

Annual Report 2017

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

Standard Chartered Bank (Pakistan) Ltd.

Points of interest

- Standard Chartered is proud to be operating in Pakistan as the largest and oldest international bank since 1863.
- 2013 marked Standard Chartered's 150th year of presence in the country.
- Goal is Standard Chartered's leading education programme that provides financial literacy, life skills and employability training to low-income adolescent girls across its footprint. Since the launch of the programme in April 2016, the Bank has reached a total of 2447 beneficiaries in Pakistan.
- As a result of our Seeing is Believing projects in Pakistan, we are attributed to decreasing avoidable blindness by 20 per cent across the country. We are the only corporate partner of the Government and play a pivotal role in the National Committee of Eye Health
- A historic milestone was achieved in 2017 whereby the Bank's total assets crossed over PKR 500 billion.
- The largest international Bank in Pakistan with 93 branches in 11 cities and a workforce of over 3000 employees.
- Standard Chartered Pakistan is the first international bank to get an Islamic Banking license and to open the first Islamic Banking branch in Pakistan.

Strong recognition by our stakeholders

Asia Money Awards - 2017

- "Best International Bank in Pakistan"

Global Finance Awards 2016 - 2017

- Best Digital Islamic Bank Award for 2016
- Pakistan - Best Emerging Market Bank In Asia Pacific 2015 and 2016
- Best Consumer Digital Bank Award

The Asset Triple A Treasury, Trade & Risk Management Awards 2016

- Best Treasury & Cash Management Bank
- Best Working Capital & Trade Finance Bank
- Best Structured Trade Finance Bank
- Best e-Solutions and Technology Partner Bank

Finance Asia Award for 2015

- "Best Foreign Bank in Pakistan" award 2015

Islamic Finance News (IFN) Awards for 2015

- Pakistan Deal of the year award for Standard Chartered Saadiq's USD 1bn Sukuk issue

Standard Chartered Bank (Pakistan) Limited

Board of Directors



Mr. Ian Anderson Bryden
Chairperson of the Board



Mr. Shazad Dada
Chief Executive Officer



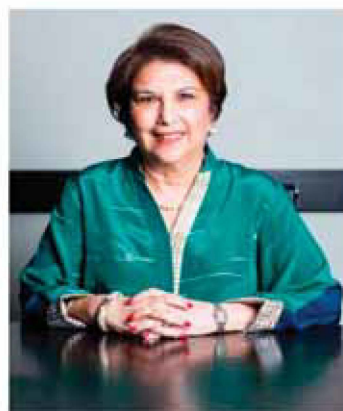
Mr. Ferdinand Pieterse
Director
Member Board Audit Committee



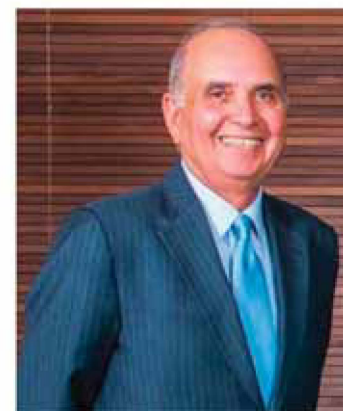
Mr. Mohamed Abdelbary
Director
Member Board HR &
Remuneration Committee



Mr. Najam I. Chaudhri
Director
Chairperson Board Audit
Committee



Mrs. Spenta Kandawalla
Director
Chairperson Board HR &
Remuneration Committee



Mr. Parvez Ghias
Director
Member Board Audit Committee
and Board HR & Remuneration
Committee



Pakistan Executive Committee – 2017

Mubbashir Yasin | Naveed Qazi | Muslim Raza | Zaheer Mehdi | Khurran Khan | Majid Aziz | Azhar Aslam | Shahzad Salamullah | Asad Ali Shariff
 Shezad Arif | Muhammad Umer | Adil Salahuddin | Sunil Kaushal | Bill Winters | Shazad Dada | Khadija Hashimi | Mujahid Zuberi | Arslan Nayeem

Company Information

Board of Directors

Mr. Ian Anderson Bryden	Chairperson
Mr. Shazad Dada	Chief Executive Officer
Mr. Najam I. Chaudhri	
Mr. Parvez Ghias	
Mrs. Spenta Kandawalla	
Mr. Ferdinand Pieterse	
Mr. Mohamed Abdelbary	

Company Secretary

Mr. Asif Iqbal Alam

Audit Committee

Mr. Najam I. Chaudhri	Chairperson
Mr. Parvez Ghias	Member
Mr. Ferdinand Pieterse	Member

Human Resource & Remuneration Committee

Mrs. Spenta Kandawalla	Chairperson
Mr. Parvez Ghias	Member
Mr. Mohamed Abdelbary	Member

Auditors

M/s KPMG Taseer Hadi & Co
Chartered Accountants

Legal Advisors

HaidermotaBNR & Co
Barristers at Law & Corporate Counselors

Registered Office

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

Main Office

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

Website

www.sc.com/pk

Registrar and Share Transfer Office

M/s Central Depository Company of Pakistan Limited
(Share Registrar Department)
CDC House, 99-B, Block B
SMCHS, Main Shahra-e-Faisal
Karachi - 74400
Toll Free: 0800 - CDCPL (23275)
Fax: (021) 34326053
Email: info@cdcpak.com

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STANDARD CHARTERED BANK (PAKISTAN) LIMITED

NOTICE OF ANNUAL GENERAL MEETING

STANDARD CHARTERED BANK (PAKISTAN) LIMITED NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twelfth Annual General Meeting of the shareholders of Standard Chartered Bank (Pakistan) Limited ("Bank") will be held on Monday, 09 April 2018 at 12:00 PM at the ICAP House, Institute of Chartered Accountants of Pakistan, Block 8, Clifton, Karachi, to transact the following business:

A. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Bank for the year ended 31 December 2017 along with the Directors' and Auditors' Reports thereon.
2. To consider the appointment of external auditors namely M/s KPMG Taseer Hadi & Co., Chartered Accountants (who being eligible, have offered themselves for re-appointment), for the year 2018 and to authorize the Chief Executive Officer and Chief Financial Officer to negotiate and agree upon their remuneration subject to concurrence of the Board in the subsequent meeting.
3. To consider and approve final cash dividend @ 10% (i.e. Re. 1 per share) as recommended by the Board of Directors in addition to interim dividend of 7.5% already paid for the year 2017.

B. SPECIAL BUSINESS

4. To approve the remuneration paid to the Independent Non Executive Directors of the Bank for the year ended 31 December 2017 in accordance with the Articles of Association of the Bank and in that connection to pass the following resolution, as ordinary resolution, with or without modification, addition or deletion:

"RESOLVED THAT the decision of the Board of Directors of Standard Chartered Bank (Pakistan) Limited to pay a fee of Rs. 6,170,000 during the year ended 31 December 2017 to the independent non-executive members of the Board, in terms of their discretion under the Articles of Association of the Bank, be and is hereby confirmed and approved by the shareholders."

A statement of material facts under section 134 (3) of the Companies Act, 2017 relating to the aforesaid special business to be transacted in the said Annual General Meeting is appended below.

C. OTHER BUSINESS

5. To transact any other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board



Asif Iqbal Alam
Company Secretary

Karachi: 19 March 2018

اسٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ
نوٹس برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ اسٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ (بینک) کے حصص یافتگان کا بارہواں سالانہ اجلاس عام 09 اپریل 2018 بروز پیر، دوپہر 12:00 بجے، آڈیٹوریم، اسٹینڈیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان، ICAP ہاؤس، بلاک 8، کلپٹن، کراچی میں درج ذیل کارروائی کیلئے منعقد کیا جائے گا۔

(الف) عمومی کارروائی

- i۔ 31 دسمبر 2017ء کو ختم ہونے والے مالی سال کیلئے بینک کے آڈیٹڈ اکاؤنٹس اور ان پر ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی، ان پر غور اور ان کی توثیق۔
- ii۔ میسرز KPMG تاسیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس (جنہوں نے اہل ہونے کے سبب پھر سے تقرری کی درخواست دی ہے) کی 2018 کیلئے بطور بیرونی آڈیٹرز تقرری اور ان کے معاوضے کے تعین کیلئے چیف ایگزیکٹو آفیسر اور چیف فنانشل آفیسر کو بات چیت اور متفقہ طور پر فیصلہ کرنے کا اختیار دینا جو بورڈ کی رضامندی سے مشروط ہوگا۔
- iii۔ بورڈ آف ڈائریکٹرز کی جانب سے تجویز کردہ 10% (یعنی 1/- روپے فی حصص) نقد منافع کی ادائیگی پر غور اور منظور کرنا جو سال 2017 کیلئے ادا کئے جانے والے 7.5% عبوری منافع کے علاوہ ہے۔

(ب) خصوصی کارروائی

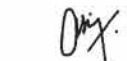
- iv۔ 31 دسمبر 2017ء کو ختم ہونے والے مالی سال کیلئے بینک کے آرٹیکلز آف ایسوسی ایشن کے تحت بینک کے خود مختار نان ایگزیکٹو ڈائریکٹرز کو ادا کئے گئے معاوضے کی منظوری اور اس سلسلے میں مندرجہ ذیل قرارداد کو ترمیم یا بغیر ترمیم، اضافے یا اخراج بطور عمومی قرارداد منظور کرنا:
- "قرارداد یا کم از کم آرٹیکلز آف ایسوسی ایشن کے تحت دی گئی صوابدید پر، اسٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ کے بورڈ آف ڈائریکٹرز کا فیصلہ کہ بورڈ کے نان ایگزیکٹو ممبرز کو 31 دسمبر 2017ء کو ختم ہونے والے سال کیلئے مبلغ 6,170,000 روپے فیس ادا کرنے کو حصص یافتگان کی جانب سے توثیق اور منظوری دی جاتی ہے۔"

کمپنیز ایکٹ 2017 کے سیکشن 134(3) کے تحت مذکورہ سالانہ اجلاس عام میں عمل میں لائی جانے والی خصوصی کارروائی سے متعلق ضروری حقائق کی دستاویز درج ذیل منسلک ہے۔

(ج) دیگر کارروائی

- v۔ چیئر پرسن کی اجازت سے کوئی اور کارروائی عمل میں لانا۔

بحکم بورڈ


آصف اقبال عالم
کمپنی سیکریٹری

کراچی: 19 مارچ 2018

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. The Share Transfer Books of the Bank will remain closed from 02 April 2018 to 09 April 2018 (both days inclusive). Transfer received at the Share Registrar by the close of business on 30 March 2018 will be treated in time.
2. Only those persons whose names appear in the Register of Members of the Bank as at 30 March 2018 will be entitled to attend / participate in / vote at the Annual General Meeting, and be entitled to receive above stated cash dividend.
3. A member entitled to attend and vote at the above meeting is entitled to appoint another member as his/ her proxy to attend and vote instead of him/ her. Proxies, in order to be valid, must be received by the Bank at its registered office marked for the attention of the office of the Company Secretary, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. A member shall not be entitled to appoint more than one proxy.
4. Members are requested to notify change in their address, if any, to the Bank's Share Registrars, M/s. Central Depository Company of Pakistan Limited (Share Registrar Department), CDC House, 99-B, Block B, SMCHS, Main Shahra-e-Faisal, Karachi - 74400. Toll Free: 0800-CDCPL (23275), Fax: (021) 34326053, Email: info@cdcpak.com.
5. **A. For Attending the Meeting:**
 - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.
 - ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.
- B. For Appointing Proxies:**
 - i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.
6. Members may inspect the minutes of the Annual General Meeting held on 30 March 2017, in terms of Section 52 of the Companies Act, 2017, at the Banks registered address.
7. In terms of Section 223 (7), the Annual Report for the year ended 2017 will also be placed on the Bank's website simultaneously with the dispatch of the same to the members.

Statement under section 160(1) (b)

Item (4) to the Agenda

The meeting fee payable to the independent non-executive members of the Board was approved by the Board of Directors in terms of Article 60 of the Articles of Association of the Bank. This meeting fee requires approval of the shareholders in Annual General Meeting in terms of paragraph C-2 of Regulation G-1 of Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan. The independent non-executive members of the Board are interested in the payment of fees and remaining members of the Board have no interest in the matter.

نوٹس:

- 1- بینک کی حصص کی منتقلی کی کتابیں 02 اپریل 2018 سے لے کر 09 اپریل 2018 تک (شماروں دونوں دن) بند رہیں گی۔ 30 مارچ 2018 کو کاروبار کے اختتام تک رجسٹر اکر موصول ہونے والے ٹرانسفرز بروقت تصور کئے جائیں گے۔
- 2- صرف وہ ممبران جن کے نام 30 مارچ 2018 کو بینک کے ممبران کے رجسٹر میں درج ہوں گے وہی اس سالانہ اجلاس عام میں شرکت کرنے، ووٹ دینے اور ڈویڈنڈ لینے کے اہل ہوں گے۔
- 3- ایک ممبر جو اس اجلاس میں شرکت کرنے اور ووٹ دینے کا اہل ہے اپنی جگہ کسی اور فرد کو بطور نمائندہ اجلاس میں شرکت، بولنے، ووٹ ڈالنے کے لئے مقرر کر سکتا ہے۔ پراکسیز کے مؤثر ہونے کیلئے لازم ہے کہ وہ کچھنی کے رجسٹر آفس میں بنام کچھنی سیکریٹری اجلاس سے 48 گھنٹے قبل مکمل طور پر اسٹیپ شدہ، دستخط شدہ اور شواہد کے ساتھ وصول ہو جائیں۔ ایک ممبر ایک سے زیادہ پراکسی نامزد کرنے کا مختار نہ ہوگا۔
- 4- حصص یافتگان سے درخواست ہے کہ وہ اپنے رجسٹرڈ پتہ میں ہونے والی کسی تبدیلی سے فوری طور پر بینک کے شیئر رجسٹر اریمرز سینیٹرل ڈپازٹری کچھنی آف پاکستان لمیٹڈ (شیئر رجسٹر اریمرز پائمنٹ) CDC ہاؤس، 99-B بلاک B، SMCHS، مین شاہراہ فیصل، کراچی۔ 74400۔ ٹول فری نمبر: 0800-CDCPL (23275) فیکس: (021) 34326053، ای میل ایڈریس: info@cdcpak.com پر مطلع کریں۔
- 5- (الف) اجلاس میں شرکت کیلئے:
 - i- افراد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور ایادہ افراد جن کی سیکورٹیز گروپ اکاؤنٹ میں ہیں اور ان کی رجسٹریشن کی تفصیلات ضابطے کے مطابق اپ لوڈ کر دی گئی ہیں، انہیں اجلاس میں شرکت کے وقت اپنی شناخت کے لئے اصل کمپیوٹرائزڈ شناختی کارڈ (سی این آئی سی) یا اصل پاسپورٹ دکھانا لازمی ہوگا۔
 - ii- کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/ مختار نامہ، نامزد کرنے والے کے دستخط کے ساتھ اجلاس کے وقت پیش کرنا لازمی ہوگا۔
 - (ب) پراکسیز کی نامزدگی کیلئے
 - i- افراد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور ایادہ افراد جن کی سیکورٹیز گروپ اکاؤنٹ میں ہیں اور ان کی رجسٹریشن کی تفصیلات ضابطے کے مطابق اپ لوڈ کر دی گئی ہیں انہیں اپنا پراکسی فارم مندرجہ بالا قواعد کے مطابق پُر کر کے پیش کرنا ہوگا۔
 - ii- پراکسی فارم کا دو افراد سے تصدیق شدہ ہونا لازمی ہے جن کے نام، پتے اور کمپیوٹرائزڈ قومی شناختی کارڈ نمبر فارم پر لکھے ہوں۔
 - iii- پراکسی فارم کے ساتھ پراکسی اور اصل مالک کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی منسلک کرنا ہوگی۔
 - iv- پراکسی کو اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ اجلاس کے وقت دکھانا ہوگا۔
 - v- کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/ مختار نامہ، نامزد کرنے والے کے دستخط کے ساتھ پراکسی فارم کے ساتھ بینک میں جمع کرنا ہوگا۔
- 6- کمپنیز ایکٹ، 2017 کے سیکشن 52 کے تحت ممبران بینک کے رجسٹرڈ پتے پر 30 مارچ، 2017 کو ہونے والے سالانہ اجلاس عام کی روداد کا معائنہ کر سکتے ہیں۔
- 7- سیکشن 223(7) کے تحت سالانہ مختصر 2017 کی سالانہ رپورٹ کی ممبران کو ترسیل کے ساتھ بینک کی ویب سائٹ پر بھی اپ لوڈ کر دی گئی ہے۔

سیکشن 160(1)(b) کے تحت بیان

ایجنڈا برائے اجلاس (4)

بینک کے آرٹیکل آف ایسوسی ایشن کے آرٹیکل 60 کے تحت بورڈ کے خود مختارانہ ایگزیکٹو ممبران کو ادا کی جانے والی میٹنگ فیس کی بورڈ آف ڈائریکٹرز کی جانب سے منظوری دی گئی۔ اس میٹنگ فیس کی اسٹیٹ بینک آف پاکستان کی جانب سے جاری کئے گئے پروڈینشل ریگولیشنز برائے کارپوریٹ/ کمرشل بینکنگ کے ریگولیشن G-1 کے پیراگراف C-2 کے تحت سالانہ اجلاس عام میں حصص یافتگان سے منظوری لینا ضروری ہے۔ بورڈ کے خود مختارانہ ایگزیکٹو ممبران فیس کی ادائیگی میں دلچسپی رکھتے ہیں اور بورڈ کے باقی ممبروں کی معاملے میں دلچسپی نہیں ہے۔

NOTICE OF ANNUAL GENERAL MEETING

SHAREHOLDERS AWARENESS:

- E-Dividend Requirements:** In accordance with the Companies (Distribution of Dividend) Regulation 2017, shareholders are advised to provide their Identification Number/ Computerized National Identity Card (CNIC) Number and International Bank Account Number (IBAN) details, if they have not already done so, to our Share Registrar (if shares are held in physical form) at their above referred office address or to the respective Participants/ Broker (if shares are held through CDS Account) latest by 30 March 2018. Failing which may result in withholding of dividend payments of respective shareholders.
- Tax Requirements:** The dividend income on shares is liable to deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001 and pursuant to the provisions of Finance Act, 2017, effective from 01 July 2017; the 'Filer' and 'Non-Filer' shareholders will pay tax on dividend income @ 15% and 20% respectively. The Filer status of shareholders will only be determined on the basis of latest available Active Taxpayers List (ATL) uploaded by the Federal Board of Revenue (FBR) on their website <http://www.fbr.gov.pk/>.

In case a Folio/ CDS Account is jointly held, each joint-holder will be treated separately as Filer or Non-Filer and tax will be deducted on the gross dividend amount determined by bifurcating the shareholding of each joint-holder on equal proportions, except where shareholding proportion of joint-holders is pre-defined as per the records of Bank's Share Registrar and thus tax rates will be applied in line with respective proportions. Those shareholders, who are holding shares jointly, are requested to update/ notify the shareholding proportions of Principal and Joint-holder(s) in writing to our Share Registrar latest by 30 March 2018 at their above referred office address.

In this regard, all shareholders, whose names are not entered into the ATL despite the fact that they are filers, are advised to make sure that: (i) their names appear into the ATL before start of closed period (referred above), otherwise they will be treated as non-filers for tax deduction purpose, and (ii) a copy of their National Tax Number is submitted to their relevant Participant/ CDC Investor Account Services or to our Share Registrar (in case of physical shareholding only) at their above referred office address.

Corporate shareholders are requested to provide of a copy of valid Income Tax Exemption Certificate issued by the concerned authority to your institution which is compulsorily required to claim tax exemption in terms of clarification issued by FBR vide their letter C.No.1 (43) DG (WHT)/ 2008-Vol.11-66417-R dated 12 May 2015 (viewable at FBR's website at following link: <http://www.fbr.gov.pk/ShowDocument.aspx?type=Doc&Actionid=4141>). In case you are subject to any special tax rate, please also provide a copy of relevant certificate issued by the concerned authority. Relevant copies should reach our Share Registrar at their above mentioned office address.

حصص یافتگان (ممبران) کی آگاہی:

1۔ ای۔ڈیوڈنڈ کی ضروریات: کمپنیز (ڈیوڈنڈ کی تقسیم) ریگولیشنز 2017 کی ہدایات کے تحت حصص یافتگان اپنے شناختی نمبر/کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) نمبر اور انٹرنیشنل بینک اکاؤنٹ نمبر (آئی بی اے این) کی تفصیلات فراہم کریں۔ اگر انہوں نے تفصیلات فراہم نہیں کی ہیں تو ہمارے شیئر رجسٹرار (اگر شیئر فزیکل فارم میں رکھے گئے ہیں) کو مذکورہ آفس ایڈریس یا متعلقہ پارٹیسپنٹ/ بروکر (اگر شیئر ہڈریسی ڈی ایس اکاؤنٹ رکھے گئے ہیں) کو 30 مارچ 2018 تک مہیا کریں۔ ناکامی کی صورت میں متعلقہ شیئر ہولڈرز کے ڈیوڈنڈ کی ادائیگی روک دی جائے گی۔

2۔ ٹیکس معاملات: انکم ٹیکس آرڈیننس، 2001 کے سیکشن 150 اور فنانس ایکٹ 2017 کی دفعات (کم جو لائی 2017 سے مؤثر) کے مطابق ڈیوڈنڈ آڈن پر فائلر ممبران کیلئے شرح وڈ ہولڈنگ ٹیکس 15% جبکہ نان فائلر کیلئے 20% ہے۔ حصص یافتگان کے فائلر ہونے کا تعین فیڈرل بورڈ آف ریونیو (FBR) کی ویب سائٹ (<http://www.fbr.gov.pk>) پر جاری کردہ آخری ایکٹیو ٹیکس پیرسٹ (ATL) کی بنیاد پر کیا جائے گا۔

کسی فیزیائی/ ڈی ایس اکاؤنٹ کی مشترکہ ملکیت کی صورت میں ہر مشترکہ ہولڈر کو بطور فائلر یا نان فائلر علیحدہ تصور کیا جائیگا اور ٹیکس کی کوئی ڈیوڈنڈ رقم پر کی جائے گی جو کہ ممبران میں شیئر ہولڈنگ کے تناسب کو مساوی تقسیم کر کے کی جائیگی سوائے اس کے کہ شیئر ہولڈنگ کے تناسب کی تفصیل پہلے ہی بینک کے شیئر رجسٹرار کے ریکارڈ میں موجود ہو اس صورت میں ٹیکس کی شرح اس تناسب سے لاگو کی جائے گی۔ لہذا ایسے مشترکہ ہولڈرز سے درخواست کی جاتی ہے کہ اپنی ہولڈنگ کا تناسب ہمارے شیئر رجسٹرار کو مندرجہ بالا سچے پر 30 مارچ 2018 تک فراہم کر دیں۔

اس سلسلے میں وہ ممبران جن کے نام فائلرز ہونے کے باوجود ATL میں موجود نہیں، ان سے گزارش کی جاتی ہے کہ اس امر کو یقینی بنائیں کہ (i) ان کے نام مدت اختتام (مذکورہ بالا) سے قبل ATL میں موجود ہوں بصورت دیگر ٹیکس کی کوئی کے لئے انہیں نان فائلر سمجھا جائے گا اور (ii) اپنے نیشنل ٹیکس نمبر کی ایک کاپی اپنے متعلقہ پارٹیسپنٹ/ سی ڈی سی انویسٹر اکاؤنٹ سروسز یا ہمارے شیئر رجسٹرار (صرف فزیکل شیئر ہولڈنگ کی صورت میں) کو مذکورہ بالا سچے پر جمع کرائیں۔

کارپوریٹ شیئر ہولڈرز جو ٹیکس سے استثناء کے دعویدار ہیں ان سے درخواست کی جاتی ہے کہ وہ متعلقہ اتھارٹیز کی جانب سے ان کے ادارے کو جاری کیا گیا مؤثر انکم ٹیکس ایگزیمپشن سرٹیفکیٹ فراہم کریں جو کہ FBR کے لیٹر DG (WHT)/ 2008-Vol.11-66417-R (43) C.No.1 بتاریخ 12 مئی 2015 کے مطابق ٹیکس ایگزیمپشن کلیم کے لئے ضروری ہے (جسے FBR کی ویب سائٹ <http://www.fbr.gov.pk/ShowDocument.aspx?type=Doc&Actionid=4141> پر دیکھا جاسکتا ہے)۔ اگر آپ خصوصی ٹیکس ریٹ کے تابع ہیں براہ مہربانی متعلقہ اتھارٹیز کی جانب سے جاری کیے گئے سرٹیفکیٹ کی نقل ہمارے شیئر رجسٹرار کو مندرجہ بالا سچے پر فراہم کریں۔

CHAIRMAN'S REVIEW - December 31, 2017

It is both an honour and a privilege to deliver my first review, as Chairman of the Board of Directors ('the Board') of Standard Chartered Bank (Pakistan) Limited ('the Bank'), in line with requirements of Section 192 of the Companies Act, 2017.

Board's Overall Role

The Standard Chartered Group views high standards of corporate governance as a critical component for the long-term success of all companies, and for the economic health and stability of markets across the globe. As part of the Group's approach to corporate governance, the Board also fully recognises that the success of the Bank ultimately depends upon the capacity of Directors to provide the vision and direction needed not only to survive, but to develop and prosper. The Board endeavoured to maintain and strengthen the high level of corporate governance, continuously improving corporate transparency, ensuring the healthy development of the Bank and endeavouring to enhance corporate values.

The Board performs its statutory role and fulfils its objectives by ensuring that the Bank has a competitive leadership and an effective executive management. The Board then establishes significant policies/ frameworks and the code of conduct, and delegates the authorities and responsibilities down the line for the Bank's smooth operations.

In accordance with regulations, the Board has formulated an effective mechanism to undertake the Board Effectiveness Review.

Performance Evaluation of the Board

The Board has a process in place to evaluate and enhance the overall effectiveness of the Board, its Committees and individual Directors (including the Chief Executive Officer and Independent Non Executive Directors) on an annual basis. The services of an external consultant are engaged to facilitate the Board's annual performance evaluation. The process begins with the design of a set of surveys which are tailored to the specific circumstances of the Bank and comprise a mix of rating and free-text questions. All Board members are required to complete their surveys online and the anonymity of the respondents is ensured throughout the process in order to promote an open and frank exchange of views. The consolidated results of the exercise are shared with the Chairman and presented to the Board. The outcomes from the review are collated and form the basis of the action plan which is agreed by the Board for implementation.

During the period under review, an annual evaluation of the Board has been carried out in line with the above stated process which covered various aspects including the Board's composition, Board's understanding of its role/ responsibilities/ duties, risk profile, regulatory environment, directors' induction/ training, the Board's involvement in strategy planning, quality of information which the Board receives and the following up on action points. The overall performance and effectiveness of the Board was assessed as 'Satisfactory'. Survey results of individual directors, including the Chairman and Chief Executive, and two committees of the Board were also found 'Satisfactory'.

The Board meets frequently enough to adequately discharge its responsibilities and it receives the agenda papers and appropriate supporting material in sufficient time prior to the Board and its committee meetings. The Board members enjoy a very open and candid atmosphere in the boardroom.

Improvement areas identified during the last performance evaluation of the Board have been mostly addressed and the remaining ones are being tracked, as agreed.

Acknowledgement

I would like to thank all the stakeholders for their trust and support. I also take this opportunity to convey my gratitude to my fellow Board members for their valuable contribution.



Ian Bryden
Chairman
08 March 2018

DIRECTORS' REPORT - December 31, 2017

On behalf of the Board of Directors, I am pleased to present the Directors' Report of Standard Chartered Bank (Pakistan) Limited (SCBPL) along with the audited financial statements and auditors' report thereon for the year ended 31 December 2017.

Economy

GDP growth accelerated to a 10-year high of 5.3% in FY17 on the strength of domestic demand. Looking ahead, the government is targeting 6% growth for FY18 as economic activity gains momentum and infrastructure and energy projects as a part of the China-Pakistan Economic Corridor are implemented.

However, as the domestic economy gathers pace, the country's twin deficits are widening. The fiscal deficit for FY18 widened to 5.8% of GDP, compared with an earlier estimate of 4.2% of GDP. Meanwhile, external-sector weakness continues to pose risks to the near-term outlook. Although exports have rebounded in the past couple of months, a rising import bill amid slowing overseas workers' remittances has seen the current-account deficit (C/A) widen. For H1-FY18, the C/A deficit was 4.4% of GDP compared with 3.1% for the same period in the previous year.

In the context of external-sector weakness and subsequent decline in FX reserves, USD-PKR moved higher in December 2017 to 110.50, breaking a period of exceptional stability over the past few years. Highlighting the risks, SBP increased its policy rate by 25bps to 6% in Jan 2018.

The banking system remains well capitalized and profitable with a capital adequacy ratio of 15.5% and ROE of 10.9%. Non-performing loans of the banking sector declined further to 9.2% of total loans by 30 September 2017 from 11.3% in September 2016.

Operating Results and Business Overview

	December 31, 2017 (PKR millions)	December 31, 2016 (PKR millions)
Balance Sheet		
Paid-up capital	38,716	38,716
Total equity	57,335	56,872
Deposits	377,576	365,562
Advances – gross	157,280	133,631
Advances – net	137,655	113,951
Investments – net	272,488	245,850
Profit and Loss		
Revenue	25,480	26,548
Administrative expenses	11,457	11,964
Other non mark-up expenses	279	380
Operating profit (before provisions and tax)	13,744	14,204
Recoveries / (Provisions) - net	(291)	1,141
Profit before tax	13,453	15,345
Profit after tax	8,245	9,618
Earnings per Share (EPS) - Rupees	2.13	2.48

The Bank performed fundamentally well and delivered Profit before tax of PKR 13.5 billion compared to PKR 15.3 billion in corresponding period last year. Revenue was lower by PKR 1.1 billion primarily due to reduced margins and re-pricing within the investments portfolio. However, client revenue across all segments has increased and is up by 11% year on year. The impact of margin compression on revenue was partially offset by a growing non-funded income and decreasing cost of funds. Administrative costs continue to be well managed through operational efficiencies and disciplined spending with a decrease of 4% from comparative period last year.

An historic milestone was achieved during the year whereby the Bank's total assets crossed over PKR 500 billion. All businesses have positive momentum in client income with strong growth in underlying drivers. This is evident from pickup in net advances, which have grown by 21% since the start of this year. This was a result of targeted strategy to build profitable, high quality and sustainable portfolios. With a diversified product base, the Bank is well positioned to cater for the needs of its clients. On the liabilities side, the Bank's total deposits grew by 3%, whereas current and saving accounts grew by 1% since the start of this year. The continuous increase in low cost deposits has significantly supported the Bank's performance with current and savings accounts comprising 92% of the deposit base.

During 2017, the Bank contributed around PKR 11.4 billion to the national exchequer in lieu of direct income taxes, as an agent of Federal Board of Revenue and on account of FED / Provincial Sales Taxes.

DIRECTORS' REPORT

During 2017, the bank partnered with Emirates in Pakistan to launch a new suite of co-branded cards, giving our clients the opportunity to benefit from the facilities offered through Emirates Standard Chartered Cobrand cards. The proposition is a first of its kind in Pakistan and part of our strategy to collaborate and partner for the benefit of our clients in Pakistan.

The Bank continues to invest in its digital capabilities and infrastructure to enhance banking experience through 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

These results further demonstrate our commitment to delivering a consistent and sustained performance. Having strengthened our foundations on controls and conduct, we recognise the importance of re-energising growth with a focus on income whilst keeping strong cost and risk management. This ensures that returns continue to grow at a sustainable level. The external environment remains challenging and we are committed to improving our performance whilst ensuring our clients' needs are at the heart of everything we do.

Dividend

Final cash dividend of 10.00% (Rs. 1.00/- per share) has been recommended by the Board of Directors for approval at the 12th Annual General Meeting of the Bank's shareholders. This is in addition to 7.50% (Rs. 0.75/- per share) interim cash dividend announced / paid during the year.

External Annual Audit

The financial statements of SCBPL have been audited without any qualification by the auditors of the Bank, namely KPMG Taseer Hadi & Co., Chartered Accountants.

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 in 2017. These ratings denote the lowest expectation of credit risk emanating from an exceptionally strong capacity for timely payment of financial commitments.

Purpose

In September 2017, the Bank refreshed its purpose statement to align it further to its Brand promise. "Driving commerce and prosperity through our unique diversity" 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.

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

Sustainability

As the largest International Bank in the country, with 93 branches in 11 cities of Pakistan, Standard Chartered is an integral part of Pakistan's financial landscape. Through its sustainability and community investment agenda the Bank has demonstrated its commitment to the community. Through our sustainability strategy we seek to strengthen relationships between our business, community, government and clients.

In Pakistan, the Bank's community efforts are focused on health and education. Through our flagship Community Investment health programme "Seeing is Believing", we continue contributing to the prevention of avoidable blindness. Currently our projects address Diabetic Retinopathy - an emerging health problem across the nation and looking at touching over 1 million people over the span of five years. A second project is working to strengthen the overall eye healthcare system in four districts in Khyber Pakhtunkhwa. Through our partners we are accredited with a 20% reduction in avoidable blindness and the Government of Pakistan has appointed Standard Chartered as the only corporate partner with presence on both the National and Sindh eye councils of the country. Through a number of local projects, we have also prioritised eye healthcare for women through our partner, Layton Rehmatulla Benevolent Trust (LRBT).

It has now been over a year since the Bank launched Goal in Pakistan. Goal is Standard Chartered's leading girls' education programme. Through a combination of sports and life skills training, Goal aims to empower and equip adolescent girls with the confidence, knowledge and skills they need to be integral economic leaders in their families, communities and societies. In our first year we touched close to 2,500 girls in urban Karachi slums through this programme. In our second year we have expanded the number of schools we are present in and hope to grow this further.

To encourage employees to participate in these initiatives and engage with communities, Standard Chartered provides three days paid volunteering leave to each member of staff. In 2017, SCBPL employees logged 1,499 volunteering days.

DIRECTORS' REPORT

Corporate Governance

As required by the Code of Corporate Governance, 2012 (the Code), a prescribed statement by the Board, along with Auditors' Review Report thereon, forms part of this Annual Report.

The directors are pleased to give the following statements as required by clause (xvi) of the Code:

- The financial statements present fairly the Bank's state of affairs, results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Financial Reporting Standards and International Accounting Standards as applicable in Pakistan have been followed in the preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no doubt upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Summarized key operating and financial data is tabulated in this Annual Report.
- Details of Board and its Committees meetings held and attended by the Directors/ Members form part of this report.
- The Directors, CEO, CFO, Head of Internal Audit and Company Secretary have confirmed that neither they nor their spouses are engaged in the business of stock brokerage.
- Statement of Compliance with the Code and the Auditors' review report thereon form part of this Annual Report.
- Details of training programs attended by directors are provided in above-referred Statement of Compliance.
- All statutory liabilities, if any, have been adequately disclosed in the financial statements.

Statements on Internal Controls and Risk Management Framework

The management of SCBPL is responsible for establishing and maintaining a system of adequate internal controls and procedures. Management's statements on Internal Controls and Risk Management Framework form part of this Annual Report.

Directors' Meetings

Six (06) meetings of the Board of Directors, six (06) meetings of Board Audit Committee and five (05) meetings of Board Human Resource (HR) and Remuneration Committee were held during 2017. Attendance by each director/ member was as follows:

Sr. No.	Name of Director	Board of Directors Meetings		Board Audit Committee Meetings		Board HR & Remuneration Meetings	
		Held ¹	Attended ²	Held ¹	Attended ²	Held ¹	Attended ²
1	Ian Bryden ⁴	6	5	-	-	2	1
2	Shazad Dada	6	6	-	-	-	-
4	Najam I. Chaudhri ³	6	5	6	6	-	-
5	Parvez Ghias ^{3&4}	6	6	6	6	5	5
6	Spenta Kandawalla ⁴	6	4	-	-	5	3
7	Ferdinand Pieterse ³	6	5	6	6	-	-
8	Mohamed Abdelbary ⁴	4	4	-	-	3	3

¹ Number of meetings held during the tenor of relevant director/ member

² Leave of absence was granted to the Directors/Members who could not attend some of the meetings

³ Member of Board Audit Committee

⁴ Member of Board HR & Remuneration Committee

DIRECTORS' REPORT

Statement of investments of Provident, Gratuity and Pension Funds

Value of investments including accrued income of provident and gratuity funds as at 31 December 2017 on the basis of unaudited accounts are:

	PKR '000
Provident Fund	1,788,417
Management Staff Gratuity Fund	1,214,288
Non- Management Staff Gratuity Fund	111,984
Management Staff Pension Fund	53,880
Non- Management Staff Pension Fund	53,265

Changes in Board of Directors

The following changes have taken place in the Board of Directors:

Term of Mr. Najam I. Chaudhri as Independent Director expired on 23 April 2017. However, with the permission of State Bank of Pakistan, his term was extended until 31 March 2018. Moreover, Mr. Parvez Ghias also completed his term as Independent Director on 15 January 2018 but he is continuing as Non-Executive Director. He will step down from 01 April 2018 and a new Independent Director will replace him in due course.

Pattern of Shareholding

The pattern of shareholding forms part of this Annual Report. At 31 December 2017, Standard Chartered Bank, UK (holding company) held 98.99% shares of SCBPL.

External Auditors

The Audit Committee has suggested the name of KPMG Taseer Hadi & Co., Chartered Accountants as external auditors of the Bank for the next term. The Board of Directors, on the suggestion of Audit Committee recommended the name of retiring auditors KPMG Taseer Hadi & Co., Chartered Accountants as external auditors for the next term. The retiring auditors, being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting.

