



3rd Quarterly Report (July - September 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.
- The Bank's franchise in Pakistan has the second largest distribution network in the Standard Chartered Group.
- The largest international Bank in Pakistan with 97 branches in 10 cities and a workforce of over 3500 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 Pakistan Banking Awards 2017

- Best International Bank

Global Finance Awards 2016 - 2017

- Best Digital Islamic Bank Award
- Pakistan - Best Emerging Market Bank In Asia Pacific 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

Islamic Finance News (IFN) Awards for 2015

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

Our strategy

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

Our Brand Promise

Here for good

Our Aspirations	To establish a strongly capitalised bank poised for growth in our dynamic and growing markets, with the goal to deliver returns by business of 10 per cent				
Our Objectives	Secure the foundations Strengthening our balance sheet and aligning our strategy to a tightened risk tolerance	Get lean and focused Driving sustainable improvements in returns by restructuring our client businesses and assertively managing costs		Invest and innovate Investing in our core strengths and taking advantage of opportunities in our markets	
Our Values	Courageous: We stand up for what we believe and do the right thing	Responsive: We can be relied on to respond quickly and deliver lasting value	International: We value others and actively collaborate	Creative: We adapt and innovate to meet evolving needs	Trustworthy: We act with integrity and earn the trust of others

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

Directors' Report - Quarter Ended 30th September 2017

On behalf of the Board of Directors, I am pleased to present the Directors' Report of Standard Chartered Bank (Pakistan) Limited ("SCBPL" or hereinafter referred to as "the bank"), along with its un-audited condensed interim financial statements for the quarter ended 30th September 2017.

Economy

Pakistan's GDP grew by 5.3% in FY17 led by a strong growth in domestic demand. A significantly wider than expected fiscal deficit for FY17 (at 5.8% of GDP versus earlier estimates of 4.2%) likely added further impetus to economic activity. For FY18, the government is targeting 6% growth.

Alongside higher GDP growth, pressure on the external sector has built up. A widening current-account (C/A) deficit of USD 12.1bn for FY 2017 was 2.5 times higher than the previous year; partly owing to increase in import of capital goods for energy and infrastructure projects. This, alongside sluggish financial-account inflows has weighed on the central bank's FX reserves. More recently, during 2M-FY18, the C/A deficit widened to USD 2.6bn (versus USD 1.3bn in the same period last year). This saw the State Bank of Pakistan's (SBP) FX reserves decline to USD 13.9bn by 29 September.

Despite this, the Pakistani Rupee remained broadly stable against the USD over this period. Due to stable USD-PKR parity and weak global oil prices, CPI inflation remain muted at 3.9% y/y in September 2017. In turn, the SBP left its policy rate unchanged at 5.75% at its last policy meeting on 29th September.

Pakistani Banks continue to remain well capitalized with CAR of 15.6% and remain profitable with ROE (after tax) of 13.1% for H1 2017. Meanwhile, NPLs of the banking sector have declined to 9.3% down from 11.1% in June 2016.

Operating Results and Business Overview

	30 September 2017 (PKR millions)	December 31, 2016 (PKR millions) (Restated)
Balance Sheet		
Paid-up capital	38,715	38,715
Total equity	55,461	56,872
Deposits	390,609	365,562
Advances - gross	155,080	133,631
Advances - net	135,312	113,951
Investments - net	268,400	245,850

	Period ended 30 September 2017 (PKR millions)	Period ended 30 September 2016 (PKR millions)
Profit and Loss		
Revenue	19,362	20,756
Administrative expenses	8,293	8,680
Other non mark-up expenses	212	314
Operating profit (before provisions and tax)	10,857	11,762
Provisions / (Reversals) -net of charges	294	(351)
Profit before tax	10,563	12,114
Profit after tax	6,320	7,335
Earnings Per Share (EPS)	1.63	1.89

The Bank delivered resilient financial performance with Profit before tax of PKR 10.6 billion compared to PKR 12.1 billion in corresponding period last year. Revenue was lower by PKR 1.4 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 10% 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 in-country cost decreasing by 1% from comparative period last year.

An historic milestone was achieved during the year whereby the Bank's total assets crossed over PKR 500 bn. 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 19% 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 7%, whereas current and saving accounts grew by 5% 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.

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.

Credit Rating

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

Appreciation and Acknowledgment

We take this opportunity to express our gratitude to our customers 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 customers.

On behalf of the Board



Shazad Dada

Chief Executive Officer

Karachi: 25th October 2017

اسٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ

ڈائریکٹرز رپورٹ برائے ختم شدہ سہ ماہی 30 ستمبر 2017ء

بورڈ آف ڈائریکٹرز کی طرف سے میں 30 ستمبر 2017ء کو ختم شدہ سہ ماہی کیلئے اسٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ ("SCBPL") یا جسے آگے صرف "بینک" لکھا جائے گا) کی ڈائریکٹرز رپورٹ کے ہمراہ اس کے غیر آڈٹ شدہ مختصر عبوری مالیاتی گوشوارہ جات پیش کرتے ہوئے اظہارِ مسرت کرتا ہوں۔

معیشت:

مالی سال 2017ء میں پاکستان کی مجموعی قومی پیداوار (جی ڈی پی) نے 5.3% کی شرح سے نمو پائی، اس دہائی کی مستحکم ترین، جس کی وجہ ملکی سطح پر طلب میں زبردست اضافہ ہے۔ مالی سال 2017ء کیلئے توقع سے کہیں زیادہ مالی خسارہ (4.2% کے اوّلین تخمینہ جات کے مقابلے میں شرح نمو کا 5.8% پر) معاشی سرگرمی کی طرف مزید دباؤ بڑھا سکتا ہے۔ مالی سال 2018ء کیلئے، حکومت نے 6% شرح نمو کو ہدف بنا رکھا ہے۔

بلند تر شرح نمو کے ساتھ ساتھ بیرونی شعبے پر بھی دباؤ تشکیل پا چکا ہے۔ مالی سال 2017ء کیلئے 12.1 ارب ڈالر کے بڑھتے ہوئے حسابات جاریہ خسارہ (C/A) پچھلے سال کے مقابلے میں 2.5 گنا زیادہ تھا، جس کی جزوی وجہ توانائی اور انفراسٹرکچر منصوبوں کیلئے اشیاء سرمایہ کی درآمد میں اضافہ ہے۔ یہ اور اس کے ساتھ سست رفتار مالیاتی حسابات کے بہاؤ نے مرکزی بینک کے غیر ملکی زرمبادلہ کے ذخائر پر کافی بوجھ ڈالے رکھا۔ حال ہی میں مالی سال 2018ء کے پہلے دو ماہ کے دوران حسابات جاریہ کا خسارہ (پچھلے سال کے اس عرصے میں 1.3 ارب ڈالر کے مقابلے میں) 2.6 ارب ڈالر تک بڑھ چکا ہے۔ یہ ظاہر کرتا ہے کہ بینک دولت پاکستان کے غیر ملکی زرمبادلہ کے ذخائر 29 ستمبر پر 13.9 ارب ڈالر کی حد پر پہنچ گئے۔

