294,654 | - | 1,294,654 | 1,179,260 | - | 1,179,260 |
| | 564,084,636 | 134,255,644 | 698,340,280 | 594,183,854 | 96,422,691 | 690,606,545 |
| Financial Institutions | | | | | | |
| - Fixed deposits | 1,005,650 | 15,116 | 1,020,766 | 525,650 | 11,752 | 537,402 |
| - Savings deposits | 12,939,400 | 2,313,117 | 15,252,517 | 11,280,395 | 1,487,433 | 12,767,828 |
| - Current accounts | 8,546,435 | 1,937,615 | 10,484,050 | 11,711,116 | 2,646,930 | 14,358,046 |
| - Margin accounts | 86,252 | 130,622 | 216,874 | 77,583 | 102,585 | 180,168 |
| | 22,577,737 | 4,396,470 | 26,974,207 | 23,594,744 | 4,248,700 | 27,843,444 |
| | 586,662,373 | 138,652,114 | 725,314,487 | 617,778,598 | 100,671,391 | 718,449,989 |

16.1 This includes Rs. 997.770 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:

| | | 30 September 2023 (Un-audited) | | | |
|--|------|--------------------------------|-------------------------------------|----------------------|----------------------------|
| | | At 01 January 2023 | Recognised in profit and loss | Recognised in OCI | At 30 September 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. | 17.1 | 642,019 | 89,584 | - | 731,603 |
| Accelerated tax depreciation | | 108,769 | 31,475 | - | 140,244 |
| Unpaid liabilities | | 4,407,698 | 615,028 | - | 5,022,726 |
| | | 6,235,134 | 886,317 | - | 7,121,451 |
| Taxable Temporary Differences on | | | | | |
| Surplus on revaluation of fixed assets | 19.1 | (284,146) | 16,091 | (42,924) | (310,979) |
| Surplus / (deficit) on revaluation of investments | 19.2 | (70,892) | - | 51,816 | (19,076) |
| Post retirement employee benefits | | (13,876) | - | (1,936) | (15,812) |
| Goodwill | | (11,220,982) | (1,565,719) | - | (12,786,701) |
| | | (11,589,896) | (1,549,628) | 6,956 | (13,132,568) |
| | | (5,354,762) | (663,311) | 6,956 | (6,011,117) |
| | | | | | |
| 31 December 2022 (Audited) | | | | | |
| | | At 01 January 2022 | Recognised in profit and loss | Recognised in OCI | At 31 December 2022 |
| | | ----- (Rupees in '000) ----- | | | |
| 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.

18 OTHER LIABILITIES

30 September 31 December
2023 (Un-audited) 2022 (Audited)

Note

------(Rupees in '000)-----

| | | | |
|---|------|--------------------|-------------------|
| Mark-up / return / interest payable in local currency | | 2,321,319 | 710,376 |
| Mark-up / return / interest payable in foreign currencies | | 11,328 | 3,236 |
| Accrued expenses | | 3,729,110 | 3,596,902 |
| Advance payments | | 840,067 | 690,971 |
| Sundry creditors | | 16,129,989 | 13,695,777 |
| Mark to market loss on forward foreign exchange contracts | | 1,238,565 | 169,502 |
| Unrealized loss on interest rate derivatives and currency options | | 18,957,799 | 12,341,108 |
| Due to Holding Company | 18.1 | 44,298,673 | 20,837,568 |
| Taxation (provisions less payments) | | 9,515,745 | 739,582 |
| Clearing and settlement accounts | | 13,177,920 | 8,848,884 |
| Charity fund balance | | 7,889 | 18,354 |
| Dividend payable | | 209,565 | 172,961 |
| Branch adjustment account | | - | 103,376 |
| Provision against off balance sheet obligations | 18.2 | 200,310 | 189,808 |
| Worker's welfare fund (WWF) payable | 18.3 | 5,205,784 | 3,975,581 |
| Lease liability | 18.4 | 1,718,278 | 1,847,964 |
| Acceptances | | 4,625,976 | 4,788,892 |
| Others | | 341,661 | 348,264 |
| | | <u>122,529,978</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 | 34,048,197 | 10,587,092 |
| | <u>44,298,673</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 | 20,177 | 7,241 |
| Reversals | (9,675) | (51,241) |
| Closing balance | <u>200,310</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.