Appreciation and Acknowledgment

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

On behalf of the Board



Shazad Dada
Chief Executive Officer

Dated: 08 March 2018
Karachi



Najam I. Chaudhri
Director

ڈائریکٹرز کی رپورٹ

اسٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ

31 دسمبر، 2017

بورڈ آف ڈائریکٹرز کی جانب سے میں انتہائی مسرت سے اسٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ کی ڈائریکٹرز رپورٹ مع 31 دسمبر 2017ء کو ختم ہونے والے سال کے پڑتال شدہ کھاتہ جات اور آڈیٹرز رپورٹ پیش کر رہا ہوں۔

مالی سال 2017ء میں پاکستان کی مجموعی قومی پیداوار میں 5.3 فیصد اضافہ ہوا، جو کہ دس سال کی بلند ترین سطح ہے۔ اس کی بڑی وجہ مقامی طلب میں اضافہ ہے۔ حکومت نے چائنا پاکستان اکنامک کوریڈور میں موجود بنیادی ڈھانچے کو اتانے کے منصوبوں اور مالی سرگرمیوں کے فروغ پانے کے پیش نظر 2018ء کی مجموعی قومی پیداوار کا ہدف 6 فیصد مقرر کیا ہے۔ ملکی معیشت میں ترقی کے ساتھ ساتھ، جڑواں خسارے میں بھی اضافہ ہو رہا ہے۔ سال 2018ء کا مالی خسارہ بڑھ کر ملکی قومی پیداوار کا 5.8 فیصد ہو گیا ہے جس کا ابتدائی تخمینہ مجموعی قومی پیداوار کا 4.2 فیصد لگایا گیا تھا۔ دریں اثناء بیرونی شعبے کی کمزوری قریب مذمتی منظر نامہ کیلئے خطرات ظاہر کرتی ہے۔ اگرچہ گذشتہ مہینوں میں برآمدات میں اضافہ ہوا ہے، لیکن بڑھتی ہوئی درآمدات اور سمندر پار دورکز کی ترسیلات زر میں کمی کی وجہ سے کرنٹ اکاؤنٹ خسارہ (C/A Deficit) میں اضافہ ہوا ہے۔ مالی سال 2018ء کی پہلی ششماہی کیلئے کرنٹ اکاؤنٹ خسارہ 4.4 فیصد رہا جو کہ گذشتہ سال اسی عرصے میں 3.1 فیصد تھا۔

بیرونی شعبے کی کمزوری اور غیر ملکی ذمہ داری کے ذخائر میں تسلسل سے کمی کی وجہ سے پاکستانی روپیہ امریکی ڈالر کے مقابلے میں 110.50 روپے فی ڈالر کی سطح تک پہنچ گیا جس نے پاکستانی روپے کے گذشتہ چند سالوں کے غیر معمولی استحکام کو توڑ دیا۔ ان خطرات کے پیش نظر بینک دولت پاکستان نے جنوری 2018ء میں شرح سود 25bps کے اضافے کے ساتھ 6 فیصد کر دیا۔

شعبہ بینکاری کے موضوع سرمائے (CAR) کی شرح 15.5 فیصد اور سرمائے پر منافع (ROE) کی شرح 10.3 فیصد رہی۔ غیر فعال قرضے 30 ستمبر 2017ء کو ہو کر کل قرضوں کا 9.2 فیصد ہو گئے، جو کہ ستمبر 2016ء میں 11.3 فیصد تھے۔

عملی نتائج اور کاروباری جائزہ:

31 دسمبر، 2016ء (ملین پاکستانی روپے)

31 دسمبر، 2017ء (ملین پاکستانی روپے)

38,716	38,716
56,872	57,335
365,562	377,576
133,631	157,280
113,951	137,655
245,850	272,488

بیلنس شیٹ

ادا کردہ سرمایہ

کل ایکویٹی

جمع شدہ رقوم

قرضہ جات - مجموعی

قرضہ جات - خالص

سرمایہ کاری - خالص

ڈائریکٹرز کی رپورٹ

معاشی منظر نامہ:

یہ نتائج ہمارے عزم اور مستحکم کارکردگی کی ترسیل کی عکاسی کرتے ہیں۔ اپنی انضبات اور اختیارات کے ڈھانچے کو مضبوط کرنے کے بعد ہم آمدنی میں اضافے کی اہمیت کو سمجھتے ہوئے، اخراجات میں احتیاط اور معاشی خطرات سے نمٹنے کی صلاحیت رکھتے ہیں۔ اقتصادی ماحول کے خطرات کو مد نظر رکھتے ہوئے ہم ثابت قدم ہیں کہ ہم اپنی کارکردگی کو بہتر کریں گے اور ساتھ ہی صارفین کی ضروریات کو اپنے ہر عمل میں ترجیح دیں گے۔

منافع حصص:

بینک کے حصص یافتگان کے بارہویں سالانہ اجلاس عام میں بورڈ آف ڈائریکٹرز کی جانب سے منظوری کیلئے 10 فیصد (ایک روپے فی حصص) حتمی کیش ڈیویڈنڈ کی تجویز دی گئی ہے۔ یہ منافع ساڑھے سات فیصد (0.75 روپے فی حصص) کیش ڈیویڈنڈ کے علاوہ ہے جس کا اعلان/ ادا ہوگی 2017ء کے دوران کیا گیا تھا۔

سالانہ بیرونی آڈٹ:

اسٹینڈرڈ چارٹرڈ بینک کے کھاتہ جات کا آڈٹ بینک کے آڈیٹر کے پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹ نے کیا اور بغیر کسی اختلاف پہ مبنی رپورٹ پیش کی۔

کریڈٹ ریٹنگ:

2017ء میں پاکستان کریڈیٹ ریٹنگ ایجنسی (PACRA) نے بینک کی بل ترتیب AAA اور A1+ طویل مدتی اور قلیل مدتی درجہ بندی کو برقرار رکھا ہے۔ یہ درجہ بندی مالیاتی وعدوں کے بروقت ادائیگی کیلئے مستحکم صلاحیت کا اظہار کرتی ہیں۔

مقصد:

ستمبر 2017ء میں بینک نے اپنے مقصد کے بیانے کی تجدید کی تاکہ اسے برانڈ پر اس سے مزید ہم آہنگ کیا جائے۔ Driving Commerce and Prosperity through our Unique Diversity اسٹینڈرڈ چارٹرڈ کے اساس کا احاطہ کرتی ہے، جسے ہم اپنی بہترین موجودہ صلاحیتوں: ”جداگانہ مقامات پر ہماری موجودگی،

تہذیب اور مہارتیں“ شامل ہیں جن کو بروئے کار لاتے ہوئے حقیقی معیشت میں کاروبار کے فروغ کی سہولیت بطور بینک باہم پہنچاتے ہیں۔ یہ مقصد ہمارے طرز کار و بار کا عکاس ہے جس میں انسانی پہلو کو ایک خاص اہمیت حاصل ہے۔ ہمارے لیے ترقی کا مقصد صرف مال و دولت کا حصول نہیں بلکہ ایک صحت افزا اور خوشحال معاشرے کے قیام میں معاونت بھی ہے۔ یہ مقصد ایک زیادہ پراثر اور فعال ماحول کو بھی تقویت دیتا ہے۔

سماجی استحکام:

پاکستان کے 11 شہروں میں 93 شاخوں پر مشتمل ملک کے سب سے بڑے بین الاقوامی بینک کی حیثیت سے اسٹینڈرڈ چارٹرڈ اب پاکستان کے مالی استحکام میں ایک لازمی جزو کی حیثیت رکھتا ہے اپنے اسی استحکام اور معاشی امور میں سرمائے کے استعمال کے ذریعے بینک نے معاشی حوالے سے اپنے پُر خلوص عزم کا اظہار کیا ہے۔ ہم بہتر حکمت عملی کی مدد سے اپنے بزنس، سماج، حکومت اور صارفین کے ساتھ مضبوط تعلقات استوار کرنے کے خواہاں ہیں۔

بینک کی پاکستان میں سماجی کاوشیں تعلیم اور صحت پر مرکوز ہیں۔ ہماری بالخصوص سماجی سرمایہ کاری ہیلتھ پروگرام ”Seeing is Believing“ کے ذریعے ہم قابل گریز ناپینا پین کی روک تھام کیلئے مسلسل مالی تعاون کر رہے ہیں۔ ہمارے موجودہ منصوبہ جات میں ڈائیا بلیک ریٹینو پیتھی (ذیابیطس سے ہونے والے ریٹینا کا غیر سوزشی مرض) شامل ہے، جو صحت چشم سے متعلقہ ملک بھر میں ابھرنے والا ایک نیا مسئلہ ہے۔ اس کیلئے 5 سالہ مدت کے دوران 10 لاکھ متاثرہ افراد کا معائنہ کیا جائے گا۔ دوسرے منصوبے میں ہم خیر پختونخواہ کے چار اضلاع میں صحت چشم کی امداد کے حوالے سے مجموعی ہیلتھ کیئر سسٹم کو مستحکم کرنے کیلئے کام کر رہے ہیں۔ ہمارے شراکت داروں نے ہماری ان کاوشوں کا اعتراف کیا ہے جن کے باعث قابل گریز ناپینا پین میں 20 فیصد کمی واقع ہوئی ہے اور حکومت پاکستان نے اسٹینڈرڈ چارٹرڈ کو ملک کی نیشنل اور سندھ آئی کونسل میں اپنا واحد شراکت پارٹنر بنالیا ہے۔ کئی مقامی پروجیکٹ کے ذریعے ہم نے ہمارے پارٹنر لیٹن رحمت اللہ بینو ویلنٹ ٹرسٹ (LRBT) کے ذریعے خواتین کیلئے نگہداشت صحت چشم کو ترجیح دی ہے۔

ڈائریکٹرز کی رپورٹ

Goal کے آغاز کو پاکستان میں ایک سال سے زیادہ کا عرصہ ہو چکا ہے۔ ”گول“، تعلیم نسواں کے حوالے سے اسٹینڈرڈ چارٹرڈ کا ایک مخصوص پروگرام ہے۔ مجموعی طور پر کھیلوں اور زندگی کی مہارتوں کے ذریعے ”گول“ کا مقصد نوجوان لڑکیوں کو باختیار بنانا اور انہیں اپنے خاندان، سماج اور معاشرے میں معاشی طور پر قائدانہ کردار ادا کرنے کیلئے انہیں اعتماد، علم اور ضروری مہارتوں سے آراستہ کرنا ہے۔ ہم نے کراچی شہر کے پسماندہ علاقوں میں 2,500 سے زائد لڑکیوں کو اس پروگرام سے مستفید کیا ہے۔ دوسرے سال میں ہم نے اسکولوں کی تعداد میں اضافہ کر دیا ہے اور ہم اُمید کرتے ہیں کہ ہم اسے مزید وسیع کر دیں گے۔

اپنے تعلیمی پروگرام کے ذریعے بینک نے میٹرک کے بعد مستحق طالب علموں کو تعلیمی وظائف اور پیشہ ورانہ اور اعلیٰ تعلیم کے حامل اداروں کو مالی معاونت فراہم کی۔ ملازمین کی شمولیت، حوصلہ افزائی اور کمیونٹی کے ساتھ کام کرنے کیلئے اسٹینڈرڈ چارٹرڈ اسٹاف کے ہر ممبر کو 3 دن کی رضا کارانہ چھٹیاں فراہم کرتا ہے، جس کی انہیں ادائیگی کی جاتی ہے۔ 2017ء میں اسٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ کے ملازمین نے 1,488 دن رضا کارانہ طور پر اپنی خدمات انجام دیں۔

کارپوریٹ گورننس:

کوڈ آف کارپوریٹ گورننس (دی کوڈ) کے تحت بورڈ کی جانب سے وضاحت کردہ اسٹینڈنٹ مع آئیڈیلز کی جائزہ رپورٹ اس سالانہ رپورٹ کا جزو ہے۔

ڈائریکٹران بسمرت کوڈ کی شق (5.19.11) کے تحت درکار درج ذیل اسٹینڈنٹ پیش کرتے ہیں۔

- کھاتہ جات بینک کی صورت حال، اس کی کارکردگی، نقدی کے بہاؤ، ایکویٹی میں تبدیلیوں کا واضح اظہار ہیں۔
- بینک کے اکاؤنٹ کی درست کتابیں تیار کی گئی ہیں۔
- کھاتہ جات کی تیاری میں اکاؤنٹنگ کی مخصوص پالیسیوں کا یکساں اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینے موزوں اور محتاط اندازے پر مبنی ہیں۔
- کھاتہ جات کی تیاری میں پاکستان میں لاگو بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈز اور بین الاقوامی اکاؤنٹنگ اسٹینڈرڈز پر عمل درآمد کیا گیا ہے۔
- اندرونی انضباط درست طرز پر ڈیزائن کیا گیا ہے اور موثر اطلاق اور جانچ کی گئی ہے۔
- بطور ادارہ بینک کے کام جاری رکھنے کی اہلیت پر کوئی شک نہیں۔
- ضوابط کی فہرست میں بیان کردہ کارپوریٹ گورننس کی بہترین حکمت عملیوں سے انحراف نہیں کیا گیا۔
- اس سالانہ رپورٹ میں بنیادی آپرینگز اور فنانشل ڈیٹا کا خلاصہ مرتب کیا گیا۔
- بورڈ اور اس کی کمیٹی کے منعقدہ اجلاس اور ڈائریکٹران/ممبران کی شرکت کی تفصیل اس رپورٹ کا جزو ہے۔
- ڈائریکٹران، سی ای او، سی ایف او، ہیڈ آف آڈٹ اور کمپنی اور سیکریٹری نے تصدیق کی ہے کہ وہ یا ان کے شریک حیات اسٹاک بروکر کیج کے بزنس سے منسلک نہیں ہیں۔
- اسٹینڈنٹ آف کمپلائنس مع نظر ثانی رپورٹ اس سالانہ رپورٹ کا حصہ ہیں۔
- ڈائریکٹران کی ٹریننگ کی تفصیلات مندرجہ بالا رپورٹ میں دی گئی ہیں۔
- کھاتہ جات میں تمام قانونی ذمہ داریاں، اگر کوئی ہوں، سامنے لائی گئی ہیں۔

اسٹینڈنٹس برائے اندرونی انضباط اور خطرات سے نمٹنے کا ڈھانچہ:

اسٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ کی انتظامیہ موزوں انضباط و طریقہ کار کو قائم اور برقرار رکھنے کی ذمہ دار ہے۔ اندرونی انضباط اور خطرات سے نمٹنے کے ڈھانچے پر انتظامیہ کی اسٹینڈنٹس اس رپورٹ کا حصہ ہیں۔

ڈائریکٹرز کی رپورٹ

ڈائریکٹرز میٹنگز

سال 2017ء میں بورڈ آف ڈائریکٹرز کی چھ (06) میٹنگز، بورڈ آڈٹ کمیٹی کی چھ (06) میٹنگز اور بورڈ ہیومن ریسورس (HR) اور ریویو نیشن کمیٹی کی پانچ (05) میٹنگز کا انعقاد ہوا۔

نمبر شمار	ڈائریکٹر کا نام	بورڈ آف ڈائریکٹرز میٹنگز		بورڈ آڈٹ کمیٹی میٹنگز		بورڈ HR اور ریویو نیشن کمیٹی میٹنگز	
		انعقاد ¹	شرکت ²	انعقاد ¹	شرکت ²	انعقاد ¹	شرکت ²
1	این بریڈن ⁴	6	5	-	-	2	1
2	شہزاد دادا	6	6	-	-	-	-
3	نجم آئی چوہدری ³	6	5	6	6	-	-
4	پرویز غیاث ^{4 & 3}	6	6	6	6	5	5
5	سچیپھا کانڈاوالا ⁴	6	4	-	-	5	3
6	فرڈیننڈ پیٹرز ³	6	5	6	6	-	-
7	محمد عبدالباری ⁴	4	4	-	-	3	3

¹ متعلقہ ڈائریکٹر/ممبر کے ٹیچور میں منعقد ہونے والی میٹنگز کی تعداد

² ڈائریکٹر/ممبرز جو میٹنگز میں شرکت نہ کر سکے کو غیر حاضری کی رخصت دی گئی

³ بورڈ آڈٹ کمیٹی کے ممبرز

⁴ بورڈ HR اور ریویو نیشن کمیٹی کے ممبرز

پروویڈنٹ، گریجویٹ اور پنشن فنڈ کیلئے مختص رقم کی اسٹیٹمنٹ

مختص کی گئی رقم کی قدر بشمول پروویڈنٹ، گریجویٹ فنڈز کی حاصل آمدن 31 دسمبر 2017ء پر غیر آڈٹ شدہ اکاؤنٹس کی بنیاد پر مندرجہ ذیل ہے:

000/- روپے

1,788,417

1,214,288

111,984

53,880

53,265

پروویڈنٹ فنڈ

بینجمنٹ اسٹاف گریجویٹ فنڈ

نان- بینجمنٹ اسٹاف گریجویٹ فنڈ

بینجمنٹ اسٹاف پنشن فنڈ

نان- بینجمنٹ اسٹاف پنشن فنڈ

بورڈ آف ڈائریکٹرز میں تبدیلی:

بورڈ آف ڈائریکٹرز میں درج ذیل تبدیلیاں ہوئیں:

نجم آئی چوہدری کی مدت بطور آڈٹرز یکٹر 23 اپریل 2017ء کو ختم ہونا تھی۔ تاہم، اسٹیٹ بینک کی تائید سے اُن کی مدت میں 31 مارچ 2018ء تک اضافہ کر دیا گیا۔ مزید یہ کہ جناب پرویز غیاث نے بھی اپنی مدت بطور آڈٹرز یکٹر 15 جنوری 2018ء کو پوری کر لی لیکن وہ بطور نان ایگزیکٹو ڈائریکٹر فرائض انجام دے رہے ہیں۔ وہ اپنی ذمے داریوں سے یکم اپریل 2018ء کو سبکدوش ہوں گے اور اُن کی جگہ ایک آڈٹرز یکٹر کا تقرر کیا جائے گا۔

ڈائریکٹرز کی رپورٹ

شیئر ہولڈنگ کا انداز

پیٹرن آف شیئر ہولڈنگ اس سالانہ رپورٹ کا حصہ ہے 31 دسمبر 2017ء پر اسٹینڈرڈ چارٹرڈ بینک UK (بالادست کمپنی) اسٹینڈرڈ چارٹرڈ بینک پاکستان لمیٹڈ کے 98.99 فیصد حصص کی مالک تھی۔

ایکسٹرل آڈٹرز

آڈٹ کمیٹی نے اگلے ٹرم کیلئے کے پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی بطور بینک ایکسٹرل آڈٹرز کی تقرری کی تجویز دی۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے اگلے ٹرم کیلئے ریٹائر ہونے والے آڈٹرز کے پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس کا نام بطور بینک ایکسٹرل آڈٹرز پیش کیا۔ ریٹائر ہونے والے آڈٹرز اہل ہیں، اور آنے والے عمومی اجلاس عام کیلئے خود کو دوبارہ تقرری کیلئے پیش کرتے ہیں۔

سائنس و اعتراف

ہم اس موقع پر ہمارے صارفین اور کاروباری رفقاء کا رے ان کے مسلسل تعاون اور اعتماد کے لیے بھرپور اظہار تشکر کرتے ہیں۔ ہم بینک دولت پاکستان کو ان کی جانب سے اس بینک کی طرف فراہم کی گئی رہنمائی اور اعانت کیلئے اپنا پُر خلوص اعتراف پیش کرتے ہیں۔ آخر میں ہم اپنے تمام وابستگان، عملے اور ساتھیوں کا اُن کی پُر عزم اور پُر لگن خدمات جو انھوں نے ہمارے گراں قدر صارفین کو فراہم کیں کیلئے بھی بے حد شکر گزار ہیں۔

منجانب بورڈ



شہزاد دادا

چیف ایگزیکٹو آفیسر

کراچی، مورخہ 08 مارچ 2018ء



نجم آئی چوہدری

ڈائریکٹر

Management's Statements on Internal Controls and Risk Management Framework

The following statements are made by the management to meet the requirements of the State Bank of Pakistan (SBP) BSD Circular letter no. 2 of 2005 and BSD Circular letter no. 3 of 2005.

Internal Controls

Management of Standard Chartered Bank (Pakistan) Limited (the Bank or SCBPL) is responsible for establishing and maintaining a sound system of internal controls aimed at achieving the following objectives of the Bank:

- Efficiency and effectiveness of operations
 - Compliance with applicable laws and regulations
 - Reliability of financial reporting
1. The Management has adopted different strategies to ensure effective monitoring and improvement of internal controls. These include Internal Audit and Operational Risk Framework (ORF) in which assurance responsibilities are divided into three lines of defense i.e. first being the business function, second is the Operational Risk Assurance and support from Group Internal Audit is the third line of defense.
 2. The policies and procedures in all significant areas and as per the directives of the regulators have been duly approved by the Board.
 3. An organization structure has been established which supports clear lines of communication and tiered levels of authority with accountability.
 4. The Bank has an effective Internal Audit Department, which reports directly to the Audit Committee of the Board. The department periodically carries out detailed reviews/audits of its branches and various departments/ units based on a yearly plan which is approved by the Audit Committee.
 5. Internal control policies, tools and reporting structures have been enhanced to provide greater clarity over roles and responsibilities. Relevant training materials have also been updated and deployment is underway.
 6. Management gives due consideration to the recommendations made by the internal and external auditors for improvements in the internal control system and take action to implement such recommendations.
 7. The management has put in place evaluation and approval procedures for major capital expenditure and other transactions.
 8. There is an annual budgeting and strategic planning process. Financial forecasts are reviewed during the year on a periodic basis to reflect significant changes in business environment. Regular reporting and monitoring of financial performance of the departments and the Bank as a whole, using operating statistics and monthly management accounts which highlight key performance indicators and variance from budgets and forecasts is in place.
 9. Review and implementation of health, safety, environment and contingency management processes and other significant policies are carried out and reporting mechanism is in place.
 10. SCBPL has adopted the internationally accepted Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Controls Integrated Framework 1992 and available international practices in relation to Internal Controls over Financial Reporting (ICFR) to comply with SBP guidelines on Internal Controls.

SCBPL maintains a system of ICFR, which is designed to provide reasonable assurance to the Bank's management and Board of Directors regarding the preparation of reliable published financial statements. The system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective internal control system, no matter how well designed, has inherent limitations and therefore can provide only reasonable assurance with respect to financial statements preparation. Further, because of changes in conditions, internal control system effectiveness may vary over time.

SCBPL has devised a well defined and comprehensive Internal Control Program along the lines of stage wise roadmap, as suggested by SBP. Accordingly, the Bank has successfully completed all of the stages of the SBP roadmap on ICFR. This involved completing detailed documentation of the existing processes and controls and related Risk and Control Matrices. It also involved completing a comprehensive gap analysis of the control design and developing remediation plans for the gaps identified. The bank has developed comprehensive management testing plans and reporting framework to ensure operating effectiveness of key controls.

The Bank will continue enhancing its coverage and compliance with the SBP guidelines on Internal Controls and further strengthen its control environment on an ongoing basis. The Bank engaged external consultants to facilitate in reviewing the process and control documentation and provide professional guidance in documenting, assessing and testing the existing key Processes and Controls in line with requirements of SBP guidelines and leading practices. Further the consultants also independently performed the Quality Assurance/ Validation exercise to provide assurance whether after completion of remedial plans, gaps have been bridged accordingly.

Management's Statements on Internal Controls and Risk Management Framework

Risk Management Framework

The Bank in an effort to fully implement guidelines issued by SBP on risk management throughout the Bank, has integrated enterprise wide risk management, which brings together various types of risks being faced by the entire organization under one umbrella. Through the risk management framework the Bank seeks to manage efficiently the core risks: credit, market and liquidity risk. These arise directly through the Bank's commercial activities whilst operational risk, reputational risk, pension risk, capital risk and strategic risk are normal consequences of any business undertaking.

The basic risk management principles followed by the Bank include:

Balancing risk and reward: Risk is taken in line with the requirements of the Bank's stakeholders. Risk should be taken within the Bank's risk appetite, consistent with the approved strategy. Any such risks are avoided which have a material probability of causing financial distress to the Bank or its clients or customers.

Responsibility: Given the Bank is in the business of taking risk, it is everyone's responsibility to ensure that risk taking is both disciplined and focused. The Bank takes account of its social responsibilities and its commitment to customers in taking risk to produce a return.

Accountability: Risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk taking must be transparent, controlled and reported.

Anticipation: The Bank looks to anticipate future risks and to ensure awareness of all risk.

Competitive Advantage: The Bank seeks to achieve competitive advantage through efficient and effective risk management and control.

Risk management: The Bank aims to implement best practices and have a specialist risk function of international standards, with strength in depth, experience across risk types and economic scenarios.

Ultimate responsibility for the effective management of risk rests with the Bank's Board of Directors. Acting within an authority delegated by the Board, the Executive Committee reviews specific risk areas and monitors the activities of the Executive Risk Committee ("ERC") and the Asset and Liability Committee ("ALCO").

ERC headed by Country Chief Risk Officer (CCRO), through authority delegated by the Board through the Bank's Executive Committee, is responsible for credit risk, market risk, operational risk, compliance and regulatory risk, legal risk and reputational risk. ALCO, through authority delegated by the Board through the Bank's Executive Committee, is responsible for management of the Bank's liquidity, capital adequacy and structural foreign exchange risk. The Pensions Executive Committee through authority delegated by the Board through the Bank's Executive Committee, is responsible for the management of pension risk. The day to day responsibility for managing risk rests with CCRO who oversees and manages the risk through a team of managers; Senior Credit Officer responsible for credit risk in Corporate & Institutional Banking and Commercial Banking, Country Credit Head is responsible for credit risk in Retail Banking including Collections and Recoveries, Head of Group Special Assets Management responsible for remedial risk and non-performing loans management, Head of Risk Operations is responsible for Credit Risk Controls, Credit Initiation and Fraud Risk Management, Market and Traded Credit Risk (MTCR) is responsible for risks associated with price movements, arising from interest and exchange rate movements. The Country Head of Operational Risk is responsible for enterprise wide operations risk. The Bank has established policies, procedures, processes, and controls and has provided the Risk team adequate support by way of risk systems and tools for measuring and reporting risk for monitoring, controlling, reviewing and managing risk.

Following are the important factors of the risk management function within the Bank.

Credit Risk

Credit risk is the risk that a counter party will not settle its obligations in accordance with agreed terms. Credit exposures may arise from lending, trade finance, securities and derivative exposures. Credit exposures include both individual borrowers and groups of connected counterparties and portfolios in the banking and trading books.

The Board of Directors has delegated down the authority to ERC through the Bank's Executive Committee to establish risk appetite and make recommendations to the Board for approval of risk appetite and policies for managing credit risk. The CEO and the Executive Committee in turn rely on CCRO and the CRC to determine these and recommend for their support and Board's approval. Board has delegated credit authorities to CCRO, Senior Credit Officer (Corporate & Institutional Banking and Commercial Banking), Country Credit Head (Retail Banking), Head GSAM, Head of Risk Operations and Head of Collections and Recovery. These in turn, delegate authorities to their team members. Any approvals above individual delegated authority are approved by Approvals Committee.

Credit risk appetite is established through business strategy papers and underwriting standards by the business managers, which are approved by the Board once recommended, and supported by the Executive Committee.

Specific procedures for managing credit risk within Corporate & Institutional Banking, Commercial Banking and Retail Banking are determined at the Senior Credit Officer and Country Credit Head levels for their respective jurisdictions with specific policies

Management's Statements on Internal Controls and Risk Management Framework

and procedures being adapted to different risk environments and business goals. Credit analysis includes review of facility details, credit grade determination and financial spreading/ ratio analysis. Portfolio review, Early Alerts and Stress Testing based on scenario analysis is a combined responsibility of Client Relationship and Risk and Finance function. Client relationship origination and credit approval roles are clearly segregated throughout Corporate & Institutional Banking, Commercial Banking and Retail Banking.

Corporate & Institutional Banking and Commercial Banking: Within the Corporate & Institutional Banking and Commercial Banking business, an alpha numerical risk grading system is used for quantifying the risk associated with counter-party. The grading is based on a probability of default measure, with customers analyzed against a range of quantitative and qualitative measures. Expected Loss is used for further assessment of individual exposures and portfolio analysis. There is a clear segregation of duties with loan applications being prepared separately from the approval chain.

Retail Banking: Program based standard credit application forms are generally used which are processed in central units for different products and market segments. Credit Portfolio Monitoring and Forecasting team has developed Bureau scores and uses Bureau data for portfolio monitoring and for underwriting new business.

Market Risk

The Bank recognizes Market risk as the exposure created by potential changes in the market prices and rates. Market Risk exposures arise primarily from interest rate and foreign exchange related contracts. The Bank has no significant exposure to equity and commodity price risk.

MTCR approves the limits within delegated authorities and monitors exposures against these limits, and is locally under governance of CCRO, who agrees policies and procedures and levels of risk appetite in terms of Value at Risk (VaR). Limits are then proposed by business within the terms of agreed policy. These are agreed and delegated down by ERC and Approvals Committee under delegated authority from the Board. Policies cover both trading and non-trading books.

In addition to Market Risk policies, as well as VaR and other market risk limits, independent stress testing of portfolios, factor sensitivity measures and derivatives are also employed as additional risk management tools to manage and hedge market risk exposures. Risk models are periodically back tested against actual results to ensure that pre-determined levels of accuracy are maintained.

VaR is the main limit that is being applied by the bank along with other supporting price risk limits and MATs. Interest Rate Risk is controlled via PV01 limits which are set on Net as well as Gross basis across various tenors and at currency level. Additionally curve tenor limits are applied to contain the interest rate risk exposure going beyond certain tenors. PV01s measure the sensitivity of the Net Present Value (NPV) to +1bp shift applied at pre-defined points on a zero-coupon yield curve. PV01 strip is then applied to the historical scenarios i.e. Risk factors over the last 260 days to derive the NPV distribution which is then used to determine VaR and Stress VaR.

All limits are hard limits and any excess results in escalation to senior management, with the level of escalation depending upon nature of excess. These limits are monitored on a daily basis as part of daily risk reporting."

Liquidity Risk

The Bank defines liquidity risk potential for loss where the bank may not have sufficient stable or diverse sources of funding or financial resources to meet our obligations as they fall due. Liquidity risk, both short-term and structural, is monitored through liquidity risk management framework and is managed by ALCO. This committee, chaired by the CEO, is responsible for liquidity risk management.

A range of tools are used for the management of liquidity. Tools for structural liquidity comprise of commitment and wholesale borrowing guidelines, key balance sheet ratios, and medium term funding requirements whereas short-term liquidity tools include day to day monitoring of future cash flows and liquidity stress tests using various behavioral and rollover assumptions. In addition, liquidity contingency funding plans are reviewed periodically to ensure that alternative funding strategies are in place and can be implemented on a timely basis to minimize the liquidity risk that may arise due to unforeseen adverse changes in the market place.

A substantial portion of the Bank's assets are funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. The Bank also maintains significant levels of marketable securities either for compliance with local statutory requirements or as prudential investments of surplus funds.

Operational Risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. Operational risk is inherent in the Bank's activities and as with the other risk types is managed through an overall framework with checks and balances that includes recognized ownership of the risk by the businesses, independent risk management oversight and an independent review by the Group Internal Audit.

The ORF sets out the approach to management of operational risk as well as the roles and responsibilities of the various stakeholders. In accordance with the framework, business areas and functions are responsible to identify its key operational risks

Management's Statements on Internal Controls and Risk Management Framework

and to establish and execute controls, and to ensure compliance with the laws, regulations, regulatory administrative actions and the Bank's policies. The independent risk management challenges and approves risk identification and assessment. Furthermore, the Country Operational Risk Committee ("CORC") ensures that an appropriate risk management framework is in place and reports, monitors and manages significant operational risks. The CORC is chaired by the CEO, and the CCRO is an active member of this committee. Depending on the severity, significant risks and issues are also picked by the independent Risk function for discussion at the Executive Risk Committee, chaired by the CCRO.

Disaster recovery procedures, business contingency planning and internal audits also form an integral part of the operational risk management process.

Reputational Risk

Reputational risk is the potential for damage to the franchise, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the organisation, its actions or inactions - leading stakeholders to change their behavior. Practically, reputational risk can arise from the Bank's strategic choices. It will also arise from the failure to mitigate effectively any of the Group's principal risk types. It may also arise from the failure to comply with environment, social and governance standards and failure to meet key stakeholders' expectations.

The CCRO is the responsible for management of reputational risk and actively encourages the business and functions to take account of the Bank's reputation in all decision making, including dealings with customers and suppliers and promotes effective, proactive stakeholder management through ongoing engagement.

Pension Risk

Pension risk is the potential for loss that surfaces from having to meet an actuarially-assessed shortfall in the Bank's defined-benefit pension schemes. The pension obligation risk to a bank arises from its contractual or other liabilities to, or related to, an occupational pension scheme. In other words, it represents the risk that additional contributions will need to be made to a pension scheme because of a future shortfall in the funding of the scheme.

The Bank assesses and monitors the assets and liabilities within the defined-benefit scheme, with support from independent actuarial advisers. Actuarial methodologies are used for determining the present values of the assets and liabilities of the defined-benefit scheme. The assumptions used account for the projected trends in the salaries, turnover and mortality of the membership. The Bank's Country Pensions Committee has oversight of the pension schemes and reviews the assets and liabilities position on a regular basis.

Capital Risk

Capital risk is the potential for insufficient level or composition of capital to support bank's normal activities. The Bank manages its demand for capital by regular monitoring of capital requirements and asset exposures. The Bank's ALCO monitors Risk Weighted Assets (RWA) growth and provides guidance for RWA management, capital structure and maintenance of capital adequacy ratio.

Compliance and Regulatory Risk

Compliance and Regulatory risk includes the risk of non-compliance with regulatory requirements. The Compliance and Regulatory risk function is responsible for establishing and maintaining an appropriate framework for implementation of regulatory requirement and compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all bank staff.

Legal Risk

Legal Risk is the risk of unexpected loss, including but not limited to reputational loss arising from defective transaction or contracts, claims being made or some other event resulting in a liability (anticipated/contingent) or other loss for the Bank, failure to protect the title to and ability to control the rights to assets of the Bank (including intellectual property rights), changes in the law or jurisdiction risk. The Bank manages legal risk through Legal function, Legal documentation policy and procedures and effective use of its internal and external lawyers.

In addition to above, the bank will be rolling out Enterprise Risk Management Framework during 2018 that sets out the Bank's approach to risk management and the control framework within which risks are managed with the objective of maximising risk-adjusted returns while remaining within our risk appetite. It establishes common principles and standards for the management and control of all risks, and to inform behaviour across the organisation.

By order of the Board



Shazad Dada
Chief Executive Officer

Report of Shari'ah Board

For the year ended December 31, 2017

بسم الله الرحمن الرحيم

الحمد لله رب العالمين، وصلى الله على سيدنا محمد وعلى آله وصحبه وسلم وبعد

By the grace of Allah Almighty, the year under review was the fourteenth year of Islamic Banking for Standard Chartered Bank (Pakistan) Limited (SCBPL) through 'Saadiq' platform.

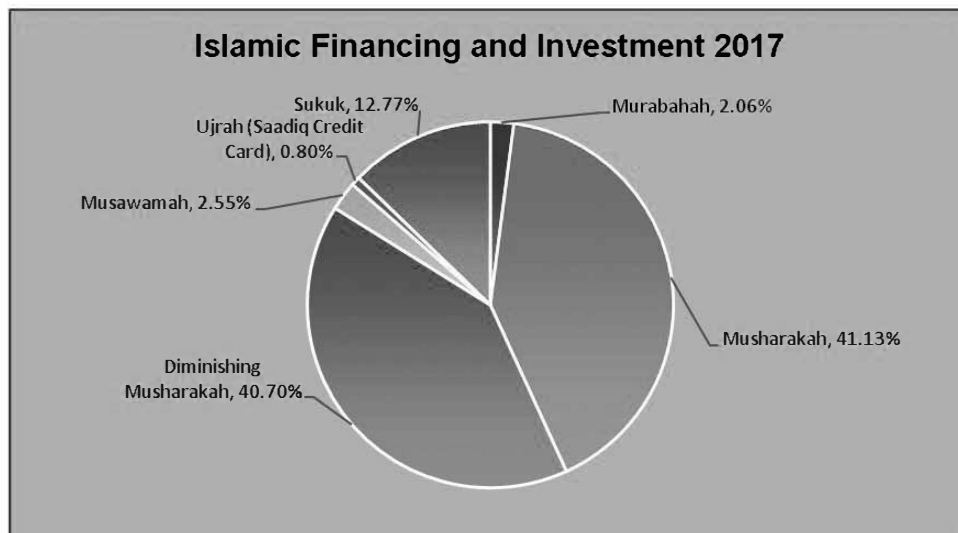
As per the Shari'ah Governance Framework, the Shari'ah compliance of Islamic Banking within Standard Chartered Bank (Pakistan) Limited (SCBPL) is the sole responsibility of Board of Directors and Executive Management. While, as being Shari'ah Board of the SCBPL, we are presenting this report on overall Shari'ah compliance environment of the bank (SCBPL).

To form an opinion on Shari'ah Compliance of the bank, the Shari'ah Compliance Department (SCD) of the bank carried out various Shari'ah compliance reviews during the year under review, on test check basis of each Islamic segment which includes transactions, the relevant documentation and process flows etc. Furthermore, we have also reviewed the report of the internal & external Shari'ah Audits. Based on the above and our regular engagement with the Bank's management, we are of the view that:

1. The Bank has complied with Shari'ah rules and principles provided in the fatawa, rulings and guidelines issued by Shari'ah Board earlier and during the year under review.
2. The Bank has complied with directives, regulations, instructions and guidelines related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
3. The bank has a comprehensive mechanism in place to ensure Shari'ah compliance in their overall operations. For effective implementation of Shari'ah Compliance Mechanism (SCM), SCD conducted meetings with different departments of the bank to explain them the importance and requirement of Shari'ah Compliance in their respective operations. Departments submitted their policies and procedures to Shari'ah Board through SCD and Shari'ah Board reviewed and approved the documents in gradual manner.
4. The Shari'ah Board has been provided resources enabling it to discharge its duties. However, considering the increase in volume of work, an additional resource in Shari'ah Team will further strengthen the Shari'ah Compliance function in the bank.

Islamic Business Review:

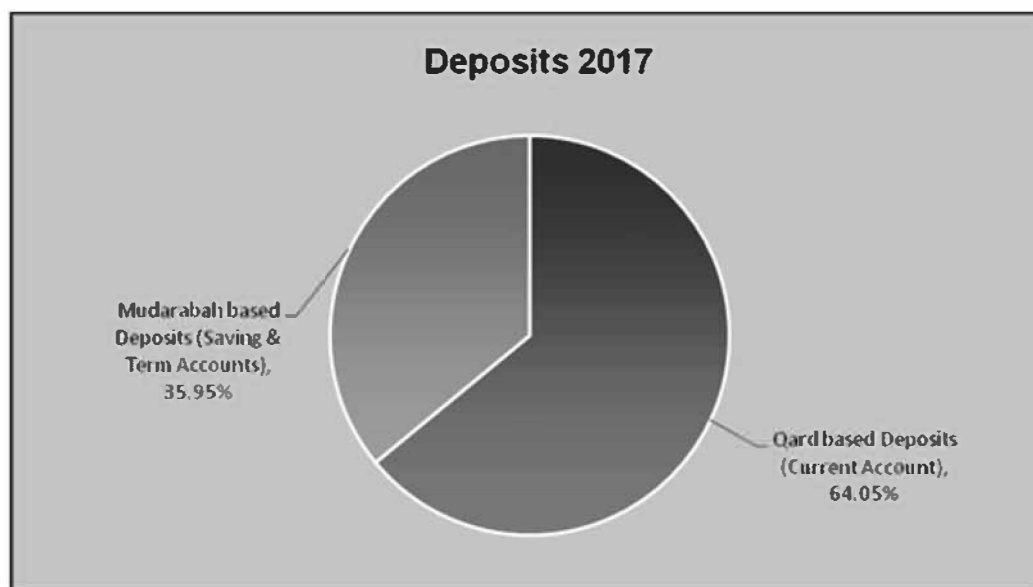
During the year under review, SCBPL has diversified its portfolio into various Islamic financing and investment modes including Musharakah, Diminishing Musharakah, Murabaha, Musawamah, Ujrah and Sukuk. At the close of the year ended 31 December 2017, the Bank had total Islamic Financing and investment of Rs. 48.806 Billion. The breakup of these assets in different modes of Islamic finance is as follows:



Report of Shari'ah Board

For the year ended December 31, 2017

At the year ended 31 December 2017, the bank had total Islamic deposits of Rs. 40.274 Billion. Islamic deposits are based on Qard (Current Account) and Mudarabah (including Saving & Term Accounts) concepts. The breakup of these Islamic deposits is as follows:



Shari'ah Compliant Product Initiatives:

Shari'ah Compliance Department in (SCD) collaboration with Human Resource Department introduced 'Shari'ah compliant Provident & Gratuity Fund' option for SCBPL staff. Shari'ah Board appreciate the efforts of SCD & Human Resource department on launching of Shari'ah Compliant Provident & Gratuity Fund.

Shari'ah Board approved various new structures based on Musawamah (Transactional Commodities Finance "TCF"), Diminishing Musharakah, Musharakah, and Kafalah LCs structure for multiple bank's clients.

Shari'ah Compliance Reviews:

During the year under review, annual Shari'ah compliance review of Islamic Banking Business was conducted on a test check basis. During the Shari'ah compliance reviews, Islamic Products including liabilities and financing transactions based on different modes of Islamic finance including Murabahah, Musawamah, Musharakah, Diminishing Musharakah, and Ujrah etc. were checked.

The following major activities have been performed to ensure Shari'ah Compliance of Islamic Banking Business:

- I. Review of Standard Agreements of Financing products,
- II. Review of Murabahah transaction notices, confirmation of purchases, Form of offers, Payment evidences, Purchase evidences and Physical inspections,
- III. Review of Process flow adherence in Murabahah transactions,
- IV. Review of Qard and Mudarabah based accounts documents,
- V. Review of profit and loss distribution and Pool Management framework,
- VI. Review of Participation ratio of Bank & clients in Diminishing Musharakah, and
- VII. Review of Profit / Loss Sharing Ratio and Profit Adjustment activity of Musharakah.

Shari'ah compliance review of dedicated Islamic branches and Islamic Windows were also conducted and suggestions for Shari'ah excellence and further improvement in understanding of Islamic Banking and Saadiq Products were advised to the relevant staff / branches. The overall Shari'ah compliance of the Islamic Business operation and their alignment with the Shari'ah guidelines was also reviewed.

Further, to comply with IBD Circular Letter No. 01 of 2017; SCD started verification of distribution of profit & loss to the depositors prior to its disbursement on monthly basis. The bank's internal Shari'ah audit department also conducted a post disbursement Shari'ah audit on quarterly basis and submitted its report to Shari'ah Board. The bank has complied with SBP instructions on profit & loss distribution and pool management.

In addition, as part of continuous improvement necessary recommendations and corrective measures have been suggested, all issues identified were duly addressed by management and agreed for implementation.

Late Payment and Non-Compliant Income Charity:

The Bank has a well-defined system in place to ensure that any earnings realized from sources or by means prohibited in Shari'ah have been credited to charity account and are being properly transferred to the approved charities.

During the year, an amount of Rs. 6.343 million has been credited to charity account. Rs. 3.436 million was received from clients due to "Delay in payments" and Rs. 2.907 million was realized from sources prohibited in Shari'ah. Further, charity amount Rs. 4.584 million has been disbursed to different approved charitable institutions.

Awareness, Training and Capacity Building:

During the year under review, approximately 102 training sessions related to Shari'ah and Islamic Banking products have been arranged and more than 1700 staff was trained throughout Pakistan. In addition, a session for BOD members has also been conducted by Shari'ah Board members on the concepts of Islamic Banking and Shari'ah. Further, a comprehensive training material on the concepts of Islamic Banking and Shari'ah was also shared with EXCO members for their learning purpose.

Apart from in-house training sessions, the Bank has launched e-learning modules of "basic Islamic banking", "advance retail banking Islamic products" and "Corporate & Institutional Banking and Commercial Banking Islamic products". Number of Bank's staff has been benefited from these e-learning. Further, the Bank has also nominated multiple staff for external Islamic Banking training programs conducted by IBA-CEIF.

SCBPL has also organized awareness sessions for the Bank's clients in October 2017, under thought provoking series with the name of 'Living Islam', where leading Muslim scholars of the country discussed the topic of "Business Ethics - inspirations from the life of Prophet Muhammad (PBUH)" to create overall awareness of the clients. Shari'ah Board appreciate Bank's management on arranging such kind of sessions for the awareness of the clients and hope they will keep this momentum in future as well.

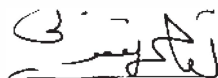
Shari'ah Board encourages the BOD and management on focusing the importance of Shari'ah compliance on all level including awareness, capacity, sensitization of the staff etc.

Recommendation:

- 1- The Bank should continue to nominate Key Executives and Islamic Banking staff for certificate / diploma programs, seminars and workshops etc. of Islamic Banking and Finance. The management is also advised to keep refreshing knowledge of front line staff on Islamic Banking & relevant Islamic Products either through class room trainings or through cascade self-reading material and its acknowledgement from them.
- 2- It is advised to the bank that Shari'ah compliant products option make available while on boarding new clients in bank.

And Allah Subhanah wa Ta'ala knows the Best.

May Allah Subhanah wa Ta'ala accept our endeavours and grant us devotion to accomplish His cherished tasks, make us successful in this world and in the hereafter, and forgive our mistakes.



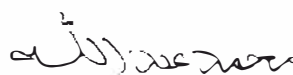
Shaikh Nizam Yaqouby
Chairman Shari'ah Board



Mufti Irshad Ahmad Aijaz
Member Shari'ah Board



Mufti Muhammad Abdul Mubeen
Member Shari'ah Board



Mufti Muhammad Abdullah
Resident Shari'ah Board Member

بسم اللہ الرحمن الرحیم

بمطابق ۳۱ دسمبر، سنہ 2017ء (اردو ترجمہ) ***

الحمد للہ رب العالمین، و صلی اللہ علی سیدنا محمد و علی آلہ وصحبہ وسلم، و بعد!