اس کے باوجود اس عرصے کے دوران پاکستانی روپے کی قدر امریکی ڈالر کے مقابلے میں زیادہ تر مستحکم رہی۔ ڈالر-روپے کے مستحکم فرق اور تیل کی کمزور عالمی قیمتوں کی وجہ سے صارف قیمت اشاریے افراتفر 2017ء میں سال بہ سال 3.9% پر ہی ساکت رہے۔ نیٹجیٹا بینک دولت پاکستان نے 29 ستمبر 2017ء پر اُس کے آخری پالیسی اجلاس کے موقع پر اپنی شرح پالیسی کو 5.75% ہی پر برقرار رکھا۔

پاکستان میں بینکس کا سرمایہ (capital) 15.6% کے سی اے آر کے ساتھ تسلی بخش سطح پر رہا اور 2017ء کے پہلے نصف کیلئے 13.1% کی سرمایہ کاری پر منافع (بعد از ٹیکس) کے ساتھ نفع بخش رہے۔ درائیں اثناء، بینکاری شعبے کے این پی ایلز جون 2016ء میں 11.1% سے کم ہو کر 9.3% تک آچکے ہیں۔

عملی نتائج اور کاروباری جائزہ:

31 دسمبر 2016ء (ملین پاکستانی روپے)	30 ستمبر 2017ء (ملین پاکستانی روپے)	
		بیلنس شیٹ
38,715	38,715	اداشدہ سرمایہ
56,872	55,461	کل حصص
365,562	390,609	ڈپازٹس
133,631	155,080	قرضہ جات - مجموعی
113,951	135,312	قرضہ جات - خالص
245,850	268,400	سرمایہ کاریاں - خالص

انتظام یافتہ عرصہ 30 ستمبر 2016ء (ملین پاکستانی روپے)	انتظام یافتہ عرصہ 30 ستمبر 2017ء (ملین پاکستانی روپے)	نفع و نقصان
20,756	19,362	محصولات (Revenue)
8,680	8,293	انتظامی اخراجات
314	212	دیگر غیر سودی اخراجات
11,762	10,857	عملی منافع (فراہمی اور ٹیکس سے قبل)
(351)	294	فراہمی / (تسلیات) - چارجز کا خالص
12,114	10,563	منافع قبل از ٹیکس
7,335	6,320	منافع بعد از ٹیکس
1.89	1.63	آمدن فی حصص (EPS)

بینک نے پچھلے سال کے تقابلی عرصے میں 12.1 ارب روپے کے مقابلے میں 10.6 ارب روپے کے قبل از ٹیکس منافع کے ساتھ پائیدار مالی کارکردگی پیش کی ہے۔ محصولات (revenue) 1.4 ارب روپے سے کمتر رہے جس کی بنیادی وجہ محفظہ ہائے سرمایہ کاری (investments portfolio) کے اندر کم کیے گئے سود اور قیمتوں کا از سر نو تعین تھی۔ تاہم تمام تر شعبہ جات کی سطح پر صارف محصولات (revenue) میں اضافہ ہوا اور سال بہ سال 10% کی شرح سے بڑھ گئے۔ محصولات (revenue) پر سودی دباؤ کا اثر یاد چھپکا بڑھتے ہوئے غیر مالی آمدن اور قوم کی کم ہوتی لاگت سے جزوی طور پر زائل ہوا۔ انتظامی اخراجات عملی استعداد کار اور ملک کے اندر لاگت میں منظم اخراجات کے ذریعے تسلسل کے ساتھ اچھی طرح انتظام و انصرام کرنے سے پچھلے سال کے تقابلی عرصے سے 1% کی شرح سے کم ہو گئے۔

اس سال کے دوران ایک تاریخی سنگ میل بھی حاصل کیا گیا جس کے ذریعے بینک کے کل اثاثہ جات 500 ارب روپے سے تجاوز کر گئے۔ تمام تر کاروبار اور سرگرمیاں بنیادی محرکات میں زبردست اضافے کے ساتھ صارف آمدن میں مثبت رفتار رکھتی ہیں۔ یہ مجموعی فراہمی قرضہ جات میں اضافے سے صاف ظاہر ہے جو اس سال کے آغاز سے 19% کی شرح سے بڑھ گئی ہے۔ یہ بامدھ حکمت عملی کا نتیجہ تھا جس کے ذریعے منافع بخش، اعلیٰ معیار اور پائیدار پورٹ فولیوز کی تشکیل و تعمیر کی گئی۔ ایک متنوع اساس مصنوع کے ساتھ، بینک اس کے صارفین کی ضروریات کی تکمیل میں فراہمی خدمات کیلئے بہت اچھی حیثیت و مرتبے پر فائز ہے۔ واجب الادا کے پہلو سے بینک کی کُل ودیعات یعنی ڈپازٹس 7% کی شرح سے بڑھ گئی ہیں، جبکہ اس سال کے آغاز سے کرنٹ اور سیونگ اکاؤنٹس میں 5% کا اضافہ ہوا ہے۔ کم لاگت ودیعات میں مسلسل اضافے نے اساس ودیعت جو 92% کرنٹ اور سیونگز کا وٹنس پر مشتمل ہے کہ ساتھ بینک کی کارکردگی میں نمایاں طور پر مدد کی ہے۔

بینک جدت طراز حل کے تعارف کے ذریعے بینکاری تجربہ و فروغ دینے کی غرض سے اُس کی ڈیجیٹل صلاحیتوں اور انفراسٹرکچر میں مسلسل سرمایہ کاری کر رہا ہے۔ ہم نے اپنے لوگوں، ثقافت اور نظام پر توجہ مرکوز کر کے اپنے اختیار اور تعمیل ماحول کو مزید پائیدار بنانے میں مسلسل ترقی کی ہے۔ ہم مکمل طور پر پُر عزم ہیں اور اس کیلئے ہم اپنے صارفین اور مجموعہ مصنوعات کے ساتھ ساتھ اپنے صارفین کیلئے بہترین درجے کی خدمات پیش کرتے ہوئے صفحہ توازن یعنی بیلنس شیٹ کی تعمیر و تشکیل میں محتاط طرز فکر کے ذریعے اپنی توجہ کو مسلسل اُسی طرف مرکوز کر رہا ہے۔

کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی (پی اے سی آر اے) نے بینک کی طویل المدّت اور قلیل المدّت درجہ بندی کو علی الترتیب ”اے اے اے (ٹرپل اے)“ اور ”اے ون پلس“ (A1+) پر برقرار رکھا ہے۔ بینک کے ماتحت شاندار ٹی ایف سی کو بھی ”اے اے اے (AAA)“ تفویض کیا گیا ہے۔ یہ درجہ بندیاں مالیاتی وعدوں کی بروقت ادائیگی کیلئے ایک مثالی مستحکم صلاحیت سے نمودار ہونے والے کسی بھی خطرہ قرض/اعتبار کے کم سے کم گویا سب سے کم توقع کا اظہار کرتی ہیں۔

ستائش و اعتراف

ہم اس موقع پر ہمارے صارفین اور کاروباری رفقاء کا ر سے 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 و حساب شکر گزار ہیں۔