19 SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

| | | 30 September 2023 (Un-audited) | 31 December 2022 (Audited) |
|---|------|-----------------------------------|-------------------------------|
| | Note | (Rupees in '000) | |
| Surplus / (deficit) arising on revaluation of: | | | |
| Fixed assets | 19.1 | 7,985,350 | 8,068,965 |
| Available for Sale Securities | 19.2 | 38,932 | 164,865 |
| | | <u>8,024,282</u> | <u>8,233,830</u> |
| Deferred tax on surplus on revaluation of: | | | |
| Fixed assets | 19.1 | (310,979) | (284,146) |
| Available for Sale Securities | 19.2 | (19,076) | (70,892) |
| | | <u>(330,055)</u> | <u>(355,038)</u> |
| | | <u>7,694,227</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 | | (23,700) | (32,319) |
| Surplus on revaluation of fixed assets - Gross | | 7,985,350 | 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 | | 1,055 | 200 |
| Deferred tax rate impact | | (39,501) | (28,062) |
| Incremental depreciation charged during the period | | 11,613 | 13,897 |
| | | <u>(310,979)</u> | <u>(284,146)</u> |
| Surplus on revaluation of fixed assets - net of tax | | <u>7,674,371</u> | <u>7,784,819</u> |
| 19.2 (Deficit) / Surplus on revaluation of Available for Sale securities - net of tax | | | |
| Market Treasury Bills | | (257,200) | (713,450) |
| Pakistan Investment Bonds | | - | 834,425 |
| Sukuk and Ijarah Bonds | | 160,950 | (2,495) |
| Listed shares | | 135,182 | 46,385 |
| | | <u>38,932</u> | <u>164,865</u> |
| Related deferred tax asset / (liability) | | <u>(19,076)</u> | <u>(70,892)</u> |
| | | <u>19,856</u> | <u>93,973</u> |
| 20 CONTINGENCIES AND COMMITMENTS | | | |
| Guarantees | 20.1 | 172,266,668 | 164,596,737 |
| Commitments | 20.2 | 128,048,270 | 181,866,138 |
| Other contingent liabilities | 20.3 | 33,020,431 | 30,736,676 |
| | | <u>333,335,369</u> | <u>377,199,551</u> |
| 20.1 Guarantees: | | | |
| Guarantees issued favouring: | | | |
| Financial guarantees | | 13,027,969 | 11,464,512 |
| Performance guarantees | | 122,604,152 | 108,968,856 |
| Other guarantees | | 36,634,547 | 44,163,369 |
| | | <u>172,266,668</u> | <u>164,596,737</u> |
| 20.2 Commitments: | | | |
| Documentary credits and short-term trade-related transactions | | | |
| Letters of credit | | 24,528,486 | 35,040,339 |
| Commitments in respect of: | | | |
| Forward foreign exchange contracts; | | | |
| - Purchase | 20.4 | 51,149,683 | 94,999,666 |
| - Sale | 20.4 | 13,043,506 | 4,669,999 |
| Commitment in respect of derivatives | | | |
| - Interest rate swaps | 20.6 | 10,795,634 | 12,604,238 |
| - Cross currency swaps | 20.6 | 27,416,080 | 34,120,092 |
| - Fx options | 20.6 | 613,008 | - |
| Commitment in respect of operating lease | 20.7 | 1,903 | 850 |
| Commitment for acquisition of fixed assets | | 499,970 | 430,954 |
| | | <u>128,048,270</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.

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.

| | 30 September 2023 (Un- audited) | 31 December 2022 (Audited) |
|--|---------------------------------------|-------------------------------|
| 20.4 Commitments in respect of forward foreign exchange contracts | (Rupees in '000) | |
| Purchase from: | | |
| State Bank of Pakistan | 22,155,857 | 56,451,740 |
| Other banks | 17,045,334 | 35,844,802 |
| Customers | 11,948,492 | 2,703,124 |
| | <u>51,149,683</u> | <u>94,999,666</u> |
| Sale to: | | |
| Other banks | 12,909,599 | 3,770,155 |
| Customers | 133,907 | 509,514 |
| | <u>13,043,506</u> | <u>4,279,669</u> |

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

20.5 Commitments to extend credit

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

| | 30 September 2023 (Un- audited) | 31 December 2022 (Audited) |
|---|---------------------------------------|-------------------------------|
| 20.6 Commitments in respect of derivatives | (Rupees in '000) | |
| Interest rate Swaps | | |
| - Purchase | 2,397,817 | 3,302,119 |
| - Sale | 8,397,817 | 9,302,119 |
| | <u>10,795,634</u> | <u>12,604,238</u> |
| Cross currency Swaps | | |
| - Purchase | - | - |
| - Sale | 27,416,080 | 34,120,092 |
| | <u>27,416,080</u> | <u>34,120,092</u> |
| FX options | | |
| - Purchase | 306,504 | - |
| - Sale | 306,504 | - |
| | <u>613,008</u> | <u>-</u> |
| 20.7 Commitments in respect of operating lease | | |
| Not later than one year | 1,346 | - |
| Later than one year and not later than five years | 557 | 850 |
| Later than five years | - | - |
| | <u>1,903</u> | <u>850</u> |

20.8 Derivative instruments

20.8.1 Product analysis

| 30 September 2023 (Un-audited) | | | | | | |
|----------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|
| (Rupees in '000) | | | | | | |
| Counterparties | Interest Rate Swaps | | Cross Currency Swaps | | FX Options | |
| | Notional Principal * | Mark to market gain / (loss) | Notional Principal * | Mark to market gain / (loss) | Notional Principal * | Mark to market gain / (loss) |
| With Banks for | | | | | | |
| Hedging | 2,397,817 | 75,036 | 3,715,302 | (605,649) | - | - |
| Market Making | - | - | 121,581 | (123,855) | 306,504 | (867) |
| With FIs other than banks | | | | | | |
| Hedging | - | - | - | - | - | - |
| Market Making | - | - | - | - | - | - |
| With other entities for | | | | | | |
| Hedging | - | - | - | - | - | - |
| Market Making | 8,397,817 | (1,381,044) | 23,579,197 | (16,846,384) | 306,504 | 867 |
| Total | | | | | | |
| Hedging | 2,397,817 | 75,036 | 3,715,302 | (605,649) | - | - |
| Market Making | 8,397,817 | (1,381,044) | 23,700,778 | (16,970,239) | 613,009 | - |
| 31 December 2022 (audited) | | | | | | |
| (Rupees in '000) | | | | | | |
| Counterparties | Interest Rate Swaps | | Cross Currency Swaps | | FX Options | |
| | Notional Principal * | Mark to market gain / (loss) | Notional Principal * | Mark to market gain / (loss) | Notional Principal * | Mark to market gain / (loss) |
| With Banks for | | | | | | |
| Hedging | 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