الحمد للہ، اسٹیٹرز چارٹرڈ بینک (پاکستان) لمیٹڈ شعبہ اسلامی بینکاری 'صادق' کے چودہویں سال کا تجزیہ آپ کے سامنے ہے۔

شریعی گورننس فریم ورک کے مطابق، بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ اسٹیٹرز چارٹرڈ بینک (پاکستان) لمیٹڈ کے اندر اسلامی بینکاری کی شریعت کے ساتھ مطابقت (شریعی کمپلائنس) کے ذمہ دار ہیں۔ ہم بحیثیت شریعی بورڈ اس رپورٹ میں اسٹیٹرز چارٹرڈ بینک (پاکستان) لمیٹڈ کی مجموعی شریعی کمپلائنس کی صورتحال کو پیش کر رہے ہیں۔

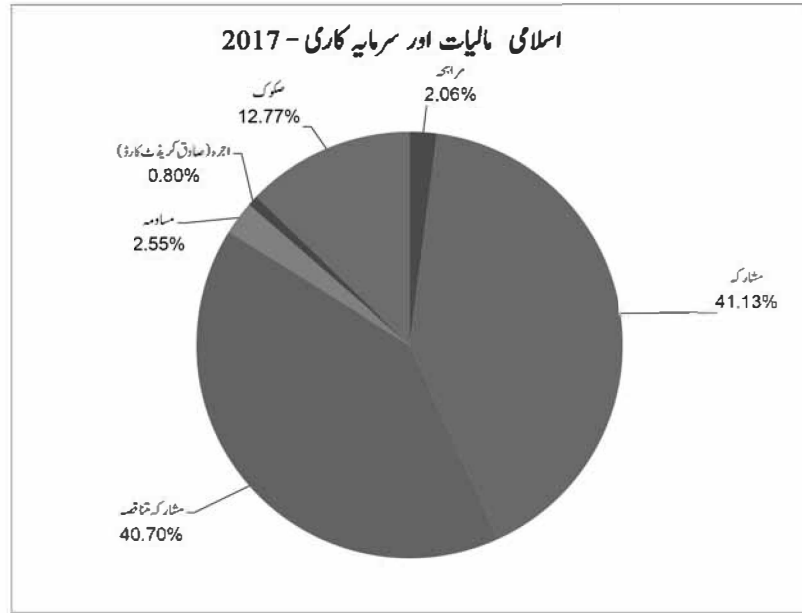
بینک کی شریعی کمپلائنس پر رائے دینے کے لئے بینک کے شریعی کمپلائنس ڈپارٹمنٹ نے سال کے دوران جانچنے کیلئے انتخاب (ٹیٹ چیک) کی بنیاد پر ہر قسم کی ٹرانزیکشن، معاہدہ دستاویزات اور معاملات کے عملی طریقہ کار (پراسس فلو) وغیرہ کے شرعی جائزے لیے ہیں۔ اس کے علاوہ ہم نے اندرونی اور بیرونی شریعی جانچ پڑتال (شریعی آڈٹ) کی رپورٹس کا جائزہ بھی لیا ہے۔ مندرجہ بالا امور اور بینک کی انتظامیہ کے ساتھ ہماری مستقل بنیادوں پر مشغولیت کے بعد ہماری رائے یہ ہے کہ:

1. بینک شریعی بورڈ کی طرف سے شرعی اصول و قوانین کی بنیاد پر جاری کردہ فتویٰ، احکامات اور ہدایات پر عمل پیرا رہا ہے۔
2. اس کے علاوہ بینک اسٹیٹ بینک آف پاکستان کے شریعی بورڈ کے احکام کے مطابق اسٹیٹ بینک آف پاکستان کی طرف سے جاری کردہ ہدایات، قواعد و ضوابط، اور رہنما اصولوں پر بھی عمل پیرا رہا ہے۔
3. بینک نے مجموعی سرگرمیوں میں شریعی کمپلائنس کو یقینی بنانے کے لئے ایک جامع طریقہ کار بنایا ہے۔ شریعی گورننس فریم ورک کے مؤثر اطلاق اور عمل درآمد کو یقینی بنانے کے لیے شریعی کمپلائنس ڈپارٹمنٹ نے بینک کے مختلف شعبوں کو ان کی معاہدہ سرگرمیوں میں شریعی کمپلائنس کی اہمیت اور تقاضوں کے حوالے سے رابطہ رکھا اور اس بارے میں معاونت فراہم کی۔ مختلف شعبوں نے شریعی کمپلائنس ڈپارٹمنٹ کے ذریعے شریعی بورڈ کو اپنی پالیسیاں اور دستاویزی شکل میں طریقہ کار جمع کرائے جن کا شریعی بورڈ نے بتدریج جائزہ لیا اور انھیں منظور کیا۔
4. شریعی بورڈ کو اپنے فرائض پر عمل درآمد کیلئے معاہدہ ملازمین کی معاونت حاصل رہی ہے البتہ کام کی حجم میں اضافے کو مد نظر رکھتے ہوئے شعبہ امور شریعی کے افراد میں اضافہ بینک کے شریعی کمپلائنس کے کام کو مزید تقویت پہنچائے گا۔

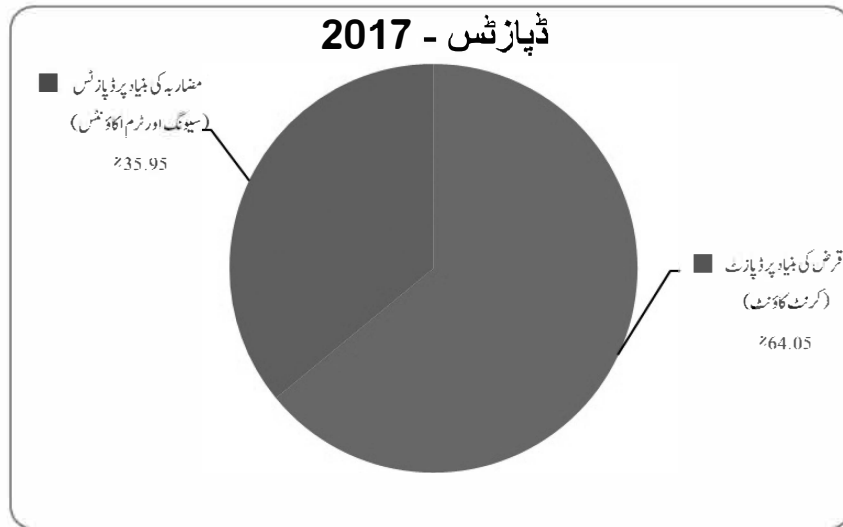
اسلامی کاروبار کا جائزہ:

اس سال کے دوران، بینک کے اثاثوں کا مجموعہ مختلف نوعیت کے اسلامی طریقہ ہائے تمویل اور سرمایہ کاری مثلاً مشارکہ، مشارکہ متناقصہ، مرابحہ، مساومہ، اجرہ اور صکوک پر مشتمل رہا۔ سال کے اختتام پر بینک کی کل اسلامی مالیات اور سرمایہ کاری 48.806 بلین روپے کی تھی جس کی تفصیل مختلف اسلامی طریقہ ہائے تمویل کے مطابق درج ذیل ہے:

*** زیر نظر رپورٹ 'شریعی بورڈ رپورٹ' کا باحاورہ اردو ترجمہ ہے۔ اصل رپورٹ انگریزی میں ہے۔ انگریزی اور اردو متن میں اختلاف کی صورت میں انگریزی متن کا اعتبار کیا جائے گا۔



اس سال کے اختتام پر بینک کے اسلامی ڈپازٹ کا سائز 40.274 بلین رہا جو قرض (کرنٹ اکاؤنٹ) اور مضاربہ (سیونگ اور گرم اکاؤنٹس) کے اسلامی تصور پر مبنی تھا اور جس کی تفصیل درج ذیل ہے۔



شریہ کمپلائنس پراڈکٹس کے لیے اقدامات:

شریہ کمپلائنس کے شعبے نے بینک کے ہیومن ریسورس ڈیپارٹمنٹ کے تعاون سے بینک کے عملے کے لیے شرعی تصور کے مطابق پراڈکٹس اور گریجویٹ فنڈ متعارف کروائے۔ شریہ بورڈ کے نزدیک یہ کوشش اور اقدام قابل ستائش ہے۔

شریہ بورڈ نے ایک سے زیادہ بینک کے صارفین کے لیے متعدد نئے طریقہ متبویل مثلاً مساومہ (ٹرانزیکشنل کموڈیٹیز فائنانس)، مشارکہ متناقصہ، مشارکہ اور کفالہ LCs کی بنیاد پر منظور کیے۔

شریہ کمپلائنس جائزے:

اس سال کے دوران، بینک کے اسلامی بزنس کے ٹیسٹ چیک کی بنیاد پر سالانہ شریہ کمپلائنس جائزے لیے گئے۔ شرعی جائزوں کے تحت اسلامی مصنوعات (بشمول تمام ڈپازٹ) اور مختلف فائنانسنگ ٹرانزیکشن بشمول مرابحہ، مساومہ، مشارکہ، مشارکہ متناقصہ اور اجرہ وغیرہ کی جانچ پڑتال کی گئی۔

شریعہ بورڈ رپورٹ

بمطابق دسمبر 31، 2017

اسلامی بینکنگ بزنس کی شریعہ کمپلائنس کو یقینی بنانے کے لئے مندرجہ ذیل اہم سرگرمیاں عمل میں لائی گئیں:

- I. مالیاتی مصنوعات کے معیاری معاہدوں کا جائزہ،
- II. مراہجہ ٹرانزیکشن کے نوٹس، کنفرمیشن آف پرچیز، فارم آف آفرز، پینٹ ایویڈنس، پرچیز ایویڈنس اور فریکل انکسپشن کا جائزہ،
- III. مراہجہ ٹرانزیکشن پر عمل درآمد کے لیے پراسس فلو کا جائزہ،
- IV. قرض اور مضاربہ کی بنیاد پر اکاؤنٹس کی دستاویزات کا جائزہ،
- V. منافع اور نقصان کی تقسیم اور پول میجمنٹ فریم ورک کا جائزہ،
- VI. مشارکہ متعلقہ میں بینک اور صارف کے درمیان شرکت کے تناسب کا جائزہ،
- VII. مشارکہ میں منافع / نقصان میں شرکت کا تناسب اور منافع کی ایڈجسٹمنٹ کا جائزہ،

مخصوص اسلامی برانچوں اور اسلامی ونڈوز کا بھی شرعی جائزہ لیا گیا۔ شریعہ کی فوقیت اور مزید بہتری کے لیے اسلامی بینکاری اور صادق کی مصنوعات کے بارے میں زیادہ بہتری کے لیے تجاویز دی گئیں۔ مجموعی طور پر اسلامک بزنس آپریشن کی شریعہ کمپلائنس اور ان کی شریعہ ہدایات کے ساتھ مطابقت کا جائزہ لیا گیا۔

علاوہ ازیں، 2017 کے اسلامی بینکنگ ڈپارٹمنٹ، اسٹیٹ بینک کے سرکلر لیٹر نمبر 1 پر عمل درآمد کرتے ہوئے شریعہ کمپلائنس ڈپارٹمنٹ نے ماہانہ بنیادوں پر ڈپازٹرز کو منافع اور نقصان کی ادائیگی سے پہلے تقسیم کے حساب و کتاب کی تصدیق شروع کر دی ہے جبکہ اندرونی شریعہ آڈٹ نے منافع اور نقصان کی ادائیگی کے بعد شریعہ آڈٹس کیے ہیں جنکی رپورٹس شریعہ بورڈ کو جمع کرائی گئی ہیں۔ علاوہ ازیں بینک نے اسٹیٹ بینک آف پاکستان کی منافع اور نقصان کی تقسیم کی ہدایات اور پول میجمنٹ پر جاری کردہ ہدایات پر عمل کیا۔

اس کے علاوہ، مسلسل بہتری کے طور پر ضروری سفارشات اور اصلاحی اقدامات تجویز کیے جاتے رہے۔ ان تجاویز و سفارشات اور دیگر قابل حل مسائل پر انتظامیہ کی جانب سے باضابطہ توجہ دی گئی اور ان کے نفاذ کی عملی کوششیں کی گئیں۔

تاخیر سے ادائیگی اور شرعی ہدایات کے برخلاف حاصل شدہ آمدنی کو خیرات میں دے جانے کی تفصیل:

بینک نے ایک واضح طریقہ کار اختیار کیا ہوا ہے جس کے تحت شریعت کے ممنوع کردہ ذرائع یا اسباب سے آئی ہوئی کمائی خیرات میں دے جانے کی غرض سے چیرٹی اکاؤنٹ میں جمع کرادی جاتی ہے اور طے شدہ طریقہ کار کے تحت استعمال ہوتی ہے۔

دوران سال 6,343 ملین روپے چیرٹی اکاؤنٹ میں جمع ہوئے۔ 3,436 ملین روپے ”ادائیگی میں تاخیر“ کی مد میں صارفین سے وصول ہوئے جبکہ 2,907 ملین روپے شرعی ہدایات کے برخلاف حاصل شدہ آمدنی کی مد میں وصول ہوئے۔ اس کے علاوہ 4,584 ملین روپے مختلف منظور شدہ خیراتی اداروں کو فراہم کئے گئے۔

آگہی، ٹریننگ اور صلاحیت کی تعمیر:

اس سال کے دوران پاکستان بھر میں اسلامی بینکاری اور صادق مصنوعات سے متعلق تقریباً 102 تربیتی نشستوں کا اہتمام کیا گیا اور 1700 سے زائد افراد کی ٹریننگ کرائی گئی۔ اس کے علاوہ شریعہ بورڈ کے ممبران نے بورڈ آف ڈائریکٹرز کے اراکین کے لئے بھی اسلامی بینکاری اور شریعت کے تصورات پر مبنی ایک سیشن کا اہتمام کیا۔ علاوہ ازیں، اعلیٰ انتظامی کمیٹی کے اراکین کو بھی اسلامی بینکاری اور شریعت کے تصورات پر مبنی ایک جامع ٹریننگ مواد فراہم کیا گیا۔

ان ہاؤس ٹریننگ سیشن کے علاوہ، بینک نے مختلف E-Learning ماڈلز بعنوان ”بنیادی اسلامی بینکاری“، ”ایڈوانس رینیئل بینکنگ اسلامک پراڈکٹس“ اور ”کارپوریٹ، انشیدو شٹل بینکنگ اور کمرشل بینکنگ اسلامک پراڈکٹس“ کا آغاز کیا اور ان تربیتی نشستوں سے کافی تعداد میں بینک کا عملہ مستفید ہوا۔ علاوہ ازیں بینک نے اپنے اسٹاف کی بڑی تعداد کو آئی بی اے (سیف) کی طرف سے منعقد کردہ بیرونی اسلامی بینکاری کے تربیتی پروگراموں کے لیے نامزد کیا۔

بینک نے اکتوبر 2017 میں بینک کے صارفین کے لیے فلراگیز سیریز کے تحت بعنوان "Living Islam" ایک آگہی سیشن کا انعقاد کیا، جس میں ملک کے نامی گرامی علماء کرام نے ”تجارتی اخلاقیات-سیرت رسول کی روشنی میں“ کے بارے میں معاشرے کے افراد کے مجموعی شعور کو اجاگر کرنے کی کوشش کی۔ شریعیہ بورڈ کے نزدیک یہ کوشش اور اقدام قابل ستائش ہے، اور امید ہے کہ مستقبل میں بھی بینک اس سلسلہ آگہی و بیداری کو جاری رکھے گا۔
یہ بات قابل ذکر ہے کہ شریعیہ کمپلائنس کی اہمیت کے حوالے سے بورڈ آف ڈائریکٹرز اور انتظامیہ کی تمام سطح پر بشمول عملے کی آگہی، صلاحیت اور جلد ہم آہنگی پیدا کرنے کی صلاحیت وغیرہ پر توجہ مرکوز ہے۔

سفارشات:

1. بینک کو اہم ایگزیکٹوز / اسلامی بینکاری کے اسٹاف کو اسلامی بینکاری اور مالیات کے موضوع پر منعقدہ سرٹیفکیٹ اور ڈیپلوما پروگرام، سیمینار اور ورکشاپس وغیرہ کے لئے نامزد کرتے رہنا چاہئے۔ مینجمنٹ کو یہ بھی مشورہ دیا جاتا ہے کہ وہ صارفین سے براہ راست رابطہ رکھنے والے عملے کی باقاعدہ تربیتی نشستوں یا خود مطالعاتی تربیت کے ذریعے اسلامی بینکاری اور متعلقہ مصنوعات کے بارے میں مستقل بنیادوں پر تربیت کراتا رہے۔
2. اس بات کی یقینی بنانے کے لیے کہ صارف کے پاس شرعی احکام کے مطابق ایک متبادل بھی موجود ہے، بینک کو مشورہ دیا جاتا ہے کہ وہ نئے صارفین کو اپنے ہاں لاتے وقت اسلامی بینکنگ کی مصنوعات پیش کرے۔

اللہ سبحانہ و تعالیٰ ہماری کوششوں کو قبول فرمائے، اور اپنے کام کو پورا کرنے کے لیے اخلاص عطا فرمائے، ہمیں اس دنیا اور آخرت میں کامیاب کرے اور ہماری کوتاہیوں کو معاف فرمائے۔ آمین یا رب العالمین۔

محمد عبدالمبین (ممبر شریعیہ بورڈ)

مفتی محمد عبدالمبین (ممبر شریعیہ بورڈ)

محمد عبد اللہ

مفتی محمد عبد اللہ (ریزیڈنٹ شریعیہ بورڈ ممبر)

ڈاکٹر شیخ نظام یعقوبی (چیئر مین شریعیہ بورڈ)

ڈاکٹر شیخ نظام یعقوبی (چیئر مین شریعیہ بورڈ)

مفتی ارشاد احمد اعجاز (ممبر شریعیہ بورڈ)

مفتی ارشاد احمد اعجاز (ممبر شریعیہ بورڈ)

رپورٹ کی تاریخ: 01 مارچ 2018



KPMG Taseer Hadi & Co.
Chartered Accountants
First Floor
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

Telephone: + 92 (21) 3568 5847
Fax: + 92 (21) 3568 5095
Internet: www.kpmg.com.pk

Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Standard Chartered Bank (Pakistan) Limited ("the Bank") for the year ended 31 December 2017 to comply with the requirements of Listing Regulations of the Pakistan Stock Exchange ("PSX") where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 31 December 2017.

Date: 08 March, 2018

Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Compliance with the Code of Corporate Governance

The Board of Directors of Standard Chartered Bank (Pakistan) Limited ("Bank") supports and re-confirms its commitment to continued support and implementation of the highest standards of Corporate Governance at all times.

This statement is being presented to comply with Clause 5.19 of the Code of Corporate Governance ('the Code') as contained in the Rule Book of the Pakistan Stock Exchange, for the purpose of establishing a framework of Good Governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

For the year ended 31 December 2017, the Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors on its Board of Directors. At year end, the Board consisted of the following directors:

Mr. Ian Bryden (Chairman)	Non Executive Director
Mr. Shazad Dada (CEO)	Executive Director
Mr. Ferdinand Pieterse	Non Executive Director
Mr. Mohamed Abdelbary	Non Executive Director
Mr. Parvez Ghias	Independent Non Executive Director
Mr. Najam I. Chaudhri	Independent Non Executive Director *
Mrs. Spenta Kandawalla	Independent Non Executive Director

Independent non-executive directors meet the criteria of independence under clause 5.19.1 (b) of the Code.

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Bank.
3. All the resident directors of the Bank are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Bank has adopted Group's 'Code of Conduct', which has been approved by the Board and is disseminated to all the directors and employees of the Bank along with its supporting policies and procedures.
5. The Board has developed and approved a vision/ mission statement and overall corporate strategy. The Board has also approved significant policies and adopted certain Standard Chartered Group policies as far as they are in accordance with the local laws and regulations. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO are taken by the Board.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose.
8. No casual vacancy occurred during the period under review.
9. The Board met at least once in every quarter. Notices of meetings, agendas and related papers are circulated at least seven days before the meeting except in case where an emergent meeting is to be held. The minutes of the meetings were appropriately recorded and circulated.
10. The Board has approved appointment of CFO, Head of Internal Audit and Company Secretary including their remuneration and terms and conditions of employment.
11. The Board has formed an Audit Committee. Committee also ensures independence of the internal audit function and independence and objectivity of the External Auditors.
12. The Audit Committee of the Board comprised of three members. Two of them including Chairperson were Independent Non-Executive Directors while third member was a Non-Executive Director.
13. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of this Committee have been approved by the Board and advised to the Committee for compliance.

* As per specific approval from State Bank of Pakistan

Statement of Compliance with the Code of Corporate Governance

14. The Board has constituted a three member Human Resource & Remuneration Committee. Two of them including Chairperson were Independent Non-Executive Directors whereas third member was a Non-Executive Director.
15. The Directors' Report for the year under review has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
16. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
17. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding. No trading in shares of the Bank was carried out by the Directors, Executives and their spouses and minor children during the year as confirmed by them.
18. All Directors are provided with an Orientation Pack on their appointment. All Directors on the Board have completed directors training programs/courses arranged by Pakistan Institute of Corporate Governance. During the period under review, a number of in-house orientation sessions were attended by the directors.
19. The Bank has complied with all the corporate and financial reporting requirements of the Code.
20. The Board has set up an effective Internal Audit Department (IAD). Head of IAD reports directly to the Chairman of the Board Audit Committee. Personnel of internal audit function are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
21. The Board of Directors has put in place a mechanism for undertaking annual evaluation of the performance of the Board.
22. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. Material/ price sensitive information, if any, has been disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely manner.
25. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
26. The Bank has all requisite information of persons having access to inside information which is maintained by designated senior management officer in a timely manner. The Bank has made significant progress in formalizing the register and will make further improvements as per the requirements.
27. The Bank has complied with the requirements of the Listing Regulations relating to Related Party transactions. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting framework as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.
28. All other material principles contained in the Code have been complied with.

By Order of the Board



Shazad Dada
Chief Executive Officer



Najam I. Chaudhri
Director

Six Years Key Financial Data

Rupees in million

Key Financial Date	2012	2013	2014	2015	2016	2017
Revenue	26,796	24,214	28,256	29,405	26,548	25,480
Operating Profit	12,705	15,213	15,696	16,942	14,204	13,744
Profit before Tax	9,108	16,144	15,231	15,385	15,345	13,453
Profit after Tax	5,911	10,528	9,725	9,288	9,618	8,245
Net Mark-up Income before provision	19,480	18,329	20,863	22,308	19,385	17,280
Non Mark-up Income	7,316	5,885	7,393	7,097	7,163	8,200
Non Mark-up Expenses	14,091	9,000	12,560	12,463	12,344	11,736
Shareholder's Equity	50,331	52,286	54,456	55,016	56,872	57,335
Total Assets	388,872	394,508	409,568	447,348	474,752	513,549
Advances - net	135,184	135,495	128,590	108,853	113,951	137,655
Investments - net	131,977	146,687	189,678	231,837	245,850	272,488
Deposits	266,670	296,557	304,504	327,238	365,562	377,576
Expense / Income Ratio	53%	37%	44%	42%	46%	46%
Advances / Deposits Ratio	51%	46%	42%	33%	31%	36%
Return on Equity	11.63%	20.52%	18.22%	17.23%	17.60%	14.74%
Return on Assets	1.59%	2.69%	2.42%	2.23%	2.23%	1.79%

Standard Chartered Bank (Pakistan) Limited

Financial Statements

For the year ended
31 December 2017



KPMG Taseer Hadi & Co.
Chartered Accountants
First Floor
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

Telephone: + 92 (21) 3568 5847
Fax: + 92 (21) 3568 5095
Internet: www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed statement of financial position of **Standard Chartered Bank (Pakistan) Limited** ("the Bank") as at 31 December 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the repealed Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the repealed Companies Ordinance, 1984 (XLVII of 1984);
- b) in our opinion:
 - i) the statement of financial position and the profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the repealed Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied,
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and,
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the repealed Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2017 and its true balance of profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: 08 March, 2018

Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

Statement of Financial Position

As at 31 December 2017

	Note	2017	2016
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	4	35,085,289	40,729,979
Balances with other banks	5	779,856	5,699,791
Lendings to financial institutions	6	8,067,665	19,798,390
Investments	7	272,487,815	245,850,227
Advances	8	137,655,093	113,950,767
Operating fixed assets	9	8,033,890	5,773,296
Intangible assets	10	26,095,642	26,095,890
Other assets	11	25,343,352	16,853,879
		513,548,602	474,752,219
LIABILITIES			
Bills payable	12	18,958,345	10,821,793
Borrowings	13	26,029,816	14,400,841
Deposits and other accounts	14	377,576,064	365,562,094
Sub-ordinated loans	15	-	2,500,000
Deferred tax liabilities - net	16	3,706,408	1,754,807
Other liabilities	17	24,341,273	18,430,391
		450,611,906	413,469,926
NET ASSETS		62,936,696	61,282,293
REPRESENTED BY:			
Share capital	18	38,715,850	38,715,850
Reserves	19	14,419,594	12,770,562
Unappropriated profit		4,199,687	5,385,558
		57,335,131	56,871,970
Surplus on revaluation of assets - net of deferred tax	20	5,601,565	4,410,323
		62,936,696	61,282,293
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 43 and Annexure I form an integral part of these annual financial statements.



Shazad Dada
Chief Executive Officer



Asad Ali Shariff
Chief Financial Officer



Najam I. Chaudhri
Director



Parvez Ghias
Director



Mohamed Abdelbary
Director

Profit and Loss Account

For the year ended 31 December 2017

	Note	2017	2016
		----- (Rupees in '000) -----	
Mark-up / return / interest earned	22	26,798,792	28,395,001
Mark-up / return / interest expensed	23	(9,519,290)	(9,009,663)
Net mark-up / return / interest income		17,279,502	19,385,338
(Provision) / recovery against non-performing loans and advances - net	8.3 & 17.2	(329,069)	1,069,467
Recovery of amounts written off		221,953	224,126
Provision for diminution in the value of investments	7.3	(64,029)	-
Bad debts written off directly	8.5.1	(119,416)	(152,695)
		(290,561)	1,140,898
Net mark-up / return / interest income after provisions		16,988,941	20,526,236
NON MARK-UP / NON INTEREST INCOME			
Fees, commission and brokerage income		4,411,718	3,329,942
Dividend income		875	-
Income from dealing in foreign currencies	24	2,299,364	1,732,619
Gain on sale of securities - net	25	874,325	1,543,649
Unrealized gain on revaluation of investments classified as held for trading	7.11	18,876	7,761
Other income	26	595,259	548,804
		8,200,417	7,162,775
Total non mark-up / non interest income		25,189,358	27,689,011
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	27	(11,456,760)	(11,964,196)
Other (provisions) / reversal / asset write-offs	28	6,897	(27,593)
Other charges	29	(286,370)	(352,356)
		(11,736,233)	(12,344,145)
Total non mark-up / non interest expenses		13,453,125	15,344,866
Extra-ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		13,453,125	15,344,866
Taxation - current		(5,240,335)	(5,500,616)
- prior years'		2,230,743	(340,495)
- deferred		(2,198,371)	114,030
	30	(5,207,963)	(5,727,081)
PROFIT AFTER TAXATION		8,245,162	9,617,785
		----- (Rupees) -----	
BASIC / DILUTED EARNINGS PER SHARE	31	2.13	2.48

The annexed notes 1 to 43 and Annexure I form an integral part of these annual financial statements.



Shazad Dada
Chief Executive Officer



Asad Ali Shariff
Chief Financial Officer



Najam I. Chaudhri
Director



Parvez Ghias
Director



Mohamed Abdelbary
Director

Statement of Comprehensive Income

For the year ended 31 December 2017

	2017	2016
	----- (Rupees in '000) -----	
Profit after tax for the year	8,245,162	9,617,785
Other comprehensive income		
Items that will never be reclassified to profit or loss subsequently		
Remeasurement of post employment obligations	(5,394)	5,868
Related tax charge	1,888	(2,054)
	(3,506)	3,814
Comprehensive income transferred to equity	8,241,656	9,621,599
Components of comprehensive income not reflected in equity		
Deficit on revaluation of available for sale securities - net	(1,211,104)	(3,866,819)
Surplus on revaluation of fixed assets	2,173,629	-
Related tax charge	244,882	1,353,386
	1,207,407	(2,513,433)

The annexed notes 1 to 43 and Annexure I form an integral part of these annual financial statements.



Shazad Dada
Chief Executive Officer



Asad Ali Shariff
Chief Financial Officer



Najam I. Chaudhri
Director



Parvez Ghias
Director








Mohamed Abdelbary
Director

Cash Flow Statement

For the year ended 31 December 2017

Note	2017	2016
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation for the year	13,453,125	15,344,866
Less: Dividend income	(875)	-
	13,452,250	15,344,866
Adjustments for:		
Depreciation	453,537	445,603
Amortization	248	30,830
Gain realised on disposal of subsidiaries's operations	-	(248,621)
Gain on disposal of fixed assets - net	(16,813)	(49,203)
Unrealized gain on revaluation of investments classified as held for trading - net	(18,876)	(7,761)
Asset write-offs / other provisions / (reversals)	(6,897)	27,593
Provision for diminution in the value of investments	64,029	-
Provision / (recovery) against non-performing loans and advances	226,532	(1,140,898)
	701,760	(942,457)
	14,154,010	14,402,409
(Increase) / decrease in operating assets		
Lendings to financial institutions	11,730,725	652,230
Net investments in 'held for trading' securities	(3,678,760)	353,731
Advances	(23,930,858)	(3,956,433)
Other assets (excluding advance taxation)	(5,365,719)	5,650,533
	(21,244,612)	2,700,061
Increase / (decrease) in operating liabilities		
Bills payable	6,024,552	(579,398)
Borrowings from financial institutions (excluding overdrawn nostros)	12,122,908	(6,909,461)
Deposits and other accounts	12,013,970	38,324,567
Other liabilities	5,848,649	(2,286,563)
	36,010,079	28,549,145
Cash inflow before taxation	28,919,477	45,651,615
Income tax paid	(6,116,014)	(6,588,269)
Net cash generated from operating activities	22,803,463	39,063,346
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in 'available for sale' securities	(24,215,085)	(18,911,938)
Proceeds from sale of investment in subsidiaries	-	935,767
Dividend income received	875	-
Net investment in fixed assets (including intangible assets)	(556,331)	(420,790)
Sale proceeds on disposal of operating fixed assets	16,813	188,319
Net cash used in investing activities	(24,753,728)	(18,208,642)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of sub-ordinated loan	(388,000)	-
Dividend paid	(7,732,427)	(7,732,921)
Net cash used in financing activities	(8,120,427)	(7,732,921)
(Decrease) / increase in cash and cash equivalents for the year	(10,070,692)	13,121,783
Cash and cash equivalents at beginning of the year	45,849,084	32,727,301
Cash and cash equivalents at end of the year	35,778,392	45,849,084

The annexed notes 1 to 43 and Annexure I form an integral part of these annual financial statements.

				
Shazad Dada Chief Executive Officer	Asad Ali Shariff Chief Financial Officer	Najam I. Chaudhri Director	Parvez Ghias Director	Mohamed Abdelbary Director

Statement of Changes in Equity

For the year ended 31 December 2017

	Share Capital	Share Premium	Statutory Reserve	Unappropriated Profit (a)	Total
(Rupees in '000)					
Balance as at 01 January 2016	38,715,850	1,036,090	9,810,915	5,453,310	55,016,165
Total Comprehensive income for the year					
Profit after tax for the year ended 31 December 2016	-	-	-	9,617,785	9,617,785
Other Comprehensive income	-	-	-	3,814	3,814
Remeasurement of post employment obligations - net of tax	-	-	-	9,621,599	9,621,599
Transactions with owners, recorded directly in equity					
Share based payment transactions (Contribution from holding Company)	-	-	-	21,890	21,890
Payment against share based payment transactions (to holding Company)	-	-	-	(55,047)	(55,047)
Cash dividend (Final 2015) at Rs. 1.25 per share	-	-	-	(4,839,481)	(4,839,481)
Cash dividend (Interim 2016) at Rs. 0.75 per share	-	-	-	(2,903,689)	(2,903,689)
	-	-	-	(7,776,327)	(7,776,327)
Transfer to statutory reserve	-	-	1,923,557	(1,923,557)	-
Transferred from surplus on revaluation of fixed asset - net of deferred tax	-	-	-	10,533	10,533
Balance as at 31 December 2016	38,715,850	1,036,090	11,734,472	5,385,558	56,871,970
Total Comprehensive income for the year					
Profit after tax for the year ended 31 December 2017	-	-	-	8,245,162	8,245,162
Other Comprehensive income	-	-	-	(3,506)	(3,506)
Remeasurement of post employment obligations - net of tax	-	-	-	8,241,656	8,241,656
Transactions with owners, recorded directly in equity					
Share based payment transactions (Contribution from holding Company)	-	-	-	28,661	28,661
Payment against share based payment transactions (to holding Company)	-	-	-	(80,151)	(80,151)
Cash dividend (Final 2016) at Rs. 1.25 per share	-	-	-	(4,839,481)	(4,839,481)
Cash dividend (Interim 2017) at Rs. 0.75 per share	-	-	-	(2,903,689)	(2,903,689)
	-	-	-	(7,794,660)	(7,794,660)
Transfer to statutory reserve	-	-	1,649,032	(1,649,032)	-
Transferred from surplus on revaluation of fixed assets - net of deferred tax	-	-	-	16,165	16,165
Balance as at 31 December 2017	38,715,850	1,036,090	13,383,504	4,199,687	57,335,131

(a) As further explained in note 8.2.1 of these annual financial statements the amount of Rs. 105.660 million as at 31 December 2017 represents additional profit arising from availing forced sale value benefit for determining provisioning requirement which is not available for the purpose of distribution of dividend to shareholders / bonus to employees.

The annexed notes 1 to 43 and Annexure I form an integral part of these annual financial statements.



Shazad Dada
Chief Executive Officer



Asad Ali Shariff
Chief Financial Officer



Najam I. Chaudhri
Director



Parvez Ghias
Director



Mohamed Abdelbary
Director

Notes to the Financial Statements

For the year ended 31 December 2017

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 93 branches in Pakistan (2016: 101 branches in Pakistan) in operation at 31 December 2017.

2. BASIS OF PREPARATION

2.1 Basis of presentation

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

Key financial figures of the Islamic banking branches are disclosed in note 42 to these financial statements.

2.2 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the repealed Companies Ordinance, 1984, the provisions and directives issued under the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the repealed Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by the SECP and SBP shall prevail.

The Companies Ordinance, 1984 was repealed by enactment of the Companies Act, 2017 on May 30, 2017. The circular no. 23/2017 dated October 04, 2017 of SECP has clarified that all those companies whose financial year closes on or before December 31, 2017 can prepare financial statements in accordance with the repealed Companies Ordinance, 1984.

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 August 26, 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 April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these 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 January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. The SBP through BPRD Circular Letter No. 4 dated February 25, 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 BSD Circular Letter No. 02 of 2004, as amended from time to time.

Notes to the Financial Statements

For the year ended 31 December 2017

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that certain available for sale, trading and derivative financial instruments have been measured at fair value, whereas certain fixed assets are stated at revalued amounts less accumulated depreciation and accumulated impairment losses, where applicable.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following:

- Note 7 Classification and provisioning against investments
- Note 8.2 Classification and provisioning against non-performing advances
- Note 9 & 10 Valuation and depreciation / amortisation rates for fixed / intangible assets
- Note 9 & 10 Impairment of non-financial assets including goodwill and other intangibles
- Note 16 Deferred taxation
- Note 21.8 Derivative instruments
- Note 30 Income taxes
- Note 34 Employees' retirement defined benefit plans

2.5 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Bank's functional currency. Except as indicated, financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented.

3.1 Business acquisitions

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented. For this purpose comparatives are restated, where required. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the combining entity's financial statements.

Other acquisitions

Other business combinations are accounted for using the acquisition method. For acquisition prior to 1 January 2009, the cost of acquisition is measured as the fair value of the asset given, equity instruments issued and the liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identified assets acquired are fair valued at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill. Subsequently, any recoveries or losses to fair value of net assets are taken to profit and loss account and disclosed in note 26 to these financial statements.

3.2 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks and overdrawn nostros.

Notes to the Financial Statements

For the year ended 31 December 2017

3.3 Investments

The Bank classifies its investments as follows:

a) Held for trading

These are securities, which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are carried at market value. The surplus / deficit arising as a result of revaluation at market value is recognised in the profit and loss account. These securities are to be sold within 90 days from the date of their classification as 'Held for trading' under normal circumstances, in accordance with the requirements specified by BSD Circular 10 dated 13 July 2004 issued by the State Bank of Pakistan. Market value of investment in Government securities is determined based on the relevant PKRV and PKISRV rates.

b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.

c) Available for sale

These are investments that do not fall under the held for trading or held to maturity categories and are carried at market value. The surplus / deficit arising as a result of revaluation at market value is kept in a separate account below equity. Market value of investment in Government securities is determined based on the relevant PKRV and PKISRV rates.

All 'regular way' purchases and sales of investments are recognised on the trade date i.e. the date that the bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Impairment

Impairment loss in respect of equity securities classified as available for sale and subsidiaries is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position below equity is removed there from and recognised in the profit and loss account. For investments in subsidiaries, the impairment loss is assessed with reference to estimated cash flows of the investment and the loss is recognised in the profit and loss account.

3.4 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') remain on the balance sheet; the counterparty liability is included in borrowings from financial institutions. Securities purchased under agreements to resell ('reverse repos') are recorded as lendings to financial institutions. The difference between sale and repurchase price is treated as interest / mark-up / return and accrued over the life of the underlying agreement using the effective interest method.

3.5 Advances

Advances are stated net of provision against non-performing advances. Specific and general provisions are made based on an appraisal of the loan portfolio that takes into account Prudential Regulations issued by the State Bank of Pakistan from time to time. Specific provisions are made where the repayment of identified loans is in doubt and reflect an estimate of the amount of loss expected. The general provision is for the inherent risk of losses which, although not separately identified, are known from experience to be present in any loan portfolio. Provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted off against advances. Advances are written-off when there is no realistic prospect of recovery.

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances.

Islamic financing

Murabaha financings are reflected as receivables at the sale price. Actual sale and purchase is not reflected as the goods are purchased by the customer as agent of the Bank and all documents relating to purchase are in customer's name. Funds disbursed under Murabaha financing arrangements for purchase of goods are recorded as Advance Against Murabaha.

Notes to the Financial Statements

For the year ended 31 December 2017

In Diminishing Musharaka based financing, the Bank enters into a Musharaka based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into a periodic rental payment agreement for the utilization of the Bank's Musharaka share by the customer.

Assets under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the term of the lease.

Musharakah is a partnership contract where the Bank enters into financing relationship with the customer based on Shirkat-ul-Aqd. The profits are shared as per agreed ratios between partners and losses are borne in proportion to their respective capital contributions.

3.6 Operating fixed assets - tangible

Owned

Operating fixed assets, other than land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses thereon. Cost includes expenditure that is directly attributable to the acquisition of fixed assets. Land and buildings are stated at revalued amounts less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to profit and loss account during the financial period in which they are incurred.

Land and buildings are revalued by independent professionally qualified valuer(s). Surplus arising on revaluation is credited to the 'surplus on revaluation of fixed assets' account (net of deferred tax). Under the provisions of the repealed Companies Ordinance, 1984, deficit arising on revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account. The revaluation is carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would have been determined using fair value at the balance sheet date.

Accumulated depreciation on owned buildings, at the date of revaluation, is eliminated against the gross carrying amount of buildings. The net amount is then restated to the revalued amount.

Surplus on revaluation of fixed assets (net of deferred tax) is transferred to unappropriated profit to the extent of incremental depreciation charged on related assets.

Land is not depreciated. Depreciation on all other fixed assets is calculated using the straight line method to allocate their depreciable cost or revalued amount to their residual values over their estimated useful lives.

The residual values and useful lives of fixed assets are reviewed, and adjusted (if appropriate) at each balance sheet date.

Gains and losses on disposal of fixed assets are included in profit and loss account currently, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profits.

Leased

Fixed assets held under finance lease are stated at the lower of fair value of asset and present value of minimum lease payments at the inception of lease, less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to owned assets.

3.7 Intangible assets

Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment.

Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful lives using the straight line method.

Notes to the Financial Statements

For the year ended 31 December 2017

Acquired intangibles in business combination

Acquired intangibles in business combination that have finite lives are amortised over their economic useful life based on the manner that benefits of the relevant assets are consumed.

3.8 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated pre-tax future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

3.9 Staff retirement benefits

Defined benefit plan

The Bank operates approved funded management and non management pension scheme only for its existing pensioners.

For defined benefit plans, the net defined benefit liability /asset recognised in the balance sheet is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The deficit or surplus is:

- (a) the present value of the defined benefit obligation less
- (b) the fair value of plan assets (if any).

The present value of defined benefit obligation is calculated annually by independent actuaries by discounting the estimated future cash flows using an interest rate equal to the yield on high-quality corporate bonds.

Actuarial gains or losses that arise are recognised in other comprehensive income in the period they arise. Service cost and Net interest on net defined benefit liability / (asset) are also recognised in profit and loss account.

Defined contribution plan

The Bank also operates a defined contribution gratuity scheme for all its management and non management staff, and a provident fund scheme for all its permanent staff, contributing at 8.33 percent and 10 percent of basic salary respectively.

3.10 Foreign currency transactions

Transactions in foreign currencies are translated to Pakistan Rupees at exchange rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Pakistan Rupees at the exchange rate prevailing at that reporting date. Foreign currency differences arising on retranslation are recognised in profit or loss.

3.11 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable on the taxable income for the year (using tax rates enacted or substantively enacted at the balance sheet date), and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided for using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Notes to the Financial Statements

For the year ended 31 December 2017

Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.12 Revenue recognition

Mark-up / return on advances and investments is recognised on an accrual basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Mark-up recoverable on classified loans, advances and investments is recognised on a receipt basis in accordance with the requirements of Prudential Regulations issued by the State Bank of Pakistan. Mark-up on rescheduled / restructured loans, advances and investments is also recognised in accordance with the requirements of these Prudential Regulations.

Where debt securities are purchased at a premium or discount, those premiums / discounts are amortized through profit and loss account over the remaining maturity, using the effective yield method.

Fees, commission and brokerage income is recognised on an accrual basis except where in the opinion of the management, it would not be prudent to do so. Fees and commission which in substance amount to an additional interest charge, are recognised over the life of the underlying transaction on a level yield basis.

Dividend income is recognised when the right to receive income is established.

A portion of income is deferred for loyalty reward credits awarded to customers for usage of bank's credit card and are measured by reference to their fair value. Upon expiry / redemption of the reward credits, the income previously deferred will be reversed and cost related to the redemption will be recognized.

Murabaha transactions are reflected as receivable at sale price. Actual sale and purchase are not reflected as the goods are purchased by the customer as agent of the Bank. Profit on the sales revenue not due for payment is deferred by recording a credit to 'Deferred Murabaha Income' account.

Ijarah income is recognized on an accrual basis as and when the rental becomes due unless another systematic basis is more representative of the time pattern in which benefit of use is derived from the leased asset is diminished.

3.13 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to profit and loss account.

3.14 Provisions

Provisions for restructuring costs and legal claims are recognised when: (i) the Bank has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated.

3.15 Fiduciary activities

The Bank commonly acts in fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions for which it earns a fee. These assets and its related income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

3.16 Segment reporting

A segment is a component of the Bank that engages in business activities for which it may earn revenues and incur expenses (including revenue and expense relates to transactions with other component), whose results are regularly reviewed by the Chief decision maker to make decisions about resources to be allocated to the segment and access its performance and for which financial information is available. A brief description of the products and services offered by different segments of the Bank is given in note 38 to these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

3.17 Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.18 Subordinated liabilities

Subordinated liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3.19 Share-based compensation

The Group operates various share-based compensation plans which are accounted for as equity settled share based payment transactions, regardless of inter group repayment arrangements. The cost for such share based payment transactions is determined by reference to the fair value of options at the grant date. The fair value is determined based on the market price or using an appropriate valuation technique. The cost is charged to profit and loss account and credited to equity as a contribution from parent. The liability for these transactions which is based on the fair value of these options at the settlement date is settled through debiting equity.

3.20 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions.

3.21 Basic and diluted earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at 31 December 2017.

3.22 Dividend and appropriation to reserves

Dividend and appropriation to reserves, except appropriation which are required by law after the balance sheet date, are recognised as liability in the Bank's financial statements in the year in which these are approved.

3.23 Borrowings / deposits and their cost

- Borrowings / deposits are recorded at the time when the proceeds are received.
- Borrowing / deposit costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method.

3.24 Financial assets and liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lendings to financial and other institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposit accounts and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

3.25 Provision for guarantee claims and other off balance sheet obligations

Provision for guarantee claims and other off balance sheet obligations are recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. Charge to profit and loss account is stated net of expected recoveries.

3.26 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There were certain new and amended standards, interpretations and amendments that were mandatory for the Bank effective 1 January 2017 but did not have any significant effect on the Bank's financial statements and therefore not detailed in these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

3.27 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2018:

- Classification and measurement of Share Based Payment transactions amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Bank's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Bank's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Bank's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have impact on Bank's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Bank is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. The application of the standard is not likely to have any material impact on Bank's financial statements.
- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). 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 is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further instructions.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long term interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019). An amendment to IAS 28 Investments in Associates and Joint Ventures will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendment is not likely to have an impact on the Bank's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

Notes to the Financial Statements

For the year ended 31 December 2017

- IAS 12 Income Taxes - the amendment clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs, the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are not likely to have an impact on the Bank's financial statements.

- In addition the Companies Act, 2017 was enacted on 30 May 2017 and according to circular referred to in note 2.2, for financial statements purposes would be applicable to financial statements for periods after 1 January 2018. Furthermore, SBP has also notified a new format of financial statements which would be effective from the accounting year ending 31 December 2018. The Companies Act, 2017 and the revised format would result in additional disclosures and certain changes in the financial statements presentation.

4 CASH AND BALANCES WITH TREASURY BANKS	Note	2017	2016
		----- (Rupees in '000) -----	
In hand			
- Local currency	4.1	3,876,767	2,941,306
- Foreign currencies		4,389,291	3,451,082
With State Bank of Pakistan in:			
- Local currency current account		13,223,096	16,763,160
- Local currency current account - Islamic Banking		1,853,289	6,002,173
- Foreign currency deposit account			
Cash reserve account		2,974,253	2,822,747
Special cash reserve account		8,364,702	7,944,823
Local US Dollar collection account		53,843	87,739
With National Bank of Pakistan in:			
- Local currency current account		350,048	716,949
		<u>35,085,289</u>	<u>40,729,979</u>

4.1 This includes National Prize Bonds of Rs. 2.514 million (2016: Rs. 0.888 million).

5 BALANCES WITH OTHER BANKS		2017	2016
		----- (Rupees in '000) -----	
In Pakistan			
- In current accounts		-	-
Outside Pakistan			
- In current accounts	5.1	<u>779,856</u>	<u>5,699,791</u>
		<u>779,856</u>	<u>5,699,791</u>

5.1 This includes balances of Rs. 735.502 million (2016: Rs. 5,578.725 million) held with other branches and subsidiaries of Standard Chartered Group outside Pakistan.