منجانب بورڈ



شہزاد ڈاڈا

چیف ایگزیکٹو آفیسر

کراچی، مورخہ 25 اکتوبر 2017ء

Standard Chartered Bank (Pakistan) Limited

Financial Statements

For the Nine months period ended
30 September 2017

Condensed Interim Statement of Financial Position

As at 30 September 2017

	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		41,342,247	40,729,979
Balances with other banks		390,989	5,699,791
Lendings to financial institutions	6	15,188,374	19,798,390
Investments	7	268,400,252	245,850,227
Advances	8	135,312,257	113,950,767
Operating fixed assets		5,781,167	5,773,296
Intangible assets		26,095,704	26,095,890
Other assets		14,458,693	15,433,378
		506,969,683	473,331,718
LIABILITIES			
Bills payable		11,443,315	10,821,793
Borrowings		20,197,522	14,400,841
Deposits and other accounts	9	390,608,582	365,562,094
Sub-ordinated loans		2,500,000	2,500,000
Deferred tax liabilities - net		1,477,748	1,754,807
Other liabilities		21,611,955	17,009,890
		447,839,122	412,049,425
NET ASSETS		59,130,561	61,282,293
REPRESENTED BY:			
Share capital		38,715,850	38,715,850
Reserves		14,034,567	12,770,562
Unappropriated profit		2,710,523	5,385,558
		55,460,940	56,871,970
Surplus on revaluation of assets - net of deferred tax		3,669,621	4,410,323
		59,130,561	61,282,293
CONTINGENCIES AND COMMITMENTS			
	10		

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Ian Anderson Bryden
Chairman



Shazad Dada
Chief Executive Officer



Najam I. Chaudhri
Director



Parvez Ghias
Director

Condensed Interim Profit and Loss Account (Un-audited)

For the nine months period ended 30 September 2017

Note	Three months period ended 30 September 2017	Nine months period ended 30 September 2017	Three months period ended 30 September 2016	Nine months period ended 30 September 2016
	------(Rupees in '000')-----			
Mark-up / return / interest earned	6,633,777	20,211,897	6,539,786	21,627,883
Mark-up / return / interest expensed	(2,404,203)	(7,060,252)	(2,246,658)	(6,674,339)
Net mark-up / return / interest income	4,229,574	13,151,645	4,293,128	14,953,544
(Provision) / reversals against non-performing loans and advances	(838,570)	(350,654)	261,585	300,609
Recovery of amounts written off	53,936	163,599	52,041	165,693
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	(33,141)	(107,003)	(27,824)	(114,792)
	(817,775)	(294,058)	285,802	351,510
Net Mark-up / return / interest income after provisions	3,411,799	12,857,587	4,578,930	15,305,054
NON MARK-UP / NON INTEREST INCOME				
Fees, commission and brokerage income	925,017	3,315,503	807,981	2,539,395
Dividend income	-	875	-	-
Income from dealing in foreign currencies	611,995	1,845,980	500,300	1,217,436
Gain on sale of securities - net	239,691	636,807	101,574	1,456,503
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(30,592)	451	43,627	40,593
Other income	12,990	410,315	45,789	548,217
Total non mark-up / non interest income	1,759,101	6,209,931	1,499,271	5,802,144
	5,170,900	19,067,518	6,078,201	21,107,198
NON MARK-UP / NON INTEREST EXPENSES				
Administrative expenses	(3,138,790)	(8,293,132)	(2,873,555)	(8,679,520)
Other reversals / (provisions) / (assets write offs)	(529)	263	-	(26,727)
Other charges	(39,773)	(211,898)	(63,362)	(287,199)
Total non mark-up / non interest expenses	(3,179,092)	(8,504,767)	(2,936,917)	(8,993,446)
	1,991,808	10,562,751	3,141,284	12,113,752
Extra-ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	1,991,808	10,562,751	3,141,284	12,113,752
Taxation - current	(818,002)	(3,467,206)	(829,497)	(3,742,890)
- prior years'	-	(660,266)	-	(522,991)
- deferred	120,869	(115,255)	(271,466)	(512,691)
	(697,133)	(4,242,727)	(1,100,963)	(4,778,572)
PROFIT AFTER TAXATION	1,294,675	6,320,024	2,040,321	7,335,180
	Rupees	Rupees	Rupees	Rupees
BASIC / DILUTED EARNINGS PER SHARE	0.33	1.63	0.53	1.89

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Ian Anderson Bryden
Chairman



Shazad Dada
Chief Executive Officer



Najam I. Chaudhri
Director



Parvez Ghias
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine months period ended 30 September 2017

	Three months period ended 30 September 2017	Nine months period ended 30 September 2017	Three months period ended 30 September 2016	Nine months period ended 30 September 2016
----- (Rupees in '000) -----				
Profit after taxation for the period	1,294,675	6,320,024	2,040,321	7,335,180
Other comprehensive income	-	-	-	-
Comprehensive income transferred to equity	1,294,675	6,320,024	2,040,321	7,335,180
Components of comprehensive income not reflected in equity				
Movement in surplus on revaluation of available for sale securities	(170,905)	(1,120,900)	(517,800)	(3,408,648)
Related deferred tax charge	59,816	392,315	181,230	1,193,026
Total comprehensive income for the period	1,183,586	5,591,439	1,703,751	5,119,558

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Ian Anderson Bryden
Chairman



Shazad Dada
Chief Executive Officer



Najam I. Chaudhri
Director



Parvez Ghias
Director

Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended 30 September 2017

30 September 2017

30 September 2016

(Rupees in '000)

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation for the period

Less : Dividend income

Adjustments for:

Depreciation

Amortization

Gain realised on disposal of subsidiaries

Gain on disposal of fixed assets - net

Unrealized (loss) / gain on revaluation of investments classified as held for trading - net

Other provisions /asset write-offs

Reversals against non-performing loans and advances - net of recoveries

(Increase)/ decrease in operating assets

Lendings to financial institutions

Net investment in 'held for trading' securities

Advances

Other assets (excluding advance taxation)

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**CASH FLOW FROM INVESTING ACTIVITIES**

Net investments in 'available for sale' securities

Proceeds from sale of subsidiaries

Dividend income received

Net investment in operating fixed assets (including intangible assets)

Sale proceeds on disposal of operating fixed assets

Net cash used in investing activities**CASH FLOW FROM FINANCING ACTIVITIES**

Dividend paid

Net cash used in financing activities**Decrease in cash and cash equivalents for the period**

Cash and cash equivalents at beginning of the period

Cash and cash equivalents at end of the period

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD

Cash and balances with treasury banks

Balances with other banks

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Ian Anderson Bryden
Chairman



Shazad Dada
Chief Executive Officer



Najam I. Chaudhri
Director



Parvez Ghias
Director

Condensed Interim Statement of Changes in Equity (Un-audited)