| | | Three months period ended 30 September 2023 (Un- audited) | Nine months period ended 30 September 2023 (Un- audited) | Three months period ended 30 September 2022 (Un- audited) | Nine months period ended 30 September 2022 (Un- audited) |
|---|---|---|--|---|--|
| | Note | (Rupees in '000) | | | |
| 21 MARK-UP / RETURN / INTEREST EARNED | | | | | |
| On loans and advances to customers | | 11,956,964 | 32,861,572 | 8,373,693 | 21,712,004 |
| On loans and advances to financial institutions | | 28,882 | 89,769 | 55,669 | 99,891 |
| On investments | | 26,413,863 | 70,614,754 | 16,479,658 | 38,633,922 |
| On deposits with financial institutions / State Bank of Pakistan | | 203,291 | 620,802 | 49,960 | 64,085 |
| On securities purchased under resale agreements | | 1,252,641 | 3,524,542 | 908,731 | 1,215,096 |
| On call money lending / placements | | 1,374,982 | 2,556,541 | 29,263 | 92,034 |
| | | 41,230,623 | 110,267,980 | 25,896,974 | 61,817,032 |
| 22 MARK-UP / RETURN / INTEREST EXPENSED | | | | | |
| Deposits | | 13,904,754 | 37,787,936 | 12,136,229 | 28,296,377 |
| Securities sold under repurchase agreements | | 233,806 | 611,790 | 14,050 | 1,289,281 |
| Call borrowings | | - | - | 19,466 | 20,133 |
| Borrowings from State Bank of Pakistan under Export Refinance (ERF) scheme | | 993,463 | 2,528,788 | 338,375 | 589,482 |
| Cost of foreign currency swaps against foreign currency deposits / borrowings | | 14,120 | 340,167 | 643,200 | 1,437,908 |
| Deposit protection premium | 22.1 | 143,591 | 430,779 | 139,662 | 418,984 |
| Finance cost of lease liability | | 56,190 | 160,237 | 53,403 | 173,957 |
| | | 15,345,924 | 41,859,697 | 13,344,385 | 32,226,122 |
| 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 30 September 2023 (Un- audited) | Nine months period ended 30 September 2023 (Un- audited) | Three months period ended 30 September 2022 (Un- audited) | Nine months period ended 30 September 2022 (Un- audited) |
| 23 FEE & COMMISSION INCOME | Note | (Rupees in '000) | | | |
| Branch banking customer fees | | 83,983 | 265,542 | 105,709 | 291,518 |
| Consumer finance related fees | | 14,286 | 46,397 | 23,108 | 56,689 |
| Card related fees (debit and credit cards) | | 14,219 | 320,780 | 47,591 | 682,810 |
| Credit related fees | | 174,261 | 284,544 | 1,842 | 5,516 |
| Investment banking fees | | 49,640 | 148,254 | 24,233 | 90,958 |
| Brokerage charges | | (2,165) | (7,920) | (15,727) | (54,447) |
| Commission on trade and cash management | | 660,403 | 2,137,117 | 279,328 | 733,624 |
| Commission on guarantees | | 241,449 | 418,264 | 94,470 | 291,092 |
| Commission on remittances including home remittances | | 46,061 | 122,785 | 52,294 | 150,674 |
| Commission on bancassurance | | 23,712 | 47,168 | 5,612 | 30,243 |
| Custody Fees | | 30,874 | 114,845 | 26,381 | 107,205 |
| | | 1,336,723 | 3,897,776 | 644,841 | 2,385,882 |
| 24 FOREIGN EXCHANGE INCOME | | | | | |
| Gain/ (loss) realised from dealing in : | | | | | |
| Foreign Currencies | | 3,168,347 | 5,755,039 | 3,982,222 | 10,112,801 |
| Derivative financial instruments | | (637,537) | (2,399,811) | 592,560 | 639,671 |
| | | 2,530,810 | 3,355,228 | 4,574,782 | 10,752,472 |
| 25 GAIN / (LOSS) ON SECURITIES | | | | | |
| Realised | 25.1 | 305,122 | (1,131,092) | 371,872 | 1,979,943 |
| Unrealised - held for trading | 9.1 | (23,701) | 6,495 | 60,047 | 129,099 |
| | | 281,421 | (1,124,597) | 431,919 | 2,109,042 |
| 25.1 Realised gain on: | | | | | |
| Federal Government Securities | | | | | |
| Market Treasury Bills | | 45,074 | 996,312 | 296,269 | 1,425,249 |
| Pakistan Investment Bonds | | 148,384 | (1,583,578) | 75,603 | 550,920 |
| Ijarah Sukuk | | 111,664 | (543,826) | - | 3,774 |
| | | 305,122 | (1,131,092) | 371,872 | 1,979,943 |
| 26 OTHER INCOME | | | | | |
| Rent on property | | 9,004 | 26,740 | 8,190 | 24,396 |
| Gain on sale of fixed assets - net | | 1,700 | 13,455 | 8,900 | 30,943 |
| Gain on sale of asset held for sale | | - | 144,717 | - | - |
| Sri Lanka branch operations cost & FX translation | | (1,802) | 11,511 | 3,164 | (9,528) |
| (Loss) / gain on lease termination | | (478) | (15,380) | 6,826 | 6,826 |
| Gain on acquisition of assets | | - | 478 | - | - |
| | | 8,424 | 181,521 | 27,080 | 52,637 |