6 LENDINGS TO FINANCIAL INSTITUTIONS	Note	2017	2016
		----- (Rupees in '000) -----	
Repurchase agreement lendings (Reverse Repo)	6.1 & 6.5	2,161,425	8,135,575
Bai Muajjal receivable from State Bank of Pakistan	6.2	509,253	-
Placements	6.3	5,396,987	11,662,815
		<u>8,067,665</u>	<u>19,798,390</u>

6.1 These carry mark-up rates at return of 5.75 percent per annum (2016: 5.80 percent to 5.85 percent per annum) payable at maturity, and are due to mature during January 2018. These arrangements are governed under Master Repurchase Agreements.

6.2 These represent lendings to State Bank of Pakistan by Islamic Banking Business under Bai Muajjal agreements at expected return of 5.51 percent per annum with maturities upto June 2018.

6.3 This represents placements with other branches and subsidiaries of Standard Chartered Group outside Pakistan at mark-up rates ranging from 0.3 percent to 1.15 percent per annum (2016: 0.08 percent to 1.20 percent per annum), and are due to mature during January 2018.

Notes to the Financial Statements

For the year ended 31 December 2017

6.4 Particulars of lending

In local currency
In foreign currencies

2017	2016
----- (Rupees in '000) -----	
2,670,678	8,135,575
5,396,987	11,662,815
8,067,665	19,798,390

6.5 Securities held as collateral against lendings to financial institutions

	2017			2016		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
----- (Rupees in '000) -----						
Market Treasury Bills	-	-	-	7,832,398	-	7,832,398
Pakistan Investment Bonds	2,161,425	-	2,161,425	303,177	-	303,177
	2,161,425	-	2,161,425	8,135,575	-	8,135,575

6.5.1 The market value of securities held as collateral against lendings to financial institutions amounted to Rs. 2,167.386 million (2016: Rs. 8,135.960 million).

7 INVESTMENTS

		2017			2016		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----							
7.1 Investments by type	Note						
Held for trading securities							
Market Treasury Bills		4,536,363	-	4,536,363	59,794	-	59,794
Pakistan Investment Bonds		277,838	-	277,838	1,075,647	-	1,075,647
Available for sale securities							
Market Treasury Bills	7.6	255,150,423	6,297,554	261,447,977	192,086,748	-	192,086,748
Pakistan Investment Bonds	7.6	-	-	-	43,219,957	18,849	43,238,806
GoP Ijarah Sukuk Bond	7.6	5,356,369	-	5,356,369	7,005,946	-	7,005,946
Sukuk Bonds	7.7	800,000	-	800,000	1,050,000	-	1,050,000
Term Finance Certificates - unlisted	7.8	285,025	-	285,025	285,025	-	285,025
Equity shares of listed companies	7.9	783,077	-	783,077	783,077	-	783,077
Equity shares of unlisted companies	7.10	3,004	-	3,004	3,004	-	3,004
Investments at cost		267,192,099	6,297,554	273,489,653	245,569,198	18,849	245,588,047
Provision for diminution in the value of investments	7.3	(962,147)	-	(962,147)	(898,118)	-	(898,118)
Investments (net of provisions)		266,229,952	6,297,554	272,527,506	244,671,080	18,849	244,689,929
Surplus on revaluation of held for trading securities - net	7.11	18,876	-	18,876	7,761	-	7,761
Surplus / (Deficit) on revaluation of available for sale securities - net		(58,712)	145	(58,567)	1,152,060	477	1,152,537
Total Investments - net		266,190,116	6,297,699	272,487,815	245,830,901	19,326	245,850,227

Notes to the Financial Statements

For the year ended 31 December 2017

7.2 Investments by segment

Federal Government Securities

Market Treasury Bills

Pakistan Investment Bonds

GoP Ijarah Sukuk Bonds

Fully paid up ordinary shares

Listed companies

Unlisted companies

Bonds and Term Finance Certificates - Unlisted

Term Finance Certificates

Sukuk Bonds

Total investment at cost

Less: Provision for diminution in the value of investments

Investment (net of provisions)

Surplus on revaluation of held for trading securities - net

Surplus on revaluation of available for sale securities - net

Total Investments - net

Note

2017

2016

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

265,984,340 192,146,542

277,838 44,314,453

5,356,369 7,005,946

783,077 783,077

3,004 3,004

285,025 285,025

800,000 1,050,000

273,489,653 245,588,047

(962,147) (898,118)

272,527,506 244,689,929

18,876 7,761

(58,567) 1,152,537

272,487,815 245,850,227

7.3 Particulars of provision for diminution in the value of investments

Opening balance

Charge for the year

Other movement

Closing Balance

898,118 808,221

64,029 -

- 89,897

962,147 898,118

7.3.1 The details of provision held against investments are as follows:

Ordinary shares - available for sale

Term Finance Certificates - unlisted

7.9 & 7.10

7.8

677,122 613,093

285,025 285,025

962,147 898,118

7.4 Investments include securities having book value of Rs. 18.369 million (2016: Rs. 18.849 million) pledged with the State Bank of Pakistan as security to facilitate T.T. discounting facility to the Bank, including an amount earmarked against the facilities allocated to branches now in Bangladesh.

7.5 Market Treasury Bills and Pakistan Investment Bonds are eligible for discounting with the State Bank of Pakistan.

Quality of 'Available for Sale' securities	Note	2017			2016		
		Rating	Cost	Market value	Rating	Cost	Market value
		----- (Rupees in '000) -----			----- (Rupees in '000) -----		
7.6 Federal Government Securities							
Market Treasury Bills		Unrated	261,447,977	261,312,332	Unrated	192,086,748	192,011,182
Pakistan Investment Bonds		Unrated	-	-	Unrated	43,238,806	44,208,797
GoP Ijarah Sukuk Bonds		Unrated	5,356,369	5,411,447	Unrated	7,005,946	7,154,256
Total			266,804,346	266,723,779		242,331,500	243,374,235
7.7 Sukuk Bonds							
Wapda Sukuk Bonds		Unrated	-	-	Unrated	50,000	49,093
Fatima Fertilizer Sukuk Bonds	7.7.1	AA-	800,000	822,000	AA-	1,000,000	1,000,000
			800,000	822,000		1,050,000	1,049,093

Notes to the Financial Statements

For the year ended 31 December 2017

7.7.1 Fatima Fertilizer Sukuk bonds carry mark-up rates 1.1% above 6 months KIBOR. The principal and profit is payable semi-annually with maturity in November 2021.

7.8 Bonds and Term Finance Certificates - unlisted

Term Finance Certificates of Rs. 5,000 each

Agritech Limited
Azgard Nine Limited

Provision for diminution in the value - note 7.3.1

2017	2016
(Rupees in '000)	
147,000	147,000
138,025	138,025
285,025	285,025
(285,025)	(285,025)
-	-

7.9 Particulars of shares held - listed

		2017			2016		
2017	2016	Rating	Cost	Market value	Rating	Cost	Market value
(Number of shares)		(Rupees in '000)			(Rupees in '000)		
22,373,615	22,373,615	Unrated	783,077	783,077	Unrated	783,077	783,077
			783,077	783,077		783,077	783,077
			-	(674,118)		-	(610,089)
			-	-		-	110,709
			783,077	108,959		783,077	283,697

All shares are ordinary shares of Rs. 10 each except otherwise mentioned.

7.10 Particulars of shares held - unlisted

2017	2016		2017	2016	2017	2016
(Number of shares)			Rating		(Rupees in '000)	
573,769	573,769	Pakistan Export Finance Guarantee Agency Limited	Unrated	Unrated	3,004	3,004
					3,004	3,004
					(3,004)	(3,004)
					-	-

Provision for diminution
in the value - note 7.3.1

7.11 Unrealized gain on revaluation of investments classified as held for trading

Market Treasury Bills
Pakistan Investment Bonds

2017	2016
(Rupees in '000)	
15,942	149
2,934	7,612
18,876	7,761

Notes to the Financial Statements

For the year ended 31 December 2017

8 ADVANCES

Note

2017

2016

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

Loans, cash credits, running finances, etc.

- In Pakistan

- Outside Pakistan

106,379,877

94,098,584

106,379,877

94,098,584

Islamic Financing and Related Assets (Gross)

43,159,548

32,822,175

Bills discounted and purchased (excluding treasury bills)

- Payable in Pakistan

- Payable outside Pakistan

6,456,222

3,901,614

1,284,007

2,808,964

7,740,229

6,710,578

Advances - gross

Provision for non-performing advances

Advances - net of provision

8.2

157,279,654

133,631,337

(19,624,561)

(19,680,570)

137,655,093

113,950,767

8.1 Particulars of advances - gross

8.1.1 In local currency

In foreign currencies

149,126,002

124,203,041

8,153,652

9,428,296

157,279,654

133,631,337

8.1.2 Short term (for upto one year)

Long term (for over one year)

134,275,585

116,817,126

23,004,069

16,814,211

157,279,654

133,631,337

8.2 Advances include Rs. 19,587.098 million (31 December 2016: Rs. 21,873.219 million) which have been placed under non-performing status as detailed below:

Category of classification	2017								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
OAEM	7,961	-	7,961	-	-	-	-	-	-
Substandard	249,632	-	249,632	44,470	-	44,470	44,470	-	44,470
Doubtful	892,775	-	892,775	644,096	-	644,096	644,096	-	644,096
Loss	18,436,730	-	18,436,730	18,265,415	-	18,265,415	18,265,415	-	18,265,415
General Provision	19,587,098	-	19,587,098	18,953,981	-	18,953,981	18,953,981	-	18,953,981
	-	-	-	670,580	-	670,580	670,580	-	670,580
	19,587,098	-	19,587,098	19,624,561	-	19,624,561	19,624,561	-	19,624,561

Category of classification	2016								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
OAEM	37,407	-	37,407	-	-	-	-	-	-
Substandard	444,903	-	444,903	60,341	-	60,341	60,341	-	60,341
Doubtful	4,684,018	-	4,684,018	2,920,254	-	2,920,254	2,920,254	-	2,920,254
Loss	16,706,891	-	16,706,891	16,152,454	-	16,152,454	16,152,454	-	16,152,454
	21,873,219	-	21,873,219	19,133,049	-	19,133,049	19,133,049	-	19,133,049
General Provision	-	-	-	547,521	-	547,521	547,521	-	547,521
	21,873,219	-	21,873,219	19,680,570	-	19,680,570	19,680,570	-	19,680,570

8.2.1 At 31 December 2017, the provision requirement has been reduced by Rs. 162.554 million (31 December 2016: Rs. 401.589 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. 105.660 million due to the said FSV benefit is not available for distribution of cash and stock dividend / bonus to employees.

Notes to the Financial Statements

For the year ended 31 December 2017

8.3 Particulars of provision against non-performing advances

Note	2017			2016		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	19,133,049	547,521	19,680,570	20,960,812	555,906	21,516,718
Charge for the year	1,469,674	137,629	1,607,303	1,752,208	70,134	1,822,342
Reversals	(1,216,481)	(14,570)	(1,231,051)	(2,565,869)	(78,519)	(2,644,388)
	253,193	123,059	376,252	(813,661)	(8,385)	(822,046)
Amounts written off	(405,961)	-	(405,961)	(997,832)	-	(997,832)
Other movements	(26,300)	-	(26,300)	(16,270)	-	(16,270)
Closing balance	18,953,981	670,580	19,624,561	19,133,049	547,521	19,680,570

8.4 Particulars of provision against non-performing advances

Note	2017	2016
(Rupees in '000)		
In local currency	18,922,298	18,978,307
In foreign currencies	702,263	702,263
	19,624,561	19,680,570

8.5 Particulars of write offs

8.5.1	Against provisions		405,961	997,832
	Charged and written off during the year		119,416	152,695
		8.5.2	525,377	1,150,527
8.5.2	Write-offs of Rs. 500,000 and above		299,131	826,888
	Write-offs of below Rs. 500,000		226,246	323,639
			525,377	1,150,527

8.6 Details of loans written-off of Rs. 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended 31 December 2017 is given in Annexure I.

8.7 This includes loans charged off as per Bank's policy. Recovery efforts on the amount charged off are ongoing, as the Bank continues to have the legal right of recovery.

Notes to the Financial Statements

For the year ended 31 December 2017

8.8 Particulars of loans and advances to directors, associated companies, etc.

	Note	2017	2016
		----- (Rupees in '000) -----	
(i) Debts due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons			
Balance at beginning of the year		2,496,544	2,004,638
Loans granted during the year		1,077,821	879,516
Repayments		(439,028)	(387,610)
Balance at end of the year		3,135,337	2,496,544
(ii) Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members			
Balance at beginning of the year		64,789	121,347
Loans granted during the year		688,571	877,440
Repayments		(704,510)	(933,998)
Balance at end of the year		48,850	64,789
(iii) Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		131,989	321,813
Loans granted during the year		168,427	1,178,183
Repayments		(121,865)	(1,368,007)
Balance at end of the year		178,551	131,989
9 OPERATING FIXED ASSETS			
Capital work-in-progress	9.1	228,027	45,753
Property and equipment	9.2	7,805,863	5,727,543
		8,033,890	5,773,296
9.1 Capital work-in-progress			
Civil works		61,146	45,592
Advance payment towards property and equipment		165,744	-
Consultants' fee and other charges		1,137	161
		228,027	45,753

Notes to the Financial Statements

For the year ended 31 December 2017

9.2 Property and equipment

2017								
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Leased hold improvements	Furniture, fixtures and office equipment	Vehicles	Total
(Rupees in '000)								
Cost / Valuations								
At 1 January 2017	580,694	3,654,498	234,650	623,733	1,138,321	3,027,336	94,895	9,354,127
Surplus / (Deficit) on revaluation	81,442	1,582,784	79,404	429,999	-	-	-	2,173,629
Revaluation adjustment *	-	-	(101,668)	(263,458)	-	-	-	(365,126)
Additions during the year	-	-	6,727	15,082	85,338	264,160	2,750	374,057
Transfers / write offs	-	-	-	-	(62,482)	(162,086)	-	(224,568)
Deletions	-	-	-	-	-	(170,484)	(809)	(171,293)
At 31 December 2017	662,136	5,237,282	219,113	805,356	1,161,177	2,958,926	96,836	11,140,826
Accumulated Depreciation								
At 1 January 2017	-	-	70,195	182,119	854,862	2,427,587	91,821	3,626,584
Charge for the year	-	-	31,473	81,339	80,091	258,668	1,966	453,537
Revaluation adjustment *	-	-	(101,668)	(263,458)	-	-	-	(365,126)
Transfers / write offs	-	-	-	-	(46,653)	(162,086)	-	(208,739)
Deletions	-	-	-	-	-	(170,484)	(809)	(171,293)
At 31 December 2017	-	-	-	-	888,300	2,353,685	92,978	3,334,963
Net book value	662,136	5,237,282	219,113	805,356	272,877	605,241	3,858	7,805,863
Rate of depreciation	-	-	6.67%	6.67%	6.67%-10%	14.28% - 33.33%	33.33%	
2016								
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Leased hold improvements	Furniture, fixtures and office equipment	Vehicles	Total
(Rupees in '000)								
Cost / Valuations								
At 1 January 2016	588,374	3,778,358	238,401	605,441	1,253,150	2,693,339	95,134	9,252,197
Additions during the year	-	-	-	10,046	-	361,518	3,473	375,037
Transfers / write offs	-	-	153	13,337	(114,820)	2,909	-	(98,421)
Deletions	(7,680)	(123,860)	(3,904)	(5,091)	(9)	(30,430)	(3,712)	(174,686)
At 31 December 2016	580,694	3,654,498	234,650	623,733	1,138,321	3,027,336	94,895	9,354,127
Accumulated Depreciation								
At 1 January 2016	-	-	39,644	88,532	838,754	2,227,902	93,413	3,288,245
Charge for the year	-	-	30,988	81,079	104,290	227,126	2,120	445,603
Transfers / write offs	-	-	153	13,337	(88,173)	2,989	-	(71,694)
Deletions	-	-	(590)	(829)	(9)	(30,430)	(3,712)	(35,570)
At 31 December 2016	-	-	70,195	182,119	854,862	2,427,587	91,821	3,626,584
Net book value	580,694	3,654,498	164,455	441,614	283,459	599,749	3,074	5,727,543
Rate of depreciation	-	-	6.67%	6.67%	6.67%-10%	14.28% - 33.33%	33.33%	

* The revaluation adjustment relates to the accumulated depreciation as at revaluation date that was eliminated against the gross carrying amount of the revalued buildings.

9.3 The Bank's owned land and buildings were revalued by independent accredited professional valuers, Iqbal A. Nanjee & Co. (Private) Limited and Colliers International (Level 3 measurements). Both valuers appointed by the Bank are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the nature, current condition and location of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

The date of revaluation was 31 December 2017. If the owned land and buildings were measured using the cost model, the carrying amounts would have been as follows:

Notes to the Financial Statements

For the year ended 31 December 2017

Carrying amount

Freehold land
Leasehold land
Buildings on freehold land
Buildings on leasehold land

2017	2016
----- (Rupees in '000) -----	
121,205	121,205
541,834	541,834
98,371	112,639
309,875	361,741
1,071,285	1,137,419

The movement in surplus on revaluation of fixed assets is given in note 20.1 to the financial statements.

9.4 As at 31 December 2017, the cost of fully depreciated fixed assets still in use amounted to Rs. 2,971.509 million (2016: Rs. 2,764.999 million).

9.5 Depreciation rates for furniture, fixtures and office equipment are as follows:

Furniture and fixtures	33.33	percent
Printers	33.33	percent
Other office equipment	20.00	percent
Computer equipment	33.33	percent
ATM machines	14.28	percent

9.6 Details of disposal of fixed assets whose original cost or book value exceeds Rs. 1 million or Rs. 250,000, which ever is less, and assets disposed of to the Chief Executive or to a director or to executives or to a shareholder holding not less than 10% of the voting shares of the bank or to any related party, irrespective of value, are given below:

	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain on Sale	Mode of Disposal	Particulars of Purchaser
	----- (Rupees in '000) -----						
Furniture, fixtures and office equipment	78,048	78,048	-	3,419	3,419	Agreement	M/S NCR Corporation
	25,596	25,596	-	-	-	Agreement	M/S NCR Corporation
	12,870	12,870	-	1,340	1,340	Tender	M/S Pakistan International
	9,290	9,290	-	2,773	2,773	Tender	M/S Mughal Traders
	8,604	8,604	-	2,000	2,000	Tender	M/S Zim Trading
	6,352	6,352	-	973	973	Tender	M/S Mughal Traders
	5,852	5,852	-	867	867	Tender	M/S Muhammad Shahid Soomro
	5,815	5,815	-	375	375	Tender	M/S Pakistan International
	3,339	3,339	-	875	875	Tender	Mr. Muhammad Shahid Soomoro
	3,247	3,247	-	886	886	Tender	Mr. Muhammad Shahid Soomoro
	2,040	2,040	-	295	295	Tender	M/S Mughal Traders
	1,450	1,450	-	196	196	Tender	M/S Naveed Enterprise
	1,296	1,296	-	285	285	Tender	M/S Mughal Traders
	163,799	163,799	-	14,284	14,284		

Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000:

Furniture, fixtures and office equipment	6,685	6,685	-	1,824	1,824
Vehicle	809	809	-	705	705
Total	171,293	171,293	-	16,813	16,813

Notes to the Financial Statements

For the year ended 31 December 2017

10 INTANGIBLE ASSETS

2017

	Goodwill	Core Deposits Intangible	Customer Relationships Intangible	Brand Names	Computer Software	Total
	(Rupees in '000)					
Cost						
At 1 January 2017	26,095,310	1,982,413	774,680	389,400	338,350	29,580,153
Transfers / write offs	-	-	-	-	(2,030)	(2,030)
At 31 December 2017	26,095,310	1,982,413	774,680	389,400	336,320	29,578,123
Amortised						
At 1 January 2017	-	1,982,413	774,100	389,400	338,350	3,484,263
Charge for the year	-	-	248	-	-	248
Transfers / write offs	-	-	-	-	(2,030)	(2,030)
At 31 December 2017	-	1,982,413	774,348	389,400	336,320	3,482,481
Net book value	26,095,310	-	332	-	-	26,095,642
Rate of amortisation					20%	

2016

	Goodwill	Core Deposits Intangible	Customer Relationships Intangible	Brand Names	Computer Software	Total
	(Rupees in '000)					
Cost						
At 1 January 2016	26,095,310	1,982,413	774,680	389,400	338,350	29,580,153
Additions during the year	-	-	-	-	-	-
At 31 December 2016	26,095,310	1,982,413	774,680	389,400	338,350	29,580,153
Amortised						
At 1 January 2016	-	1,982,413	769,071	363,599	338,350	3,453,433
Charge for the year	-	-	5,029	25,801	-	30,830
At 31 December 2016	-	1,982,413	774,100	389,400	338,350	3,484,263
Net book value	26,095,310	-	580	-	-	26,095,890
Rate of amortisation					20%	

10.1 As at 31 December 2017, the cost of fully amortised intangible assets (computer software) still in use amounted to Rs. 336.320 million (2016: Rs. 338.350 million).

10.2 At 31 December 2017, accumulated goodwill (less impairment losses – if any) amounted to Rs. 26,095 million (2016: Rs. 26,095 million).

An annual assessment is made as to whether the current carrying value of goodwill is impaired. For the purposes of impairment testing, goodwill has been allocated to the CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those CGUs. At 31 December 2017, recoverable amount of all CGUs exceeded the carrying amount.

The recoverable amount for the purpose of assessing impairment of goodwill on acquisition of Union Bank Limited was based on value in use. The calculations are based on the five year forecast approved by the management and a terminal value determined using Gordon Growth Model (using long term GDP growth rate of 5.79%). The cash flows are discounted using a discount rate (13.40%) which reflects the current market rate appropriate for the business, computed using Capital Asset Pricing Model. In prior years, the terminal value element was calculated by projecting further fifteen years of cash flows and then including a terminal value. The change in assessment methodology is not materially different between the two approaches. The allocation of goodwill to CGUs for the purpose of impairment testing is given below:

Notes to the Financial Statements

For the year ended 31 December 2017

Cash Generating Unit

Corporate & Institutional Business

Commercial Business

Retail Business

Total Goodwill

2017	2016
(Rupees in '000)	
6,841,098	6,841,098
5,801,256	5,801,256
13,452,956	13,452,956
26,095,310	26,095,310

The management believes that any reasonable possible changes to the key assumptions on which calculation of recoverable amount is based, would not cause the carrying amount to exceed the recoverable amount. The Bank has performed sensitivity analysis on the key assumptions for recoverable amount. These include a 1 per cent increase in the discount rate, a 1 per cent reduction in long-term GDP growth rate and a 10 per cent reduction in estimated cash flows. In all the three scenarios mentioned above, the recoverable values in all the CGUs exceed their carrying values and hence no impairment exists.

	Note	2017	2016 (Restated)
(Rupees in '000)			
11 OTHER ASSETS			
Income / mark-up accrued in local currency		2,301,428	3,962,941
Income / mark-up accrued in foreign currencies		19,350	13,911
Advances, deposits, advance rent and other prepayments		655,802	577,171
Receivable from defined benefit plans	34.3	-	5,635
Advance taxation (payments less provisions)	11.1 & 17.4	13,599,105	10,492,683
Branch adjustment account		972	481
Unrealized gain on forward foreign exchange contracts		4,666,957	430,464
Interest rate derivatives and currency options - positive fair value		158,703	1,557
Receivable from SBP / Government of Pakistan		885,526	197,966
Receivable from associated undertakings		519,099	280,255
Receivable from Standard Chartered Bank, Sri Lanka operations	11.2	35,581	34,471
Advance Federal Excise Duty		188,443	188,443
Unsettled trades		1,336,621	104,284
Others		1,011,260	627,561
		25,378,847	16,917,823
Less: Provision against other assets	11.3	(35,495)	(63,944)
		25,343,352	16,853,879

11.1 Advance taxation (payments less provisions) represents the amounts paid under appeals / litigations of Rs. 9,898 million (including amount paid against claim for amortisation of goodwill of Rs. 3,607 million, refer note 30.2) and advance tax paid under section 147 and other tax payments.

11.2 Consequent to Sale and Purchase Agreement (SPA) signed between Standard Chartered Bank, Sri Lanka (SCBSL) and Standard Chartered Bank (Pakistan) Limited (SCBPL), the Sri Lanka branch operations of SCBPL were amalgamated with SCBSL with effect from close of business on 10 October 2008. According to the terms of SPA, unproductive debts, staff loans of SCBPL who are not retained by the purchaser, their corresponding housing loans and assets arising from litigation which cannot be assigned are held in trust with SCBSL. The recoveries made (net of expenses) from such assets are taken to income from Sri Lanka branch operations along with foreign exchange translation impacts as disclosed in note 26 to these financial statements, and consequently recorded as receivable. Moreover, loans which were fully provided and deemed non recoverable were written-off after necessary approvals.

	2017	2016
(Rupees in '000)		
11.3 Provision against other assets		
Opening balance	63,944	116,373
Net reversal for the year	(22,033)	-
Write off during the year	-	(52,429)
Other movements	(6,416)	-
Closing balance	35,495	63,944

Notes to the Financial Statements

For the year ended 31 December 2017

12 BILLS PAYABLE	Note	2017	2016
(Rupees in '000)			
In Pakistan		18,194,915	10,149,120
Outside Pakistan		763,430	672,673
		18,958,345	10,821,793
13 BORROWINGS			
In Pakistan		25,954,290	13,820,357
Outside Pakistan		75,526	580,484
		26,029,816	14,400,841
13.1 Particulars of borrowings with respect to currencies			
In local currency		25,954,290	13,820,357
In foreign currencies		75,526	580,484
		26,029,816	14,400,841
13.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan under Export Refinance (ERF) scheme	13.2.1	17,392,305	13,147,531
Repurchase agreement borrowings (Repo)	13.2.2	6,279,185	-
State Bank of Pakistan - LTFF	13.2.3	431,573	672,624
		24,103,063	13,820,155
Unsecured			
Call borrowings	13.2.4	1,840,000	-
Overdrawn nostro accounts	13.2.5	86,753	580,686
		26,029,816	14,400,841
13.2.1 Mark-up on Export Refinance (ERF) from State Bank of Pakistan is charged at 2 percent (2016: 1 percent to 3 percent) per annum. ERF borrowings also include borrowings under Islamic Export Refinance scheme amounting to Rs. 3,094 million (2016: Rs. 2,625 million). These borrowings are secured against demand promissory notes executed by the Bank in favour of State Bank of Pakistan.			
13.2.2 Repurchase agreement borrowings carry mark up rates ranging from 5.85 percent to 6.05 percent (2016: Nil) per annum payable at maturity and are due to mature by January 2018. These are secured against six months market treasury bills. The market value of securities given as collateral against these borrowings amounted to Rs. 6,279.339 million.			
13.2.3 Mark-up on Long Term Finance Facility (LTFF) from State Bank of Pakistan carry mark up rates ranging from 2.5 percent to 6.5 percent (2016: 2.5 percent to 6.5 percent) per annum. These loans are secured against promissory notes executed by the Bank in favour of State Bank of Pakistan.			
13.2.4 These carry mark-up rates ranging from 5.85 percent to 6.05 percent per annum (2016: Nil) payable at maturity, and are due to mature during January 2018.			
13.2.5 These include overdrawn nostro accounts with other branches and subsidiaries of Standard Chartered Group outside Pakistan amounting to Rs. 75.526 million (2016: Rs. 498.580 million).			

Notes to the Financial Statements

For the year ended 31 December 2017

14 DEPOSITS AND OTHER ACCOUNTS

Note

2017

2016

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

Customers

Remunerative

- Fixed deposits

- Savings deposits

Non-Remunerative

- Current accounts

- Margin accounts

- Special exporters' account

Financial Institutions

- Remunerative deposits

- Non-remunerative deposits - Current account

14.1

29,598,100	22,231,104
185,500,901	186,007,700
154,429,040	151,796,941
1,512,656	1,354,922
3,264,141	1,853,939
374,304,838	363,244,606
52,198	64,888
3,219,028	2,252,600
377,576,064	365,562,094

14.1 This includes Rs. 835.108 million (2016: Rs. 589.579 million) against balances of other branches and subsidiaries of Standard Chartered Group operating outside Pakistan.

14.2 Particulars of deposits

Note

2017

2016

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

In local currency

In foreign currencies

317,789,015	305,757,660
59,787,049	59,804,434
377,576,064	365,562,094

15 SUB-ORDINATED LOANS

Term Finance Certificates issued

15.1

-	2,500,000
---	-----------

15.1 During the year, the Bank exercised Call option of Term Finance Certificates - IV in accordance with the Trust Deed and Terms and Conditions for the TFC issue, after completing the regulatory requirements. Accordingly, the said TFCs were redeemed in full on 29 December 2017.

16 DEFERRED TAX ASSETS / (LIABILITIES)

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

	Note	2017			
		At 1 January 2017	(Charge) / credit to profit and loss	Debit / (credit) to equity / other comprehensive income	At 31 December 2017
<hr style="border-top: 1px solid black; border-bottom: 1px solid black; height: 3px;"/> <div style="text-align: center;">(Rupees in '000)</div> <hr style="border-top: 1px solid black; border-bottom: 1px solid black; height: 3px;"/>					
Available for sale investments	20.2	(403,388)	-	423,886	20,498
Provisions for loans and advances	16.1	5,948,788	(2,988,971)	-	2,959,817
Other assets		757,343	659,795	-	1,417,138
Fixed assets		(82,341)	16,303	-	(66,038)
Surplus on revaluation of Fixed assets		(42,668)	-	(179,004)	(221,672)
Goodwill		(7,945,488)	114,502	-	(7,830,986)
Actuarial gains on retirement benefits		12,947	-	1,888	14,835
		(1,754,807)	(2,198,371)	246,770	(3,706,408)

Notes to the Financial Statements

For the year ended 31 December 2017

Note		2016			
		At 1 January 2016	(Charge) / credit to profit and loss	Debit / (credit) to equity /other comprehensive income	At 31 December 2016
		----- (Rupees in '000) -----			
Available for sale investments	20.2	(1,756,774)	-	1,353,386	(403,388)
Provisions for loans and advances		5,870,796	77,992	-	5,948,788
Other assets		(87,150)	844,493	-	757,343
Fixed assets		(142,840)	60,499	-	(82,341)
Surplus on revaluation of Fixed assets		(52,206)	8,587	951	(42,668)
Goodwill		(7,067,947)	(877,541)	-	(7,945,488)
Actuarial gains on retirement benefits		15,001	-	(2,054)	12,947
		<u>(3,221,120)</u>	<u>114,030</u>	<u>1,352,283</u>	<u>(1,754,807)</u>

- 16.1** During the year, an exercise was carried out to reconcile the amount of provision relating to period before tax year 2008 and the amount of write off claimed from that provision. As a result an amount of Rs. 2.838 billion has been reclassified from deferred tax to taxation provision. The deferred tax asset on provision for doubtful debts includes an amount of Rs. 1.258 billion. The management, based on projection of taxable profit considers that the Bank would be able to claim deductions through the prescribed limits in seventh schedule in future years.

17 OTHER LIABILITIES	Note	2017	2016 (Restated)
		----- (Rupees in '000) -----	
Mark-up / return / interest payable in local currency		298,628	196,128
Accrued expenses	17.4	3,040,186	3,457,106
Advance payments		276,522	242,630
Sundry creditors		3,324,496	2,718,688
Unrealized loss on forward foreign exchange contracts		2,894,953	85,338
Unrealized loss on interest rate derivatives and currency options	21.8.2	213,527	134,365
Payable to defined benefit plans		4,981	-
Due to Holding Company	17.1	10,330,627	9,247,383
Unclaimed balances		33,074	30,180
Dividend Payable		73,045	62,302
Provision against off balance sheet obligations	17.2	282,927	330,110
Worker's Welfare Fund (WWF) payable	17.3	1,647,979	1,378,918
Unsettled trades		1,325,812	29,781
Others		594,516	517,462
		<u>24,341,273</u>	<u>18,430,391</u>
17.1 Due to Holding Company			
On account of reimbursement of executive and general administrative expenses		10,330,627	8,751,072
Royalty payable		-	496,311
		<u>10,330,627</u>	<u>9,247,383</u>
17.2 Provision against off-balance sheet obligations			
Opening balance		330,110	667,428
Charge for the year		2,574	43,755
Reversals		(49,757)	(291,176)
Other movements		-	(89,897)
Closing balance		<u>282,927</u>	<u>330,110</u>

Notes to the Financial Statements

For the year ended 31 December 2017

- 17.3** 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 Workers Welfare Funds (WWF) on banks were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending. Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive until the review petition is decided. Accordingly, the amount charged for WWF since 2008 has not been reversed.

Further, as a consequence of passage of 18th Amendment to the Constitution, levy for Workers Welfare was also introduced by the Government of Sindh (Sindh WWF) which was effective from 01 January 2014. The definition of industrial undertakings under the aforesaid Sindh WWF law includes banks and financial institutions as well. The Bank has challenged applicability of the said law on Banks before the Sindh High Court.

- 17.4** During the year a debit of Rs. 1,420.5 million was identified as of 31 December 2016 in accrued expenses which related to advance taxation. The amount has been appropriately classified and corresponding figure for assets, liabilities and capital adequacy ratios have been adjusted.

18 SHARE CAPITAL

18.1 Authorized Capital

2017	2016	Note	2017	2016
(Number of shares)			(Rupees in '000)	
<u>4,000,000,000</u>	<u>4,000,000,000</u>	Ordinary shares of Rs.10 each	<u>40,000,000</u>	<u>40,000,000</u>

18.2 Issued, subscribed and paid-up Capital

<u>2,939,785,018</u>	<u>2,939,785,018</u>	Ordinary shares of Rs. 10 each Fully paid in cash	<u>29,397,850</u>	<u>29,397,850</u>
<u>931,800,003</u>	<u>931,800,003</u>	Issued in terms of scheme of amalgamation	<u>9,318,000</u>	<u>9,318,000</u>
<u>3,871,585,021</u>	<u>3,871,585,021</u>		<u>38,715,850</u>	<u>38,715,850</u>

- 18.3** These represent 892,554,151 shares of Rs. 10/- each issued and allotted at par to Standard Chartered Bank, United Kingdom against transfer of entire undertaking of SCB Branch Business by SCB to the Bank, and 39,245,852 shares issued and allotted at par credited as fully paid up to persons who were registered shareholders of Union Bank. These shares have been issued in accordance with the scheme of amalgamation duly approved by State Bank of Pakistan on 4 December 2006.

- 18.4** At 31 December 2017, Standard Chartered Bank, United Kingdom, held 98.99% shares of the Bank.

19 RESERVES

	Note	2017	2016
(Rupees in '000)			
Share premium	19.1	<u>1,036,090</u>	<u>1,036,090</u>
Statutory reserve	19.2	<u>13,383,504</u>	<u>11,734,472</u>
		<u>14,419,594</u>	<u>12,770,562</u>

- 19.1** This represents excess of fair value of the shares over par value of shares issued to registered shareholders of Union Bank in terms of the amalgamation scheme.

- 19.2** In accordance with the Banking Companies Ordinance, 1962, the Bank is required to transfer twenty percent of its profit of each year to a reserve fund until the amount in such fund equals the paid-up capital of the Bank.

- 19.3** The Board of Directors in their meeting held on 8 March 2018 have announced a final cash dividend of 10.00 % (Rs. 1.00 /- per share) in respect of the year ended 31 December 2017 (2016: Rs. 1.25 per share). This is in addition to 7.50% (Rs. 0.75/- per share) interim cash dividend announced during the year. The financial statements for the year ended 31 December 2017 do not include the effect of final dividend appropriations which will be accounted for subsequent to the year end.

Notes to the Financial Statements

For the year ended 31 December 2017

20 SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX	Note	2017	2016
		————— (Rupees in '000) —————	
Surplus arising on revaluation of:			
Fixed assets	20.1	5,639,634	3,661,174
Available for Sale Securities	20.2	(38,069)	749,149
		<u>5,601,565</u>	<u>4,410,323</u>
20.1 Surplus on revaluation of fixed assets - net of tax			
Surplus on revaluation of fixed assets as at 1 January		3,703,842	3,723,913
Surplus on revaluation of owned properties recorded during the year	9.2	2,173,629	-
Surplus realized on disposal of revalued properties		-	4,508
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(16,165)	(15,992)
Related deferred tax liability		(8,704)	(8,587)
		<u>(24,869)</u>	<u>(24,579)</u>
Surplus on revaluation of fixed assets as at 31 December		5,852,602	3,703,842
Less: Related deferred tax liability on:			
Revaluation surplus as at 1 January		(42,668)	(52,206)
Revaluation surplus recorded during the year		(179,004)	-
Revaluation surplus realized on disposal during the year		-	951
Incremental depreciation charged during the year transferred to profit and loss account		8,704	8,587
		<u>(212,968)</u>	<u>(42,668)</u>
Surplus on revaluation of fixed assets as at 31 December - net of tax		<u>5,639,634</u>	<u>3,661,174</u>
20.2 Surplus / (deficit) on revaluation of Available for Sale securities - net of tax			
Market Treasury Bills		(135,645)	(75,566)
Pakistan Investment Bonds		-	969,991
Sukuk and Ijarah Bonds		77,078	147,403
Listed shares		-	110,709
		<u>(58,567)</u>	<u>1,152,537</u>
Related deferred tax liability		20,498	(403,388)
		<u>(38,069)</u>	<u>749,149</u>
21 CONTINGENCIES AND COMMITMENTS			
21.1 Transaction-related contingent liabilities			
Guarantees issued favouring:	21.1.1		
- Government		60,698,935	49,381,038
- Others		37,713,529	40,631,891
		<u>98,412,464</u>	<u>90,012,929</u>
21.1.1 Guarantees relating to Islamic Banking Business amount to Rs. 400 million (31 December 2016: Rs. 620 million).			
21.2 Trade-related contingent liabilities			
Letters of credit	21.2.1	18,747,847	22,583,980
21.2.1 Letters of credit relating to Islamic Banking Business amount to Rs. 3,801 million (31 December 2016: Rs. 3,195 million).			
21.3 Trade-related commitments			
Acceptances	21.3.1	6,283,546	6,988,336
21.3.1 Acceptances relating to Islamic Banking Business amount to Rs. 1,035 million (31 December 2016: Rs. 1,599 million).			

Notes to the Financial Statements

For the year ended 31 December 2017

	Note	2017	2016
		(Rupees in '000)	
21.4 Commitment for acquisition of fixed assets		173,129	23,491
21.5 Other contingencies			
Claims against the Bank not acknowledged as debt	21.5.1	10,988,832	12,303,413

21.5.1 These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.

21.5.2 The Bank has identified that a case has been 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. During the year, positive decision were rendered for certain office spaces in favour of the Bank. 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.

21.5.3 The Tax Authorities have passed orders for the income years 2009 and 2010 levying Federal Excise Duty amounting to Rs. 188 million on certain items. The Bank has paid entire amount under protest and contesting the orders in the appeals.

Further, an order for income year 2011 levying Federal Excise Duty of Rs. 515.6 million has been issued. The demand has been stayed by the Sindh High Court.

	2017	2016
21.6 Commitments in respect of forward foreign exchange contracts	(Rupees in '000)	
Purchase from:		
State Bank of Pakistan	119,080,713	16,321,650
Other banks	39,719,754	53,856,408
Customers	377,862	3,524,916
Sale to:		
Other banks	115,408,324	48,280,141
Customers	13,663,482	3,397,802

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

21.7 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.

Notes to the Financial Statements

For the year ended 31 December 2017

21.8 Derivative instruments

21.8.1 Product analysis

2017				
Counterparties	Interest Rate Swaps Cross Currency Swaps		FX Options	
	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)
With Banks for				
Hedging	-	-	-	-
Market Making	12	6,877,997	7	115,705
With FIs other than banks				
Hedging	-	-	-	-
Market Making	-	-	-	-
With other entities for				
Hedging	-	-	-	-
Market Making	16	7,099,180	7	115,705
Total				
Hedging	-	-	-	-
Market Making	28	13,977,177	14	231,410

2016				
Counterparties	Interest Rate Swaps Cross Currency Swaps		FX Options	
	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)
With Banks for				
Hedging	-	-	-	-
Market Making	12	3,290,210	41	874,205
With FIs other than banks				
Hedging	-	-	-	-
Market Making	-	-	-	-
With other entities for				
Hedging	-	-	-	-
Market Making	13	3,803,088	41	874,205
Total				
Hedging	-	-	-	-
Market Making	25	7,093,298	82	1,748,410

* At the exchange rate prevailing at year end.

Contracts with banks represent contracts entered with branches of Standard Chartered Bank, UK to obtain cover against the contracts with customers, except for 3 contracts with local banks having notional principal of Rs. 1,234.133 million.

Notes to the Financial Statements

For the year ended 31 December 2017

21.8.2 Maturity analysis

Interest Rate Swaps & Cross Currency Swaps

Remaining Maturity	No. of contracts	Notional principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	3	193,180	4,306	(245)	4,061
6 month to 1 year	-	-	-	5,604	5,604
1 to 2 years	7	8,199,953	(3,014)	3,014	-
2 to 3 years	4	1,649,191	(113,171)	107,637	(5,534)
3 to 5 years	-	-	(2,648)	2,648	-
5 to 10 years	14	3,934,853	(99,000)	40,045	(58,955)
Above 10 years	-	-	-	-	-
	28	13,977,177	(213,527)	158,703	(54,824)

22 MARK-UP / RETURN / INTEREST EARNED

Note

	2017	2016
	(Rupees in '000)	
On loans and advances to customers	10,027,320	9,565,766
On loans and advances to financial institutions	78,377	108,036
On investments in: i) Held for trading securities	59,149	275,054
ii) Available for sale securities	16,414,680	17,962,422
On deposits with financial institutions / State Bank of Pakistan	8,248	-
On securities purchased under resale agreements	150,259	480,815
On call money lending / Placements	60,759	2,908
	26,798,792	28,395,001

23 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	8,703,354	8,183,708
Securities sold under repurchase agreements	286,789	282,597
Call borrowings	53,899	15,824
Borrowings from State Bank of Pakistan under Export Refinance (ERF) scheme	303,810	351,356
Term Finance Certificates (sub-ordinated loan)	171,438	176,178
	9,519,290	9,009,663

24 INCOME FROM DEALING IN FOREIGN CURRENCIES

Gain / (loss) realised from dealing in:		
Foreign Currencies	1,941,458	1,632,881
Derivative financial instruments	357,906	99,738
	2,299,364	1,732,619

25 GAIN ON SALE OF SECURITIES - NET

Federal Government Securities		
Market Treasury Bills	319,678	93,420
Pakistan Investment Bonds	555,979	1,446,926
Ijarah Sukuks	(1,332)	3,303
	874,325	1,543,649

26 OTHER INCOME

Rent on property	20,853	19,651
Gain on disposal of fixed assets	16,813	49,203
Gain on sale of subsidiaries operation	-	248,621
Gain / (loss) on derivatives - net	527,693	220,053
Sri Lanka branch operations cost & fx translation	1,110	(5,183)
Recoveries against assets at acquisition of Union Bank Limited	26,300	16,270
Other income	2,490	189
	595,259	548,804

11.2

Notes to the Financial Statements

For the year ended 31 December 2017

27 ADMINISTRATIVE EXPENSES

Note

2017

2016

(Rupees in '000)

Salaries, allowances etc.		5,503,664	5,445,024
Charge / (reversals) for defined benefit plans		(439)	233
Contributions to defined contribution plans		354,750	330,251
Non Executive Directors fee		6,170	6,210
Rent, taxes, insurance etc.		895,487	824,948
Utility charges		310,441	355,409
Legal and professional charges		149,048	135,334
Communications		424,359	436,781
Premises repairs and refurbishment		282,444	645,029
Cleaning and Janitorial		276,778	250,233
Equipment and consumables		271,233	225,682
Software licenses and renewals		130,263	122,630
Stationery and printing		192,825	204,717
Advertisement and publicity		431,757	196,539
Donations	27.1	13,300	24,436
Auditors' remuneration	27.2	22,987	21,193
Depreciation		453,537	445,603
Amortization		248	30,830
Travelling, conveyance and vehicles' running		146,596	161,217
Reimbursement of executive and general administrative expenses - net	27.3	1,555,449	1,436,786
Royalty - net	27.4	(496,311)	-
Premises security and cash transportation services		303,652	333,000
Documentation and processing charges		149,307	156,579
Others		79,215	175,532
		<u>11,456,760</u>	<u>11,964,196</u>

27.1 Details of the donations given in excess of Rs. 100,000 are given below:

Donee

Institute of Business Administration	8,000	8,000
Right to Play International - Goal Programme	5,300	5,280
Aman Foundation	-	3,600
Lahore University of Management Sciences	-	1,056

27.2 Auditors' remuneration

Audit and review fee	18,889	18,498
Fee for audit of pension, gratuity and provident funds	310	310
Special certifications and others	2,788	1,385
Out-of-pocket expenses	1,000	1,000
	<u>22,987</u>	<u>21,193</u>

27.3 Total cost for the year included in Administrative Expenses relating to outsourced activities is Rs. 1,793 million (2016: Rs. 1,820 million). This includes payments to local companies for obtaining routine services such as technology maintenance, courier services and executive and general administrative expenses of SCB UK.