For the nine months period ended 30 September 2017

	Share Capital	Share Premium	Statutory Reserve (Rupees in '000)	Unappropriated Profit (a)	Total
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 period					
Profit after tax for the nine months period ended 30 September 2016	-	-	-	7,335,180	7,335,180
Suplus on revaluation of fixed assets - net of tax	-	-	-	-	-
Other Comprehensive income	-	-	-	-	-
Remeasurement of post employment obligations - net of tax	-	-	-	7,335,180	7,335,180
Transactions with owners, recorded directly in equity					
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)
	-	-	-	(7,743,170)	(7,743,170)
Transfer to statutory reserve	-	-	1,467,036	(1,467,036)	-
Transferred from surplus on revaluation of fixed assets - net of deferred tax	-	-	-	6,499	6,499
Balance as at 30 September 2016	38,715,850	1,036,090	11,277,951	3,584,783	54,614,674
Total Comprehensive income for the period					
Profit after tax for the three months ended 31 December 2016	-	-	-	2,282,605	2,282,605
Other Comprehensive income	-	-	-	3,814	3,814
Remeasurement of post employment obligations - net of tax	-	-	-	2,286,419	2,286,419
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)
	-	-	-	(33,157)	(33,157)
Transfer to statutory reserve	-	-	456,521	(456,521)	-
Transferred from surplus on revaluation of fixed assets - net of deferred tax	-	-	-	4,034	4,034
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 period					
Profit after tax for the nine months period ended 30 September 2017	-	-	-	6,320,024	6,320,024
Other Comprehensive income	-	-	-	-	-
Remeasurement of post employment obligations - net of tax	-	-	-	6,320,024	6,320,024
Transactions with owners, recorded directly in equity					
Share based payment transactions (contribution from holding company)	-	-	-	-	-
Payment against share based payment transactions (to holding company)	-	-	-	-	-
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)
	-	-	-	(7,743,170)	(7,743,170)
Transfer to statutory reserve	-	-	1,264,005	(1,264,005)	-
Transferred from surplus on revaluation of fixed assets - net of deferred tax	-	-	-	12,116	12,116
Balance as at 30 September 2017	38,715,850	1,036,090	12,998,477	2,710,523	55,460,940

(a) As further explained in note 8.2.1 of these condensed interim financial statements the amount of Rs 149.380 million net of tax as at 30 September 2017 represents additional profit arising from availing forced sale value benefit for determining provisioning requirement is not available for the purpose of distribution of dividend to shareholders / bonus to employees.

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Ian Anderson Bryden
Chairman



Shazad Dada
Chief Executive Officer



Najam I. Chaudhri
Director



Parvez Ghias
Director

Notes to the Condensed Interim Financial Statements (Un-audited) For the nine months period ended 30 September 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 97 branches in Pakistan (2016: 101 branches in Pakistan) in operation at 30 September 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 18 to these condensed interim financial statements.

2.2 Statement of compliance

These condensed interim financial statements of the Bank have been prepared in accordance with the requirements of International Accounting Standards (IAS) 34, Interim Financial Reporting, the requirements of the 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 requirements differ, the requirements of the Companies Ordinance 1984, Banking Companies Ordinance 1962 and the said directives have been followed.

The Companies Ordinance 1984, was repealed by enactment of the Companies Act 2017 on May 30, 2017. SECP vide its Circular No. 23 of 2017 dated October 4, 2017, has clarified that all those companies whose financial year closes on or before December 31, 2017 shall prepare financial statements in accordance with the provision of repealed Companies Ordinance, 1984.

The disclosures made in these condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2016.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual separate financial statements of the Bank for the year ended 31 December 2016.

4 ACCOUNTING ESTIMATES

The basis and the methods used for critical accounting estimates and judgments adopted in these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2016.

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

For the nine months period ended 30 September 2017

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended 31 December 2016.

6 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
------(Rupees in '000)-----			
Repurchase agreement lendings (Reverse Repo)	6.1	3,955,165	8,135,575
Bai Muajjal receivable from State Bank of Pakistan	6.2	2,189,787	-
Placements	6.3	9,043,422	11,662,815
		<u>15,188,374</u>	<u>19,798,390</u>

- 6.1** These carry mark-up at rate ranging 5.25 percent to 5.8 percent per annum payable at maturity, and are due to mature during October 2017 (31 December 2016: 5.80 percent to 5.85 percent per annum). 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 return of ranging from 5.37 to 5.51 percent per annum (31 December 2016: Nil) 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 0.08 percent to 1.25 percent per annum (31 December 2016: 0.08 percent to 1.20 percent per annum), and are due to mature during October 2017.

7 INVESTMENTS	30 September 2017 (Un-audited)			31 December 2016 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
------(Rupees in '000)-----						
Investments by type						
Held for trading						
Market Treasury Bills	2,721,693	-	2,721,693	59,794	-	59,794
Pakistan Investment Bonds	21,656	-	21,656	1,075,647	-	1,075,647
Available for sale						
Market Treasury Bills	259,175,717	18,639	259,194,356	192,086,748	-	192,086,748
Pakistan Investment Bonds	-	-	-	43,219,957	18,849	43,238,806
GOP Ijarah Sukuk Bonds	5,357,472	-	5,357,472	7,005,946	-	7,005,946
Sukuk Bonds	900,000	-	900,000	1,050,000	-	1,050,000
Term Finance Certificates -unlisted	285,025	-	285,025	285,025	-	285,025
Equity shares of listed companies	783,077	-	783,077	783,077	-	783,077
Equity shares of unlisted companies	3,004	-	3,004	3,004	-	3,004
Investments at cost	<u>269,247,644</u>	<u>18,639</u>	<u>269,266,283</u>	<u>245,569,198</u>	<u>18,849</u>	<u>245,588,047</u>
 Provision for diminution in the value of investments	 (898,118)	 -	 (898,118)	 (898,118)	 -	 (898,118)
Investments (net of provisions)	<u>268,349,526</u>	<u>18,639</u>	<u>268,368,165</u>	<u>244,671,080</u>	<u>18,849</u>	<u>244,689,929</u>
Surplus on revaluation of held for trading securities - net	451	-	451	7,761	-	7,761
Surplus on revaluation of available for sale securities - net	31,642	(6)	31,636	1,152,060	477	1,152,537
Total Investments - net	<u>268,381,619</u>	<u>18,633</u>	<u>268,400,252</u>	<u>245,830,901</u>	<u>19,326</u>	<u>245,850,227</u>

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

For the nine months period ended 30 September 2017

8 ADVANCES	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
		------(Rupees in '000)-----	
Loans, cash credits, running finances, etc.			
- In Pakistan		97,223,425	94,098,584
- Outside Pakistan		-	-
Islamic Financing and Related Assets (Gross)	8.1	97,223,425 39,394,813	94,098,584 32,822,175
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		16,952,473	3,901,614
- Payable outside Pakistan		1,509,749	2,808,964
		18,462,222	6,710,578
Advances - gross		155,080,460	133,631,337
Provision for non-performing advances	8.2	(19,768,203)	(19,680,570)
Advances - net of provision		135,312,257	113,950,767

8.1 These represent financing and related assets placed under Shariah permissible modes.

8.2 Advances include Rs 20,348.612 million (31 December 2016: Rs 21,873.219 million) which have been placed under non-performing status as detailed below:

30 September 2017 (Un-Audited)								
Classified Advances			Provision Required			Provision Held		
Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)								
Category of classification								
OAEM	25,061	-	25,061	-	-	-	-	-
Substandard	431,309	-	431,309	61,169	-	61,169	-	61,169
Doubtful	1,130,131	-	1,130,131	524,269	-	524,269	-	524,269
Loss	18,762,111	-	18,762,111	18,552,565	-	18,552,565	-	18,552,565
	20,348,612	-	20,348,612	19,138,003	-	19,138,003	-	19,138,003
General Provision	-	-	-	630,200	-	630,200	-	630,200
	20,348,612	-	20,348,612	19,768,203	-	19,768,203	-	19,768,203
31 December 2016 (Audited)								
Classified Advances			Provision Required			Provision Held		
Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)								
Category of classification								
OAEM	37,407	-	37,407	-	-	-	-	-
Substandard	444,903	-	444,903	60,341	-	60,341	-	60,341
Doubtful	4,684,018	-	4,684,018	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
	21,873,219	-	21,873,219	19,133,049	-	19,133,049	-	19,133,049
General Provision	-	-	-	547,521	-	547,521	-	547,521
	21,873,219	-	21,873,219	19,680,570	-	19,680,570	-	19,680,570

8.2.1 At 30 September 2017, the provision requirement has been reduced by Rs. 229.815 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. 149.380 million due to the said FSV benefit is not available for distribution of cash and stock dividend / bonus to employees.

8.3 Particulars of provision against non-performing advances

	30 September 2017 (Un-audited)			31 December 2016 (Audited)		
	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 period / year	1,237,784	94,743	1,332,527	1,752,208	70,134	1,822,342
Reversals	(921,485)	(12,064)	(933,549)	(2,565,869)	(78,519)	(2,644,388)
	316,299	82,679	398,978	(813,661)	(8,385)	(822,046)
Amounts written off	(292,695)	-	(292,695)	(997,832)	-	(997,832)
Other movements	(18,650)	-	(18,650)	(16,270)	-	(16,270)
Closing balance	19,138,003	630,200	19,768,203	19,133,049	547,521	19,680,570

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

For the nine months period ended 30 September 2017

9	DEPOSITS AND OTHER ACCOUNTS	Note	30 September 2017	31 December 2016
			(Un-audited)	(Audited)
			------(Rupees in '000)-----	
	Customers			
	Remunerative			
	- Fixed deposits		30,172,647	22,231,104
	- Savings deposits		198,625,447	186,007,700
	Non-Remunerative			
	- Current accounts		154,662,563	151,796,941
	- Margin accounts		3,076,710	1,354,922
	- Special exporters' account		1,594,603	1,853,939
			388,131,970	363,244,606
	Financial Institutions			
	- Remunerative deposits		25,629	64,888
	- Non-remunerative deposits - Current account	9.1	2,450,983	2,252,600
			390,608,582	365,562,094
9.1	This includes Rs. 641.942 million (31 December 2016: Rs.589.579 million) against balances of other branches and subsidiaries of Standard Chartered Group operating outside Pakistan.			
10	CONTINGENCIES AND COMMITMENTS			
10.1	Transaction-related contingent liabilities			
	Guarantees issued favouring:	10.1.1		
	- Government		53,604,470	49,381,038
	- Others		41,076,586	40,631,891
			94,681,055	90,012,929
10.1.1	Guarantees relating to Islamic Banking Business amount to Rs 128 million (31 December 2016: Rs 620 million).			
10.2	Trade-related contingent liabilities			
	Letters of credit	10.2.1	13,476,987	22,583,980
10.2.1	Letters of credit relating to Islamic Banking Business amount to Rs 1,441 million (31 December 2016: Rs 3,195 million).			
10.3	Trade-related commitments			
	Acceptances		8,410,118	6,988,336
10.3.1	Acceptances relating to Islamic Banking Business amount to Rs 1,442 million (31 December 2016: Rs 1,599 million).			
10.4	Commitment for acquisition of fixed assets		115,090	23,491
10.5	Other contingencies			
	Claims against the Bank not acknowledged as debt	10.5.1	11,753,877	12,303,413
10.5.1	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.			

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

For the nine months period ended 30 September 2017

- 10.5.2** 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 2016 and 2017, positive decision were rendered for certain office spaces in favour of the Bank. The Bank have also repossess few rooms from the tenants. 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.
- 10.5.3** The Tax Authorities have passed an order 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.
- 10.5.4** 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.

	30 September 2017 (Un-audited)	31 December 2016 (Audited)
	------(Rupees in '000)-----	
10.6 Commitments in respect of forward foreign exchange contracts		
Purchase		
State Bank of Pakistan	98,793,350	16,321,650
Other banks	52,511,348	53,856,408
Customers	457,445	3,524,916
Sale		
State Bank of Pakistan	-	-
Other banks	107,231,537	48,280,141
Customers	11,430,767	3,397,802

10.7 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.

- 10.8** For Contingencies related to taxation refer note 11.

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

For the nine months period ended 30 September 2017

10.9 Derivative Instruments

Product Analysis		30 September 2017 (Un-audited)			
Counterparties		(Rupees in '000)		(Rupees in '000)	
		Interest Rate Swaps *		FX Options *	
		No. of Contracts	Notional Principal	No. of Contracts	Notional Principal
With Banks for Hedging Market Making		-	-	-	-
		10	6,564,777	-	-
With FIs other than banks Hedging Market Making		-	-	-	-
		-	-	-	-
With other entities for Hedging Market Making		-	-	-	-
		13	28,909,153	-	-
Total Hedging Market Making		-	-	-	-
		23	35,473,930	-	-
31 December 2016 (Audited)					
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 the end of the reporting period

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. 1,239.351 million.

11 TAXATION

The return for income year 2016 (Tax Year 2017) is due for filing by 31 October 2017.

The tax department amended the assessment for income years 2007 to 2015 (tax years 2008 to 2016 respectively) under the related provisions of the Income Tax Law, determining additional tax liability on account of various issues such as disallowances relating to provision against loans and advances, goodwill amortisation etc. The resultant tax demands have been paid by the Bank which includes Rs. 7,623 million for which no provision has been made. 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.

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Last year, 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 charge 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 is in consultation with its legal counsel for challenging the applicability of the said law on Banks.