27 OPERATING EXPENSES

Note

| | Three months period ended 30 September 2023 (Un- audited) | Nine months period ended 30 September 2023 (Un- audited) | Three months period ended 30 September 2022 (Un- audited) | Nine months period ended 30 September 2022 (Un- audited) |
|---|---|--|---|--|
| | (Rupees in '000) | | | |
| Total compensation expense | 2,327,116 | 7,211,924 | 1,877,748 | 5,560,624 |
| Property expense | | | | |
| Rent & taxes | 40,025 | 105,965 | 31,875 | 75,005 |
| Insurance | 1,113 | 5,213 | 2,357 | 7,749 |
| Utilities cost | 139,608 | 342,531 | 136,609 | 287,141 |
| Security (including guards) | 66,164 | 173,331 | 48,032 | 148,775 |
| Repair & maintenance | 54,894 | 215,021 | 49,475 | 161,514 |
| Civil works | 24,516 | 115,430 | 32,461 | 142,107 |
| Facilities management cost | 41,485 | 114,743 | 33,895 | 100,902 |
| Depreciation (Property related) | 26,602 | 81,379 | 22,859 | 77,067 |
| Depreciation (Right of use assets) | 124,667 | 323,478 | 93,916 | 305,535 |
| Cleaning and Janitorial | 127,033 | 337,426 | 103,843 | 321,913 |
| Minor improvements, additions and others | 50,533 | 127,623 | 50,065 | 147,307 |
| | 696,640 | 1,942,140 | 605,387 | 1,775,015 |
| Information technology expenses | | | | |
| Software maintenance | 95,443 | 226,172 | 81,581 | 191,964 |
| Hardware maintenance | 90,001 | 280,366 | 39,006 | 97,522 |
| Depreciation (IT related) | 75,477 | 214,127 | 76,390 | 230,796 |
| Network charges | 32,252 | 50,227 | 29,923 | 44,851 |
| | 293,173 | 770,892 | 226,900 | 565,133 |
| Other operating expenses | | | | |
| Directors' fees and allowances | 6,100 | 16,050 | 2,650 | 9,375 |
| Fees and allowances to Shariah Board | 5,309 | 16,357 | 4,320 | 13,305 |
| Legal & professional charges | 40,190 | 141,060 | 81,311 | 153,903 |
| Outsourced services costs | 29,478 | 86,247 | 30,142 | 80,096 |
| Travelling & conveyance | 70,659 | 194,630 | 36,626 | 79,057 |
| Depreciation (Other fixed assets) | 21,403 | 71,171 | 12,961 | 40,028 |
| Training & development | 4,895 | 10,784 | 1,869 | 2,824 |
| Postage & courier charges | 29,185 | 80,311 | 22,136 | 89,123 |
| Communication | 147,936 | 381,502 | 105,595 | 294,705 |
| Stationery & printing | 97,402 | 221,311 | 48,886 | 155,649 |
| Marketing, advertisement & publicity | 154,823 | 346,462 | 86,463 | 326,378 |
| Donations | - | 1,000 | 836 | 836 |
| Auditors remuneration | 6,750 | 24,189 | 8,826 | 24,845 |
| Cash transportation services | 26,890 | 72,340 | 16,736 | 42,119 |
| Documentation and processing charges | 54,866 | 164,596 | 48,994 | 135,317 |
| Insurance | 11,937 | 26,205 | 5,964 | 15,725 |
| Others | 162,698 | 308,237 | 25,078 | 125,328 |
| | 870,521 | 2,162,452 | 539,393 | 1,588,613 |
| | 4,187,450 | 12,087,408 | 3,249,428 | 9,489,385 |
| 28 OTHER CHARGES | | | | |
| Net charge against fines and penalties imposed by SBP | 381 | 3,106 | - | 10,161 |
| 29 (PROVISIONS) / REVERSALS & WRITE OFFS - NET | | | | |
| Provision against loans and advances | (625,384) | (594,470) | 172,909 | 1,431,887 |
| Provision against off-balance sheet obligations - net | 20,639 | (10,502) | 741 | (2,790) |
| Recovery of amounts written off | 86,856 | 268,385 | 98,809 | 267,186 |
| Bad debts written off directly | (109,181) | (277,990) | (45,142) | (154,653) |
| Fixed assets write offs | - | (562) | (6,499) | (6,499) |
| | (627,070) | (615,139) | 220,818 | 1,535,131 |
| 30 TAXATION | | | | |
| - Current | 12,199,731 | 30,894,947 | 8,143,589 | 19,478,039 |
| - Prior years | - | - | - | 1,321,995 |
| - Deferred | 755 | 663,311 | 103,608 | 1,387,492 |
| | 12,200,486 | 31,558,258 | 8,247,197 | 22,187,526 |
| 31 EARNINGS PER SHARE - BASIC AND DILUTED | | | | |
| Profit for the period | 12,663,352 | 31,447,957 | 6,136,560 | 14,244,966 |
| | (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 | 3.27 | 8.12 | 1.59 | 3.68 |

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

| Note | 30 September 2023 (Un-audited) | | | | | | 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 | 980,172 | 485,012,510 | - | - | - | 485,992,682 | - | 485,992,682 | - | 485,992,682 |
| Equity securities traded (Shares) | - | 188,432 | - | - | - | 188,432 | 188,432 | - | - | 188,432 |
| Financial assets not measured at fair value | | | | | | | | | | |
| - Cash and bank balances (with NBP and NRB) | 32.2 | - | - | 96,056,192 | - | 96,056,192 | - | - | - | 96,056,192 |
| - Balances with other banks | 32.2 | - | - | 16,651,357 | - | 16,651,357 | - | - | - | 16,651,357 |
| - Lending to financial institutions | 32.2 | - | - | 108,179,650 | - | 108,179,650 | - | - | - | 108,179,650 |
| - Investments - ordinary shares | 32.2 | - | 50,000 | - | - | 50,000 | - | - | - | 50,000 |
| - Advances | 32.2 | - | 234,591,503 | - | - | 234,591,503 | - | - | - | 234,591,503 |
| - Other assets | 32.2 | - | - | 23,691,578 | - | 23,691,578 | - | - | - | 23,691,578 |
| | 980,172 | 485,250,942 | 234,591,503 | 244,578,777 | - | 965,401,394 | - | - | - | 965,401,394 |
| Financial liabilities not measured at fair value | | | | | | | | | | |
| - Bills Payable | 32.2 | - | - | - | 13,202,944 | 13,202,944 | - | - | - | 13,202,944 |
| - Deposits and other liabilities | 32.2 | - | - | - | 725,314,487 | 725,314,487 | - | - | - | 725,314,487 |
| - Borrowings | 32.2 | - | - | - | 43,191,473 | 43,191,473 | - | - | - | 43,191,473 |
| - Other liabilities (excluding liabilities against assets subject to finance lease) | 32.2 | - | - | - | 120,134,478 | 120,134,478 | - | - | - | 120,134,478 |
| | - | - | - | - | 901,843,382 | 901,843,382 | - | - | - | 901,843,382 |