27.4 The Bank was not allowed remittance of royalty charged by the Group in previous years. Accordingly, the Group has decided to reverse the amount previously charged and not to charge royalty to Pakistan operations effective 1 January 2017.

2017

2016

(Rupees in '000)

28 OTHER PROVISIONS / ASSET WRITE OFFS

Fixed asset write offs	15,829	26,727
(Reversal) / provision released against other assets	(22,726)	866
	<u>(6,897)</u>	<u>27,593</u>

Notes to the Financial Statements

For the year ended 31 December 2017

	Note	2017	2016
		(Rupees in '000)	
29 OTHER CHARGES			
Net charge against fines and penalties imposed by SBP		17,309	45,382
Worker's Welfare Fund (WWF)	17.3	269,061	306,974
		286,370	352,356
30 TAXATION			
For the year			
- Current		5,240,335	5,500,616
- Deferred		2,198,371	(114,030)
		7,438,706	5,386,586
For prior years		(2,230,743)	340,495
		5,207,963	5,727,081
30.1 Relationship between tax expense and accounting profit			
Profit before taxation		13,453,125	15,344,866
Tax at the applicable tax rate of 35% (2016: 35%)		4,708,594	5,370,703
Expenses that are not deductible in determining taxable income		6,056	15,883
Prior year provision		493,313	340,495
		5,207,963	5,727,081
30.2	The return for income year 2017 (Tax Year 2018) is due for filing by 30 September 2018.		
The tax department amended the assessments for income years 2007 to 2016 (tax years 2008 to 2017 respectively) under the related provisions of the Income Tax Law, determining additional tax liability amounting to Rs. 6,291 million on account of various issues such as disallowances relating to provision against loans and advances and Rs. 3,607 million on account of goodwill amortization (for which deferred tax is also booked) which have been paid by the Bank. 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.			
The Sindh High Court has decided the issue of goodwill amortization in favour of the Bank for the years 2007 and 2011. An appeal effect order determining tax refund of Rs. 893 million has been issued by the Assessing Officer. The Federal Board of Revenue has filed leave to appeal before the Supreme Court of Pakistan.			
31 EARNINGS PER SHARE - BASIC AND DILUTED		2017	2016
		(Rupees in '000)	
Profit for the year		8,245,162	9,617,785
		(Number of shares)	
Weighted average number of ordinary shares in issue during the year		3,871,585,021	3,871,585,021
		(Rupees)	
Earnings per share - basic and diluted		2.13	2.48
32 STAFF STRENGTH		(Number)	
Permanent		3,420	3,559
Temporary / on contractual basis / direct contracts		12	6
Bank's own staff at the end of year		3,432	3,565
Outsourced		218	238
Total staff strength		3,650	3,803
33 CASH AND CASH EQUIVALENTS		(Rupees in '000)	
Cash and balances with treasury banks		35,085,289	40,729,979
Balances with other banks		779,856	5,699,791
Overdrawn nostros		(86,753)	(580,686)
		35,778,392	45,849,084

33.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities					Equity		Total	
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated debt	Other liabilities	Share capital	Reserves	Unappropriated profit	
	(Rupees in '000)								
Balance as at 01 January 2017	10,821,793	14,400,841	365,562,094	2,500,000	18,430,391	38,715,850	12,770,562	5,385,558	468,587,089
Changes from financing cash flows									
Repayment of sub-ordinated debt	-	-	-	(388,000)	-	-	-	-	(388,000)
Dividend paid	-	-	-	-	(7,732,427)	-	-	-	(7,732,427)
Issuance of share capital	-	-	-	-	-	-	-	-	-
Total changes from financing cash flows	-	-	-	(388,000)	(7,732,427)	-	-	-	(8,120,427)
Other changes	-	-	-	-	-	-	-	463,161	463,161
Liability-related									
Changes in bills payable	8,136,552			(2,112,000)					6,024,552
Changes in due to borrowing		11,628,975							11,628,975
Changes in deposits and other accounts			12,013,970						12,013,970
Changes in other liabilities					13,648,703				13,648,703
- Cash based									-
- Non-cash based - Actuarial loss on remeasurements of defined benefit plan					(5,394)				(5,394)
Transfer of profit to reserve							1,649,032	(1,649,032)	-
Transaction costs on issuance of right shares									-
	8,136,552	11,628,975	12,013,970	(2,112,000)	13,643,309	-	1,649,032	(1,649,032)	43,310,806
Balance as at 31 December 2017	18,958,345	26,029,816	377,576,064	-	24,341,273	38,715,850	14,419,594	4,199,687	504,240,629

Notes to the Financial Statements

For the year ended 31 December 2017

34 DEFINED BENEFIT PLANS

34.1 General description

Non Management Staff Pension Fund

The plan provides pension calculated at 50% of the average pensionable salary after completing 30 years of service. The employees of the bank are entitled to either pension or gratuity, but not both. However, the employees of ANZ Grindlays Bank transferred to the bank are entitled to both pension and gratuity and the minimum number of years required for entitlement of pension is 25 years for these employees. Pension is calculated as 1/120 times the last drawn merged salary for each year of service. The plan is closed to active employees. The entire liability is in respect of existing pensioners.

Non Management Staff Gratuity Fund

The plan provided a lump sum gratuity calculated at one month's salary for each completed year of service (maximum 40 months) after completing 5 years of service. For the employees of ex-ANZ Grindlays Bank, the plan provided a lump sum calculated at 50% of last drawn merged salary for each completed year of service (maximum 40 months) after completing 5 years of service. However, if the employee is not entitled for pension, the percentage is increased to 100%. The employees of SCB were entitled to either pension or gratuity, but not both.

Management Staff Pension Fund

The plan is closed to active employees. The entire liability is in respect of existing pensioners.

34.2 Principal Actuarial Assumptions

The last actuarial valuation of the scheme was carried out on 31 December 2017 and the key assumptions used for actuarial valuation were as follows:

	2017	2016
Discount rate	7.75% p.a.	8.1% p.a.
Expected rate of increase in salary in future years	N/A	8.0% p.a.
Expected rate of return on plan assets	8.1% p.a.	8.1% p.a.
Expected long term rate of increase in pension	3.5% p.a.	3.5% p.a.
Mortality rate	SLIC (2001-05) ultimate mortality table rated down one year Light	SLIC (2001-05) ultimate mortality table rated down one year Light
Withdrawal rate		

	SCB Non Management Pension Fund		SCB Non Management Gratuity Fund		SCB Management Pension Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
34.3 Reconciliation of (receivable) / payable from / to defined benefit plan	(Rupees in '000)							
Present value of defined benefit obligations	54,396	53,466	-	-	57,730	55,363	112,126	108,829
Fair value of plan assets	(53,265)	(56,825)	-	-	(53,880)	(57,639)	(107,145)	(114,464)
(Asset) / liability recognised	1,131	(3,359)	-	-	3,850	(2,276)	4,981	(5,635)
34.4 Movement in defined benefit obligation								
Obligation as at 1 January	53,466	55,546	-	-	55,363	59,277	108,829	114,823
Current service cost	-	-	-	-	-	-	-	-
Interest cost	4,330	4,731	-	-	4,484	5,057	8,814	9,788
Amount transferred to defined contribution plan	-	-	-	-	-	-	-	-
Benefits paid	(6,082)	(5,903)	-	-	(6,004)	(6,038)	(12,086)	(11,941)
Re measurement: Actuarial (gain) / loss on obligation	2,682	(908)	-	-	3,887	(2,933)	6,569	(3,841)
Liability Settlement (gain) / loss	-	-	-	-	-	-	-	-
Obligation as at 31 December	54,396	53,466	-	-	57,730	55,363	112,126	108,829
34.5 Movement in fair value of plan assets								
Fair value as at 1 January	56,825	51,615	-	20,772	57,639	60,461	114,464	132,848
Interest income on plan asset	4,592	4,392	-	-	4,661	5,163	9,253	9,555
Contribution / (refund) by the bank	(3,359)	3,931	-	-	(2,302)	(1,184)	(5,661)	2,747
Amount transferred to defined contribution plan	-	-	-	(20,772)	-	-	-	(20,772)
Benefits paid	(6,082)	(5,903)	-	-	(6,004)	(6,038)	(12,086)	(11,941)
Re measurement :Actuarial gain / (loss) on plan assets	1,289	2,790	-	-	(114)	(763)	1,175	2,027
Fair value as at 31 December	53,265	56,825	-	-	53,880	57,639	107,145	114,464

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SCB Non Management Pension Fund		SCB Non Management Gratuity Fund		SCB Management Pension Fund		Total	
2017	2016	2017	2016	2017	2016	2017	2016
(Rupees in '000)							

34.6 Movement in (receivable) / payable from / to defined benefit plan

Balance as at 1 January	(3,359)	3,931	-	(20,772)	(2,276)	(1,184)	(5,635)	(18,025)
Charge for the year	(262)	339	-	-	(177)	(106)	(439)	233
Contribution to the fund during the year	3,359	(3,931)	-	-	2,302	1,184	5,661	(2,747)
Amount transferred to defined contribution plan	-	-	-	20,772	-	-	-	20,772
Actuarial (gain) / loss on plan assets	1,393	(3,698)	-	-	4,001	(2,170)	5,394	(5,868)
Balance as at 31 December	1,131	(3,359)	-	-	3,850	(2,276)	4,981	(5,635)

34.7 Actual return on plan assets

Expected return on plan assets	4,592	4,392	-	-	4,661	5,163	9,253	9,555
Actuarial gain / (loss) on plan assets	1,289	2,790	-	-	(114)	(763)	1,175	2,027
	5,881	7,182	-	-	4,547	4,400	10,428	11,582

Amount recognized in total comprehensive income

The following amounts have been charged in respect of these benefits to profit and loss account and other comprehensive income:

Components of defined benefit costs recognized in profit and loss account.

Current service cost	-	-	-	-	-	-	-	-
Interest cost	4,330	4,731	-	-	4,484	5,057	8,814	9,788
Expected return on plan assets	(4,592)	(4,392)	-	-	(4,661)	(5,163)	(9,253)	(9,555)
Liability settlement (gain) / loss	-	-	-	-	-	-	-	-
	(262)	339	-	-	(177)	(106)	(439)	233

Components of defined benefit costs (re-measurement) recognised in other comprehensive income

Re-measurement: Actuarial gain / loss on obligation

- Change in financial assumptions	2,384	(2,737)	-	-	2,375	(2,635)	4,759	(5,372)
- Change in experience assumptions	298	1,829	-	-	1,512	(298)	1,810	1,531
	2,682	(908)	-	-	3,887	(2,933)	6,569	(3,841)

Re-measurement: Interest income net of return on plan assets

Actual net return on plan assets	5,865	(6,341)	-	-	4,263	(5,733)	10,128	(12,074)
Interest income on plan assets	4,592	4,392	-	-	4,661	5,163	9,253	9,555
Opening difference	16	(841)	-	-	284	1,333	300	492
	(1,289)	(2,790)	-	-	114	763	(1,175)	(2,027)
Net re-measurement recognised in other comprehensive income	1,393	(3,698)	-	-	4,001	(2,170)	5,394	(5,868)

34.7.1 Components of plan assets as a percentage of total plan assets

Bonds	91%	88%	-	-	82%	70%
Cash and net current assets	9%	12%	-	-	18%	30%

34.7.2 Sensitivity Analysis on defined benefit obligations

	+1% Discount rate	-1% Discount rate	+1 % Pension increase	-1 % Pension increase
(Amount in '000)				
Non Management Pension Fund	50,593	58,755	58,890	50,421
Management Pension Fund	53,936	62,048	62,181	53,764

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34.7.3 Five year data on surplus/ (deficit) of the plans and experience adjustments

	2017	2016	2015	2014	2013
	(Rupees in '000)				
Present value of defined benefit obligation	112,126	108,829	114,823	175,889	206,827
Fair value of plan assets	107,145	114,464	132,848	143,812	179,291
Deficit / (Surplus)	4,981	(5,635)	(18,025)	32,077	27,536
Experience adjustments on plan liabilities - loss / (gain)	1,810	1,531	65,004	(6,493)	5,373
Experience adjustments on plan assets - loss / (gain)	875	(2,519)	1,145	3,977	6,439

35 SHARE BASED PAYMENTS

The Bank's employees participate in the following share compensation plans operated globally by the ultimate holding company, Standard Chartered Plc (SCPLC). The market value of shares is denominated in pounds sterling at the time of grant.

The total income / expense recognised in respect of above schemes on equity settled basis amounts to Rs. 51.490 million (2016: Rs. 33.157 million) and is also included in managerial remuneration in note 36. The main features of each plan are as follows:

i) Standard Chartered Share Plan

The 2012 Standard Chartered Share Plan replaced all the Group's existing discretionary share plan arrangements following approval by shareholders at the Group's Annual General Meeting on 5 May 2011. It is the Group's main share plan, applicable to all employees with the flexibility to provide a variety of award types including performance shares, deferred awards (shares or cash) and restricted shares. Performance and restricted share awards will generally be in the form of nil price options to participate in the shares of SCPLC. The remaining life of the plan is ten years.

Movements in the number of share options held by the Bank's employees are as follows:

	2017 Number (000)	Weighted average exercise price £ per share	2016 Number (000)	Weighted average exercise price £ per share
At 1 January	67	-	82	-
Granted during the year	19	-	14	-
Exercised during the year	(14)	-	(9)	-
Lapsed during the year	(11)	-	(20)	-
Notional dividend	-	-	-	-
Adjustment due to right issue	-	-	-	-
At 31 December	61	-	67	-

The weighted average price at the time the options were exercised during 2017 was £ NIL (2016: £ NIL).

Range of exercise price	2017				2016			
	Weighted average exercise price	No. of options (000)	Expected years	Contractual years	Weighted average exercise price	No. of options (000)	Expected years	Contractual years
NIL	-	61	10	3.44 / 7.77	-	67	10	6.74 / 8.04

The intrinsic value of vested International Sharesave cash-settled awards as at 31 December 2017 was Rs. 33,702 thousand (2016: Rs. 34,370 thousand).

As at 31 December 2017, total number of options exercisable were 22,300.

ii) International Sharesave Scheme

The International Sharesave Scheme was first launched in 1996 and made available to all employees of the Bank. Employees have the choice of opening a three-year or a five-year savings contract. Within a period of six months after the third or fifth anniversary, employees may exercise the awards and receive any benefit in cash; alternatively, the employee may elect to have the savings, plus interest, repaid in cash. The price at which they may purchase shares is at a discount of up to 20 percent on the share price at the date of the invitation. There are no performance conditions attached to options granted. The options granted do not confer any right to participate in any share issue of any other company.

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Movements in the number of share options held by the Bank's employees are as follows:-

	2017 Number ('000)	Weighted average exercise price £ per share	2016 Number ('000)	Weighted average exercise price £ per share
At 1 January	44	7.74	62	8.11 / 10.89
Granted during the year	17	6.20	7	5.30
Exercised during the year	-	-	-	-
Lapsed during the year	(23)	8.89	(25)	8.33 / 13.93
Adjustment due to right issue	-	-	-	-
At 31 December	38	6.32	44	7.47 / 10.14

The weighted average price at the time the options were exercised during 2017 was NIL (2016: NIL).

Range of exercise price	Weighted average exercise price	No. of options (000)	2017 Weighted average remaining life		Weighted average exercise price	No. of options (000)	2016 Weighted average remaining life	
			Expected years	Contractual years			Expected years	Contractual years
£5.3 / £9.38	6.32	38	3.33 / 5.33	0.41 / 1.99	7.47 / 10.14	44	3.33 / 5.33	0.41 / 1.99

The intrinsic value of vested International Sharesave cash-settled awards as at 31 December 2017 was Rs. 7,113 thousand (2016: Rs. 20,461 thousand).

As at 31 December 2017, total number of options exercisable were 4,707.

iii) Restricted Share Scheme

The Restricted Share Scheme is a discretionary share incentive scheme for high performing and high potential staff at any level of the organisation whom the Group wishes to motivate and retain. Except upon appointment when an executive director may be granted an award of restricted shares, the Restricted Share Scheme is not applicable to the Group's executive directors, as it has no performance conditions attached to it. Fifty per cent of the award vests two years after the date of the grant and the remainder after three years. The awards granted under this scheme are nil cost options with any benefit payable in cash. The options granted do not confer any right to participate in any share issue of any other company.

Movements in the number of share options held by the Bank's employees are as follows:-

	2017 Number ('000)	Weighted £ per share	2016 Number ('000)	Weighted £ per share
At 1 January	7	-	10	-
Granted during the year	-	-	-	-
Exercised during the year	(5)	-	-	-
Lapsed during the year	(1)	-	(3)	-
Adjustment due to right issue	-	-	-	-
At 31 December	1	-	7	-

The weighted average price at the time the options were exercised during 2017 was Nil (2016: Nil).

Range of exercise price	Weighted average exercise price	No. of options (000)	2017 Weighted average remaining life		Weighted average exercise price	No. of options (000)	2016 Weighted average remaining life	
			Expected years	Contractual years			Expected years	Contractual years
£5.3 / £9.38	-	1	-	0.19	-	10	-	0.62

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The intrinsic value of vested Restricted Share Scheme cash-settled awards as at 31 December 2017 was Rs. 1,341 thousand (2016 : Rs. 12,191 thousand).

As at 31 December 2017, total number of options exercisable were 881.

iv) Supplementary Restricted Share Scheme

The Group operates a Supplementary Restricted Share Scheme which can be used to defer part of an employee's annual bonus in shares. The plan is principally used for employees in the global markets area and is similar to the RSS outlined above for three important factors: executive directors are specifically prohibited from the plan; no new shares can be issued to satisfy awards; and there is no individual annual limit.

Movements in the number of share options held by the Bank's employees are as follows:-

	2017 Number (‘000)	Weighted average exercise price £ per share	2016 Number (‘000)	Weighted average exercise price £ per share
At 1 January	1	-	1	-
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Adjustment due to right issue	-	-	-	-
At 31 December	1	-	1	-

Range of exercise price	2017				2016			
	Weighted average exercise price	No. of options (000)	Weighted average remaining life		Weighted average exercise price	No. of options (000)	Weighted average remaining life	
			Expected years	Contractual years			Expected years	Contractual years
N/A	-	1	5	0.19	-	1	5	1.07

The intrinsic value of vested Supplementary Restricted Share Scheme cash-settled awards as at 31 December 2017 was Rs. 1,888 thousand (2016: Rs. 2,558 thousand).

As at 31 December 2017, total number of options exercisable were 1,249.

v) Management Long-Term Incentive Plan (MLTIP)

Management Long-term incentive plan (LTIP) awards are granted to selected senior management with vesting subject to performance measures. Performance measures attached to awards granted includes: total shareholder return(TSR); return on equity (RoE) with a Common Equity Tier 1 (CET1) underpin; strategic measures; earnings per share (EPS) growth; and return on risk-weighted assets (RoRWA). Each measure is assessed independently over a three-year period. In an event of non compliance in conduct gateway requirement or exit from the Group (unless it falls within eligible leaver criteria) the MLTIP will be forfeited / lapsed.

Movements in the number of share options held by the Bank's employees are as follows:-

	2017 Number (‘000)	Weighted average exercise price £ per share	2016 Number (‘000)	Weighted average exercise price £ per share
At 1 January	92	-	-	-
Granted during the year	-	-	92	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Adjustment due to right issue	-	-	-	-
At 31 December	92	-	92	-

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Range of exercise price	2017				2016			
	Weighted average exercise price	No. of options (000)	Weighted average remaining life		Weighted average exercise price	No. of options (000)	Weighted average remaining life	
			Expected years	Contractual years			Expected years	Contractual years
N/A	-	92	3	8.2	-	92	3	9.2

The intrinsic value of vested Management Long-Term Incentive Plan (MLTIP) awards as at 31 December 2017 was Rs. NIL (2016: Rs. NIL).

As at 31 December 2017, total number of options exercisable were NIL .

36 COMPENSATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Note	Chief Executive		Directors		Executives	
		2017	2016	2017	2016	2017	2016
		(Rupees in '000)					
Director's remuneration / fees	36.1	-	-	6,170	6,210	-	-
Managerial remuneration	36.2	46,688	45,000	-	-	2,160,758	2,029,272
Contribution to defined contribution plans		5,705	5,499	-	-	267,537	250,780
Rent and house allowance		13,200	13,200	-	-	-	-
Utilities		-	-	-	-	-	-
Medical		-	-	-	-	-	-
Others		7,851	8,033	-	-	893,064	693,013
		73,444	71,732	6,170	6,210	3,321,359	2,973,065
		1	1	3	3	1,268	1,236

36.1 The director's remuneration / fees represents remuneration paid to the Bank's 3 non-executive directors (2016: 3) for attending Board and Sub-Committee meetings.

36.2 Managerial remuneration comprises of gross salary.

36.3 The Chief Executive is also entitled to house allowance in lieu of furnished accommodation and provided with Bank maintained car. In addition, the Chief Executive and some of the executives are also reimbursed for cost of medical expenses and other benefits like club subscription, utilities, etc. as per their terms of employment.

36.4 In addition to the above, all Executives, including Chief Executive of the Bank are also eligible for discretionary variable compensation which includes cash and / or share awards. This is determined on the basis of employee's evaluation and the Bank's performance during the year. The aggregate amount in this respect, relating to all Executives, including Chief Executive of the Bank amounted to Rs. 841.222 million (2016: Rs. 882.021 million).

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37 FAIR VALUE OF FINANCIAL INSTRUMENTS

37.1 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	2017									
	Carry value					Fair value				
	Held for Trading	Available for Sale	Loans and Receivables	Other financial Assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
- Investments										
- Government Securities (Tbills + PIBs + Sukuks)	4,833,077	266,745,779	-	-	-	271,578,856	-	271,578,856	-	271,578,856
- Sukuk Bonds (other than government)	-	822,000	-	-	-	822,000	-	822,000	-	822,000
- Equity securities traded (Shares)	-	108,959	-	-	-	108,959	108,959	-	-	108,959
- Other assets										
- Unrealized gain on Forward foreign exchange contracts	-	4,666,957	-	-	-	4,666,957	-	4,666,957	-	4,666,957
- Unrealized gain on Interest rate derivatives & currency options	-	158,703	-	-	-	158,703	-	158,703	-	158,703
Financial assets not measured at fair value										
- Cash and bank balances with SBP and NBP	37.2	-	-	35,085,289	-	35,085,289	-	-	-	-
- Balances with other banks	37.2	-	-	779,856	-	779,856	-	-	-	-
- Lending to financial instruments	37.2	-	-	8,067,665	-	8,067,665	-	-	-	-
- Sukuk Bonds (other than government)	37.2	-	-	-	-	-	-	-	-	-
- Advances	37.2	-	137,655,093	-	-	137,655,093	-	-	-	-
- Other assets	37.2	-	-	6,165,540	-	6,165,540	-	-	-	-
		4,833,077	272,502,398	137,655,093	50,098,350	465,088,918	-	-	-	-
Financial liabilities measured at fair value										
- Other liabilities										
- Unrealized loss on Forward foreign exchange contracts	37.2	-	2,894,953	-	-	2,894,953	-	2,894,953	-	2,894,953
- Unrealized loss on Interest rate derivatives & currency options	37.2	-	213,527	-	-	213,527	-	213,527	-	213,527
Financial liabilities not measured at fair value										
- Bills Payable	37.2	-	-	-	18,958,345	18,958,345	-	-	-	-
- Deposits and other accounts	37.2	-	-	-	377,576,064	377,576,064	-	-	-	-
- Borrowings	37.2	-	-	-	26,029,816	26,029,816	-	-	-	-
- Sub -ordinated loans	37.2	-	-	-	-	-	-	-	-	-
- Other liabilities (excluding liabilities against assets subject to finance lease)	37.2	-	-	-	20,078,826	20,078,826	-	-	-	-
		-	3,108,480	-	442,643,051	445,751,531	-	-	-	-
Off balance sheet financial instruments										
Interest Rate swaps / Foreign currency options / Forward purchase contracts		-	-	167,583,816	-	167,583,816	-	172,409,475	-	172,409,475
Interest Rate swaps / Foreign currency options / Forward sale contracts		-	-	134,874,907	-	134,874,907	-	137,983,387	-	137,983,387

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On balance sheet financial instruments

Note	2016									
	Carry value					Fair value				
	Held for Trading	Available for Sale	Loans and Receivables	Other financial Assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
- Investments										
- Government Securities (Tbills + PIBs + Sukuks)	1,143,202	242,315,567	-	-	-	243,458,769	-	243,458,769	-	243,458,769
- Sukuk Bonds (other than government)	-	1,049,093	-	-	-	1,049,093	-	1,049,093	-	1,049,093
- Equity securities traded (Shares)	-	283,697	-	-	-	283,697	283,697	-	-	283,697
- Other assets										
- Unrealized gain on Forward foreign exchange contracts	-	430,464	-	-	-	430,464	-	430,464	-	430,464
- Unrealized gain on Interest rate derivatives & currency options	-	1,557	-	-	-	1,557	-	1,557	-	1,557
Financial assets not measured at fair value										
- Cash and bank balances with SBP and NBP	37.2	-	-	40,729,979	-	40,729,979	-	-	-	-
- Balances with other banks	37.2	-	-	5,699,791	-	5,699,791	-	-	-	-
- Lending to financial instruments	37.2	-	-	19,798,390	-	19,798,390	-	-	-	-
- Sukuk Bonds (other than government)	37.2	-	-	-	-	-	-	-	-	-
- Advances	37.2	-	113,950,767	-	-	113,950,767	-	-	-	-
- Other assets	37.2	-	-	5,253,738	-	5,253,738	-	-	-	-
		1,143,202	243,080,378	113,950,767	71,481,898	429,656,245	-	-	-	-
Financial liabilities measured at fair value										
- Other liabilities										
- Unrealized loss on Forward foreign exchange contracts	37.2	-	85,338	-	-	85,338	-	85,338	-	85,338
- Unrealized loss on Interest rate derivatives & currency options	37.2	-	134,365	-	-	134,365	-	134,365	-	134,365
Financial liabilities not measured at fair value										
- Bills Payable	37.2	-	-	-	10,821,793	10,821,793	-	-	-	-
- Deposits and other accounts	37.2	-	-	-	365,562,094	365,562,094	-	-	-	-
- Borrowings	37.2	-	-	-	14,400,841	14,400,841	-	-	-	-
- Sub-ordinated loans	37.2	-	-	-	2,500,000	2,500,000	-	-	-	-
- Other liabilities (excluding liabilities against assets subject to finance lease)	37.2	-	-	-	15,699,985	15,699,985	-	-	-	-
		-	219,703	-	408,984,713	409,204,416	-	-	-	-
Off balance sheet financial instruments										
Interest Rate swaps / Foreign currency options / Forward purchase contracts	-	-	-	79,553,584	-	79,553,584	-	79,985,604	-	79,985,604
Interest Rate swaps / Foreign currency options / Forward sale contracts	-	-	-	54,669,043	-	54,669,043	-	54,888,746	-	54,888,746

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).

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

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38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Segment analysis with respect to business activity

	Corporate and Institutional Banking	Commercial Banking	Retail Banking	Central and Other Items	Total	
2017	(Rupees in '000)					
Internal income	3,635,826	(2,459,465)	11,318,985	(12,474,327)	21,019	
Net mark-up / return / interest income	(1,239,675)	3,958,398	(1,983,549)	16,544,328	17,279,502	
Non mark-up / non interest income	3,403,867	1,286,677	4,088,902	(579,029)	8,200,417	
Operating income	5,800,018	2,785,610	13,424,338	3,490,972	25,500,938	
Non mark-up / non interest expenses	2,181,660	1,309,443	7,722,427	522,703	11,736,233	
Internal non mark-up / non interest expenses	3,112	1,482	16,118	307	21,019	
Operating profit before provisions and taxation	3,615,246	1,474,685	5,685,793	2,967,962	13,743,686	
Direct write-offs / provisions against non-performing loans and advances - net of recoveries	683,427	(286,325)	(170,570)	-	226,532	
Provision for diminution in the value of investments - net	-	-	-	64,029	64,029	
Profit before taxation	2,931,819	1,761,010	5,856,363	2,903,933	13,453,125	
Other segment items:						
Depreciation on tangible fixed assets	94,918	52,403	301,462	4,754	453,537	
Amortisation on intangible assets	52	29	164	3	248	
Segment assets (gross)	63,651,108	91,902,276	50,443,471	328,173,950	534,170,805	
Segment non performing loans	3,303,458	13,472,072	2,811,568	-	19,587,098	
Segment provision - non performing loans	3,278,719	13,040,538	3,305,304	-	19,624,561	
Segment liabilities	114,200,105	21,360,002	284,644,866	30,406,933	450,611,906	
Segment return on net assets (ROA) (%)	*	4.86%	2.23%	12.42%	0.88%	2.61%
Segment cost of funds (%)	**	3.24%	2.81%	1.84%	4.05%	2.35%
2016						
Internal Income	3,422,920	(2,543,417)	11,200,194	(12,023,385)	56,312	
Net mark-up / return / interest income	(945,713)	3,797,684	(1,785,892)	18,319,259	19,385,338	
Non mark-up / non interest income	2,606,481	690,832	3,430,593	434,869	7,162,775	
Operating income	5,083,688	1,945,099	12,844,895	6,730,743	26,604,425	
Non mark-up / non interest expenses	2,215,512	1,275,565	8,207,467	645,601	12,344,145	
Internal non mark-up / non interest expenses	8,291	4,426	42,846	749	56,312	
Operating profit before provisions and taxation	2,859,885	665,108	4,594,582	6,084,393	14,203,968	
Direct write-offs / provisions against non-performing loans and advances - net of recoveries	673,935	(1,657,326)	(157,507)	-	(1,140,898)	
Provision for diminution in the value of investments - net	-	-	-	-	-	
Profit before taxation	2,185,950	2,322,434	4,752,089	6,084,393	15,344,866	
Other segment items:						
Depreciation on tangible fixed assets	93,258	51,486	282,449	18,410	445,603	
Amortisation on intangible assets	6,453	3,562	19,541	1,274	30,830	
Segment assets (gross)	57,128,604	81,666,666	37,982,320	318,617,262	495,394,852	
Segment non performing loans	3,304,769	15,222,537	3,345,913	-	21,873,219	
Segment provision required	2,595,292	13,453,675	3,631,603	-	19,680,570	
Segment liabilities	110,933,385	14,008,794	269,513,214	19,014,533	413,469,926	
Segment return on net assets (ROA) (%)	*	4.01%	3.40%	13.83%	1.91%	3.23%
Segment cost of funds (%)	**	3.77%	3.03%	1.84%	5.16%	2.48%

* Segment ROA = Profit before tax / (Segment assets - Segment provisions)

** Segment cost of funds have been computed based on the average balances.

Corporate and Institutional Banking

Corporate & Institutional Banking comprises International Corporates and Financial Institutions clients. The services include deposits, trade, advisory services and other lending activities. The products include FX forwards, FX options and interest rate swaps.

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Commercial Banking

Commercial Banking serves small and medium-sized corporate clients. The services include deposits, trade, wealth management and other lending activities for SME and local corporate clients.

Retail Banking

Retail Banking serves Priority, Personal and Small Business Clients. The services include wealth management, deposits, secured lending (mortgages, overdrafts etc.), 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.

39 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:

OUTSTANDING BALANCES	Note	2017	2016
		----- (Rupees in '000) -----	
Group			
Nostro balances with other subsidiaries and branches of the holding company		735,502	5,578,725
Overdrawn nostro balances with other subsidiaries and branches of the holding company		75,526	498,580
Vostro balances of other subsidiaries and branches of the holding company		835,108	589,579
Placements with other subsidiaries and branches of the holding company		5,396,987	11,662,815
Deposits of group company	39.1	10,021	12,029
Due to holding company		10,330,627	9,247,383
Due from other subsidiaries and branches of the company		554,680	314,725
Interest receivable from group companies		754	17,396
Inter-company derivative assets		73,524	67,738
Inter-company derivative liabilities		99,492	122,218
Other receivables - SLA		-	847
Transaction-related contingent liabilities - Guarantees		34,653,395	31,113,935
Commitments in respect of forward foreign exchange contracts		6,814,535	5,039,057
Derivative instruments - Interest rate swaps - Notional		5,643,865	2,155,390
Derivative instruments - FX options - Notional		115,705	874,205
Key management personnel			
Loans and advances to key management personnel	39.1	178,551	131,989
Deposits of key management personnel	39.1	100,273	79,199
Advance rent		1,259	1,171
Others			
Loans and advances to customers with common directorship	39.1	48,850	64,789
Deposits by staff retirement benefit funds	39.1	482,103	144,940
Deposits by customers with common directorship	39.1	986,971	329,148
Accrued interest receivable against loans and advances to customers with common directorship		823	1,299
(Payable) / receivable from defined benefit plans		(4,981)	5,635
Derivative liabilities		621	801
Transaction-related contingent liabilities - Guarantees		1,782,776	591,040
Trade-related contingent liabilities - Letters of Credit		171,485	23,739
Trade-related commitment liabilities - Acceptances		12,116	-

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PROFIT AND LOSS

Group

	Note	2017	2016
----- (Rupees in '000) -----			
Mark-up / return / interest earned		18,216	1,462
Mark-up / return / interest expensed		13,907	22,303
Fee and commission expense		5,742	-
Fee and commission income		222,719	245,509
Reimbursement of executive and general administrative expenses	27.3	1,555,449	1,436,786
Reimbursement of administrative expenses (including rent and other charges)		-	7,757
Net gain / (loss) on inter-company derivatives		28,512	(29,376)
Royalty expense reversal		(496,311)	-
Dividend paid		7,664,678	7,664,678

Subsidiaries

Mark-up / return / interest earned	-	3,646
Mark-up / return / interest expensed	-	1,522
Commission income earned	-	24,998
Reimbursement of administrative expenses (including rent and other charges)	-	11,000

Key management personnel

Mark-up / return / interest earned	15,942	4,981
Mark-up / return / interest expensed	1,559	997
Salaries and benefits	510,930	519,147
Post retirement benefits	27,638	25,423
Remuneration / fee paid to non-executive directors	6,170	6,210
Rent expenses	3,127	5,217

Others

Contribution to defined contribution plans - net of payments received	354,750	330,251
Charge for defined contribution plans	354,750	330,251
Net charge / (income) for defined benefit plans	(439)	233
Mark-up / return / interest expensed on deposits of staff retirement benefit funds	9,891	13,704
Mark-up / return / interest expensed on deposits of customers with common directorship	14,883	16,369
Mark-up / return / interest earned on advances to customers with common directorship	5,641	7,699
Fee and commission income from customers with common directorship	36,604	11,730
Net gain / (loss) on derivatives	180	(801)
Other charges	-	585

39.1 Net movements in loans and deposits are summarised as follows:

	Balance as at 31 December 2016	Net disbursement / deposits	Net repayments / withdrawals	Balance as at 31 December 2017
----- (Rupees in '000) -----				
Loans and advances				
Key management personnel	131,989	168,427	(121,865)	178,551
Others	64,789	688,571	(704,510)	48,850
Placements				
Group companies	11,662,815	1,279,043,203	(1,285,309,031)	5,396,987
Deposits				
Group companies	12,029	6,941	(8,949)	10,021
Key management personnel	79,199	838,961	(817,887)	100,273
Others	474,088	386,518,755	(385,523,769)	1,469,074

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40 CAPITAL ASSESSMENT AND ADEQUACY

Capital Structure

The State Bank of Pakistan through its BSD Circular No.07 dated 15 April 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be Rs. 10 billion on 31 December 2013 and onwards. The paid up capital of the Bank as at 31 December 2017 stands at Rs. 38.715 billion and is in compliance with the SBP requirement.

Furthermore, the State Bank requires the Bank to maintain prescribed capital to total risk-weighted assets ratios. The capital adequacy ratios of the Bank were subject to the Basel 3 capital adequacy guidelines stipulated by the State Bank through its BPRD Circular No.6 dated 15 August 2013. These instructions are effective from 31 December 2013 in a phased manner with full implementation intended by 31 December 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis:

Phase-in arrangement and full implementation of the minimum capital requirements:

S No.	Ratio	Year End		31 December 2019
		2017	2018	
1	Common Equity Tier 1 (CET 1)	6.00%	6.00%	6.00%
2	Additional Tier-1 (ADT 1)	1.50%	1.50%	1.50%
3	Tier 1	7.50%	7.50%	7.50%
	Total Capital	10.00%	10.00%	10.00%
4	*Capital Consumption Buffer (CCB)	1.275%	1.900%	2.50%
	Total Capital plus CCB	11.275%	11.900%	12.50%

*(Consisting of CET1 only)

Banking operations are categorised in either the trading book or the banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's regulatory capital is analysed into three tiers, with total Tier 1 capital being the sum of CET1 and ADT1 below:

- Common Equity Tier I capital, which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as disclosed on the balance sheet and un-appropriated profits (net of accumulated losses, if any). Goodwill and other intangibles are deducted from Tier I capital.
- Additional Tier I capital, which includes perpetual non-cumulative preference shares and share premium resulting from the same. The Bank did not have any ADT1 as of 31 December 2017.

The deduction from Tier 1 Capital include mainly:

- i) Book value of goodwill / intangibles;
- ii) Deficit on revaluation of available for sale investments
- iii) Defined-benefit pension fund net assets
- iv) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
- v) Investment in mutual funds above a prescribed ceiling;
- vi) Threshold deductions applicable on deferred tax assets and certain investments;
- vii) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position.
- Tier II capital includes sub-ordinated debt, revaluation reserves on assets, exchange translation reserves and impairment allowances that are not held against identified debts. Information on the terms, conditions and other features of the Bank's sub-ordinated debt currently in issue is given in note 16 to these financial statements. There is a restriction on the amount of impairment allowances that are not held against identified debts upto 1.25 percent of credit risk weighted assets.

The deductions from Tier 2 include mainly:

- i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
- ii) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

Notes to the Financial Statements

For the year ended 31 December 2017

The Bank remained compliant with all externally imposed capital requirements through out the year. Further, there has been no material change in the Bank's management of capital during the year.

Leverage Ratio

SBP vide BPRD Circular No. 06 dated August 15, 2013 introduced leverage ratio (Tier 1 Capital to total exposure) under Basel III Framework. Banks are required to maintain minimum leverage ratio of 3%.

As per SBP guidelines, average of last three months exposures is used to derive the total exposure.