Note	Three months period ended 30 September 2017	Nine months period ended 30 September 2017	Three months period ended 30 September 2016	Nine months period ended 30 September 2016
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
----- (Rupees in '000) -----				
12. INCOME FROM DEALING IN FOREIGN CURRENCY				
Gain/ (loss) realised from dealing in:				
Foreign Currency	527,986	1,488,074	473,789	1,156,581
Foreign exchange derivative	84,009	357,906	26,511	60,855
	<u>611,995</u>	<u>1,845,980</u>	<u>500,300</u>	<u>1,217,436</u>
13. OTHER INCOME				
Rent on property	5,777	15,750	7,704	15,015
Gain / (loss) on disposal of fixed assets	1,931	15,851	1,860	46,635
Gain on Sale of subsidiaries operations	-	-	(7,301)	248,621
Gain / (loss) on derivatives	(13,368)	360,064	43,526	221,676
Recoveries against assets at acquisition of Union Bank Limited	18,650	18,650	-	16,270
	<u>12,990</u>	<u>410,315</u>	<u>45,789</u>	<u>548,217</u>
14. ADMINISTRATIVE EXPENSES				
Salaries, allowances etc.	1,384,765	4,067,294	1,314,664	4,002,758
Contributions to defined contribution plans	101,648	256,126	52,692	242,617
Non-executive directors' fee	895	4,070	880	4,470
Rent, taxes, insurance, electricity etc.	314,329	909,837	296,754	897,142
Legal and professional charges	32,862	95,179	33,838	82,813
Communications	104,894	319,895	113,551	346,390
Premises repairs and refurbishment	173,391	509,219	166,763	479,897
Equipment and consumables	59,166	192,737	53,652	165,801
Software licenses and renewals	30,619	92,486	34,192	90,010
Stationery and printing	48,679	145,085	46,391	155,776
Advertisement and publicity - net	86,243	175,764	68,925	210,326
Donations	8,000	8,000	1,056	17,936
Auditors' remuneration	5,033	13,966	(1,970)	12,855
Depreciation	111,087	332,307	119,747	336,508
Amortization	62	187	7,327	29,309
Travelling, conveyance and vehicles' running	30,763	94,616	28,814	108,001
Reimbursement of executive and general administrative expenses 14.1	533,613	1,186,869	365,832	1,078,454
Royalty - net of reversal 14.2	-	(496,311)	-	-
Premises security and cash transportation services	80,004	227,406	77,204	235,372
Others	32,737	158,400	93,242	183,085
	<u>3,138,790</u>	<u>8,293,132</u>	<u>2,873,555</u>	<u>8,679,520</u>

14.1 Total cost for the year included in Administrative Expenses relating to outsourced activities is Rs 1,318.432 million (September 2016 Quarter: Rs 1,301.928 million). This includes payments to local companies for obtaining routine services such technology maintenance, courier services and executive and general administrative expenses of SCB UK.

14.2 Royalty expense was restricted for remittance previously. Accordingly, the Bank has not accrued for the same and reversed prior year's accrual.

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15 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

On balance sheet financial instruments

		30 September 2017 (Un-audited)						Fair value			
		Carrying value									
Note		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)		2,743,800	264,560,215	-	-	-	267,304,015	-	267,304,015	-	267,304,015
- Sukuk Bonds (other than government)			928,871	-	-	-	928,871	-	928,871	-	928,871
- Equity securities traded (Shares)			197,559	-	-	-	197,559	197,559	-	-	197,559
- Other assets							-				
- Unrealized gain on Forward foreign exchange contracts		-	425,207	-	-	-	425,207	-	425,207	-	425,207
- Unrealized gain on Interest rate derivatives & currency options		-	80,599	-	-	-	80,599	-	80,599	-	80,599
							-				-
Financial assets not measured at fair value											
- Cash and bank balances with SBP and NBP	15.1	-	-	-	41,342,247	-	41,342,247				
- Balances with other banks	15.1	-	-	-	390,989	-	390,989				
- Lending to financial institutions	15.1	-	-	-	15,188,374	-	15,188,374				
- Advances	15.1	-	-	135,312,257	-	-	135,312,257				
- Other assets	15.1	-	-	-	4,561,707	-	4,561,707				
		2,743,800	266,192,451	135,312,257	61,483,317	-	465,731,825				
Financial liabilities measured at fair value											
- Other liabilities											
- Unrealized loss on Forward foreign exchange contracts		-	457,661	-	-	-	457,661		457,661		457,661
- Unrealized loss on Interest rate derivatives & currency options		-	171,959	-	-	-	171,959		171,959		171,959
Financial liabilities not measured at fair value											
- Bills Payable	15.1	-	-	-	-	11,443,315	11,443,315				
- Deposits and other accounts	15.1	-	-	-	-	390,608,582	390,608,582				
- Borrowings	15.1	-	-	-	-	20,197,522	20,197,522				
- Sub -ordinated loans	15.1	-	-	-	-	2,500,000	2,500,000				
- Other liabilities	15.1	-	-	-	-	18,214,024	18,214,024				
		-	629,620	-	-	442,963,443	443,593,063				
Off-balance sheet financial instruments											
Interest Rate swaps / Foreign currency options / Forward purchase contracts		-	-	-	181,890,275	-	181,890,275	-	182,396,081	-	182,396,081
Interest Rate swaps / Foreign currency options / Forward sale contracts		-	-	-	124,008,100	-	124,008,100	-	124,637,720	-	124,637,720

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On balance sheet financial instruments

Note	31 December 2016 (Audited)						Fair value			
	Carrying 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	15.1	-	-	40,729,979	-	40,729,979				
- Balances with other banks	15.1	-	-	5,699,791	-	5,699,791				
- Lending to financial institutions	15.1	-	-	19,798,390	-	19,798,390				
- Advances	15.1	-	113,950,767	-	-	113,950,767				
- Other assets	15.1	-	-	5,253,738	-	5,253,738				
		1,143,202	244,080,378	113,950,767	71,481,898	430,656,245				
Financial liabilities measured at fair value										
- Other liabilities										
- Unrealized gain on Forward foreign exchange contracts		85,338	-	-	-	85,338	-	85,338	-	85,338
- Unrealized gain on Interest rate derivatives & currency options		134,365	-	-	-	134,365	-	134,365	-	134,365
Financial liabilities not measured at fair value										
- Bills Payable	15.1	-	-	-	10,821,793	10,821,793				
- Deposits and other accounts	15.1	-	-	-	365,562,094	365,562,094				
- Borrowings	15.1	-	-	-	14,400,841	14,400,841				
- Sub -ordinated loans	15.1	-	-	-	2,500,000	2,500,000				
- Other liabilities	15.1	-	-	-	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).