Off-balance sheet financial instruments

| | | | | | | | | | | |
|---|---|---|---|------------|---|------------|---|------------|---|------------|
| Interest Rate swaps / Foreign currency options / Forward purchase contracts | - | - | - | 53,854,004 | - | 53,854,004 | - | 54,384,286 | - | 54,384,286 |
| Interest Rate swaps / Foreign currency options / Forward sale contracts | - | - | - | 49,163,907 | - | 49,163,907 | - | 69,360,271 | - | 69,360,271 |

On balance sheet financial instruments

| Note | 31 December 2022 (audited) | | | | | | 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 | 323,042 | 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 NBP and NRB) | 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 | - | 216,207,635 | - | - | 216,207,635 | - | - | - | 216,207,635 |
| - Other assets | 32.2 | - | - | 69,242,186 | - | 69,242,186 | - | - | - | 69,242,186 |
| | 323,042 | 477,400,422 | 216,207,635 | 198,234,777 | - | 895,174,924 | - | - | - | 895,174,924 |
| Financial liabilities not measured at fair value | | | | | | | | | | |
| - Bills Payable | - | - | - | - | 14,820,617 | 14,820,617 | - | - | - | 14,820,617 |
| - Deposits and other liabilities | 32.2 | - | - | - | 718,449,582 | 718,449,582 | - | - | - | 718,449,582 |
| - Borrowings | 32.2 | - | - | - | 28,003,619 | 28,003,619 | - | - | - | 28,003,619 |
| - 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 | - | - | - | 58,801,788 | - | 58,801,788 | - | 58,723,710 | - | 58,723,710 |
| Interest Rate swaps / Foreign currency options / Forward sale contracts | - | - | - | 48,002,212 | - | 48,002,212 | - | 60,002,822 | - | 60,002,822 |

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

32.3 Fair value of non-financial assets

| | 30 September 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 | | | | Rupees in '000 | | | |
| Fixed assets | 11,590,655 | - | - | 11,590,655 | 11,474,182 | - | - | 11,474,182 |

32.4 During the period ended 30 September 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.

33.1 Segment Details with respect to Business Activities

| | Nine months period ended 30 September 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 | 23,120,025 | 33,624,361 | (56,744,386) | - |
| Net mark-up / return / profit | 4,639,943 | (10,009,901) | 73,778,241 | 68,408,283 |
| Non mark-up / return / interest income | 7,889,808 | 4,515,612 | (3,871,632) | 8,533,788 |
| Total Income | 35,649,776 | 28,130,072 | 13,162,223 | 76,942,071 |
| Segment direct expenses | 3,862,411 | 7,378,294 | 2,080,012 | 13,320,717 |
| Inter segment expense allocation | - | - | - | - |
| Total expenses | 3,862,411 | 7,378,294 | 2,080,012 | 13,320,717 |
| (Reversals) / provisions | 451,490 | 163,020 | 629 | 615,139 |
| Profit before taxation | 31,335,875 | 20,588,758 | 11,081,582 | 63,006,215 |
| Balance Sheet | 30 September 2023 (Un-audited) | | | |
| Cash & Bank balances | - | - | 112,707,549 | 112,707,549 |
| Investments | 2,672,845 | 50,000 | 483,508,269 | 486,231,114 |
| Net inter segment lending | 157,373,234 | 307,159,119 | (464,532,353) | - |
| Lending to financial institutions | - | - | 108,179,650 | 108,179,650 |
| Advances - Performing | 190,286,352 | 42,470,640 | - | 232,756,992 |
| - Non performing | 762,948 | 1,071,563 | - | 1,834,511 |
| Others | 23,200,511 | 14,859,539 | 24,217,784 | 62,277,834 |
| Total Assets | 374,295,890 | 365,610,861 | 264,080,899 | 1,003,987,650 |
| Borrowings | - | - | 43,191,473 | 43,191,473 |
| Deposits & other accounts | 363,485,315 | 361,811,734 | 17,438 | 725,314,487 |
| Net inter segment borrowing | - | - | - | - |
| Others | 10,810,575 | 3,799,127 | 127,134,337 | 141,744,039 |
| Total liabilities | 374,295,890 | 365,610,861 | 170,343,248 | 910,249,999 |
| Equity | - | - | 93,737,651 | 93,737,651 |
| Total Equity & liabilities | 374,295,890 | 365,610,861 | 264,080,899 | 1,003,987,650 |
| Contingencies & Commitments | 234,468,852 | 538,016 | 98,328,501 | 333,335,369 |
| | Nine months period ended 30 September 2022 (Un-audited) | | | |
| Inter segment revenue - net | 5,201,618 | 12,095,774 | (17,297,392) | - |
| Net mark-up / return / profit | 3,935,629 | 1,390,546 | 24,264,735 | 29,590,910 |
| Non mark-up / return / interest income | 11,970,253 | 3,436,800 | 142,464 | 15,549,517 |
| Total Income | 21,107,500 | 16,923,120 | 7,109,807 | 45,140,427 |
| Segment direct expenses | 2,807,031 | 6,078,988 | 1,357,047 | 10,243,066 |
| Inter segment expense allocation | - | - | - | - |
| Total expenses | 2,807,031 | 6,078,988 | 1,357,047 | 10,243,066 |
| (Reversals) / provisions | (1,322,411) | (219,219) | 6,499 | (1,535,131) |
| Profit before taxation | 19,622,880 | 11,063,351 | 5,746,261 | 36,432,492 |
| 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 |