Particulars	2017	2016
----- (Rupees in '000) -----		
On-Balance Sheet Assets		
On-balance sheet items (excluding derivatives)	501,512,751	465,154,629
Derivatives	2,116,541	441,403
Total On balance sheet exposure (A)	503,629,292	465,596,032
Off-Balance Sheet Assets		
Off-balance sheet Items (excluding derivatives)	124,684,260	122,671,794
Commitments in respect of Derivatives (Derivatives having negative fair value are also included)	1,774,836	1,064,296
Total Off balance sheet exposure (B)	126,459,096	123,736,090
Capital and Total Exposures		
Tier-1 Capital (C)	38,625,168	37,009,696
Total Exposures (D = A + B)	630,088,388	589,332,122
Leverage Ratio (C / D)	6.13%	6.28%

40.1 Capital Adequacy Ratio

Common Equity Tier 1 capital (CET1): Instruments and reserves

1 Fully Paid-up Capital	38,715,850	38,715,850
2 Balance in Share Premium Account	1,036,090	1,036,090
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	13,383,504	11,734,472
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated profits	4,199,687	5,385,558
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 CET 1 before Regulatory Adjustments	57,335,131	56,871,970
10 Total regulatory adjustments applied to CET1 (Note 40.2.1)	18,709,963	19,862,274
11 Common Equity Tier 1	38,625,168	37,009,696
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 40.2.2)	-	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	38,625,168	37,009,696

Notes to the Financial Statements

For the year ended 31 December 2017

	2017	2016
	----- (Rupees in '000) -----	
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	-	1,500,000
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	670,580	547,521
27 Revaluation Reserves (net of taxes)	5,019,274	3,440,052
28 of which: Revaluation reserves on fixed assets	5,019,274	2,855,716
29 of which: Unrealized gains/losses on AFS	-	584,336
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	5,689,854	5,487,573
33 Total regulatory adjustment applied to T2 capital (Note 40.2.3)	-	-
34 Tier 2 capital (T2) after regulatory adjustments	-	-
35 Tier 2 capital recognized for capital adequacy	-	-
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	5,689,854	5,487,573
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	44,315,022	42,497,269
39 Total Risk Weighted Assets (RWA) {for details refer Note 40.6}	230,009,947	210,473,425
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	16.79%	17.58%
41 Tier-1 capital to total RWA	16.79%	17.58%
42 Total capital to total RWA	19.27%	20.19%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44 of which: capital conservation buffer requirement	-	-
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	5.52%	6.93%
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio (including Capital Conservation Buffer)	7.275%	6.650%
49 Tier 1 minimum ratio (including Capital Conservation Buffer)	8.775%	8.150%
50 Total capital minimum ratio	11.275%	10.650%

Notes to the Financial Statements

For the year ended 31 December 2017

40.2 Regulatory Adjustments and Additional Information

40.2.1 Common Equity Tier 1 capital: Regulatory adjustments

	(Rupees in '000)		
	Amount	Amounts subject to Pre-Basel III treatment*	Amount
1 Goodwill (net of related deferred tax liability)	18,264,324	-	18,149,823
2 All other intangibles (net of any associated deferred tax liability)	322	-	579
3 Shortfall in provisions against classified assets	-	-	-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-
5 Defined-benefit pension fund net assets	-	-	3,381
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-
7 Cash flow hedge reserve	-	-	-
8 Investment in own shares/ CET1 instruments	-	-	-
9 Securitization gain on sale	-	-	-
10 Capital shortfall of regulated subsidiaries	-	-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	38,069	-	-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	407,238	101,810	1,708,491
15 Amount exceeding 15% threshold	-	-	-
16 of which: significant investments in the common stocks of financial entities	-	-	-
17 of which: deferred tax assets arising from temporary differences	-	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20 Any other deduction specified by SBP	-	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	<u>18,709,963</u>	-	<u>19,862,274</u>

40.2.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

23 Investment in mutual funds exceeding the prescribed limit	-	-	-
24 Investment in own AT1 capital instruments	-	-	-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	<u>-</u>	<u>-</u>	<u>-</u>

* As the Bank does not have Additional TIER 1 Capital, deduction is made from CET 1

40.2.3 Tier 2 Capital: regulatory adjustments

31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-
33 Investment in own Tier 2 capital instrument	-	-	-
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

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40.2.4 Additional Information

	2017	2016
	----- (Rupees in '000) -----	
Risk Weighted Assets subject to pre-Basel III treatment		
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i) of which: deferred tax assets	101,810	1,138,994
(ii) of which: Defined-benefit pension fund net assets	-	-
(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
38 Non-significant investments in the capital of other financial entities	-	-
39 Significant investments in the common stock of financial entities	-	-
40 Deferred tax assets arising from temporary differences (net of related tax liability)	3,903,241	3,871,593
Applicable caps on the inclusion of provisions in Tier 2		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	670,580	547,521
42 Cap on inclusion of provisions in Tier 2 under standardized approach	2,239,074	1,939,048
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

40.3 Capital Structure Reconciliation

40.3.1 Step 1

Assets

Cash and balances with treasury banks		
Balanced with other banks	35,085,289	35,085,289
Lending to financial institutions	779,856	779,856
Investments	8,067,665	8,067,665
Advances	272,487,815	272,487,815
Operating fixed assets	137,655,093	137,655,093
Deferred tax assets	8,033,890	8,033,890
Other assets	-	4,412,288
Total assets	51,438,994	51,438,994
	513,548,602	517,960,890

Liabilities & Equity

Bills payable		
Borrowings	18,958,345	18,958,345
Deposits and other accounts	26,029,816	26,029,816
Sub-ordinated loans	377,576,064	377,576,064
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	3,706,408	8,118,696
Total liabilities	24,341,273	24,341,273
	450,611,906	455,024,194
Share capital		
Reserves	38,715,850	38,715,850
Unappropriated profit	14,419,594	14,419,594
Surplus on revaluation of assets	4,199,687	4,199,687
Total liabilities & equity	5,601,565	5,601,565
	513,548,602	517,960,890

Note: Difference between 'Balance sheet as in published financial statements' and 'Under regulatory scope of consolidation' is due to BASEL III transitional arrangements

Notes to the Financial Statements

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40.3.2 Step 2

	Balance sheet as in published financial statements 2017	Under regulatory scope of consolidation 2017	Reference
	———— (Rupees in '000) ————		
Assets			
Cash and balances with treasury banks	35,085,289	35,085,289	
Balanced with other banks	779,856	779,856	
Lending to financial institutions	8,067,665	8,067,665	
Investments	272,487,815	272,487,815	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others	-	-	e
Advances	137,655,093	137,655,093	
shortfall in provisions / excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	670,580	670,580	g
Fixed Assets	8,033,890	8,033,890	
Deferred Tax Assets			
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	4,412,288	
of which: DTAs arising from temporary differences exceeding regulatory threshold	407,238	407,238	h i
Other assets	51,438,994	51,438,994	
of which: Goodwill	26,095,310	26,095,310	j
of which: Intangibles	332	332	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	<u>513,548,602</u>	<u>517,960,890</u>	
Liabilities & Equity			
Bills payable	18,958,345	18,958,345	
Borrowings	26,029,816	26,029,816	
Deposits and other accounts	377,576,064	377,576,064	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	3,706,408	8,118,696	
of which: DTLs related to goodwill	-	7,830,986	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	287,710	r
Other liabilities	24,341,273	24,341,273	
Total liabilities	<u>450,611,906</u>	<u>455,024,194</u>	
Share capital	38,715,850	38,715,850	s
of which: amount eligible for CET1	38,715,850	38,715,850	t
of which: amount eligible for AT1	-	-	
Reserves	14,419,594	14,419,594	
of which: portion eligible for inclusion in CET1 (Share Premium)	1,036,090	1,036,090	u
of which: portion eligible for inclusion in CET1 (Statutory Reserve)	13,383,504	13,383,504	v
of which: portion eligible for inclusion in Tier 2	-	-	w
Unappropriated profit	4,199,687	4,199,687	x
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	y
of which: portion eligible for inclusion in AT1	-	-	z
of which: portion eligible for inclusion in Tier 2	-	-	aa
Surplus on revaluation of assets	5,601,565	5,601,565	
of which: Revaluation reserves on Property	5,639,634	5,639,634	ab
of which: Unrealized Gains/Losses on AFS	(38,069)	(38,069)	ac
In case of Deficit on revaluation (deduction from CET1)	-	-	
Total liabilities & Equity	<u>513,548,602</u>	<u>517,960,890</u>	

Notes to the Financial Statements

For the year ended 31 December 2017

Note: Difference between 'Balance sheet as in published financial statements' and 'Under regulatory scope of consolidation' is due to BASEL III transitional arrangements

40.3.3 Basel III Disclosure

	Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	38,715,850	(s)
2 Balance in Share Premium Account	1,036,090	(u)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	13,383,504	(v)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated profits	4,199,687	(x)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(y)
8 CET 1 before Regulatory Adjustments	57,335,131	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	18,264,324	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	332	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	-	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	38,069	(ac)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ad) - (af)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ae) - (ag)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	407,238	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28 of which: Any other deduction specified by SBP	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30 Total regulatory adjustments applied to CET1	18,709,963	
Common Equity Tier 1	38,625,168	
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium	-	
32 of which: Classified as equity	-	(t)
33 of which: Classified as liabilities	-	(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(z)
35 of which: instrument issued by subsidiaries subject to phase out	-	
36 AT1 before regulatory adjustments	-	
Additional Tier 1 Capital: regulatory adjustments		
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38 Investment in own AT1 capital instruments	-	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ad)

Notes to the Financial Statements

For the year ended 31 December 2017

		Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ae)
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1	-	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44	Total of Regulatory Adjustment applied to AT1 capital	-	
45	Additional Tier 1 capital	-	
46	Additional Tier 1 capital recognized for capital adequacy	-	
	Tier 1 Capital (CET1 + admissible AT1)	38,625,168	
	Tier 2 Capital		
47	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(aa)
50	of which: instruments issued by subsidiaries subject to phase out	-	
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	670,580	(g)
52	Revaluation Reserves	5,019,274	
53	of which: Revaluation reserves on fixed assets	5,019,274	portion of (ab)
54	of which: Unrealized Gains/Losses on AFS	-	
55	Foreign Exchange Translation Reserves	-	(w)
56	Undisclosed/Other Reserves (if any)	-	
57	T2 before regulatory adjustments	5,689,854	
	Tier 2 Capital: regulatory adjustments		
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2	-	
59	Reciprocal cross holdings in Tier 2 instruments	-	
60	Investment in own Tier 2 capital instrument	-	
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(af)
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ag)
63	Amount of Regulatory Adjustment applied to T2 capital	-	
64	Tier 2 capital (T2)	5,689,854	
65	Tier 2 capital recognized for capital adequacy	5,689,854	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	5,689,854	
	TOTAL CAPITAL (T1 + admissible T2)	44,315,022	

Notes to the Financial Statements

For the year ended 31 December 2017

40.4 Main features of regulatory capital instruments

Main Features	Common Shares
1 Issuer	Standard Chartered Bank (Pakistan) Limited
2 Unique identifier (KSE Symbol)	SCBPL
3 Governing law(s) of the instrument	Relevant regulations/ laws
Regulatory treatment	
4 Transitional Basel III rules	Common Equity Tier 1
5 Post-transitional Basel III rules	Common Equity Tier 1
6 Eligible at solo/ group/ group & solo	Solo and Group
7 Instrument type	Ordinary shares
8 Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	38,715,850
9 Par value of instrument	PKR 10 per share
10 Accounting classification	Shareholders' equity
11 Original date of issuance	Dec 2006
12 Perpetual or dated	Perpetual
13 Original maturity date	Not applicable
14 Issuer call subject to prior supervisory approval	Not applicable
15 Optional call date, contingent call dates and redemption amount	Not applicable
16 Subsequent call dates, if applicable	Not applicable
Coupons / dividends	
17 Fixed or floating dividend/ coupon	Not applicable
18 Coupon rate and any related index/ benchmark	Not applicable
19 Existence of a dividend stopper	Not applicable
20 Fully discretionary, partially discretionary or mandatory	Fully Discretionary
21 Existence of step up or other incentive to redeem	Not applicable
22 Noncumulative or cumulative	Not applicable
23 Convertible or non-convertible	Not applicable
24 If convertible, conversion trigger (s)	Not applicable
25 If convertible, fully or partially	Not applicable
26 If convertible, conversion rate	Not applicable
27 If convertible, mandatory or optional conversion	Not applicable
28 If convertible, specify instrument type convertible into	Not applicable
29 If convertible, specify issuer of instrument it converts into	Not applicable
30 Write-down feature	Not applicable
31 If write-down, write-down trigger(s)	Not applicable
32 If write-down, full or partial	Not applicable
33 If write-down, permanent or temporary	Not applicable
34 If temporary write-down, description of write-up mechanism	Not applicable
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated debt/TFCs
36 Non-compliant transitioned features	Not applicable
37 If yes, specify non-compliant features	Not applicable

Notes to the Financial Statements

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40.5 Capital Adequacy

The Bank's capital management approach is driven by its desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements at all times and to maintain good credit ratings, maximising shareholder value and at the same time maintaining investor, creditor and market confidence.

The capital position is reviewed and monitored by the Asset and Liability Committee (ALCO) of the Bank. Regular reviews help to ensure that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Bank to support the strategy. This is integrated with the Bank's annual planning process that takes into consideration business growth assumptions across products and business segments and the related impact on capital resources.

The following matters are taken into account while reviewing the Bank's capital position:

- a) current regulatory capital requirements and our assessment of future standards;
- b) demand for capital due to business growth forecasts;
- c) forecasted demand for capital to support credit ratings and as a signaling tool to the market; and
- d) available supply of capital and capital-raising options.

For calculation of Capital Adequacy Ratio, the Bank adheres to the calculation of capital requirements for credit, market and operational risk as per the guidelines of SBP.

For credit risk, the Bank uses the 'Standardized Approach'. The Bank uses reputable and SBP approved rating agencies (ECAIs) for deriving risk weights for specific credit exposures. These are consistently applied across the Bank's credit portfolio for both on and off balance sheet exposures. The ECAIs used for rating various types of exposures are tabled in note 39.6 to these financial statements.

For the purposes of Credit Risk Mitigation under the 'Standardized Approach', the Bank follows the instructions laid down by SBP vide their Circular No. 08 dated 27 June 2006 with regard to eligibility of collaterals, valuation and management. Where a transaction is secured by an eligible collateral and meets the eligibility criteria and minimum requirements as laid down by SBP, the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement. Collaterals used include: Government of Pakistan guarantees, Inter-group guarantees, margins / liens and saving certificates.

The Bank calculates its capital requirement for market risk in its portfolio, based on the methodology provided by SBP which takes account of specific and general market risk capital charge for interest rate risk using the duration method.

For calculation of operational risk capital charge, the business activities of the Bank are divided into eight business lines: corporate finance, trading and sales, retail banking, commercial banking, payments and settlement, agency services, asset management and retail brokerage. The Bank's operations are mapped into these eight business lines as per the criteria laid down by SBP vide Circular No 08 dated 27 June 2006.

Within each business line, gross income is the broad indicator that serves as a proxy for the scale of business operations and thus the likely scale of operational risk exposure within each of these business lines. The capital charge for each business line is calculated by multiplying gross income by beta factors assigned by SBP to that business line. Beta serves as a proxy for the industry-wide relationship between the operational risk loss experience for a given business line and the aggregate level of gross income for that business line.

The total capital charge is calculated as the three-year average of the simple summation of the regulatory capital charges across each of the business lines in each year.

The 'Standardised Approach' is preferred over the 'Basic Indicator Approach' so as to arrive at a capital charge that is reflective of the risks associated with each of the Bank's business lines.

Notes to the Financial Statements

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Credit Risk

Portfolios subject to standardized approach (Simple)

	Capital Requirements		Risk Weighted Assets	
	2017	2016 Restated	2017	2016 Restated
	(Rupees in '000)			
Cash & cash equivalents	-	-	-	-
Sovereign	9,106	14,016	80,765	131,609
Public Sector entities	-	2,614	-	24,546
Banks	350,111	414,551	3,105,195	3,892,497
Corporate	9,570,006	7,502,260	84,878,106	70,443,759
Retail	1,370,740	1,064,189	12,157,342	9,992,382
Residential Mortgages	187,348	119,734	1,661,627	1,124,259
Past Due loans	71,982	274,021	638,422	2,572,963
Operating Fixed Assets	905,821	614,856	8,033,890	5,773,296
Other assets	1,759,260	1,508,722	15,603,189	14,166,404
	14,224,374	11,514,963	126,158,536	108,121,715

Off-Balance sheet

Non-market related				
Loan Repayment Guarantees	3,083,664	2,492,604	27,349,568	23,404,730
Performance Bonds etc.	2,282,460	2,025,509	20,243,546	19,018,866
Stand By Letters of Credit	449,465	402,885	3,986,384	3,782,957
	5,815,589	4,920,998	51,579,498	46,206,553
Market related	144,202	54,515	1,278,957	511,875

Equity Exposure Risk in the Banking Book

Listed	12,285	30,214	108,959	283,697
Unlisted	-	-	-	-
	12,285	30,214	108,959	283,697

Market Risk

Capital Requirement for portfolios subject to Standardized Approach

Interest rate risk	184,619	256,949	1,637,420	2,412,663
Equity position risk	-	-	-	-
Foreign Exchange risk	32,821	213,966	291,094	2,009,073
	217,440	470,915	1,928,514	4,421,736

Operational Risk

Capital Requirement for operational risks	5,519,731	5,423,816	48,955,483	50,927,849
TOTAL	25,933,621	22,415,420	230,009,947	210,473,425

Capital Adequacy Ratio

	2017		2016	
	Required	Actual	Required	Actual
CET1 to total RWA (e)	7.28%	16.79%	6.65%	17.58%
Tier-1 capital to total RWA (i)	8.78%	16.79%	8.15%	17.58%
Total capital to total RWA	11.28%	19.27%	10.65%	20.19%

Notes to the Financial Statements

For the year ended 31 December 2017

41. RISK MANAGEMENT

Through its risk management structure, the Bank seeks to manage efficiently the core risks: credit, market, operational, country, and liquidity risks. These arise directly through the Bank's commercial activities whilst compliance and regulatory risk, operational risk and reputational risks are normal consequences of any business undertaking.

The basic principles of risk management followed by the Bank include:

Balancing risk and return

Risk is taken in line with the requirements of the Bank's stakeholders. Risk should be taken within the Bank's risk appetite, consistent with the approved strategy. Any such risks are avoided which have a material probability of causing financial distress to the Bank or its clients or customers.

Responsibility

Given the Bank is in the business of taking risk, it is everyone's responsibility to ensure that risk taking is both disciplined and focused. The Bank takes account of its social responsibilities and its commitment to customers in taking risk to produce a return.

Accountability

Risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk taking must be transparent, controlled and reported.

Anticipation

The Bank looks to anticipate future risks and to ensure awareness of all risk.

Competitive advantage

The Bank seeks to achieve competitive advantage through efficient and effective risk management and control.

Risk management

The Bank aims to implement best practices and have a specialist risk function of international standards, with strength in depth, experience across risk types and economic scenarios.

Ultimate responsibility for the effective management of risk rests with the Company's Board of Directors. Acting within an authority delegated by the Board, the Executive Committee reviews specific risk areas and monitors the activities of the Executive Risk Committee ("ERC") and the Asset and Liability Committee ("ALCO").

ERC headed by Country Chief Risk Officer (CCRO), through authority delegated by the Board through the Bank's Executive Committee, is responsible for credit risk, market risk, operational risk, compliance risk and regulatory risk, legal risk, information security risk and reputational risk. ALCO, through authority delegated by the Board through the Bank's Executive Committee, is responsible for management of the Bank's liquidity, capital adequacy and structural foreign exchange risk.

The Pension Executive Committee, through authority delegated by the Board through the Bank's Executive Committee is responsible for management of pension risk.

The day to day responsibility for managing risk rests with CCRO who oversees and manages the risk through a team of managers; Senior Credit Officer responsible for credit risk in Corporate & Institutional Banking and Commercial Banking, Country Credit Head responsible for credit risk in Retail Banking, Head of Special Assets Management responsible for remedial risk management, Head of Credit Risk Controls responsible for collateral management, security documentation, credit MIS and controls, Head of Market Risk responsible for liquidity risk and risks associated with price movements, arising from interest and exchange rate movements and Head of Operational Risk responsible for enterprise wide operations. The Bank has established policies, procedures, processes, and controls and has provided the Risk team adequate support by way of risk systems and tools for measuring and reporting risk for monitoring, controlling, reviewing and managing risk.

Notes to the Financial Statements

For the year ended 31 December 2017

41.1 Credit risk

Credit risk is the risk that a counter party will not settle its obligations in accordance with agreed terms. Credit exposures may arise from lending, trade finance, securities and derivative exposures. Credit exposures include both individual borrowers and groups of connected counterparties and portfolios in the banking and trading books.

The Board of Directors has delegated down the authority to ERC through the Bank's Executive Committee to propose risk appetite and make recommendations to the Board for approval of risk appetite and policies for managing credit risk. The CEO and the Executive Committee in turn rely on CCRO and the Risk Committee to determine these and recommend for their support and Board's approval. BOD delegates credit authorities to CCRO, SCO, RCO.

Credit risk appetite is established through business strategy papers and underwriting standards by the business managers, which are approved by the Board once recommended, and supported by the Executive Committee.

Specific procedures for managing credit risk within Corporate & Institutional Banking, Commercial Banking and Retail Banking are determined at the Senior Credit Officer and Country Credit Head levels for their respective jurisdictions with specific policies and procedures being adapted to different risk environments and business goals. Credit analysis includes review of facility details, credit grade determination and financial spreading / ratio analysis. Portfolio review, Early Alerts and Stress Testing based on scenario analysis is a combined responsibility of Client Relationship and Risk and Finance function. Client relationship origination and credit approval roles are clearly segregated throughout the business segments.

Credit concentration risk is governed by specific policy, the adherence to which is managed by the Executive Risk Committee (ERC). Credit concentration risk is principally managed based on three components: single name borrower exposure, industry concentrations and product concentration. In addition to the SBP specified prudential limits on single or group exposures, limits are also established by the CCRO and approved by ERC.

41.1.1 Corporate and Institutional & Commercial Banking

Within the two business segments, a alpha numerical risk grading system is used for quantifying the risk associated with a counter-party. The grading is based on a probability of default measure, with customers analysed against a range of quantitative and qualitative measures. Expected Loss is used for further assessment of individual exposures and portfolio analysis. There is a clear segregation of duties with loan applications being prepared separately from the approval chain.

41.1.2 Retail Banking

For Retail Banking, program based standard credit application forms are generally used, which are processed in central units for different products and market segments. Retail Banking Analytics team has developed Bureau scores and uses Bureau data for portfolio monitoring and for underwriting new business.

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41.1.3 Segment by Class of Business

2017						
	Advances - Gross		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	11,818,515	7.51	9,855,766	2.61	13,511,935	10.95
Agri business	5,762,958	3.66	114,961	0.03	-	-
Textile	34,621,979	22.01	1,585,790	0.42	4,430,185	3.59
Communication	4,964,961	3.16	21,443,385	5.68	215,840	0.17
Insurance	-	-	1,704,922	0.45	-	-
Telecommunications and information technology	4,481,363	2.85	2,021,858	0.54	6,361,509	5.15
Cement	2,803,423	1.78	34,253	0.01	1,217,246	0.99
Sugar	2,385,531	1.52	4,639	-	2,400	-
Automobile and transportation equipment	872,308	0.55	2,530,515	0.67	5,364,137	4.35
Transportation	1,338,793	0.85	2,599,124	0.69	1,850,344	1.50
Financial	884,055	0.56	919,423	0.24	60,052,728	48.65
Electronics and electrical appliances	3,955,648	2.52	3,270,166	0.87	11,317,151	9.17
Production and transmission of energy	26,188,738	16.65	15,831,439	4.19	7,338,579	5.94
Shoes and leather garments	1,678,575	1.07	41,992	0.01	53,992	0.04
Individuals	22,735,170	14.46	229,520,701	60.79	-	-
Others	32,787,637	20.85	86,097,130	22.80	11,727,811	9.50
	<u>157,279,654</u>	<u>100.00</u>	<u>377,576,064</u>	<u>100.00</u>	<u>123,443,857</u>	<u>100.00</u>

2016						
	Advances - Gross		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	13,575,855	10.16	8,600,736	2.35	9,814,479	8.21
Agri business	5,629,922	4.21	100,852	0.03	-	-
Textile	30,384,716	22.74	2,070,810	0.57	3,576,038	2.99
Communication	213,887	0.16	13,917,222	3.81	131,477	0.11
Insurance	-	-	1,365,878	0.37	-	-
Telecommunications and information technology	3,353,534	2.51	3,658,197	1.00	8,367,855	7.00
Cement	972,214	0.73	16,595	0.00	437,339	0.37
Sugar	2,761,707	2.07	10,744	0.00	2,400	0.00
Automobile and transportation equipment	1,498,827	1.12	1,645,328	0.45	4,632,330	3.87
Transportation	2,058,957	1.54	4,501,619	1.23	6,175,898	5.16
Financial	666,222	0.50	697,904	0.19	51,350,328	42.94
Electronics and electrical appliances	2,384,480	1.78	7,566,727	2.07	11,155,557	9.33
Production and transmission of energy	17,235,785	12.90	18,624,038	5.09	3,915,887	3.27
Shoes and leather garments	1,301,643	0.97	56,882	0.02	202,328	0.17
Individuals	19,677,889	14.73	223,054,028	61.02	-	-
Others	31,915,699	23.88	79,674,534	21.80	19,823,329	16.58
	<u>133,631,337</u>	<u>100.00</u>	<u>365,562,094</u>	<u>100.00</u>	<u>119,585,245</u>	<u>100.00</u>

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41.1.4 Details of Non-performing Advances and Specific Provisions by Class of Business Segment

	2017		2016	
	Classified Advances	Specific Provision held	Classified Advances	Specific Provision held
	(Rupees in '000)			
Chemical and pharmaceuticals	232,178	232,178	238,468	238,468
Textile	6,384,972	6,367,273	6,273,480	6,249,881
Automobile and transportation equipment	323,359	277,299	388,905	306,120
Production and transmission of energy	372,774	372,774	616,009	385,259
Individuals	14,500	14,500	14,500	14,500
Telecommunications and information technology	2,697,930	2,697,930	2,700,088	2,026,612
Others	9,561,385	8,992,027	11,641,769	9,912,209
	<u>19,587,098</u>	<u>18,953,981</u>	<u>21,873,219</u>	<u>19,133,049</u>

41.1.5 Segment by Sector

	2017					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	100.00%	(Rupees in '000)	100.00%	(Rupees in '000)	100.00%
Public / Government	10,706,233	6.81%	9,054,635	2.40%	4,443,438	3.60%
Private	146,573,421	93.19%	368,521,429	97.60%	119,000,419	96.40%
	<u>157,279,654</u>	<u>100%</u>	<u>377,576,064</u>	<u>100%</u>	<u>123,443,857</u>	<u>100%</u>

	2016					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	100.00%	(Rupees in '000)	100.00%	(Rupees in '000)	100.00%
Public / Government	5,780,841	4.33%	7,893,642	2.16%	-	0.00%
Private	127,850,496	95.67%	357,668,452	97.84%	119,585,245	100.00%
	<u>133,631,337</u>	<u>100%</u>	<u>365,562,094</u>	<u>100%</u>	<u>119,585,245</u>	<u>100%</u>

41.1.6 Details of Non-performing Advances and Specific Provisions by Sector

	2017		2016	
	Classified Advances	Specific Provision held	Classified Advances	Specific Provision held
	(Rupees in '000)			
Public / Government	-	-	-	-
Private	19,587,098	18,953,981	21,873,219	19,133,049
	<u>19,587,098</u>	<u>18,953,981</u>	<u>21,873,219</u>	<u>19,133,049</u>

41.1.7 Geographical Segment Analysis

	2017			
	Profit before taxation	Total assets employed	Net Assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	13,453,125	513,548,602	62,936,696	117,160,311
	<u>13,453,125</u>	<u>513,548,602</u>	<u>62,936,696</u>	<u>117,160,311</u>

	2016			
	Profit before taxation	Total assets employed	Net Assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	15,344,866	474,752,219	61,282,293	112,596,909
	<u>15,344,866</u>	<u>474,752,219</u>	<u>61,282,293</u>	<u>112,596,909</u>

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41.2 Market Risk

The Bank recognizes Market risk as the exposure created by potential changes in the market prices and rates. Market Risk exposures arise primarily from interest rate and foreign exchange related contracts. The Bank has no significant exposure to equity and commodity price risk.

Market and Traded Credit Risk (MTCR) approves the limits within delegated authorities and monitors exposures against these limits, and is locally under governance of Country Chief Risk Officer, who agrees policies and procedures and levels of risk appetite in terms of Value at Risk (VaR). Limits are then proposed by business within the terms of agreed policy. These are agreed and delegated down by Executive Risk Committee (ERC) and Approvals Committee under delegated authority from the BoD. Policies cover both trading and non-trading books.

In addition to Market Risk policies, as well as VaR and other market risk limits, independent stress testing of portfolios, factor sensitivity measures and derivatives are also employed as additional risk management tools to manage and hedge market risk exposures. Risk models are periodically back tested against actual results to ensure that pre-determined levels of accuracy are maintained.

VaR is the main limit that is being applied by the bank along with other supporting price risk limits and MATs. Interest Rate Risk is controlled via PV01 limits which are set on Net as well as Gross basis across various tenors and at currency level. Additionally curve tenor limits are applied to contain the interest rate risk exposure going beyond certain tenors. PV01s measure the sensitivity of the Net Present Value (NPV) to +1 bp shift applied at pre-defined points on a zero-coupon yield curve. PV01 strip is then applied to the historical scenarios i.e. Risk factors over the last 260 days to derive the NPV distribution which is then used to determine Value at Risk (VaR) and Stress VaR.

All limits are hard limits and any excess results in escalation to senior management, with the level of escalation depending upon nature of excess. These limits are monitored on a daily basis as part of daily risk reporting.

41.3 Foreign Exchange Risk

	2017			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan rupee	434,617,274	384,904,841	62,014,689	111,727,122
United States dollar	25,189,514	50,502,095	(56,267,931)	(81,580,512)
Great Britain pound	3,272,675	5,508,967	2,075,378	(160,914)
Euro	1,877,412	4,772,393	(5,652,354)	(8,547,335)
Swiss Franc	23,690	23,690	(102,086)	(102,086)
Japanese yen	48,014	6,396	(1,145,471)	(1,103,853)
Others	38,339	33,149	(922,225)	(917,035)
	<u>465,066,918</u>	<u>445,751,531</u>	<u>-</u>	<u>19,315,387</u>
	2016			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan rupee	391,999,774	349,455,923	60,954,074	103,497,925
United States dollar	31,926,509	52,138,147	(51,935,721)	(72,147,359)
Great Britain pound	4,792,953	4,792,954	(345,407)	(345,408)
Euro	2,839,727	2,691,669	(6,927,164)	(6,779,106)
Swiss Franc	21,554	21,554	(153,283)	(153,283)
Japanese yen	36,088	2,569	(870,708)	(837,189)
Others	98,308	101,600	(721,791)	(725,083)
	<u>431,714,913</u>	<u>409,204,416</u>	<u>-</u>	<u>22,510,497</u>

41.3.1 Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

41.3.2 The management sets limits on the level of exposure by currency in total which are monitored daily.

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41.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

2017												
Effective yield / interest rate	Total	Exposed to yield / interest rate risk									Non interest bearing financial instruments	
		Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years		
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	35,085,289	8,364,702	-	-	-	-	-	-	-	-	26,720,587
Balances with other banks	-	779,856	-	-	-	-	-	-	-	-	-	779,856
Lendings to financial institutions	2.08%	8,067,665	8,067,665	-	-	-	-	-	-	-	-	-
Investments	6.36%	272,487,815	101,076,595	155,303,727	10,087,087	957,747	4,254,000	699,700	-	-	-	108,959
Advances	7.45%	137,655,093	50,759,436	59,884,588	15,313,318	3,740,960	3,108,951	3,432,000	1,408,531	44,772	-	(37,463)
Other assets	-	10,991,200	-	-	-	-	-	-	-	-	-	10,991,200
		465,066,918	168,268,398	215,188,315	25,400,405	4,698,707	7,362,951	4,131,700	1,408,531	44,772	-	38,563,139
Liabilities												
Bills payable	-	18,958,345	-	-	-	-	-	-	-	-	-	18,958,345
Borrowings	3.19%	26,029,816	8,282,854	14,849,636	2,379,000	-	256,468	175,105	-	-	-	86,753
Deposits and other accounts	3.63%	377,576,064	190,319,332	5,564,961	14,740,645	2,473,144	732,084	1,321,033	-	-	-	162,424,865
Sub-ordinated loans	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	23,187,306	-	-	-	-	-	-	-	-	-	23,187,306
		445,751,531	198,602,186	20,414,597	17,119,645	2,473,144	988,552	1,496,138	-	-	-	204,657,269
On-balance sheet gap		19,315,387	(30,333,788)	194,773,718	8,280,760	2,225,563	6,374,399	2,635,562	1,408,531	44,772	-	(166,094,130)
Off-balance sheet financial instruments												
Forward Lending												
Interest Rate Swap	-	8,289,783	-	-	193,180	-	4,433,310	1,235,127	-	2,428,166	-	-
Foreign Currency option	-	115,705	58,694	57,011	-	-	-	-	-	-	-	-
Forward Foreign Exchange Contracts	-	159,178,328	82,123,295	66,404,045	10,650,988	-	-	-	-	-	-	-
		167,583,816	82,181,989	66,461,056	10,844,168	-	4,433,310	1,235,127	-	2,428,166	-	-
Forward Borrowing												
Interest Rate Swap	-	5,687,395	-	-	-	-	3,766,643	414,065	-	1,506,687	-	-
Foreign Currency option	-	115,705	58,694	57,011	-	-	-	-	-	-	-	-
Forward Foreign Exchange Contracts	-	129,071,806	71,240,356	42,145,632	13,443,330	2,242,488	-	-	-	-	-	-
		134,874,906	71,299,050	42,202,643	13,443,330	2,242,488	3,766,643	414,065	-	1,506,687	-	-
Off-balance sheet gap		32,708,910	10,882,939	24,258,413	(2,599,162)	(2,242,488)	666,667	821,062	-	921,479	-	-
Total yield / interest risk sensitivity gap		52,024,297	(19,450,849)	219,032,131	5,681,598	(16,925)	7,041,066	3,456,624	1,408,531	966,251	-	(166,094,130)
Cumulative yield / interest risk sensitivity gap				199,581,282	205,262,880	205,245,955	212,287,021	215,743,645	217,152,176	218,118,427	218,118,427	

2016												
Effective yield / interest rate	Total	Exposed to yield / interest rate risk									Non interest bearing financial instruments	
		Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years		
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	40,729,979	7,944,823	-	-	-	-	-	-	-	-	32,785,156
Balances with other banks	-	5,699,791	-	-	-	-	-	-	-	-	-	5,699,791
Lendings to financial institutions	2.94%	19,798,390	18,972,220	826,170	-	-	-	-	-	-	-	-
Investments	7.64%	245,850,227	58,687,895	120,667,643	10,180,462	46,595,249	5,304,881	4,130,400	-	-	-	283,697
Advances	6.75%	113,950,767	49,297,505	37,053,900	18,069,947	3,298,434	1,587,060	1,277,891	1,173,381	-	-	2,192,649
Other assets	-	5,685,759	-	-	-	-	-	-	-	-	-	5,685,759
		431,714,913	134,902,443	158,547,713	28,250,409	49,893,683	6,891,941	5,408,291	1,173,381	-	-	46,647,052
Liabilities												
Bills payable	-	10,821,793	-	-	-	-	-	-	-	-	-	10,821,793
Borrowings	3.59%	14,400,841	225,000	9,956,585	2,961,278	-	-	437,524	239,768	-	-	580,686
Deposits and other accounts	4.14%	365,562,094	198,905,553	4,639,510	1,387,163	2,465,421	210,222	695,823	-	-	-	157,258,402
Sub-ordinated loans	7.05%	2,500,000	-	2,500,000	-	-	-	-	-	-	-	-
Other liabilities	-	15,919,688	-	-	-	-	-	-	-	-	-	15,919,688
		409,204,416	199,130,553	14,596,095	6,848,441	2,465,421	210,222	1,133,347	239,768	-	-	184,580,569
On-balance sheet gap		22,510,497	(64,228,110)	143,951,618	21,401,968	47,428,262	6,681,719	4,274,944	933,613	-	-	(137,933,517)
Off-balance sheet financial instruments												
Forward Lending												
Interest Rate Swap	-	4,976,406	-	-	278,929	121,960	1,233,282	1,830,826	911,681	599,728	-	-
Foreign Currency option	-	874,205	263,471	457,502	153,232	-	-	-	-	-	-	-
Forward Foreign Exchange Contracts	-	73,702,973	34,475,024	32,434,697	6,777,307	15,945	-	-	-	-	-	-
		79,553,584	34,738,495	32,892,199	7,209,468	137,905	1,233,282	1,830,826	911,681	599,728	-	-
Forward Borrowing												
Interest Rate Swap	-	2,116,894	-	-	278,929	-	-	830,826	444,544	562,595	-	-
Foreign Currency option	-	874,205	263,471	457,502	153,232	-	-	-	-	-	-	-
Forward Foreign Exchange Contracts	-	51,677,943	28,943,803	18,208,353	3,425,937	1,099,850	-	-	-	-	-	-
		54,669,042	29,207,274	18,665,855	3,858,098	1,099,850	-	830,826	444,544	562,595	-	-
Off-balance sheet gap		24,884,542	5,531,221	14,226,344	3,351,370	(961,945)	1,233,282	1,000,000	467,137	37,133	-	-
Total yield / interest risk sensitivity gap		47,395,039	(58,696,889)	158,177,962	24,753,338	46,466,317	7,915,001	5,274,944	1,400,750	37,133	-	(137,933,517)
Cumulative yield / interest risk sensitivity gap				99,481,073	124,234,411	170,700,728	178,615,729	183,890,673	185,291,423	185,328,556	185,328,556	

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41.5 Yield / Interest Rate Risk

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Bank manages this risk by matching the re-pricing of assets and liabilities and off-balance sheet instruments.

41.6 Liquidity Risk

Liquidity risk is the potential for loss because the bank, although solvent, does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can access these financial resources only at excessive cost.

Funding risk is the potential for actual or opportunity loss because the bank does not have stable or diversified sources of funding in the medium and long term to enable it to meet its financial obligations in pursuit of its desired business strategy or growth objectives.

Liquidity risk, both short term and structural is monitored through the internal liquidity risk management framework and is managed through the Asset and Liability Committee ("ALCO"). This committee, chaired by the CEO, is responsible for both statutory and prudential liquidity. The ALCO prudently monitors the Bank's Balance Sheet and ensures that the bank remains liquid at all times. A robust Liquidity and Funding Risk Type Framework helps to ensure that the bank maintains sufficient liquidity and a cushion of unencumbered, high quality liquid assets to withstand a range of stress events including those involving the loss or impairment of both unsecured and secured funding sources.

A range of tools are used for the management of liquidity and presented to ALCO on monthly basis:

- Wholesale Borrowing – External
- Wholesale Borrowing – Internal
- Swapped Funds
- Maximum Cumulative Outflow
- Intraday Liquidity Risk
- Liquidity Stress Testing
- Advances to Deposit Ratio
- Liquidity Coverage Ratio
- Net Stable Funding Ratio
- Asset Encumbrance
- Concentration of funding
- Top advances concentration
- Behavioural and Contractual Maturity mismatch

In addition, liquidity contingency funding plans are reviewed periodically to ensure that alternative funding strategies are in place and can be implemented on a timely basis to minimize the liquidity risk that may arise due to unforeseen adverse changes in the market place. The Bank also maintains significant levels of marketable securities either for compliance with local statutory requirements or as prudential investments of surplus funds.

Furthermore, stress testing and scenario analysis are used to assess the financial and management capability to continue to operate effectively under extreme, but plausible, operating conditions and to understand the potential threats to the bank's liquidity and other financial resources. Routine stress tests for liquidity risk under the Liquidity and Funding Risk Policy comprises of name-specific and market-wide stress.

41.6.1 BASEL III Liquidity Standards Implementation

As per SBP Basel III Liquidity Standards issued under BPRD circular no 08 dated June 23, 2016, banks are required to report BASEL III Liquidity standards to SBP and disclose the same in their financial statements

Liquidity Coverage Ratio (LCR)

It refers to the highly liquid assets held by the bank to meet its short term obligations. LCR is used as a tool to manage liquidity risk. LCR has two components: high quality liquid asset (HQLA) and total net cash outflows. HQLA comprises of those assets that can be readily sold or employed as collateral for obtaining fund HQLA structure has been divided into 1) cash and treasury balance, 2) marketable securities, 3) corporate debt securities with credit rating, 4) non-financial equity shares respectively. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month.

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Net Stable Funding Ratio (NSFR)

It is used to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on – and off-balance sheet items and promotes funding stability. The ratio is defined as the amount of available stable funding (ASF), relative to the amount of required stable funding (RSF).

Concentration of Funding Sources

Standard Chartered bank mainly relies on funds provided by depositors. Bank has one of the best CASA to total deposits ratio in the industry of 92%. Moreover the Bank does not rely on top few depositors to meet its funding requirements which reflect its effective diversification strategy. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds.

Currency Mismatch in the LCR

Currency mismatch is minimal as PKR deposits are 84% of Bank's total deposits. Also bank separately monitors local and foreign currency maturity mismatch on a monthly basis.

41.6.2 Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is a quantitative requirement which aims to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets which can easily be converted into cash at little or no loss of value in private markets, to withstand an acute liquidity stress scenario over a 30-day horizon.

(in local currency)		TOTAL UNWEIGHTED ^a VALUE (average of last four quarters)	TOTAL WEIGHTED ^b VALUE (average of last four quarters)
HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)	-	305,361,466
	CASH OUTFLOWS	-	-
2	Retail deposits and deposits from small business customers of which:	-	-
2.1	Stable deposit	-	-
2.2	Less stable deposit	248,266,458	24,826,646
3	Unsecured wholesale funding of which:	-	-
3.1	Operational deposits (all counterparties)	77,143,835	19,285,959
3.2	Non-operational deposits (all counterparties)	61,309,356	24,523,742
3.3	Unsecured debt	7,877,613	7,877,613
4	Secured wholesale funding	4,382,131	887,904
5	Additional requirements of which:	-	-
5.1	Outflows related to derivative exposures and other collateral requirements	720,169	720,169
5.2	Outflows related to loss of funding on debt products	-	-
5.3	Credit and Liquidity facilities	81,834,198	1,288,047
6	Other contractual funding obligations	16,133,513	16,133,513
7	Other contingent funding obligations	-	-
8	TOTAL CASH OUTFLOWS	-	95,543,593
	CASH INFLOWS	-	-
9	Secured lending	-	-
10	Inflows from fully performing exposures	38,328,363	20,201,488
11	Other Cash inflows	11,004,388	10,890,772
12	TOTAL CASH INFLOWS	-	31,092,260
21	TOTAL HQLA (1)		305,361,466
22	TOTAL NET CASH OUTFLOWS (8-12)		64,451,333
23	LIQUIDITY COVERAGE RATIO (21/22)		473.79%

- a unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)
- b Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)
- c Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on inflows).

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41.6.3 Net Stable Funding Ratio

The objective of NSFR is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

(Amount in PKR in thousands)

unweighted value by residual maturity				weighted value
No Maturity	< 6 months	6 months to < 1 yr	≥1 yr	

ASF Item

1	Capital:	-	-	-	-	-
2	Regulatory capital	57,335,131	-	-	-	57,335,131
3	Other capital instruments	6,310,214	-	-	-	6,310,214
4	Retail deposits and deposit from small business customers:	-	-	-	-	-
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	246,874,445	2,183,802	890,847	833,017	224,954,184
7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	75,468,572	-	-	-	37,734,286
9	Other wholesale funding	25,534,547	40,380,742	1,582,298	1,220,100	40,122,879
10	Other liabilities:	-	-	-	-	-
11	NSFR derivative liabilities	-	3,108,480	-	-	-
12	All other liabilities and equity not included in other categories	-	32,641,637	15,651,528	4,241,892	6,295,009
13	Total ASF	-	-	-	-	372,751,703

RSF Item

14	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	-
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA	-	2,161,425	-	-	324,214
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	5,396,987	-	-	809,548
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	82,813,336	32,616,512	15,968,170	71,287,869
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	1,545,775	147,125	4,586,174	3,827,464
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	-	-
22	Other assets:					
23	Physical traded commodities, including gold	-	-	-	-	-
24	Assets posted as initial margin for derivative contracts	-	-	-	-	-
25	NSFR derivative assets				4,825,660	2,338,876
26	NSFR derivative liabilities before deduction of variation margin posted				-	-
27	All other assets not included in the above categories	-	19,488,389	1,780,558	34,182,564	44,817,037
28	Off-balance sheet items	-	-	-	-	9,147,972
29	Total RSF	-	-	-	-	132,552,979
30	Net Stable Funding Ratio (%) (13/29)					281%

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41.7 MATURITIES OF ASSETS AND LIABILITIES - based on contractual maturity of assets and liabilities of the bank

In accordance with the guidelines issued by SBP through BSD Circular Letter No. 3 of 2011 and BSD Circular Letter No. 2 of 2013, Banks are required to disclose maturities of assets and liabilities separately for 'contractual maturities' and 'expected maturities'. The expected maturities are calculated using three (3) years historical balances and identifying "Core" and "Non-Core" balances using monthly volatility analysis. Fixed / intangible assets are presented on the basis of their depreciation / amortisation schedule.