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

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

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16 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
30 September 2017	(Rupees in '000) -				
Internal income	2,687,391	(1,930,245)	8,414,089	(9,154,958)	16,277
Net mark-up / return / interest income	(860,771)	3,079,566	(1,407,870)	12,340,720	13,151,645
Non mark-up / non interest income	2,557,377	1,029,024	2,975,212	(351,682)	6,209,931
Operating income	4,383,997	2,178,345	9,981,431	2,834,080	19,377,853
Non mark-up / non interest expenses	1,546,294	967,592	5,667,348	323,533	8,504,767
Internal non mark-up / non interest expenses	2,364	1,123	12,537	253	16,277
Operating profit before provisions and taxation	2,835,339	1,209,630	4,301,546	2,510,294	10,856,809
(Direct write-offs) / (provisions) / reversals against non-performing loans and advances - net of recoveries	677,520	(332,100)	(51,362)	-	294,058
Profit before taxation	2,157,819	1,541,730	4,352,908	2,510,294	10,562,751
Other segment items:					
Depreciation on tangible fixed assets	69,547	38,395	220,882	3,483	332,307
Amortisation on intangible assets	40	21	124	2	187
Segment assets (gross)	67,255,802	90,337,736	41,944,480	328,161,930	527,699,948
Segment non performing loans	3,308,813	14,056,902	2,982,897	-	20,348,612
Segment provision required	3,272,813	13,082,534	3,412,856	-	19,768,203
Segment liabilities	117,293,171	19,653,412	286,032,907	24,859,632	447,839,122
Segment return on net assets (ROA) (%) - annualised	4.51%	2.67%	15.10%	1.02%	2.78%
Segment cost of funds (%) - annualised	3.24%	2.71%	1.86%	4.41%	2.34%
30 September 2016					
Internal income	2,426,353	(1,950,163)	8,470,192	(8,902,276)	44,106
Net mark-up / return / interest income	(527,912)	2,957,505	(1,497,004)	14,020,955	14,953,544
Non mark-up / non interest income	1,940,778	546,681	2,653,366	661,319	5,802,144
Operating income	3,839,219	1,554,023	9,626,554	5,779,998	20,799,794
Non mark-up / non interest expenses	1,696,856	969,779	5,940,003	386,808	8,993,446
Internal non mark-up / non interest expenses	6,494	3,495	33,538	579	44,106
Operating profit before provisions and taxation	2,135,869	580,749	3,653,013	5,392,611	11,762,242
(Direct write-offs) / (provisions) / reversals against non-performing loans and advances - net of recoveries	675,215	(860,475)	(166,250)	-	(351,510)
Profit before taxation	1,460,654	1,441,224	3,819,263	5,392,611	12,113,752
Other segment items:					
Depreciation of tangible fixed assets	70,426	38,881	213,299	13,902	336,508
Amortisation of intangible assets	6,135	3,386	18,577	1,211	29,309
Segment assets (gross)	54,952,255	85,129,608	36,109,338	317,603,197	493,794,398
Segment non performing loans	3,309,298	15,613,505	3,462,573	-	22,385,376
Segment provision required	2,596,572	14,727,392	3,696,487	-	21,020,451
Segment liabilities	105,696,546	14,551,613	268,248,756	23,935,698	412,432,613
Segment return on net assets (ROA) (%) - annualised	3.73%	2.74%	15.75%	2.27%	3.43%
Segment cost of funds (%) - annualised	3.34%	2.25%	1.85%	5.94%	2.35%

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

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

During last period, the Bank has revised the composition of its reportable segments and segregated activities not directly related to client segments. These are disclosed separately under 'Central & other Items'. Accordingly, the comparative information has been restated. This change has no impact on the Bank's overall profit and loss account, balance sheet or reported metrics.

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.

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.

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17 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:

Note	30 September 2017	31 December 2016
	(Un-audited)	(Audited)
------(Rupees in '000)-----		
OUTSTANDING BALANCES		
Group		
Nostro balances with other subsidiaries and branches of the holding company	348,397	5,578,725
Overdrawn nostro balances with other subsidiaries and branches of the holding company	1,971,880	498,580
Vostro balances of other subsidiaries and branches of the holding company	641,942	589,579
Placements with other subsidiaries and branches of the holding company	9,043,422	11,662,815
Deposits of group company	10,129	12,029
Due to holding company	12,942,947	9,247,383
Call borrowing	2,635,235	-
Due from other subsidiaries and branches of the company	606,229	314,725
Interest receivable from group companies	500	17,396
Inter-company derivative assets	35,246	67,738
Inter-company derivative liabilities	142,605	122,218
Other receivables - SLA	-	847
Transaction-related contingent liabilities - Guarantees	30,122,884	31,113,935
Commitments in respect of forward foreign exchange contracts	4,579,028	5,039,057
Derivative instruments- Interest rate swaps - Notional	5,325,426	2,155,390
Derivative instruments- FX options - Notional	-	874,205
Key management personnel		
Loans and advances to key management personnel	17.1 192,208	131,989
Deposits of key management personnel	17.1 142,702	79,199
Advance Rent	2,063	1,171
Others		
Loans and advances to customers with common directorship	17.1 18,348	64,789
Deposits by staff retirement benefit funds	17.1 121,310	144,940
Deposits by customers with common directorship	17.1 529,967	329,148
Accrued interest receivable against loans and advances to customers with common directorship	1,763	1,299
Receivable from defined benefit plans	171	5,635
Derivative liabilities	-	801
Transaction-related contingent liabilities - Guarantees	2,897,083	591,040
Trade-related contingent liabilities - Letter of Credit	36,392	23,739

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For the nine months period ended 30 September 2017

	Nine months period ended	
	30 September 2017	30 September 2016
	(Un-audited)	(Un-audited)
	------(Rupees in '000)-----	
PROFIT AND LOSS		
Group		
Mark-up / return / interest earned	7,626	38,090
Fee and commission expense	4,176	142
Fee and commission income	147,320	15,991
Reimbursement of executive and general administrative expenses	1,186,869	1,078,454
Reimbursement of administrative expenses (including rent and other charges)	-	6,910
Net gain / (loss) on inter-company derivatives	(52,879)	3,933
Royalty (reversal) / expense	(496,311)	-
Dividend paid	4,790,424	4,790,424
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	11,038	3,876
Mark-up / return / interest expensed	1,063	569
Salaries and benefits	232,103	207,557
Post retirement benefits	20,962	18,794
Remuneration / fee paid to non-executive directors	4,070	4,470
Rent and renovation expenses	2,324	4,469
Others		
Contribution to defined contribution plans - net of payments received	256,126	242,617
Charge for defined contribution plans	256,126	242,617
Mark-up / return / interest expensed on deposits of staff retirement benefit funds	7,936	10,002
Mark-up / return / interest expensed on deposits of customers with common directorship	16,801	13,369
Mark-up / return / interest earned on advances to customers with common directorship	4,819	6,400
Fee and commission income from customers with common directorship	28,835	-
Gas charges	-	409
Miscellaneous income from company with common directorship	-	176

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For the nine months period ended 30 September 2017

17.1 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 30 September 2017
----- (Rupees in '000) -----				
Loans and advances				
Key Management Personnel	131,989	140,691	(80,472)	192,208
Others	64,789	432,171	(478,612)	18,348
Deposits				
Group companies	12,029	6,931	(8,831)	10,129
Key Management Personnel	79,199	647,805	(584,302)	142,702
Others	474,088	279,334,825	(279,157,636)	651,277

18 ISLAMIC BANKING BUSINESS

The bank is operating 9 Islamic banking branches at the end of current period (Dec 2016: 10 branches)

Balance Sheet

Note **30 September 2017** **31 December 2016**
(Un-audited) (Audited)

Assets

Cash and balances with treasury banks	3,072,440	6,793,256
Due from Financial Institutions	6,267,919	4,513,007
Investments	6,340,424	8,203,350
Islamic Financing and Related Assets-net	38,812,616	32,133,361
Operating fixed assets	39,558	39,526
Other assets	643,454	717,271
	55,176,411	52,399,771

Liabilities

Bills payable	178,540	209,340
Due to Financial Institutions	3,094,000	2,625,237

Deposits and other accounts

Current Accounts	25,765,404	24,894,128
Saving Accounts	13,158,594	12,892,874
Term Deposits	1,046,422	1,538,052
Others	17,238	55,494
Deposits from Financial Institutions -Remunerative	365	16,204
	39,988,023	39,396,752

Due to Head Office	5,932,875	4,964,928
Other liabilities	554,850	594,650
	49,748,288	47,790,907
Net Assets	5,428,123	4,608,864