34 RELATED PARTY TRANSACTIONS

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

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

| | 30 September 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 | 2,065,725 | - | - | - | 5,547,742 | - | - | - |
| In deposit accounts | - | - | - | - | - | - | - | - |
| | <u>2,065,725</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 | 231,143,169 | - | - | - | 1,754,767,391 | - | - | - |
| Repaid during the period / year | (142,449,808) | - | - | - | (1,741,842,085) | - | - | - |
| Closing balance period / year | <u>108,179,651</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 | - | 685 | 119,451 | - | - | 5,097 | 148,147 | - |
| Repaid during the period / year | - | (715) | (136,697) | - | - | (5,105) | (128,776) | - |
| Transfer in / (out) - net | - | - | - | - | - | - | (21,440) | - |
| Closing balance period / year | <u>-</u> | <u>46</u> | <u>197,843</u> | <u>-</u> | <u>-</u> | <u>76</u> | <u>215,089</u> | <u>-</u> |
| Provision held against advances | - | - | - | - | - | - | - | - |
| Other Assets | | | | | | | | |
| Interest / mark-up accrued | 837,404 | - | 1,044 | - | 11,594 | - | 1,105 | - |
| Receivable from staff retirement fund | - | - | - | 32,270 | - | - | - | 32,270 |
| Due from associated undertakings | 82,461 | - | - | - | 127,780 | - | - | - |
| Other receivable | - | - | - | - | - | - | - | - |
| | <u>919,865</u> | <u>-</u> | <u>1,044</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 | 11,283,476 | - | - | - | 3,074,558 | - | - | - |
| Settled during the period / year | (36,630) | - | - | - | (10,845) | - | - | - |
| Closing balance period / year | <u>14,321,405</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 | 462,372 | 299,661 | 1,006,146 | 5,331,179 | 35,276 | 186,597 | 940,665 | 3,765,295 |
| Withdrawn during the period / year | (6,886) | (268,842) | (953,442) | (5,255,701) | (225,683) | (177,321) | (942,697) | (3,797,048) |
| Transfer in / (out) - net | - | 43 | - | - | - | (161,838) | 8,032 | - |
| Closing balance period / year | <u>997,770</u> | <u>34,202</u> | <u>203,539</u> | <u>159,755</u> | <u>542,284</u> | <u>3,340</u> | <u>150,835</u> | <u>84,277</u> |
| Other Liabilities | | | | | | | | |
| Due to holding company | 44,298,673 | - | - | - | 20,837,568 | - | - | - |
| Other liabilities | - | 8 | - | - | - | - | - | - |
| | <u>44,298,673</u> | <u>8</u> | <u>-</u> | <u>-</u> | <u>20,837,568</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contingencies and Commitments | | | | | | | | |
| Transaction-related contingent liabilities - guarantees | 86,704,784 | - | - | - | 70,335,480 | - | - | - |
| Commitments in respect of forward foreign exchange contracts | 11,502,608 | - | - | - | 3,691,387 | - | - | - |
| Derivatives | | | | | | | | |
| Derivative instruments - Interest rate swaps - notional | 2,397,817 | - | - | - | 3,828,190 | - | - | - |
| Derivative instruments - Cross currency swaps - notional | 3,715,302 | - | - | - | 4,478,469 | - | - | - |
| Derivative instruments- FX options - Notional | 306,504 | - | - | - | - | - | - | - |
| Derivative assets | 116,565 | - | - | - | 144,644 | - | - | - |
| Derivative liabilities | 609,422 | - | - | - | 616,269 | - | - | - |

RELATED PARTY TRANSACTIONS

| | 30 September 2023 (Un-audited) | | | | 30 September 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 | 2,891,969 | 70 | 26,543 | - | 104,998 | 106 | 19,959 | - |
| Fee and commission income | 4,910 | 2 | 81 | - | 7,830 | 16 | 78 | - |
| Income / (loss) from derivatives | (17,307) | - | - | - | 1,978 | - | - | - |
| Expense | | | | | | | | |
| Mark-up / return / interest paid | - | 23 | 8,248 | 30,264 | - | 295 | 3,177 | 15,078 |
| Fee and commission expense | - | - | - | - | - | - | - | - |
| Operating expenses | - | 16,050 | - | - | - | 9,775 | 339,753 | - |
| Rent and Renovation expense | - | - | - | - | - | - | - | - |
| Other transactions | | | | | | | | |
| Dividend paid | 1,449,100 | 8 | - | - | 4,790,424 | - | - | - |
| Contribution to defined contribution plans | - | - | - | 445,745 | - | - | - | 334,748 |
| Net charge for defined contribution plans | - | - | - | 445,745 | - | - | - | 334,748 |