		2017								
		Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years
		(Rupees in '000)								
Assets										
Cash and balances with treasury banks	35,085,289	35,085,289	-	-	-	-	-	-	-	-
Balances with other banks	779,856	779,856	-	-	-	-	-	-	-	-
Lendings to financial institutions	8,067,665	8,067,665	-	-	-	-	-	-	-	-
Investments	272,487,815	101,076,594	155,303,727	9,887,087	957,747	4,254,000	699,700	200,000	108,960	-
Advances	137,655,093	48,184,040	51,287,054	9,777,841	5,439,553	7,225,711	6,223,189	6,187,403	1,445,470	1,884,832
Other assets	25,343,352	3,569,824	7,066,637	526,884	428,470	2,959,127	10,750,173	2,193	40,044	-
Operating fixed assets	8,033,890	81,746	163,493	245,240	490,479	1,208,985	980,957	1,961,916	2,731,996	169,078
Intangible assets	26,095,642	21	41	62	124	84	-	-	-	26,095,310
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
		513,548,602	196,845,035	213,820,952	20,437,114	7,316,373	15,647,907	18,654,019	8,351,512	4,326,470
										28,149,220
Liabilities										
Bills payable	18,958,345	18,958,345	-	-	-	-	-	-	-	-
Borrowings	26,029,816	8,369,607	14,849,636	2,379,000	-	256,468	175,105	-	-	-
Deposits and other accounts	377,576,064	366,167,625	5,564,961	1,317,217	2,473,144	732,084	1,321,033	-	-	-
Other liabilities	24,341,273	4,775,765	3,990,386	429,665	14,922,642	7,995	113,171	2,648	99,001	-
Deferred tax liabilities	3,706,408	-	-	-	-	-	-	3,706,408	-	-
		450,611,906	398,271,342	24,404,983	4,125,882	17,395,786	996,547	1,609,309	3,709,056	99,001
		62,936,696	(201,426,307)	189,415,969	16,311,232	(10,079,413)	14,651,360	17,044,710	4,642,456	4,227,469
										28,149,220
Net assets										
Share capital	38,715,850									
Reserves	14,419,594									
Unappropriated profit	4,199,687									
Surplus on revaluation of assets - net	5,601,565									
	62,936,696									
		2016								
		Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years
		(Rupees in '000)								
Assets										
Cash and balances with treasury banks	40,729,979	40,729,979	-	-	-	-	-	-	-	-
Balances with other banks	5,699,791	5,699,791	-	-	-	-	-	-	-	-
Lendings to financial institutions	19,798,390	18,972,220	826,170	-	-	-	-	-	-	-
Investments	245,850,227	58,687,894	120,667,643	9,180,462	46,595,249	5,304,881	4,130,400	1,000,000	283,698	-
Advances	113,950,767	47,086,594	31,335,271	12,782,164	3,739,878	7,997,671	4,624,376	4,057,752	1,045,263	1,281,798
Other assets	16,853,879	793,781	4,413,296	241,612	911,877	4,747,813	5,745,735	(58,154)	57,919	-
Operating fixed assets	5,773,296	59,767	119,530	179,296	358,590	762,934	717,182	1,434,363	1,997,701	143,933
Intangible assets	26,095,890	22	41	62	124	166	152	13	-	26,095,310
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
		474,752,219	172,030,048	157,361,951	22,383,596	51,605,718	18,813,465	15,217,845	6,433,974	3,384,581
										27,521,041
Liabilities										
Bills payable	10,821,793	10,821,793	-	-	-	-	-	-	-	-
Borrowings	14,400,841	805,686	9,956,585	2,961,278	-	-	437,524	239,768	-	-
Deposits and other accounts	365,562,094	356,163,955	4,639,510	1,387,163	2,465,421	210,222	695,823	-	-	-
Sub-ordinated loans	2,500,000	-	-	-	-	-	-	-	2,500,000	-
Other liabilities	18,430,391	2,529,504	3,354,290	704,678	11,801,036	-	2,492	660	37,731	-
Deferred tax liabilities	1,754,807	-	-	-	-	-	-	1,754,807	-	-
		413,469,926	370,320,938	17,950,385	5,053,119	14,266,457	210,222	1,135,839	1,995,235	2,537,731
		61,282,293	(198,290,890)	139,411,566	17,330,477	37,339,261	18,603,243	14,082,006	4,438,739	846,850
										27,521,041
Net assets										
Share capital	38,715,850									
Reserves	12,770,562									
Unappropriated profit	5,385,558									
Deficit on revaluation of assets - net	4,410,323									
	61,282,293									

Notes to the Financial Statements

For the year ended 31 December 2017

41.8 MATURITIES OF ASSETS AND LIABILITIES - based on expected maturity of assets and liabilities of the bank

		2017								
		Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years
		(Rupees in '000)								
Assets										
Cash and balances with treasury banks	35,085,289	35,085,289	-	-	-	-	-	-	-	-
Balances with other banks	779,856	779,856	-	-	-	-	-	-	-	-
Lendings to financial institutions	8,067,665	8,067,665	-	-	-	-	-	-	-	-
Investments	272,487,815	101,076,594	155,303,727	9,887,087	957,747	4,254,000	699,700	200,000	108,960	-
Advances	137,655,093	22,138,660	53,181,800	12,619,960	11,123,790	22,849,989	6,223,189	6,187,403	1,445,470	1,884,832
Other assets	25,343,352	3,569,824	7,066,637	526,884	428,470	2,959,127	10,750,173	2,193	40,044	-
Operating fixed assets	8,033,890	81,746	163,493	245,240	490,479	1,208,985	980,957	1,961,916	2,731,996	169,078
Intangible assets	26,095,642	21	41	62	124	84	-	-	-	26,095,310
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
	513,548,602	170,799,655	215,715,698	23,279,233	13,000,610	31,272,185	18,654,019	8,351,512	4,326,470	28,149,220
Liabilities										
Bills payable	18,958,345	18,958,345	-	-	-	-	-	-	-	-
Borrowings	26,029,816	8,369,607	14,849,636	2,379,000	-	256,468	175,105	-	-	-
Deposits and other accounts	377,576,064	44,987,827	15,433,756	16,120,410	32,079,530	267,633,508	1,321,033	-	-	-
Other liabilities	24,341,273	4,775,765	3,990,386	429,665	14,922,642	7,995	113,171	2,648	99,001	-
Deferred tax liabilities	3,706,408	-	-	-	-	-	-	3,706,408	-	-
	450,611,906	77,091,544	34,273,778	18,929,075	47,002,172	267,897,971	1,609,309	3,709,056	99,001	-
	62,936,696	93,708,111	181,441,920	4,350,158	(34,001,562)	(236,625,786)	17,044,710	4,642,456	4,227,469	28,149,220
Net assets										
Share capital	38,715,850									
Reserves	14,419,594									
Unappropriated profit	4,199,687									
Surplus on revaluation of assets - net	5,601,565									
	62,936,696									
		2016								
		Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years
		(Rupees in '000)								
Assets										
Cash and balances with treasury banks	40,729,979	40,729,979	-	-	-	-	-	-	-	-
Balances with other banks	5,699,791	5,699,791	-	-	-	-	-	-	-	-
Lendings to financial institutions	19,798,390	18,972,220	826,170	-	-	-	-	-	-	-
Investments	245,850,227	58,687,894	120,667,643	9,180,462	46,595,249	5,304,881	4,130,400	1,000,000	283,698	-
Advances	113,950,767	19,631,911	34,759,912	17,919,127	14,013,803	16,616,825	4,624,376	4,057,752	1,045,263	1,281,798
Other assets	16,853,879	793,781	4,413,296	241,612	911,877	4,747,813	5,745,735	(58,154)	57,919	-
Operating fixed assets	5,773,296	59,767	119,530	179,296	358,590	762,934	717,182	1,434,363	1,997,701	143,933
Intangible assets	26,095,890	22	41	62	124	166	152	13	-	26,095,310
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
	474,752,219	144,575,365	160,786,592	27,520,559	61,879,643	27,432,619	15,217,845	6,433,974	3,384,581	27,521,041
Liabilities										
Bills payable	10,821,793	10,821,793	-	-	-	-	-	-	-	-
Borrowings	14,400,841	805,686	9,956,585	2,961,278	-	-	437,524	239,768	-	-
Deposits and other accounts	365,562,094	44,633,945	17,433,622	20,578,331	40,847,757	241,372,616	695,823	-	-	-
Sub-ordinated loans	2,500,000	-	-	-	-	-	-	-	2,500,000	-
Other liabilities	18,430,391	2,529,504	3,354,290	704,678	11,801,036	-	2,492	660	37,731	-
Deferred tax liabilities	1,754,807	-	-	-	-	-	-	1,754,807	-	-
	413,469,926	58,790,928	30,744,497	24,244,287	52,648,793	241,372,616	1,135,839	1,995,235	2,537,731	-
	61,282,293	85,784,437	130,042,095	3,276,272	9,230,850	(213,939,997)	14,082,006	4,438,739	846,850	27,521,041
Net assets										
Share capital	38,715,850									
Reserves	12,770,562									
Unappropriated profit	5,385,558									
Deficit on revaluation of assets - net	4,410,323									
	61,282,293									

41.9 Operational Risk

Operational risk is defined as the potential for loss from inadequate or failed internal processes, people, and systems or from the impact of external events, including legal risks.

The Operational Risk Framework (ORF) sets out SCB's approach to the management of operational risk. The Country Operational Risk Committee (CORC) oversee the management of operational risks at the country level and its scope includes all client segments, products and functions. The CORC is chaired by the CEO, and CCRO is an active member of this forum, and monitors and reviews the full operational risk profile in the country.

All areas within the Bank monitor their operational risks using set standards and indicators, with significant issues and exceptions reported to CORC.

Notes to the Financial Statements

For the year ended 31 December 2017

42 ISLAMIC BANKING BUSINESS

The Bank is operating with 9 Islamic Banking branches at the end of current year (2016: 10 branches).

	Note	2017	2016
		----- (Rupees in '000) -----	
42.1 Balance Sheet			
Assets			
Cash and balances with treasury banks		2,725,969	6,793,256
Due from financial institutions		4,788,058	4,513,007
Investments		6,233,447	8,203,350
Islamic financing and related assets	42.1.1	42,572,814	32,133,361
Operating fixed assets		40,400	39,526
Other assets		500,941	717,271
		56,861,629	52,399,771
Liabilities			
Bills payable		162,877	209,340
Due to financial institutions		3,724,000	2,625,237
Deposits and other accounts			
Current accounts		25,744,605	24,894,128
Saving accounts		13,423,428	12,892,874
Term deposits		1,052,881	1,538,052
Others		50,366	55,494
Deposit from financial institutions - remunerative		2,948	16,204
		40,274,228	39,396,752
Due to Head Office		6,675,569	4,964,928
Other liabilities		661,180	594,650
		51,497,854	47,790,907
Net Assets		5,363,775	4,608,864
Represented by:			
Islamic Banking Fund		200,000	200,000
Unappropriated / Unremitted profit		5,086,697	4,261,461
		5,286,697	4,461,461
Surplus on revaluation of assets - net		77,078	147,403
		5,363,775	4,608,864
CONTINGENCIES AND COMMITMENTS	21		
42.1.1 Islamic Financing and related assets			
Murabaha	42.1.1a	1,004,855	980,380
Musharakah	42.1.1b	20,072,238	15,527,233
Diminishing Musharakah	42.1.1c	19,862,104	15,149,995
Ijarah	42.1.1d	-	95,211
Musawammah	42.1.1e	1,245,000	21,200
Others	42.1.1f	388,617	359,342
		42,572,814	32,133,361
42.1.1a Murabaha			
Financings / Investments / Receivables		682,554	822,451
Advances		6,277	157,929
Assets/Inventories		316,024	-
		1,004,855	980,380
42.1.1b Musharakah			
Financings / Investments / Receivables		20,072,238	15,527,233

Notes to the Financial Statements

For the year ended 31 December 2017

	2017	2016
	----- (Rupees in '000) -----	
42.1.1c Diminishing Musharakah		
Financings / Investments / Receivables	19,806,390	15,149,995
Advances	55,714	-
	19,862,104	15,149,995
42.1.1d Ijarah Financing		
Cost		
As at January 1	1,206,000	1,206,000
Additions during the year	-	-
Transfer / Write offs	(1,206,000)	-
Deletions	-	-
As at December 31	-	1,206,000
Accumulated Depreciation		
At January 1	1,110,789	729,947
Charge for the year	95,211	380,842
Transfer / Write offs	(1,206,000)	-
Deletions	-	-
As at December 31	-	1,110,789
Net Book value	-	95,211
Future Ijarah payments		
Not later than one year	-	110,151
Later than one and less than five years	-	-
Total Future Ijarah payments	-	110,151
42.1.1e Musawammah		
Financings / Investments / Receivables	1,245,000	21,200
42.1.1f Others		
Financings / Investments / Receivables	388,617	359,342
42.1.2	Deposit and other accounts include redeemable capital of Rs. 14,479.26 million (2016: Rs. 14,447.13 million) and deposits on Qard basis of Rs. 25,794.97 million (2016: Rs. 24,949.62 million). Remunerative deposits which are on Mudarabah basis are considered as Redeemable Capital and non-remunerative deposits are classified as being on Qard basis.	
42.2 Profit and Loss		
Profit / return earned on financings, investments and placements	3,116,094	3,388,511
Return on deposits and others dues expensed	(658,124)	(946,563)
Net spread earned	2,457,970	2,441,948
Reversal against non performing financing	92,685	39,904
Net spread after provisions	2,550,655	2,481,852
Other income		
Fees, commission and brokerage income	802,664	671,767
Other income	639	607
Total other income	803,303	672,374
Other expenses		
Administrative expenses	(1,778,722)	(1,915,785)
Profit before taxation	1,575,236	1,238,441
42.2.1 Remuneration to Shariah Advisor / Board	5,188	5,456

Notes to the Financial Statements

For the year ended 31 December 2017

42.3 Cash flow from operating activities

Profit before tax for the year

Adjustments for:

Depreciation

Gain on disposal of fixed assets - net

(Reversal) against loans and advances - net of recoveries

Decrease / (increase) in operating assets

Lendings to financial institutions

Net investments in 'held for trading' securities

Advances

Other assets

Increase / (decrease) in operating liabilities

Bills payable

Borrowings from financial institutions

Deposits and other accounts

Other liabilities

Cash inflow before taxation

Income tax paid

Net cash generated from operating activities

Net investments in 'available for sale' securities

Net investment in fixed assets

Net cash used in / (generated from) investing activities

Appropriation/ payments made to Head office

Net cash used in financing activities

(Decrease) / increase in cash and cash equivalents for the year

Cash and cash equivalents at beginning of the year

Cash and cash equivalents at end of the year

Cash and balances with treasury banks

Balances with other banks

42.4 Charity fund

Opening balance

Additions during the year

Penalty on delayed payment

Income purification

Payments / utilization during the year

Education

Health

Closing balance

	2017	2016
	----- (Rupees in '000) -----	
Profit before tax for the year	1,575,236	1,238,441
Adjustments for:		
Depreciation	14,837	16,075
Gain on disposal of fixed assets - net	(639)	(607)
(Reversal) against loans and advances - net of recoveries	(92,685)	(39,904)
	(78,487)	(24,436)
	1,496,749	1,214,005
Decrease / (increase) in operating assets		
Lendings to financial institutions	(275,051)	(594,437)
Net investments in 'held for trading' securities	-	1,998
Advances	(10,346,767)	(2,488,225)
Other assets	216,330	(180,202)
	(10,405,488)	(3,260,866)
Increase / (decrease) in operating liabilities		
Bills payable	(46,463)	62,223
Borrowings from financial institutions	1,098,763	1,166,237
Deposits and other accounts	877,476	1,438,185
Other liabilities	1,777,171	1,415,255
	3,706,947	4,081,900
Cash inflow before taxation	(5,201,792)	2,035,039
Income tax paid	-	-
Net cash generated from operating activities	(5,201,792)	2,035,039
Net investments in 'available for sale' securities	1,899,577	3,888,000
Net investment in fixed assets	(15,072)	(15,350)
Net cash used in / (generated from) investing activities	1,884,505	3,872,650
Appropriation/ payments made to Head office	(750,000)	(1,500,000)
Net cash used in financing activities	(750,000)	(1,500,000)
(Decrease) / increase in cash and cash equivalents for the year	(4,067,287)	4,407,689
Cash and cash equivalents at beginning of the year	6,793,256	2,385,567
Cash and cash equivalents at end of the year	2,725,969	6,793,256
Cash and balances with treasury banks	2,725,969	6,793,256
Balances with other banks	-	-
	2,725,969	6,793,256
42.4 Charity fund		
Opening balance	2,941	2,186
Additions during the year		
Penalty on delayed payment	3,436	3,687
Income purification	2,907	2,755
	6,343	6,442
Payments / utilization during the year		
Education	(1,540)	(3,261)
Health	(3,044)	(2,426)
	(4,584)	(5,687)
Closing balance	4,700	2,941

Notes to the Financial Statements

For the year ended 31 December 2017

42.5 Profit and 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) IERS Musharakah Pool

Key features, risks, rewards and calculation of profit / loss of this pool are in compliance with the SBP IER Scheme and the relevant circulars issued by SBP from time to time.

Type of Pool	Profit rate and weightage announcement period	Average return on Pool Assets	Bank Profit	SBP Profit	Bank Profit %	SBP Profit
IERF Pool	Monthly	4.66%	244,125	62,234	79.69%	20.31%

b) Mudarabah Depositors Pool

- General Depositors Pool
- Special Depositors Pool

i) Key features and risk & reward characteristics

Saadiq Current account is a shariah compliant non-profit bearing transactional account, based on the Islamic banking principle of "Qard". While Saadiq Savings & Term accounts are Shariah compliant account based on the Islamic principle of "Mudarabah".

Mudarabah is a partnership where one party gives money to other for investing in a business. The partner who is providing the money is "Rab-ul-Maal (Investor)" and the partner who manages the investment is "Mudarib" (working partner). The Bank (Mudarib) invests the funds given by the account holder "Rab-ul-Maal" in shariah compliant businesses to earn profits. This profit is shared on the basis of profit & loss sharing as per the pre-agreed ratio between the Bank and the customer.

In case of loss, the same is borne by the depositors 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 for the deposit pool is calculated from income earned on all the remunerative assets booked by utilising the funds from the deposit pool and is distributed between Mudarib and Rab-ul-Maal based on declared sharing ratios (before start of every given month).

The ratio for Mudarib and Rab-ul-maal is 50:50 for general pool and Special pool. No general or administrative expenses are charged to pools. No provision against any non-performing asset of the pool is passed on to the pool except for the actual loss / write-off of such non-performing asset.

iii) Deployment of Mudarabah based deposits



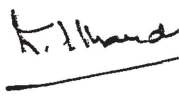


The deposits and funds accepted under the above mentioned pools are provided to diverse sectors including Sugar, Textile, Fertilizer, Power Production, Energy, Packaging Material etc. as well as in Government of Pakistan backed Ijarah Sukuks.

iv) Other information

	Type of Pool	
	General	Special
Profit rate / weightage announcement frequency	Monthly	Monthly
Mudarib share (amount in 000)	283,954	109,833
Mudarib share (%)	48.57%	36.27%
Mudarib Share transferred through Hiba (Amount in 000)	8,379	41,576
Mudarib Share transferred through Hiba (%)	2.87%	27.46%
Average return on pool assets	5.88%	6.69%
Average return on deposits	3.03%	4.27%

43 DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors meeting held on 08 March 2018.

				
Shazad Dada Chief Executive Officer	Asad Ali Shariff Chief Financial Officer	Najam I. Chaudhri Director	Parvez Ghias Director	Mohamed Abdelbary Director

Financial Statements

Annexure-1

Sr. NO.	Name	Address	Name of Partners/ Directors NIC / CNIC	Father / Husband Name	Amount in PKR Rupees					
					Outstanding Liabilities at Beginning of Year			Amount Written off / Concession		
					Principal	Interest/ Mark up	Total	Principal	Interest/ Mark up	Total Balance
1	Pakistan Agro Chemicals (Pakistan) Limited	38/C/4 Block -6 P.E.C.H.S Karachi	Saqib Ralay CNIC 42201-5529933-9 Abdur Ralay CNIC 42201-0269107-1 Shahwar Ralay CNIC 42201-0225132-6 Jamal Haider CNIC 42201-1158728-7	Abdur Ralay M.A Raul Abdur Ralay Ghulam Haider	122,801,579	164,772,691	287,574,270	50,802,595	167,488,378	218,290,973
2	Abdullah (Pvt.) Limited	4/C-2 Nazimabad Karachi	Sheikh Akhtar Hussain CNIC 42101-01038990-1 Altal Hussain CNIC 42101-0134833-9 Ashfaq Hussain CNIC 42301-2617632-3 Aamir Ashlaque CNIC 42301-2537097-1	Ashlaque Hussain Ashlaque Hussain Fazal Hussain Ashlaque Hussain	133,635,846	76,883,600	210,519,446	29,256,018	80,999,448	110,255,465
3	Pakistan Cycle Industrial Co-Operative Society Limited	Cooperative Society Limited National House 47 - Shahrah Quaid-e-Azam Lahore.	Saleem Ullah Sheikh CNIC 35202-1639127-1 Ghulam Kibriya Majal CNIC 35202-3561911-3 Amjad Sharif Qazi CNIC 35202-1579213-9 Zubair Sharif Qazi CNIC 35202-1688064-9 Faisal Rehman CNIC 61101-2290297-7 Muhammad Yasir Sheikh CNIC 35202-9392117-9 Khawaja Muhammad Tariq CNIC 35202-8952682-3 Salman Bashir CNIC 35202-4619977-5 Mansoor Salah-ud-Din CNIC 35202-0575581-9 Siddique Rasool Syed CNIC 35202-4492194-5 Mazhar Ahmad Malik CNIC 35202-7544857-9 Hamid Saeed Ch. CNIC 35202-7789452-9 Muhammad Asim Akram CNIC 35202-7424609-5 Muhammad Aamir Zubair CNIC 35202-2571385-9	Sheikh Ubaid Ullah Ghulam Muhammad Majal Muhammad Sharif Qazi Sh. Zaka-Ur-Rehman Moulvi Sheikh Muhammad Yahya Khawaja Muhammad Ashfaq Ch. Muhammad Bashir Khawaja Salah-Ud-Din Aizaz Rasool Syed Manzoor Ahmad Malik Ch. Muhammad Saeed Muhammad Akram Sheikh Muhammad Zubair Sheikh	143,939,796	24,327,316	168,267,112	79,995,896		79,995,896
4	Pakistan Vehicle Engineering (Pvt) Limited	PLOT# D-134 S.I.T.E Mangopir Road Karachi.	Sheikh Farhan Iqbal CNIC 42101-1889678-5 Sheikh Farooq Iqbal CNIC 42101-1889680-9 Shabeen Farhan CNIC 42101-1746388-8	Iqbal Ahmed Sheikh Iqbal Ahmed Sheikh Farhan Iqbal Shaikh	42,146,551	15,808,406	57,954,957		16,860,043	16,860,043
5	Irfan Ahmed	279-A Model Town, Gujranwala	34101-5440397-7	Ghulam Rasool Khan	1,778,687	5,101,032	6,879,719	1,778,687	5,101,032	6,879,719
6	Multi Rocks Marble And Granite	24-C-II, Collage Road, Lahore.	Sajid Bashir Choudhary CNIC 35202-6240545-5	Bashir Ahmed Choudhary	25,002,283	28,713,419	53,715,702	5,002,283	1,822,075	6,824,358
7	Nadeem Safar	111-L Block-2 Khalid Bin Waleed Road, PECHS Karachi	42201-3656606-1	Safar Ali	22,959,365	12,459,813	35,419,178	2,995,935	3,496,628	6,492,562
8	Waleed Chemical	50 A/1 Main Gulberg, Lahore	Nabila Intisar CNIC 35202-5592137-2	Intisar Younas Butt	2,991,814	5,375,740	8,367,554		5,375,740	5,375,740
9	Muhammad Aslam	E-106,Block-F, North Nazimabad Karachi, Karachi	42201-9146405-7	Mohammad Ismail	18,942,167	14,496,306	33,438,472		4,687,466	4,687,466
10	Syed Fawad Raza Hashmi	23/1 Kheyaban-e-Sehr Phase 6 Karachi	42000-0396766-7	Hashim Raza Hashmi	7,550,638	2,344,084	9,894,722	1,082,310	3,162,283	4,244,594
11	Workman Garment	Fateh Garh Bridge, Behind M.C. Girls High School, Lahore	Habib UR Rehman Hashmi CNIC 35200-1485935-3	Haliz Inayat Ul Hasan Hashmi	3,999,000	3,350,769	7,349,769	499,000	3,350,769	3,849,769
12	Jam Shaif Ali	Bhittai Petroluem, 3-A Double Carriage Way Main Korangi Road, Karachi.	44201-4458771-3	Nawab Anwar Ali Khan	3,314,905	10,005,986	13,320,892	3,314,905	386,228	3,701,133
13	Asian Electronics	1A Jubilee Mansion Shahrah-e-Liaquat, Saddar, Karachi	Parvez Alam Khan CNIC 42101-6453340-3	Maqsood Alam Khan	12,000,000	3,005,933	15,005,933		3,394,023	3,394,023
14	Imrana Yaqoob	House No 34 Khayaban-e-Shujaat Phase 5, D.H.A. Karachi. Karachi	42301-5081010-4	Khawaja Naveed Ahmed	8,172,278	2,089,026	10,261,304	1,634,278	1,758,291	3,392,569
15	Amjad Kamran	House 9 Street 1, A.F.O.H.S (Falcon Complex) Lehtar Road, Lahore.	37405-9409959-7	Ala Ullah Qureshi	2,743,642	2,182,677	4,926,319	1,134,622	2,085,013	3,219,636
16	Kashif Siddiq	2 - A / 1, Golf Course, Road 2, Phase IV, D.H.A., Karachi	42201-0780810-9	Siddiq Ahmed	7,499,747	3,066,989	10,566,736		3,066,736	3,066,736
17	Chaudhry Muhammad Shaleeq	House No. 34, Garden Block, Garden Town, Lahore.	35202-0217025-7	Ch Noor Shafique	25,655,878	10,698,147	36,354,025		3,008,413	3,008,413
18	Mohammad Naveed	Flat# 4, 4th Floor, Naseeruddin Mension Ram Savemi Plumber Street, Karachi	42301-3362931-5	Naseem Uddin	2,941,556	16,501,142	19,442,698		2,703,308	2,703,308
19	Ziauddin Shaikh	Flat # M-03, Chaple Resort, Block I, Clifton, Karachi	42301-9602670-7	Jamaluddin Shaikh	5,538,070	3,927,845	9,465,915	2,248,070	441,788	2,689,858

Financial Statements

Annexure-1

Sr. NO.	Name	Address	Name of Partners/ Directors NIC / CNIC	Father / Husband Name	Amount in PKR Rupees					
					Outstanding Liabilities at Beginning of Year			Amount Written off / Concession		
					Principal	Interest/ Mark up	Total	Principal	Interest/ Mark up	Total Balance
20	Japanz International (Pvt) Limited	Japanz International Pvt Ltd, Plot# 57/16, 6-Km Gujranwala, Sheikhpura Road, Lahore	SYED GHAYOOR ABBAS BUKHARI CNIC 35202-2343912-1 SYED MUHAMMAD ABU TALIB BUKHARI CNIC 35201-9960032-5	Syed Muhammad Taqi Bukhari Syed Muhammad Taqi Bukhari	2,656,410		2,656,410	2,656,410		2,656,410
21	Gujranwala Shutter Gate Machine	Gujranwala Shutter Gate Machine Sargodha Road, Gujrat Near Pandi Iron Store Gujranwala.	Mirza Qamar Abbas CNIC 34201-0429411-9	Mirza Muhammad Hussain	2,509,825	1,908,709	4,418,534	509,825	1,908,709	2,418,534
22	Mehmood Ahmed	Rana & Co. New Ghalla Mandi Opp Habib Bank Kamoki	34102-6810916-5	Abdul Latif	3,426,078	1,236,944	4,663,023	954,078	1,236,944	2,191,023
23	Gemsite Petrol Service	Plot# B-70 Shershah Chowk Maripur Road near Hobb Shershah Branch	Fahim Sultan Ahmed CNIC 42201-0892214-3 Mehtab Sultan CNIC 42301-4002613-3 Feroz Sultan CNIC 42201-8984013-7	Sultan Ahmed Sultan Ahmed Sultan Ahmed	2,938,692	1,127,558	4,066,250	938,692	1,127,558	2,066,250
24	Manzar Khurshid	8 PMA House, 1st floor, Liaqat Road, Rawalpindi	37405-2870668-7	Khurshid Alam	3,056,548	1,243,735	4,300,284	556,548	1,479,885	2,036,434
25	Bilal Abbas	Portway Trade Centre LMCHS Sharea Faisal Suite No 804 8th Floor near Mehdi Tower, Karachi	42101-1777405-7	Nazar Abbas	1,725,000	242,791	1,967,791	1,725,000	242,791	1,967,791
26	Tariq Iqbal Qureshi	House No.2240/27-D, Mumtazabad Colony, Multan	36302-5630292-1	Ahmad Mian Qureshi	2,983,718	1,244,173	4,227,891	700,000	1,244,173	1,944,173
27	Muhammad Kamran	H # C-28 Block - H, North Nazimabad, Karachi	42101-8747661-1	Muhammad Rafi	4,598,984	7,188,282	11,787,266	1,908,093		1,908,093
28	Khawaja Noor Elahi	House No 208-B 36th Street Khy- e-Iltehad Karachi. Phase-VI, D.H.A Karachi	42000-0441182-5	Haji Ghulam Hussain	9,262,454	(36)	9,262,418	1,852,454		1,852,454
29	Khawaja Mohammad Azeem	Shop#45, VIP Electronics, Najam Naza Liaqat Road, Rawalpindi	37405-1754317-3	Khawaja Abdul Aziz	959,706	1,369,769	2,329,475	474,706	1,369,769	1,844,475
30	Adnan Butt	House No. 91-A, Sultan Town, Raiwind Road, Lahore.	35202-2746597-3	Enam Rasool Butt	4,476,823	1,864,321	6,341,144	1,638,100		1,638,100
31	Muhammad Younus	Suite No 306 3rd Floor Software Technology Park 2 Opp. Zafar Chaat / Hollywood Burger Tariq Centre, Karachi	42000-9244263-9	Muhammad Younus	1,502,477	72,445	1,574,923	1,502,477	72,445	1,574,923
32	Irfan Zaki	Digi Media Company 11-A Block C, Ghalib Road, Gulberg III, Lahore	35201-1415440-1	Shaikh Muhammad Zaki	1,387,617	139,867	1,527,484	1,387,617	154,975	1,542,592
33	Shahab Akhtar Siddique	K Electric, Bin Qasim Power Terminal Station 1, Steel Millport Qasim	42301-8100776-1	Muhammad Akhtar Jah Siddique	1,409,372	100,005	1,509,377	1,409,372	100,631	1,510,003
34	Jawad Munir	Near Bus Stand Kolo Tarar District Halifabad.	34301-7930197-7	Munir Ahmad	816,256	678,597	1,494,852	816,256	678,597	1,494,852
35	Mr Abdur Rehman	House No 719 Gg-11/1, Sachal Samast Road	42201-9024364-7	Suleman	1,072,239	291,878	1,364,117	1,072,239	329,786	1,402,025
36	Syed Nasik Mehdi Zaidi	Credit Hub Rawalpindi Zahoor Plaza Peshawar Road Honda Centre Rawalpindi	12101-0841642-1	Syed Mazhar Hussain Zaidi	1,270,370	59,706	1,330,076	1,270,370	73,871	1,344,241
37	Muhammad Aslam	M.S. Reshma Tex Limited 4-Km Manga Road Raiwind Near Rohi Nala Raiwind, Lahore	35202-2691809-1	Khushi Muhammad	1,257,487	41,314	1,298,801	1,257,487	41,314	1,298,801
38	M Shabbir	House No. 869/110 Street No. 01, Ayub Colony Rehmania Road, Faisalabad	33100-2781273-5	Muhammad Islam Din	2,297,220	953,932	3,251,151	297,220	953,932	1,251,151
39	Muhammad Ali	House No.278-N Mohallah Samanabad, Lahore Distt, Lahore.	35201-6460047-3	Muhammad Shafi	7,745,642	7,408,274	15,153,916	1,249,299		1,249,299
40	Muzaffar Majeed	HBL Head Quarter 2nd Flr 102,103 Askari Bank Upper Mall, Lahore	35202-9758250-5	Abdul Majeed	1,195,529	40,461	1,235,990	1,195,529	43,624	1,239,153
41	Mr Abdul Salam	Karachi American School KDA Scheme#1, Amir Khuro Road, Pir Pagara Bungalow Near Karsaz, Nadra Office, Karachi	42201-9181737-3	Banney Mian	1,001,158	188,832	1,189,990	1,001,158	219,811	1,220,969
42	Brendon D' Souza	Flat # 604-6th Floor Mehran Complex 2 Dr Daud Potta Road Cantt Station Karachi Karachi	42301-9495756-7	Geoffrey Joseph Dsouza	1,096,342	123,849	1,220,192	1,096,342	123,849	1,220,192
43	Shakir Sabbir	House # 3, Street# 39, Sant Nagar, Lahore	35202-4635468-9	Sabbir Ali	1,497,980	3,806,867	5,304,847	1,201,968		1,201,968
44	Muhammad Munir	FDS Pvt Ltd, 53 Sharea Quaid-e-Azam State Bank Mall Road, Lahore	38403-6867414-3	Ghulam Shabir	1,086,138	107,588	1,193,726	1,086,138	107,588	1,193,726
45	Ayyaz Ahmed	SNL Pakistan, 101-W Al Khair Plaza Fazal-e-Haq Road, Blue Area, Islamabad near Citi Lab Islamabad	61101-0340308-3	Abdul Ghalifar	1,000,000	129,966	1,129,966	1,000,000	143,903	1,143,903
46	Muhammad Omer Cheema	House No 84 Urban Boulevard, Bahria Enclave, Islamabad	35201-0900370-7	Khalid Nawaz Cheema	1,000,000	119,811	1,119,811	1,000,000	124,369	1,124,369
47	Muhammad Munawar	A-4 Communication Pvt Ltd 336-S Quaid-e-Azam, Industrial Estate, Kot Lakhpal near Morgah Bread, Lahore	35202-6509949-7	Ghulam Muhammad	984,667	139,635	1,124,301	984,667	139,635	1,124,301
48	Muhammad Akram	Ward No 6 Street Gurda Wara Kahna Nov Gala Mandi Lahore	35201-1439128-5	Shaukat Ali	932,400	162,195	1,094,596	932,400	185,799	1,118,199
49	Muhammad Atif Gayyum	352-D, Street-17, Block-D, Pak PWD ECHS Behind Rahat Bakers Islamabad	61101-4465748-3	Abdul Gayyum	1,077,285	14,947	1,092,232	1,077,285	29,383	1,106,668

Financial Statements

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Sr. NO.	Name	Address	Name of Partners/ Directors NIC / CNIC	Father / Husband Name	Amount in PKR Rupees					
					Outstanding Liabilities at Beginning of Year			Amount Written off / Concession		
					Principal	Interest/ Mark up	Total	Principal	Interest/ Mark up	Total Balance
50	WasiMirza	A-39 Rizvia Society Phase 2 Scheem 33 Sector 34 Kiran Hospital Karachi Karachi	42201-5939084-7	Mirza Mohsin Ali Baig	1,036,026	51,313	1,087,339	1,036,026	59,998	1,096,023
51	Ali Tariq	The Help Desk 1st Floor Building, C 3 D Block Commercial Marekt Valencia Town Lahore	34603-6395472-7	Tariq Nawaz	996,946	96,790	1,093,735	996,946	96,790	1,093,735
52	Arslan Tariq	Plot 20 Offices Blockparagon City Mainair Port Road Barki Road Lahore	35201-5064652-7	Muhammad Tariq	1,000,000	86,483	1,086,483	1,000,000	86,483	1,086,483
53	Mumtaz Ali	Elender Road Poer house Shaheen Complex Building A	41306-6821918-7	Gul Muhammad	989,607	73,204	1,062,811	989,607	73,204	1,062,811
54	Syed Adnan Aleeq Shah	H Ndg 100 Shaz Centre SB -10 North Nazimabad Sec K, Karachi West, Karachi	42101-1396328-9	Syed Aleeq Ahmed Shah	953,241	97,212	1,050,453	953,241	107,727	1,060,968
55	SaeedAhmed Shaikh	Building#1-C Stret#3 Jami Commercial Opp SCBPL Itehad Branch D.H.A Phase 7, Karachi	41306-9912698-1	Ghulam Mustafa Shaikh	949,199	89,211	1,038,410	949,199	92,191	1,041,390
56	Alzal Rashid	Plot.30 Ground Floor, 35th A St-B - VI Phase V, D.H.A Karachi	42000-0514190-9	Sher Ali Rashid	982,398	25,212	1,007,610	982,398	51,149	1,033,547
57	Naeem Feroze	Plot No 66/2 Off Shaheed Emillat Expressway near KPT Interchange. Korangi Karachi	34603-6604436-3	Chaudhry Feroze Ud Din	949,199	80,326	1,029,524	949,199	80,326	1,029,524
58	Mr Yasser Ali Shah	c/o. SCB Branch Manager/Bom27-Ali Block, New Garden Town, Lahore	35202-4547204-5	Syed Muhammad Maghloor	968,942	49,174	1,018,116	968,942	50,544	1,019,486
59	Khalid Hameed Khan	IOM Mediterran Plaza, Plot 3B1, G-5 Markaz Diplomatic Incilave, Islamabad	37405-0345596-3	Inayat Khan	973,167	26,925	1,000,092	973,167	38,741	1,011,907
60	Asif Aziz	12th Floor Centrepoint Off. Shaheed-e-Millat Expressway near KPT Interchange, Karachi	42201-9723330-9	AzizMasih	903,993	100,260	1,004,253	903,993	105,186	1,009,179
61	Umar Muzaffar	House # 855, Street # 72G-10/4,	61101-5323096-5	Muzaffar Ud Din Ahmed	959,459	50,134	1,009,593	959,459	44,929	1,004,388
62	Anil Mahmood	Plaza 4 C near Sana Apartment G5 Markaz, Diplomatic Enclave Kuwait Masjid, Islamabad	37101-1660007-5	Feroze Din	897,581	83,031	980,612	897,581	83,031	980,612
63	Khurram Kaleem	701-A Falak Tower Crrer Town Cantt Station Flat No 2-6 Clifton, Karachi	42301-6603245-3	Haji Mohammad Kaleem	802,700	151,034	953,734	800,722	170,629	971,351
64	Muhammad Rafique Zardari	Flat# A-7/10 Rabia City, Habib University, Gulistan-e-Johar, Block 18, Karachi	45402-9460227-3	Haji Muhammad Salah Zardari	928,742	28,229	956,971	928,742	30,351	959,092
65	Shahid Gulzar	Al-Sheikh Electronics 50 Madina Market Shah Alam, Lahore.	35200-1404399-7	Muhammad Gulzar	799,081	138,248	937,329	799,081	159,922	959,003
66	Waheed Rashid Ansari	43/1 17th Street Phase 5 D.H.A Karachi	42000-6608530-1	Rashid Ahmed Ansari	925,688	15,872	941,560	925,688	31,400	957,088
67	Asad Rauf Khan	Bahriya Complex 4, Gizri, Clifton, 7th Floor United Saudi Embassy, Marine Age Pvt Ltd., Karachi	91509-0102520-9	Abdul Rauf Khan	862,034	91,250	953,285	862,034	91,250	953,285
68	Syed Muhammad Ahtisham Uddin	R-665 Sec 15-A/4, Buffer Zone North Nazimabad Town, Karachi	42101-8064302-9	Syed Muhammad Shuja Uddin	1,798,471	752,760	2,551,231	198,471	752,760	951,231
69	Mujeeb Islam	21 Gulshan Block, Allama Iqbal Town, Lahore	35202-1693046-3	Munawar Islam	728,150	182,225	910,375	728,151	207,735	935,886
70	Mr Muhammad Rizwan	House # R-258 Blk-19 Federal B Area near Power House & Happy Palace School, Karachi	42101-1924654-5	Balaghat Hussain	751,364	158,149	909,513	751,364	180,255	931,619
71	Rana Imran Shoukat	28 Km Mullan Road Lahore PLC Pakistan Shaqabad Police Staion Logistics Cell, Lahore	35201-4310753-7	Rana Shoukat Ali	752,969	139,055	892,023	752,969	159,478	912,446
72	Syed Kamran Ul Hassan Naqvi	Consals Institute Of Information Technology Bio Sciences Department near Park Shahzad, Islamabad	13302-1045963-7	Syed Zamurad Hussain Naqvi	817,964	85,513	903,477	817,964	85,513	903,477
73	Umar Hayat	IRC Main Plaza 4-C Diplomatic Enclave G-5, near PM Secretariat, Sana Apt, Islamabad	17301-7834743-1	Sarfaraz Khan	874,092	16,719	890,812	874,092	23,923	898,015
74	Muhamad Shalique	P-1541 Street No 08 near Sahil CNG Partab Nagar, Jhang Road, Faisalabad	33100-2399043-3	Muhammad Rafique	234,601	659,445	894,046	234,601	659,445	894,046
75	M Noor Ullah Qazi	B 19, Block W, Allama Iqbal Town, North Nazimabad Karachi	42101-1559499-7	Muhammad Wasi Ullah Kazi	1,871,463	1,578,082	3,449,545	-	879,545	879,545
76	Ahmed Junaid Faridi	House # B-191/11 Federal B Area Gulberg near Markaz Khelo Saqalat, Karachi	42101-2465230-3	Farid Ahmed Siddiqui	749,984	110,839	860,823	749,984	128,468	878,453
77	Hira Rattia	House No. 26 A, Street 120, G-7/3-1, Islamabad	35202-4320357-2	Humayun Khan	864,591	15,061	879,652	854,652	14,792	869,444
78	Jackson John	House # CB 559 Street # 04, Faisal Colony Tench-Bhatta, Rawalpindi	37405-6259160-5	John Elwood	799,735	62,425	862,160	799,735	62,425	862,160
79	Waqar Karim Khan	House # B-839 Moh Steel town Bin Qasim, Allama Iqbal School Town Malir Karachi	42501-0666382-3	Abdul Karim Khan	761,370	98,671	860,042	761,370	98,671	860,042
80	Muhammad Shakeel	Arcane Security Services Pvt Ltd 8-K Commercial Area Phase No 1 D.H.A near Mobilink Office, Lahore	35401-9616248-9	Muhammad Siddique	750,000	96,504	846,504	750,000	96,504	846,504