Represented by:

Islamic Banking Fund	200,000	200,000
Unappropriated / Unremitted profit	5,145,171	4,261,461
	5,345,171	4,461,461
Surplus / (Deficit) on revaluation of assets - net	82,952	147,403
	5,428,123	4,608,864

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	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
----- (Rupees in '000) -----			
Contingencies and Commitments	10	3,863	5,456
Remuneration to Shariah Advisor/Board			
Charity fund			
Opening balance		2,941	2,186
Additions during the year		3,417	6,442
Penalty on delayed payment		1,583	3,687
Income purification		1,834	2,755
Payments / utilization during the year		(3,974)	(5,687)
Education		(930)	(3,261)
Health		(3,044)	(2,426)
		2,384	2,941
18.1 Islamic Financing and Related Assets			
Murabaha	18.1.1a	1,617,212	980,380
Musharaka	18.1.1b	18,675,566	15,527,233
Dimishing Musharaka	18.1.1c	15,356,667	15,149,995
Ijarah	18.1.1d	-	95,211
Musawammah	18.1.1e	2,790,514	21,200
Others	18.1.1f	372,657	359,342
		38,812,616	32,133,361
18.1.1a Murabaha			
Financings/Investments/Receivables		667,653	822,451
Advances		11,300	157,929
Assets/Inventories		938,259	-
		1,617,212	980,380
18.1.1b Musharaka			
Financings / Investments / Receivables		18,675,566	15,527,233
18.1.1c Dimishing Musharaka			
Financings / Investments / Receivables		15,289,858	15,149,995
Advances		66,809	-
		15,356,667	15,149,995
18.1.1d Ijarah			
Financings / Investments / Receivables		-	95,211
18.1.1e Musawammah			
Financings / Investments / Receivables		2,790,514	21,200
18.1.1f Others			
Financings / Investments / Receivables		372,657	359,342

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

For the nine months period ended 30 September 2017

	Nine months period ended 30 September 2017	Nine months period ended 30 September 2016
------(Rupees in '000)-----		
18.2 Profit and Loss		
Profit / return earned on financings, investments and placements	2,341,722	2,611,891
Return on deposits and others dues expensed	(505,023)	(710,191)
Net spread earned	1,836,699	1,901,700
Reversal against non performing financing	101,277	76,165
Net spread after provisions	1,937,976	1,977,865
Other income		
Fees, commission and brokerage income	995,995	515,259
Other income	614	605
Total other income	996,609	515,864
	2,934,585	2,493,729
Other expenses		
Administrative expenses	(1,300,875)	(1,396,126)
Profit before taxation	1,633,710	1,097,603

- 18.3** Deposit and other accounts include redeemable capital of Rs.14,205.381 million (2016: Rs. 14,447.130 million) and deposits on Qard basis of Rs. 25,782.642 million (2016: Rs. 24,949.622 million). Remunerative deposits which are on Modaraba basis are considered as Redeemable Capital and non-remunerative deposits are classified as being on Qard basis.

19. GENERAL

19.1 Date Of Authorization

These condensed interim financial statements were authorized for issue in the Board of Directors meeting held on 25th October, 2017.



Ian Anderson Bryden
Chairman



Shazad Dada
Chief Executive Officer



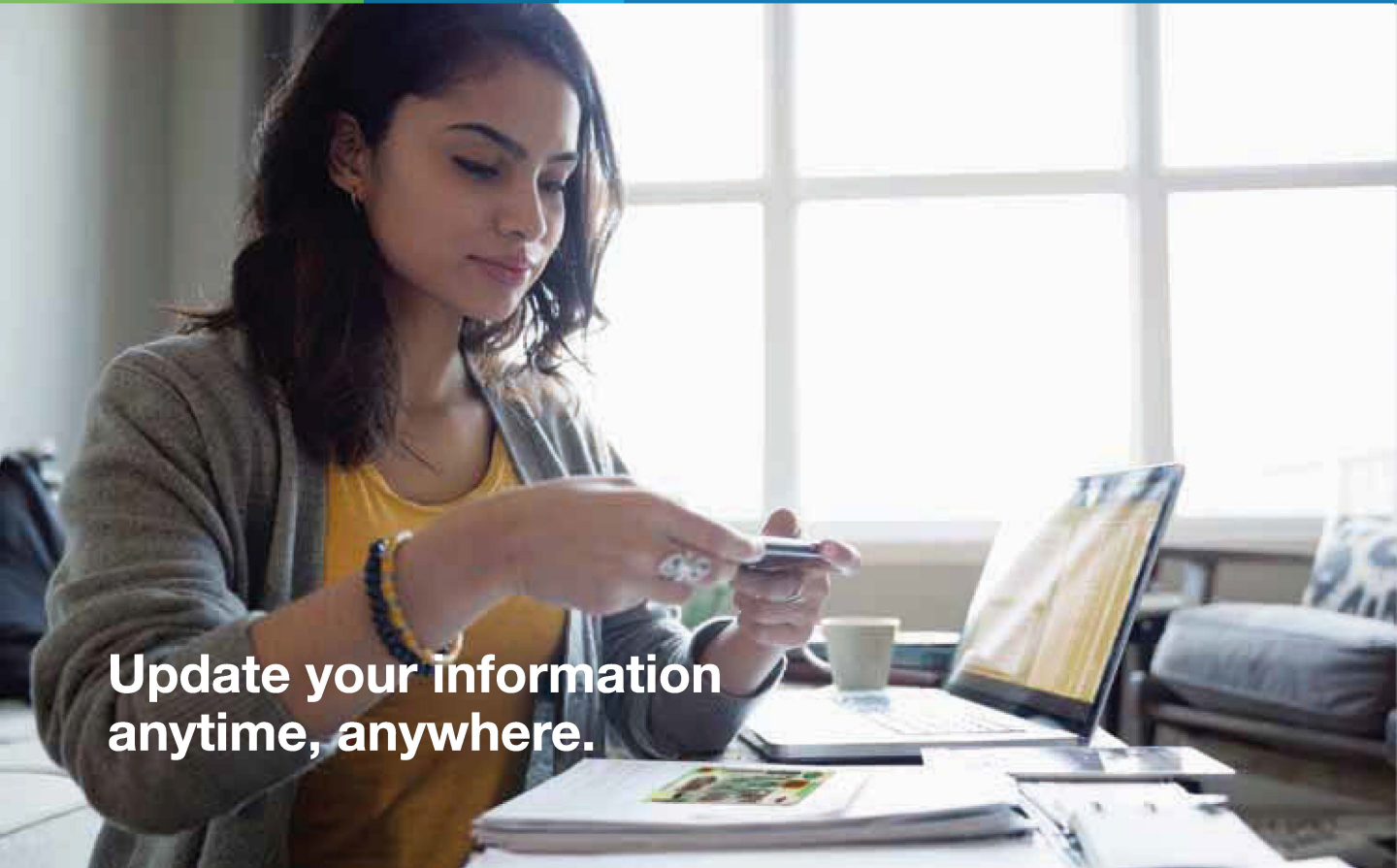
Najam I. Chaudhri
Director



Parvez Ghias
Director

(Pilot written in Braille)

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