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

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

| | 30 September 2023 (Un- audited) | 31 December 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 | 72,702,545 | 64,735,488 |
| Eligible Additional Tier 1 (ADT 1) Capital | - | - |
| Total Eligible Tier 1 Capital | 72,702,545 | 64,735,488 |
| Eligible Tier 2 Capital | 8,679,018 | 8,900,992 |
| Total Eligible Capital (Tier 1 + Tier 2) | 81,381,563 | 73,636,480 |
| Risk Weighted Assets (RWAs): | | |
| Credit Risk | 301,057,719 | 287,625,617 |
| Market Risk | 11,725,089 | 21,033,154 |
| Operational Risk | 85,479,076 | 85,479,076 |
| Total | 398,261,884 | 394,137,847 |
| Common Equity Tier 1 Capital Adequacy ratio | 18.25% | 16.42% |
| Tier 1 Capital Adequacy Ratio | 18.25% | 16.42% |
| Total Capital Adequacy Ratio | 20.43% | 18.68% |
| Minimum CAR (including Capital Conservation Buffer) | 11.50% | 11.50% |
| Leverage Ratio (LR): | | |
| Eligible Tier 1 Capital | 72,702,545 | 64,735,488 |
| Total Exposures | 1,229,512,761 | 1,141,761,856 |
| Leverage Ratio | 5.91% | 5.67% |
| Minimum SBP Requirement | 3.00% | 3.00% |
| Liquidity Coverage Ratio (LCR): | | |
| Average High Quality Liquid Assets | 559,970,398 | 486,035,026 |
| Average Net Cash Outflow | 183,641,230 | 114,563,947 |
| Average Liquidity Coverage Ratio | 304.9% | 424.2% |
| Minimum SBP Requirement | 100.0% | 100.0% |
| Net Stable Funding Ratio (NSFR): | | |
| Total Available Stable Funding | 662,478,317 | 637,896,049 |
| Total Required Stable Funding | 250,224,734 | 261,554,915 |
| Net Stable Funding Ratio | 265% | 244% |
| Minimum SBP Requirement | 100% | 100% |

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.

| | Note | 30 September 2023 (Un- audited) | 31 December 2022 (Audited) |
|--|------|---------------------------------------|-------------------------------|
| | | ----- (Rupees in '000) ----- | |
| ASSETS | | | |
| Cash and balances with treasury banks | | 5,020,011 | 9,775,522 |
| Due from financial institutions | 36.1 | 10,348,730 | 7,032,585 |
| Investments | 36.2 | 22,556,176 | 37,098,455 |
| Islamic financing and related assets - net | 36.3 | 61,445,184 | 57,189,213 |
| Fixed assets | | 40,315 | 49,668 |
| Other assets | | 1,782,054 | 2,196,823 |
| Total Assets | | 101,192,470 | 113,342,266 |
| LIABILITIES | | | |
| Bills payable | | 35,031 | 54,692 |
| Due to financial institutions | | 4,535,513 | 5,022,029 |
| Deposits and other accounts | 36.4 | 68,235,926 | 87,691,012 |
| Due to Head Office | | 8,152,579 | 2,540,210 |
| Other liabilities | | 1,096,706 | 822,453 |
| | | 82,055,755 | 96,130,396 |
| NET ASSETS | | 19,136,715 | 17,211,870 |
| REPRESENTED BY | | | |
| Islamic Banking Fund | | 500,000 | 500,000 |
| Deficit on revaluation of assets | | 160,950 | (2,495) |
| Unappropriated / Unremitted profit | 36.9 | 18,475,765 | 16,714,365 |
| | | 19,136,715 | 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 September 2023 is as follows:

| | Note | Nine months period ended 30 September 2023 (Un- audited) | Nine months period ended 30 September 2022 (Un- audited) |
|--|------|--|--|
| | | ----- (Rupees in '000) ----- | |
| Profit / return earned | 36.7 | 11,332,134 | 7,782,430 |
| Profit / return expensed | 36.8 | (2,338,016) | (1,788,562) |
| Net Profit / return | | 8,994,118 | 5,993,868 |
| Other income | | | |
| Fee and Commission Income | | 1,012,393 | 440,849 |
| Foreign Exchange Income | | 531,709 | 403,435 |
| (Loss) / gain on securities | | (536,008) | 128,025 |
| Other (loss) / income | | 15 | 21,951 |
| Total other income | | 1,008,109 | 994,260 |
| Total Income | | 10,002,227 | 6,988,128 |
| Other expenses | | | |
| Operating expenses | | (2,187,402) | (1,683,305) |
| | | (2,187,402) | (1,683,305) |
| Profit / (loss) before provisions | | 7,814,825 | 5,304,823 |
| Provisions and write offs - net | | (53,425) | 112,570 |
| Profit / (loss) before taxation | | 7,761,400 | 5,417,393 |

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. 3.803 billion (30 September 2022: Rs. 3.305 billion).

36.1 Due from Financial Institutions

Unsecured

| 30 September 2023 (Un-audited) | | | 31 December 2022 (Audited) | | |
|--------------------------------|-----------------------|-------|----------------------------|-----------------------|-------|
| In Local Currency | In Foreign currencies | Total | In Local Currency | In Foreign currencies | Total |

(Rupees in '000)

| | | | | | |
|---|------------|------------|---|-----------|-----------|
| - | 10,348,730 | 10,348,730 | - | 7,032,585 | 7,032,585 |
|---|------------|------------|---|-----------|-----------|

36.2 Investments by segments:

Federal Government Securities:
Ijarah Sukuk
Islamic Naya Pakistan Certificates

Total Investments

| 30 September 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 |
| 20,696,122 | - | 167,385 | 20,863,507 | 35,736,913 | - | (91,527) | 35,645,386 |
| 1,692,669 | - | - | 1,692,669 | 1,453,069 | - | - | 1,453,069 |
| 22,388,791 | - | 167,385 | 22,556,176 | 37,189,982 | - | (91,527) | 37,098,455 |