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Sr. NO.	Name	Address	Name of Partners/ Directors NIC / CNIC	Father / Husband Name	Outstanding Liabilities at Beginning of Year			Amount Written off / Concession		
					Principal	Interest/ Mark up	Total	Principal	Interest/ Mark up	Total Balance
81	Mohammad Ikram	11B Punjab Small Industrial Estate Jail Road Chungi Amar Sidhu, Lahore	35202-2772276-1	Mohammad Sadiq	767,702	70,088	837,790	755,900	81,820	837,721
82	Mahjabeen Alam	13-B/3, Dargah Street 53 Ali Sports, Bara Dari Infantry Road	35201-1488642-4	Irfan Qayyum Sheikh	807,836	19,693	827,529	807,836	28,307	836,143
83	Tariq Hakim	House # 41/D Lawrence Road China Chowk, Lahore	35202-2501199-3	Khalid Hakim	796,114	39,912	836,026	796,114	39,912	836,026
84	Shahzad Ali Babar	696-L Johar Town Near Anti Narcotics Office, Lahore	35202-2412859-5	Maqsood Ali Qureshi	4,242,520	2,316,844	6,559,364	492,520	340,860	833,380
85	Ambreen Zahra	House#397 E-2, Block Wapda Town, Lahore	35202-7508959-8	Khawar Abbas	849,310	17,632	866,942	831,604		831,604
86	Muhammad Younus Alvi	Shop No 14 Ruby Center Talpur Road Boultan Market near City Post Office, Karachi	42301-6479933-7	Muhammad Ismail	689,403	122,805	812,208	689,403	140,257	829,660
87	Aamir Aleem Rana	2nd Floor Razia Shareef Plaza, Blue Area, Islamabad	91400-0273638-1	Aleem Ud Din Naseer Rana	697,980	115,303	813,283	697,980	131,366	829,346
88	Rana Amir Shaukat	House 38-A, Street # 189, Atif Park, New Boghiwal, Baghbanpura	35201-0395207-7	Shaukat Ali	685,381	125,982	811,363	685,381	143,296	828,676
89	Syeda Rameeza Sabeen	B-225, Block 14, Sardar CNG, Gulistan-e-Johar, Karachi	42101-0563401-2	S M Asim Raza Zaidi	741,443	86,070	827,513	741,443	86,070	827,513
90	Ilkhar Ali	House No. R-45, Sector R-11-B, North Karachi near Telephone Exchange, Karachi	42101-1384978-5	Ejaz Ali	1,987,223	835,933	2,823,156		823,154	823,154
91	Amjad Manzoor	House No 115 Street No 1-A, Choudry Walayat Colony Schem No III near Water Filtration Plant, Rawalpindi	37405-6791281-3	Muhammad Manzoor	772,103	35,088	807,191	772,103	43,666	815,768
92	Musharraf Ali	Flat # A-425, Block K, Serina Tower, North Nazimabad near Sakhi Hasan Chowrangi, Karachi	42401-3974691-1	Ali Amjad	760,226	43,807	804,033	760,226	43,807	804,033
93	Saleem Qadir	House No 110-B, Tech Society Doctors Hospital, Canal Bank New Campus, Lahore	35202-0237657-5	Abdul Qadir	749,769	20,104	769,872	749,769	51,765	801,534
94	Muhammad Ali Alvi	House No 6-C, Q-Street, Scotch Corner NIPA Upper Mall, Lahore	35202-4975354-7	Ghulam Nabi Khan Alvi	778,618	23,634	802,252	778,618	22,151	800,769
95	Aftab Ahmed Awan	5, Tariq Block, Agility Logistics, New Garden Town, Lahore	37405-4456975-3	Abdul Razzak Awan	745,006	46,049	791,055	745,006	46,049	791,055
96	Sheikh Mohammad Nadeem	Sana Autos Shop No. 7, Sajjad Haider Market Adamjee Road, Saddar, Rawalpindi	37405-6615830-3	Sheikh Muhammad Naseem	2,632,080	2,330,880	4,962,960	482,080	306,618	788,698
97	Sahibzada Muhammad Junaid Bacha	House Number 122A, First Floor, Upper Portion Ali Market Street # 9, Sector F-11-1, Islamabad	61101-8287820-1	Shaibzada Mohd Shafiq Bacha	774,275	16,146	790,421	774,275	11,897	786,172
98	Amir Hussain	Talbah Enterprises, Office 614, 6th Floor Uni Plaza, I I Chundigaar Road, Karachi	15301-1932581-5	Jaipur Khan	658,947	110,189	769,135	656,969	125,353	782,322
99	Shafqat Ali Khan	703, 7 Floor, 143-A, Sana Residency, PECHS, Allama Iqbal Branch, Block No 2, Karachi	42201-1596074-1	Rafat Ali Khan	748,206	25,354	773,560	748,206	29,604	777,810
100	Muhammad Imran Malik	House No.51T-Block D.H.A, Lahore	35201-7808297-3	Sana Ullah Malik	2,777,214	1,538,379	4,315,594	377,214	400,040	777,255
101	Usman Mahmud Butt	D-9-1, Florida Homes, Mubarak Masjid, Street 33, Phase V, D.H.A	35202-1153395-9	Rizwan Mahmud Butt	749,678	13,193	762,870	749,678	26,189	775,866
102	Shahzad Gull	House # 50, Ashyana Flat, Canal Bank, Aziz Avenue, Gulberg 5, Lahore	35200-9596201-1	Haji Muhammad Ajab	678,008	92,957	770,965	678,008	96,086	774,094
103	Rizwan Hameed Chaudhry	House No 4, Ali Park, Peco Road, Habib Homes Township, Lahore	35202-2774173-7	Abdul Hameed Chaudhry	687,622	71,088	758,709	687,622	78,735	766,357
104	Aamir Tauqeer Elahi	Fine Meon Sign Shop No M-15, Ground Floor, Lucky Qurtba Chowk, Centre 7/8, Jail Road, Lahore	34201-5967914-9	Fazal Elahi	652,399	101,196	753,595	650,422	115,352	765,773
105	Asghar Ali	House No.115/B, Gulberg Colony, Faisalabad	33100-0719422-3	Sadiq Ali	1,357,241	565,211	1,922,452	200,241	565,211	765,452
106	Shahid Mahmood	Roshan Packages (Pvt) Ltd, Plot # 142-B, Sundar Industrial Estate near PSO Pump, Lahore	38401-0930538-3	Muhammad Sadiq	677,911	78,726	756,638	677,911	86,728	764,639
107	Syed Abuzar Zaidi	House No. A 57, Block 20, F B Area, Karachi	42101-1432364-9	Syed M Alam Zaidi	692,526	65,643	758,170	692,526	65,643	758,170
108	Syed Kashif Raza	Pair 2nd Floor, Islamic Chamber, Clifton, Karachi	42101-1871733-3	Syed Muzaffar Abbas	661,962	92,352	754,314	661,962	92,352	754,314
109	Fawad Ali Zaffar	Ozzy Enterprises Pvt Ltd, Show Room # 1/130, Street 7, Barkat Market, Korey Stop Officers Colony, Lahore Cantt., Lahore	34403-8997760-1	Muzafar Ali Zafar	570,271	163,876	734,147	570,272	183,548	753,819
110	Basharat Hussain	B 1/25, Gulshan-e-Noor colony Trust Building, Dow University, Ojha Campus, Gulzar-e-Hijri, Karachi	71401-9948296-7	Muhammad Shafi Khan	716,757	31,372	748,129	716,757	31,372	748,129
111	Muhammad Ashraf	Flat # A-6-7, Building-25, Crescent Complex, Block-11, Gulshan-e-Iqbal, Karachi	42101-0757434-7	Zulfiqar Ahmed	7,575,333	11,067,998	18,643,331		747,683	747,683

Financial Statements

Annexure-1

Sr. NO.	Name	Address	Name of Partners/ Directors NIC / CNIC	Father / Husband Name	Amount in PKR Rupees					
					Outstanding Liabilities at Beginning of Year			Amount Written off / Concession		
					Principal	Interest/ Mark up	Total	Principal	Interest/ Mark up	Total Balance
112	Asif Mehrban Mughal	PS Court No 04, Islamabad High Court, G-10/1 near G-10 Markaz, Islamabad	61101-5679134-3	Muhammad Mehrban Mughal	719,814	24,502	744,316	719,814	24,502	744,316
113	Muhammad Imran	Barkat-e-Haidery Branch, Almas Square, Block G, Post Office North Nazimabad, Karachi	42101-1691300-5	Altab Ahmed	664,000	71,642	735,642	664,000	79,819	743,819
114	Syed Muhammad Rashid	Students Computers near Alkaram Hospital, Patak Road, Talagang, Mianwali	37406-3563594-1	Syeddd Rafique Ahmed	662,840	51,576	714,415	662,840	63,959	726,798
115	M.Anjum Iqbal	Virtual University Of Pakistan Defence Road, Off Rawind Road, Lahore	35202-9792041-1	Muhammad Ikram Ul Haq	599,682	110,851	710,534	599,682	125,142	724,825
116	Imran Ali	K Electric, Alender Road, Complex Block B, Shaheen Complex Building, First Floor, Right Wing	43205-3885185-7	Hakim Ali Soomro	692,502	27,925	720,427	692,502	26,661	719,162
117	Rashid Saleem	1st Floor, House # 17, Street # 23, General Store Korang Town, Islamabad	61101-4826080-7	Muhammad Saleem	638,488	61,810	700,297	638,488	73,962	712,450
118	Muhammad Noman Shan	House # N-502, Sector 33-F Korangi # 2, near Allah Wali Masjid, Karachi	42201-6595195-3	Sadiq Mashi	644,301	63,428	707,729	644,301	63,428	707,729
119	Muhammad Awais Afzal	IH-236 Upper Portion Qaima Chowk, Falcon Complex, Gulberg 3, Lahore	35202-2998046-9	Muhammad Afzal Sheikh	671,895	29,422	701,316	671,895	33,548	705,442
120	Faiz Ul Bari	Akbar Road, Okara.	327-70-118646	Mehmood Khan	2,000,015	449,157	2,449,171	199,000	505,813	704,812
121	Muhammad Arshad	Chak Mirdad Muafi, Teh & Distt Sahiwal	36502-5599945-1	Chaudhry Bashir Ahmad		693,597	693,597		693,363	693,363
122	Abdul Rashid	Office No 205, 2nd Floor, 104-E, Chinab Centre Opp Ufone Tower, Blue Area, Islamabad	36502-1563200-7	Muhammad Iqbal	665,605	11,712	677,317	665,605	23,255	688,860
123	Arshad Bin Ahmed	230, Etr A Block No 2, PECHS near Jheel Park, Karachi	42201-3347763-7	Ahmed Bin Abdullah	635,000	51,805	686,805	635,000	51,805	686,805
124	Narain Jagasia	A 101, Alshan Arcade, Bahadur Yar Jang Road, Soldier Bazar, Karachi	42000-0479405-5	Kundan Das	607,919	26,333	634,252	617,918	65,154	683,072
125	Muhammad Amjad	39 Industrial Estate, Mobilink Office, Kot Lakhpath, Lahore	36103-6778641-7	Saeed Ullah Khan	595,455	84,222	679,677	595,455	84,222	679,677
126	Muhammad Ashraf	House # 1479/3, F.B.Area, Block-3 near Sadiqueabad Chowk, Karachi	44210-1187613-2	Abdul Karim	1,599,991	3,064,241	4,664,232		675,925	675,925
127	Rafiq Ahmed	Plot No R-888, Block 14, FB Area, Rizwan Masjid, Karachi	42101-8783560-5	Rasheed Ahmed	565,985	96,017	662,002	564,008	109,814	673,821
128	Faheem Ur Rehman	House No 28/3, Sheet No 13, UBL Bank, Model Colony, Malir, Karachi	42201-0556487-3	Haji Saeed Ur Rehman	588,794	82,940	671,734	588,794	82,940	671,734
129	Mr Faizan Faisal	81-B Block 6 Dech Society Karachi Near Cplc Choki Karachi	42301-1065613-5	Muhammad Faisal Farouqi	468,444	193,577	662,021	468,444	202,519	670,963
130	Akhtiar Ali Kalwar	Flat # C-602, Grey Sky Line Aptt., Gulistan-e-Johar, Block-13 near Johar Chorangi, Karachi	42201-8560943-1	Muhammad Umar	662,573	8,919	671,492	662,573	5,173	667,746
131	Mir Shahid Raza	Sindh Bank Limited, Jamshed Quarters, House No 13, Dawood College B Plot No 710/6, Karachi	42201-1755369-5	Mir Ghulam Moosa Raza	606,292	50,490	656,782	606,292	57,342	663,634
132	Syed Sulaman Ali Shah	Flat No E-401, Rao Zebaish, Block 13, PSO Gulistan-e-Jauher, Karachi	42201-0491869-5	Syed Iftikhar Ali Babu	602,382	57,472	659,854	602,382	57,472	659,854
133	Mr Muhammad Awais Akram	House #17-A, 4 Fateh Sher Road, H/O Haji Sayien Niaz Ali New Mozang, Lahore	35202-2477497-7	Muhammad Akram Khan	591,241	63,048	654,289	591,242	66,024	657,266
134	Mirza Shujat Ali Baig	Flat # D-18, 2nd Floor, Ruqayya Square, Block 14, F.B. Area, Karachi	42101-2182213-5	Mirza Ubaidullah Baig	7,759,816	7,426,897	15,186,713		656,202	656,202
135	Abida Sultana	House No 24, Street No 89, G-6/3 near Children Park, Islamabad	61101-1778668-6	Syed Taqqi Hussain	602,941	39,066	642,007	602,941	49,330	652,271
136	Waqas Haneef	Al Khair Plaza SNL Office, Fazal-e-Haq Road, City Lab, Blue Area, Islamabad	37405-5522447-1	Chaudhry Muhammad Haneef	571,028	80,829	651,856	571,028	80,829	651,856
137	Arif Khan	Winrock International Crisp# 40 Street # 27, Islamabad	13101-1676105-5	Farzand Ali Khan	517,223	114,187	631,410	517,223	132,711	649,935
138	Khurram Zia	House No 274 Street No 22, Khawaja Corporation, Sector C, Askari 14, Rawalpindi	35202-2491126-9	Faheem Udin	595,013	46,904	641,916	595,013	50,443	645,456
139	Mr Rizwan Rafiq	Building # 31/C, Flat # 4, 2nd Floor, 21st Commercial pump street, Phase II Extension, D.H.A, Karachi	42301-0497498-7	Muhammad Rafiq	499,795	123,758	623,553	499,795	141,357	641,153
140	Syed Adeel Danish	A6, Hasrat Mohani Colony, Pak Colony, Mangopir Road near PSO Pump, Karachi	42401-2182877-7	Syed Anwer Ali Shah	590,628	55,082	645,710	590,628	47,062	637,690
141	Sikander Alam Khan Haidari	10-B, Segull Apartment Block 5, Clifton, Karachi	42201-3569004-9	Khusro Alam Khan Haidri	2,917,439	1,721,089	4,638,528		632,978	632,978
142	Mr Mohammad Farooq Moghal	Kashmir Road, Islam Nagar Road, Al-Muslim Street No 5, Pacca garah, Sialkot	90305-0663677-9	Mohammad Ashraf	483,986	129,067	613,053	483,985	146,974	630,959

Financial Statements

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Sr. NO.	Name	Address	Name of Partners/ Directors NIC / CNIC	Father / Husband Name	Outstanding Liabilities at Beginning of Year			Amount Written off / Concession		
					Principal	Interest/ Mark up	Total	Principal	Interest/ Mark up	Total Balance
143	Mohammad Akil	Flat No K-1, Mary Fountain Apartment, Block 3, Blawal House, Clifton, Karachi	42301-2089710-9	Islam Ul Haq	564,612	63,345	627,957	564,612	63,345	627,957
144	Muhammad Imran	Sadar Street House # 35/B, Street # 5, Main Pak Railway Stadium Bazar, Gari Shahu, Lahore	35202-6079531-9	Muhammad Sharif	583,655	42,181	625,836	583,655	42,181	625,836
145	Mr Mirza Muhammad Ali Baig	House # 23, Street 19, F-6/2, Kausar Market, Islamabad	34101-2428116-5	Mirza Rahim Ullah Baig	490,827	117,155	607,982	490,827	134,244	625,072
146	Israr Saleem Khan	Punjab Housing Society, Phase # 2, Commercial Zahir Chowk Area Flats, Lahore	17301-1612332-9	Muhammad Saleem Khan	584,721	25,148	609,869	584,721	37,406	622,128
147	Muhammad Nasir	Room No 18, E-Block, Ground Floor PTCL Head Quarter AGPR, G-8/4, Islamabad	61101-1916836-9	Sarwar Jan	556,561	60,711	617,271	556,561	60,711	617,271
148	Mr Qasim Majeed	House # 296 Street # 65, Markazi Jamiyan Masjid 11/3	42201-5092331-1	Abdul Majeed Khan	498,805	101,237	600,042	498,805	117,810	616,615
149	Muhammad Mirza Khan	Saher Zari Corporation, Shop # 3, Masjid Market Grain Market, Vehari	36303-1008862-1	Muhammad Nawaz Khan	822,588	605,531	1,428,118	822,588	605,531	1,428,118
150	Syed Amjad Ali	Synergy Marketing, Plot # 133, Block # B Sindh Embassy Inn, Muslim Cooperative Housing Society, Karachi	42201-7667710-1	Syed Shahid Ali	561,778	34,721	596,499	561,778	42,399	604,178
151	Hammad Mushlaq	House # 51 - S 2B/1st # 2 Mohala Bastami Road, Muslim Colony, Samnabad, Lahore	35202-4982620-5	Muhammad Mushlaq	539,405	63,891	603,296	539,405	63,891	603,296
152	Mohammad Munir	Al Wahab General Store, Shumaila Apartment, Gulshan-e-Iqbal Block 1, Karachi	42201-6679328-9	Mohammad Saleem	500,977	92,700	593,677	499,000	104,205	603,204
153	Muhammad Zubair	Punjab Photocopy, 6-A Faiz Road, Old Muslim Town, Or Gud Luck Bakers near Union Council Office, Lahore	35202-8071755-9	Mian Muhammad	499,992	90,495	590,487	499,992	103,153	603,144
154	Farhan Ahmed Paracha	Plot # 10/D-1, 2nd Floor, Jami Commercial Street No 1, Phase VII, D.H.A. Karachi	42201-0559928-5	G Fareed Paracha	499,920	89,606	589,526	499,920	103,166	603,085
155	Saleem Mubarak	Flat No 17, Al Karim Housing Society, 12-A Agha Khan Road, Jang Press, Opp Total Pump	38403-2129248-1	Chaudhry Mubarak Ali	501,678	90,229	591,907	499,700	102,929	602,629
156	Muhammad Junaid	Asad Plaza, Building Od-79, 3rd Floor Shamasabad, near Bed And Bath, Rawalpindi	14301-6243857-3	Shad Muhammad	572,510	26,781	599,291	572,510	27,671	600,181
157	Mr Naveed Bashir Miandad	House No 90, 2nd Commercial Street, Phase 4, D.H.A., Karachi	42301-5495743-9	Muhammad Bashir Miandad	510,194	72,001	582,195	510,194	88,939	599,133
158	Muhammad Moosa Soomro	House No B-12, Block 5, Street No 11, Saadi Town, Sun Shine Grammar School Sch 33, Gulzar-e-Hijri, Karachi	42201-7491255-3	Muhammad Suleman Soomro	580,929	17,557	598,487	580,929	17,839	598,769
159	Muhammad Ishlaq Awan	Shop No 3, Surway No 79, Plot No 1/7, Main Bazar Shamsi Masjid, Golden Town, Shah Faisal	42201-9858771-7	Gul Zaman Khan	499,984	83,796	583,779	499,984	96,453	596,437
160	Shakir Ali	Zimadara Khad Agency, BCG Chowk, Multan	36303-1008862-1	Muhammad Yaqoob	1,366,683	20,318	1,387,001	1,366,683	595,953	595,953
161	Muhammad Arshad Saharan	Ghulam Hussain Colony near P.B Model High School, Hafizabad Road, Gujranwala	34101-2558426-1	Abdul Karim	1,158,862	495,004	1,653,867	1,158,862	491,095	594,958
162	Inayat Ullah Khan	Shop No C8, Five Brother Plaza, College Road, Rawalpindi	71501-5761833-1	Himayat Ullah Khan	465,992	108,444	574,436	465,992	125,235	591,227
163	Kamran Ahmed	60/2, 25th Street Khayaban-e-Badban, Phase V, D.H.A., Karachi	42301-2574741-3	Siddique Ahmed	485,660	86,774	572,433	485,660	99,068	584,728
164	Syed Mubarak Ali	Flat No 304, 3rd Floor, Block No B, Rao Zebaish, Rabia City, Gulstan-e-Johar, Karachi	42000-0320893-1	Syed Mehmood Ul Zafar	520,000	53,653	573,653	520,000	60,248	580,248
165	Zulfiqar Ali	Record Room, Ground Floor, Pakistan Engineering Mab Council, G-5/2, Islamabad	42501-1501366-7	Shah Nawaz	519,580	57,645	577,225	519,580	60,498	580,077
166	Mr Muhammad Awais Akram	House #17-A, 4 Fateh Sher Road, H/O Haji Sayien Niaz Ali, New Mozang, Lahore	35202-2477497-7	Muhammad Akram Khan	520,520	55,253	575,773	520,520	58,903	579,423
167	Nasir Ali	Usman General Store, Nasir Di Hutti Timber Market, Ravi Road Opp. Aysha Digree College, Givan Khan Masjid, Lahore	35202-2898342-1	Sanobar Baigum	477,502	86,731	564,234	479,480	99,697	579,177
168	Hafiz Asif Saeed	Shop # 3, Pesticide Market near Petrol Pump, Shahdra Mordh, Lahore.	35202-2585377-1	Saeed Ahmad	230,702	578,831	809,533	230,702	578,831	809,533
169	Mr Imran Manzoor Ahmed	D 120, Site, Hino Pak Area	42101-1879723-3	Manzoor Ahmed	473,427	95,512	568,939	473,427	105,285	578,712
170	Saqib Akhtar	MCB Ltd Consumer Lending, 58 Main Gulberg, Meezan Bank, Main Boulevard, Lahore	35202-1153445-5	Muhammad Akhtar Qureshi	570,170	5,702	575,871	570,170	5,702	575,871
171	Aman Pasha	Jaffer Brothers, Citi Towers, 33-A, Block-6, PECHS, Shahrah-e-Faisal, Karachi	42201-1189368-1	Muneer-Uddin-Pasha	519,828	54,192	574,019	519,828	54,192	574,019
172	Muhammad Ehsan Talat Butt	Room # 218, Avari Tower, Karachi	35202-9186685-7	Talat Rashid Butt	552,547	13,270	565,817	552,547	19,058	571,604

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Sr. NO.	Name	Address	Name of Partners/ Directors NIC / CNIC	Father / Husband Name	Amount in PKR Rupees					
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					Principal	Interest/ Mark up	Total	Principal	Interest/ Mark up	Total Balance
173	Atzal Rashid	C- 20/II,Block-4, KDA Scheme No 5, Clifton, Karachi	42000-0514190-9	Sher Ali Rashid	507,185		507,185	541,668	27,606	569,273
174	Mr Muhammad Rizwan	House # R-258, Block-19, FB Area near Power House & Happy Palace School, Karachi	42101-1924654-5	Balaghat Hussain	449,454	103,183	552,637	449,454	117,985	567,440
175	Riaz Ahmed	Plot No-1, Sector No-27 CMPAK Limited, Bilal Chok, Korangi Industrial Area, Korangi, Karachi	42101-0927381-1	Naem Javed	516,247	49,414	565,660	516,247	49,414	565,660
176	Asim Iqbal	House # 358-S Phase II, D.H.A, Karachi	35201-2476235-9	Mohammad Iqbal	464,312	87,640	551,952	464,312	98,975	563,286
177	Mr Ghulam Mohyuddin Jagirani	Plot No B78, 2nd Floor, Estate Avenue, NBP Site Branch, Site, Karachi	43202-2550865-7	Ghulam Serwar Khan Jagirani	430,275	115,575	545,850	430,274	130,724	560,998
178	Mr Sahibzada M Bacha	House Number 122A, First Floor, Upper Portion, Ali Market Street # 9, Sector F-11-1, Islamabad	61101-8287820-1	Shaibzada Mohd Shafiq Bacha	497,746	43,944	541,690	497,746	62,787	560,533
179	Humayun R Khawaja	House No 55, Lane No 24, Office Kh-e-Badban, Phase VII, D.H.A. Karachi 5891626	42301-6310817-1	Khawaja Anees Ahmed	443,334	97,762	541,096	443,334	113,526	556,861
180	Mr Shafqat Ali Khan	703, 7 Flr 143-A Sana Residency Karachi PECHS Allama Iqbal Branch Block No 2 Karachi Karachi	42201-1596074-1	Rafat Ali Khan	493,356	34,420	527,776	493,355	58,661	552,016
181	Yaseen Riaz	Ground floor 58 A, Big City Plaza, Liberty, Gulberg III nearLiberty Round About, Lahore	35202-6154469-1	Riaz Ahmed	468,547	71,058	539,605	468,547	82,072	550,619
182	Syed Humayon Sajid Zaidi	House No 47/1, Phase 6, Street No 12, Misri Shah Mazar, Khayaban-e-Bukhari, D.H.A, Karachi	35201-1557017-9	BasirAli	493,342	50,398	543,740	493,342	55,970	549,312
183	Muhammad Ameer	39 Industrial Estate, Kot Lakhpat, Zic Oil Factory, Lahore	35202-6741433-1	Muhammad Aslam Bhatti	491,144	57,408	548,552	491,144	57,408	548,552
184	Noman Farooq	X-8 Noman Grand City, Block 17, Gulistan-e-Johar, Perfume Chock, Karachi	42201-9903486-3	Maqbool Ahmed Norani	480,124	67,741	547,865	480,124	67,741	547,865
185	Abbas Ali Babar	Nestle Pak, Abbas Ali Procurement Specialist 308, Upper Mall nearr Fortress Stadium, Lahore	35404-0865334-1	Muhammad Aslam Qureshi	511,063	34,625	545,688	511,063	34,625	545,688
186	Muhammad Yasin	House No 5 Street No 2, Gulshan Hayat Park, Iqra Madni School Shahdara Town, Lahore	34501-1945354-1	Muhammad Sharif	456,250	74,992	531,242	456,250	86,542	542,792
187	Anoosha Ahmad Umair	House No 463, Block No H, Phase No V, D.H.A near Waleen Chowk, Lahore	31202-4142494-0	Mian Ahmad Umair Wali Ullah	485,491	50,414	535,905	485,491	56,021	541,513
188	Shujah Saleem Khan	House No 5 A, Street No 16, Sector F 8/3 near F-8 Markaz, Islamabad	16202-5693518-3	Muhammad Saleem Khan	487,355	52,815	540,170	487,355	52,815	540,170
189	Mr Mohammad Aleem Khan	10-A West Street, Phase I, Defence Housing Authority, Karachi	42101-1398114-5	Muhammad Khan	405,972	119,199	525,171	405,973	134,002	539,975
190	Mr Faizan Faisal	81- B, Block 6, PECHS Society near CPLC Choki, Karachi	42301-1065613-5	Muhammad Faisal Farouqi	337,221	199,657	536,878	337,222	199,656	536,878
191	Fawad Khaliq Awan	70 I-8/4, Shell Pump 96	61101-3372929-7	Abdul Khaliq Awan	458,000	56,655	514,655	458,000	76,340	534,340
192	Muhammed Saad Ahmed	Room No 614 Trade Avenue I.I. Chundhrigarh Road, Karachi	42201-6337050-9	Muhammed Usman Ahmed	486,583	47,709	534,292	486,583	47,709	534,292
193	Nazir Ahmed	Adda Inayatli, Tehsil Khairpur Tamewari Distt., Bahawalpur	31203-1700797-9	Muhammad Hanif	916,850	364,524	1,281,374	166,850	364,524	531,374
194	Sajjad Mahmood Qureshi	Al Makkah Press Pvt Ltd, 21-Km Feroze Pur Road, Lahore	35202-6044839-7	Muhammad Shafi Qureshi	436,865	83,015	519,881	436,865	93,428	530,294
195	Abdul Qayoom	Plot No G4, Scheme-5, Block-7, Clifton near Teen Talwar, Karachi	42201-9768208-7	Abdul Ghaloor	517,465	11,331	528,797	517,465	12,468	529,934
196	Hassan Javaid	Mezzanine Floor 1-F, Saleem Plaza, 19 Jinnah Avenue, Islamabad	37405-4913182-1	Javaid Iqbal Awan	511,272	18,649	529,921	511,272	18,649	529,921
197	Babar Khan	Flat No.10, 2nd Floor, Islam Plaza, Utility Store, OR PSO Pump, G-9 Markaz, Islamabad	13302-7057909-1	Raja Faqir Muhammad Khan	478,344	45,623	523,966	478,344	45,623	523,966
198	Mirza Asif Ali Jah	House No.604, Block 16, F.B.Area, Karachi.	42101-8639489-1	Mirza Mohammad Ali Jah	440,231	72,174	512,405	440,231	82,305	522,536
199	Ahmed Ramzani	JS Bank, Marriot Road Branch, Plot No MR 2/3 Market Quarters near Meezan Bank, Karachi	42101-6471984-3	Muhammad Ishaq	472,345	48,671	521,016	472,345	48,671	521,016
200	NisarAhmed	Shop No 1st No 13, Plot No 26- C Phase 5 Badarbehind Allied Bankcommercial D.H.A.Karachi	41301-4190508-1	Khameeso Khan	456,332	55,895	512,228	454,355	66,622	520,977
201	Muhammad Asim Tahir	Soneri Bank Branch Office, G9 Markaz, Islamabad	17301-3609060-3	Muhammad Tahir Khan	429,002	78,046	507,048	429,002	88,906	517,908
202	Fahim Uddin Siddiqui	House # 2, CB-34, Alfalah Society, Shah Faisal Colony, near Nagori Milk, Karachi	42201-0800115-7	Aquil Uddin Siddiqui	464,360	47,868	512,228	464,360	53,052	517,411
203	Mr Essa Essa	Flat No12, 3rd Floor, Erum Mension, Kharadar Police Chocki, Kharadar, Karachi	42301-0828266-9	Dawood	452,153	59,411	511,564	452,153	63,171	515,324

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Annexure-1

Sr. NO.	Name	Address	Name of Partners/ Directors NIC / CNIC	Father / Husband Name	Amount in PKR Rupees					
					Outstanding Liabilities at Beginning of Year			Amount Written off / Concession		
					Principal	Interest/ Mark up	Total	Principal	Interest/ Mark up	Total Balance
204	Syed Uzair Ahmed	R-589, Block 1, Sharif Abad, F-B Area, Karachi	42101-9606778-3	Syed Misbah Uddin Ahmed	457,728	50,652	508,380	457,728	53,648	511,376
205	Mr Mohammed Shabir Riaz	House # 16, Street # 90, G-6/3 near Embassy Road, Islamabad	91400-0117204-7	Mohammed Riaz	476,534	16,670	493,204	476,534	33,810	510,344
206	Muhammad Yaqoob	House # 8, Seven Aziz Avenue, Canal Bank, Nishat Power Ltd, Gulberg, Lahore	35202-5339633-1	Muhammad Din	457,236	53,029	510,265	457,236	53,029	510,265
207	Syed Muhammad Hussain Raza	Wather Ford Plot No 208 -209, Sui Gas Service Road, I-10/3, Islamabad	37203-7783924-3	Syed Akhtar Hussain Shah	470,812	33,884	504,696	470,812	39,402	510,214
208	Muhammad Rizwan Shakir	Office No E-104, 7th Floor, Chenab Centre, Blue Area near SCB Bank, Islamabad	81202-3665812-3	Tulail Hussain Shakir	460,000	49,047	509,047	460,000	49,047	509,047
209	Sheikh Umer Sohail	House No 27/2, 14 Street, Kh-e-Shamsheer, Phase V, D.H.A near Zamzama Stadium, Karachi	42301-5935699-1	Sheikh Sohail Nisar Magoon	456,746	52,244	508,990	456,746	52,244	508,990
210	Syed Tanveer Hassan	House # 211, Block A-2, Mohalla Gulberg 3, Lahore	35202-4602638-1	Syed Mushlaque Hussain	495,842	4,694	500,537	495,842	11,018	506,860
211	Amir Amir	House# 349, Sector # 17-C, Shah Latif Town near Masjid-e-Rehmania, Karachi	42201-3063989-3	Abdul Qadir	442,949	60,283	503,232	442,949	62,293	505,242
212	Shahzeb Farooq	25, Alrg Badar Complex, Lehtar Road, Badar Mosque, Islamabad	61101-5280273-5	Zahid Farooq	459,826	43,133	502,959	459,826	43,133	502,959
213	Humayun R Khawaja	55, 24th Lane, Phase VII, off Kh-e-Badban, D.H.A, Karachi	42301-6310817-1	Father Name Is Not Available In Nadra Verisys	408,514	94,045	502,559	408,514	94,045	502,559
					793,271,726	486,604,084	1,279,875,810	299,131,296	352,078,160	651,209,455

PATTERN OF SHAREHOLDERS

As of 31 December 2017

NO. OF SHAREHOLDERS	SHAREHOLDINGS' SLAB			TOTAL SHARES HELD
1229	1	to	100	45,225
1793	101	to	500	550,543
1000	501	to	1000	771,121
2232	1001	to	5000	5,649,671
748	5001	to	10000	4,598,669
99	10001	to	15000	1,220,230
66	15001	to	20000	1,150,325
31	20001	to	25000	712,013
26	25001	to	30000	735,695
18	30001	to	35000	579,181
9	35001	to	40000	338,182
4	40001	to	45000	168,632
7	45001	to	50000	342,705
3	50001	to	55000	154,856
3	55001	to	60000	171,018
2	60001	to	65000	122,397
7	65001	to	70000	477,743
1	70001	to	75000	75,000
2	75001	to	80000	155,817
1	90001	to	95000	91,500
5	95001	to	100000	499,500
1	100001	to	105000	103,045
1	110001	to	115000	111,100
1	115001	to	120000	118,900
2	125001	to	130000	255,400
1	130001	to	135000	133,000
1	155001	to	160000	157,000
1	170001	to	175000	175,000
1	185001	to	190000	185,500
2	195001	to	200000	400,000
1	215001	to	220000	220,000
1	220001	to	225000	220,200
1	235001	to	240000	238,900
2	245001	to	250000	497,232
1	260001	to	265000	262,000
1	265001	to	270000	270,000
3	295001	to	300000	900,000
1	320001	to	325000	325,000
1	325001	to	330000	329,000
1	370001	to	375000	375,000
2	420001	to	425000	845,500
1	425001	to	430000	430,000
1	440001	to	445000	440,179
1	455001	to	460000	459,415
2	495001	to	500000	1,000,000
1	710001	to	715000	712,500
1	905001	to	910000	905,295
1	910001	to	915000	914,570
1	920001	to	925000	922,500
1	1075001	to	1080000	1,078,600
1	1560001	to	1565000	1,564,000
2	1995001	to	2000000	4,000,000
1	2085001	to	2090000	2,087,000
1	3832335001	to	3832340000	3,832,339,162
7327				3,871,585,021

CATEGORY WISE LIST OF SHAREHOLDERS

As at 31 December 2017

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MR. NAJMUL ISLAM CHAUDHRI	1	1	0.00
MR. SULTAN MOHAMMAD PARVEZ GHAS	1	1	0.00
MRS. SPENTA KANDAWALLA	1	1	0.00
MR. SHAZAD DADA	1	1	0.00
MR. IAN ANDERSON BRYDEN	1	1	0.00
MR. FERDINAND PIETERSE	1	1	0.00
MR. MOHAMED ABDELBARY	1	1	0.00
Associated Companies, undertakings and related parties			
Standard Chartered Bank (UK)	1	3,832,339,162	98.99
Executives	-	-	-
Public Sector Companies and Corporations	6	2,087,951	0.05
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	9	18,373	0.00
Mutual Funds			
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	40,848	0.00
General Public			
a. Local	7208	27,289,151	0.70
b. Foreign	5	306,472	0.01
Foreign Companies	13	2,462,579	0.06
Others	77	7,040,478	0.18
Totals	7327	3,871,585,021	100.00
Share holders holding 5% or more		Shares Held	Percentage
Standard Chartered Bank (UK)		3,832,339,162	98.99

FORM OF PROXY
12TH ANNUAL GENERAL MEETING
STANDARD CHARTERED BANK (PAKISTAN)
LIMITED

نمائندگی کا فارم (پراکسی فارم)
 بارہویں سالانہ اجلاس
 اسٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ

I/We of being member(s) of Standard Chartered Bank (Pakistan) Limited holding Ordinary shares hereby appoint of or failing him/her of who is/are also member(s) of Standard Chartered Bank (Pakistan) Limited as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Bank to be held on 09 April 2018 and/or any adjournment thereof.

میں/ہم - - - - - کا/کی
 بحیثیت رکن اسٹینڈرڈ چارٹرڈ بینک
 (پاکستان) لمیٹڈ اور حامل - - - - - عام حصص،
 کے/کی
 کا یا ان کی غیروموجودگی میں - - - - -
 کے/کی
 جو اسٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ
 کے رکن ہیں، کو اپنی غیر حاضری میں بینک کے سالانہ اجلاس عام جو 09 اپریل
 2018 کو منعقد ہونا ہے یا اس کے التواء کی صورت میں حاضری اور حق رائے
 دہی کے استعمال کے لئے اپنا نمائندہ (پراکسی) تقرر کرتا/کرتی ہوں۔

آج بروز - - - - - بتاریخ - - - - - 2018 کو
 دستخط کیے گئے۔

Signed this _____ day of _____
 2018.

Folio/ CDC No.
 فولیو/سی ڈی سی

Signature
 دستخط

Rs. 5/-
 Revenue
 Stamp

WITNESSES:

گواہ:

1. Signature: _____
 Name: _____
 CNIC/Passport No.: _____
 Address: _____

1. دستخط - - - - -
 نام - - - - -
 سی این آئی سی / پاسپورٹ نمبر - - - - -
 پتہ - - - - -

2. Signature: _____
 Name: _____
 CNIC/Passport No.: _____
 Address: _____

2. دستخط - - - - -
 نام - - - - -
 سی این آئی سی / پاسپورٹ نمبر - - - - -
 پتہ - - - - -

Note:

نوٹ:

- The Proxy Form should be deposited at the registered office of the Bank, as soon as possible but not later than 48 hours before the time of holding the meeting, failing which, Proxy Form will not be treated as valid.
- No person shall act as proxy unless he/she is a member of the Bank.

- نمائندگی کا فارم (پراکسی فارم) جلد از جلد بینک کے رجسٹرڈ پتے پر جمعہ کرالیں، سالانہ اجلاس عام کی ابتداء سے 48 گھنٹے پہلے تک موصول ہونے والے فارم موثر تصور کیے جائیں گے بعد ازاں موصول ہونے والا کوئی بھی فارم قابل قبول نہیں ہوگا۔
- کسی بھی غیر رکن شخص کا تقرر بطور نمائندہ (پراکسی) نہیں کیا جا سکتا۔

Fold here

Company Secretary

Standard Chartered Bank (Pakistan) Limited
P.O.Box No. 5556,
I.I.Chundrigar Road,
Karachi 74000, Pakistan

Fold here

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Fold here

Disclosure on Complaint Handling

In line with Bank's newly launched, purpose statement of 'Driving commerce and prosperity through our unique diversity', renewed focus is laid upon client complaints and grievance management. The Bank has further improved its framework to Treat Clients Fairly (TCF) that is the bedrock for all policies and procedures set forth.

TCF is the key performance indicator and enabler of the Bank's strategy. In addition to the TCF, Bank has a well-defined Complaints Handling Procedure (CHP) along with regulatory guidelines of Consumer Grievance Handling Mechanism (CGHM) and Financial Consumer Protection (FCP), which is fully integrated in the Bank's DNA.

Maintaining its legacy of superior service delivery, in year 2017 the number of complaints went down significantly. Considerable refinements have been made in IT infrastructure and digital offering to provide clients more convenience and hassle-free banking experience by making transactions seamless and faster. Back-office operational efficiency has also improved resulting in reduced turnaround time for product delivery and service requests, and streamlined client on-boarding process.

Significant importance has been given on logging of client complaints and concerns on Client Experience Management System (CEMS) resulting in straight through processing, better visibility and traction.

Total complaints logged in year 2017 were 32,509, 13% less than year 2016. Over 95% concerns were resolved well within the regulatory timelines, with average turnaround time of approx. 3 days.

10 Client Touch points have been made available to lodge concerns / complaints. They are as follows:

- Phone: 24/7 Client Centre 111-002-002
- Email: Client Care Centre Ask.Us@sc.com and Complaints.Pakistan@sc.com
- Website: www.sc.com/pk
- Postal Address: Client Care Unit, Standard Chartered Bank (Pakistan) Limited, 1st Floor, Jubilee Insurance Building, I.I. Chundrigar Road, Karachi.
- Social Media: www.facebook.com/standardcharteredpk
- State Bank of Pakistan
- Banking Mohtasib Pakistan
- Insurance Ombudsmen
- Federal Ombudsmen
- Securities and Exchange Commission of Pakistan

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- Risk profiler*
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*Mobile apps are also available for download for android and ios devices

When I grow up,
I want to be a 

(Pilot written in Braille)

Blindness not only takes away sight, it can take away dreams too.

Make a donation to Standard Chartered's 'Seeing is Believing' programme and we will match your contribution with a donation of our own. Join LRBT and us, as we set out to eliminate preventable blindness from Pakistan.

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Donate your Credit Card Reward Points today by calling
111-002-002

Through Credit Cards

You can donate through your Standard Chartered Credit Cards by calling our Phone Banking
111-002-002

Deposit in LRBT's Account No. 01-2095467-01

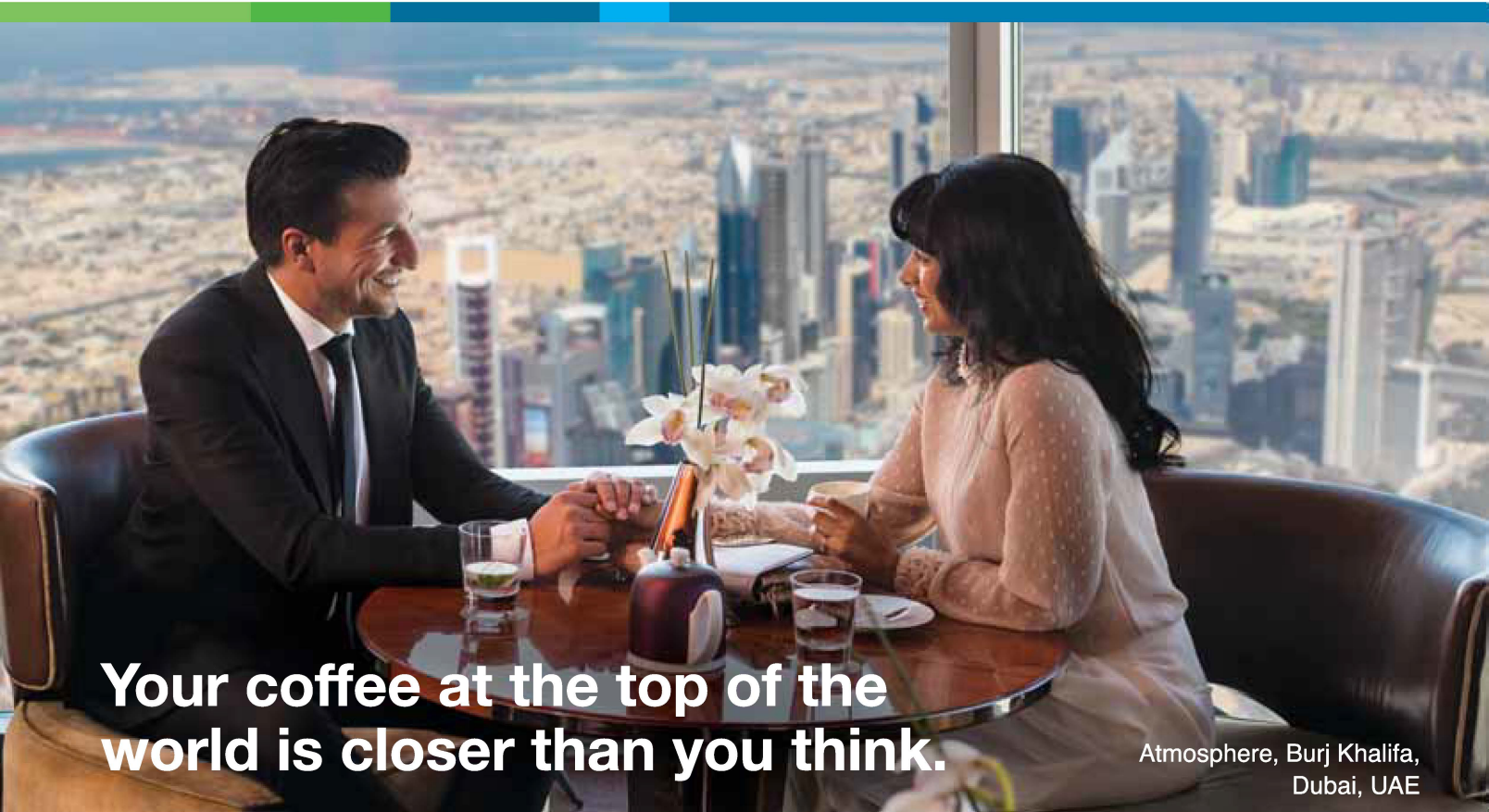
Transfer via Online Banking or in any of Standard Chartered's branches**

*Standard Chartered Bank will match all public donations made to Seeing is Believing Programme in a dollar for dollar ratio up to PKR 30 million.

**Standard Chartered Bank will not be collecting any funds. All donations will go directly to LRBT account.



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