(Rupees in '000)

36.3 Islamic financing and related assets

Murahaba
Musharakah
Diminishing Musharakah
Musawammah
Kafalah
Ujrah (Saadiq Credit Cards)
Advances against Islamic assets - Murahaba
Advances against Islamic assets - Diminishing Musharakah
Advances against Islamic assets - Irtisna
Advances against Islamic assets - Musawammah
Inventory related to Islamic financing - Murahaba
Gross Islamic financing and related assets
Less: provision against Islamic financings
Specific
General

Islamic financing and related assets - net of provision

36.4 Deposits

Customers

Current deposits

Savings deposits

Term deposits

Margin accounts

Financial Institutions

Current deposits

Savings deposits

36.5 Charity Fund

Opening Balance

Additions during the period

Received from customers on account of delayed payment

Other Non-Shariah compliant income

Payments - utilization during the period

Education

Health

Closing Balance

36.6 CONTINGENCIES AND COMMITMENTS

Guarantees

Commitments

Other contingent liabilities

36.7 Profit/Return Earned of Financing, Investments and Placement

Profit earned on

Financing

Investments

Placements

36.8 Profit on Deposits and other Dues Expensed

Deposits and other accounts

Due to Financial Institutions

Deposit protection premium

Finance cost of lease liability

30 September
2023 (Un-
audited)

31 December
2022 (Audited)

(Rupees in '000)

| | |
|------------|------------|
| 4,987,689 | 6,160,026 |
| 11,258,321 | 9,360,545 |
| 27,060,526 | 30,671,524 |
| 1,117,000 | 1,300,000 |
| 185,722 | - |
| 497,554 | 480,360 |
| 14,354,382 | 5,841,119 |
| 116,190 | 743,585 |
| 2,009,000 | 1,883,000 |
| 600,000 | - |
| 212,030 | 1,657,284 |
| 62,398,414 | 58,097,443 |
| (604,442) | (567,423) |
| (348,788) | (340,807) |
| (953,230) | (908,230) |
| 61,445,184 | 57,189,213 |

| | |
|------------|------------|
| 41,508,987 | 39,046,511 |
| 25,889,402 | 22,136,809 |
| 144,136 | 484,778 |
| 41,181 | 25,384,540 |
| 67,583,706 | 87,052,638 |
| 25,241 | 58,429 |
| 626,979 | 579,945 |
| 652,220 | 638,374 |
| 68,235,926 | 87,691,012 |

| | |
|--------|--------|
| 18,110 | 9,886 |
| 5,072 | 3,530 |
| 6,755 | 15,742 |
| 11,827 | 19,272 |

| | |
|----------|----------|
| (11,048) | (11,048) |
| (11,000) | - |
| (22,048) | (11,048) |
| 7,889 | 18,110 |

| | |
|-----------|-----------|
| 366,557 | 1,442,579 |
| - | - |
| 5,002,545 | 6,089,906 |
| 5,369,102 | 7,532,485 |

| | |
|-----------------------------|-----------------------------|
| Nine months period ended | Nine months period ended |
|-----------------------------|-----------------------------|

30 September
2023 (Un-
audited)

30 September
2022 (Un-
audited)

(Rupees in '000)

| | |
|------------|-----------|
| 8,055,135 | 6,148,094 |
| 2,986,443 | 1,546,841 |
| 290,556 | 87,495 |
| 11,332,134 | 7,782,430 |

| | |
|-------------|-------------|
| (1,747,021) | (1,586,300) |
| (531,616) | (138,114) |
| (57,817) | (55,514) |
| (1,562) | (8,634) |
| (2,338,016) | (1,788,562) |

36.9 Islamic Banking Business Unappropriated Profit

| | 30 September 2023 (Un-audited) | 31 December 2022 (Audited) |
|---|-----------------------------------|-------------------------------|
| | (Rupees in '000) | |
| Opening Balance | 16,714,365 | 14,178,401 |
| Add: Islamic Banking profit for the period / year | 7,761,400 | 7,536,004 |
| Less: Transferred / Remitted to Head Office | (6,000,000) | (4,000,000) |
| Closing Balance | 18,475,765 | 16,714,405 |

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 | 15.8% | 737,310 | 520,970 | 58.6% | 41.4% |

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

Saadiq 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 Mudaraba 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) | 834,031 | 138,850 | 213,498 | 5,300 | 117,046 | - | - | 179,598 |
| Mudarib share (%) | 50.0% | 44.4% | 41.2% | 35.4% | 36.0% | 0.0% | 0.0% | 46.6% |
| Mudarib Share transferred through Hiba (Amount in '000) | - | 10,500 | 29,146 | 1,272 | 41,784 | - | - | 11,283 |
| Mudarib Share transferred through Hiba (%) | - | 7.0% | 12.0% | 19.4% | 26.3% | 0.0% | 0.0% | 5.9% |
| Average return on pool assets | 17.4% | 17.8% | 18.1% | 17.7% | 10.7% | 15.3% | 14.9% | 18.0% |
| Average return on deposits | 8.7% | 10.1% | 10.6% | 11.3% | 6.8% | 0.0% | 0.0% | 11.2% |

37. GENERAL

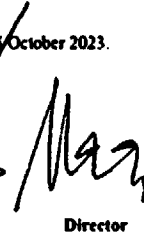
37.1 Corresponding Figures

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

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

37.3 Date of Authorization

These condensed interim financial statements were authorized for issue in the Board of Directors meeting held on 25 October 2023.


Chairman
Chief Executive Officer
Chief Financial Officer
Director
Director



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