



Half Yearly Report (January – June 2019)
Driving investment, trade
and the creation of wealth
across Asia, Africa and the Middle East.

STANDARD CHARTERED BANK (PAKISTAN) LIMITED DIRECTORS' REPORT – PERIOD ENDED 30 JUNE 2019

On behalf of the Board of Directors, we are pleased to present the Directors' Report of Standard Chartered Bank (Pakistan) Limited ("SCBPL" or "the Bank") along with its un-audited interim financial statements for the period ended 30 June 2019.

Economy

Earlier in July, the Executive Board of the International Monetary Fund (IMF) approved the Extended Fund Facility (EFF) for Pakistan for an amount of US\$6 billion to support the present government's economic reform programme. The EFF-supported programme will help Pakistan to reduce economic vulnerabilities and generate sustainable and balanced growth focusing on: a decisive fiscal consolidation to reduce public debt and build resilience while expanding social spending; a flexible, market-determined exchange rate to restore competitiveness and rebuild official reserves; to eliminate quasi-fiscal losses in the energy sector; and to strengthen institutions and enhance transparency.

On the monetary front, average CPI inflation for fiscal year (FY) 19 closed at 7.3% as compared to FY18 average of 3.9%. External conditions showed continued steady improvement with a sizeable reduction in Current account deficit (CAD) which was lower by 32% at USD13.6bn during FY19 as compared to a deficit of USD 19.9bn in FY18. The improvement in external account was primarily driven by import compression and healthy growth in workers' remittances. SBP FX reserves stood at USD 7.3bn at close of H1 2019. Pakistani Rupee (PKR) continues to lose ground and depreciated by 17.5% in H1 2019. Addressing the fiscal slippages, external sector financing gap and inflation pick up, SBP further tightened its monetary stance and raised the policy rate by 2.25% during H1 2019 followed by another 100bps hike in July 2019. Thus, latest policy rate stands at 13.25% reflecting a cumulative increase of 3.25% for calendar year (CY) 19 and 5.75% for FY19.

Pakistani banks continue to remain well capitalized with an industry wide CAR of 16.1% and remain profitable with an ROE (after tax) of 10.8% for Q1 2019. Meanwhile, NPLs of the banking sector slightly increased to 8.2% at close of Q1 2019 (8.0% at close of CY18).

Our strategic pillars

Our strategic pillars continue to be:

- Focus on building profitable, efficient and sustainable advances portfolio across all segments
- Continue to enhance Digital 'main bank' capabilities and maintain market leadership target areas
- Continue deposit growth; through optimal deposit mix
- Leverage the network and differentiate through innovative solutions, product specialisation and structured offshore capabilities
- Strong cost discipline; creating space for investments through saves

The Bank continues to make good progress on its strategic pillars in H1 of 2019.

Operating Results and Business Overview

	30 June 2019 (PKR millions)	31 December 2018 (PKR millions)
Balance Sheet		
Paid-up capital	38,716	38,716
Total equity	68,122	67,238
Deposits	438,823	424,899
Advances – gross	206,896	187,162
Advances – net	189,445	169,544
Investments – net	251,493	279,066
Lending to financial institutions	28,151	6,466

	Half Year ended 30 June 2019 (PKR millions)	Half Year ended 30 June 2018 (PKR millions)
Profit and Loss		
Revenue	18,673	13,721
Operating expenses	5,378	5,630
Other non mark-up expenses	410	170
Operating profit (before provisions and tax)	12,885	7,921
(Recoveries) / Provisions and write offs – net	(13)	(546)
Profit before tax	12,898	8,467
Profit after tax	7,231	5,188
Earnings Per Share (EPS) - PKR	1.87	1.34

A strong performance by the Bank in H1 2019 led to a growth of 52% in profit before tax to PKR 12.9 billion. Overall revenue growth was 36%, whereas client revenue increased by 25% year on year with positive contributions from transaction banking, corporate finance, treasury markets and retail products. Operating expenses continue to be well managed through operational efficiencies and disciplined spending with a decrease of 4% from comparative period last year.

Momentum in advances (net) continued with a 12% growth since the start of this year. This was the result of a 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 deposits grew by 3%, whereas current and saving accounts grew by 4% since the start of this year and are now 95% of the deposits base. The optimal funding structure of the balance sheet continues to support the Bank's performance.

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

Credit Rating

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

Dividend

Interim cash dividend of 12.50% (PKR 1.25/- per share) in respect of the half year ended June 30, 2019 has been declared by the Board of Directors in their meeting held on August 27, 2019.

Appreciation and Acknowledgment

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

On behalf of the Board

Chief Executive Officer

Director

Karachi: 27 August 2019



KPMG Taseer Hadi & Co.
Chartered Accountants

**Standard Chartered Bank (Pakistan)
Limited**

Condensed Interim
Financial Statements
for the six months period
ended 30 June 2019



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
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Independent auditor's review report to the members of Standard Chartered Bank (Pakistan) Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Standard Chartered Bank (Pakistan) Limited ("the Bank") as at 30 June 2019 and the related condensed interim profit and loss account, the statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the condensed interim financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The figures for the quarter ended 30 June 2019 and 30 June 2018 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.



KPMG Taseer Hadi & Co.

The engagement partner on the engagement resulting in this independent auditor's review report is Syed Iftikhar Anjum.

Date: 27 August 2019

Karachi

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

Standard Chartered Bank (Pakistan) Limited

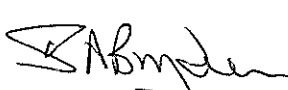
Statement of Financial Position

As at 30 June 2019

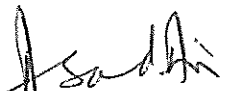
	Note	(Un-audited) 30 June 2019	(Audited) 31 December 2018
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	58,016,783	50,293,497
Balances with other banks	7	4,948,025	2,344,297
Lendings to financial institutions	8	28,150,838	6,465,508
Investments	9	251,493,395	279,065,904
Advances	10	189,444,766	169,543,762
Fixed assets	11	9,370,927	7,837,979
Intangible assets	12	26,095,425	26,095,476
Deferred tax assets - net		-	-
Other assets	13	47,234,223	34,434,913
		614,754,382	576,081,336
LIABILITIES			
Bills payable	14	16,379,175	16,943,627
Borrowings	15	34,963,910	24,023,697
Deposits and other accounts	16	438,822,873	424,898,936
Liabilities against assets subject to finance lease		-	-
Sub - ordinated debt		-	-
Deferred tax liabilities - net	17	3,082,238	3,631,209
Other liabilities	18	53,383,741	39,345,498
		546,631,937	508,842,967
NET ASSETS		68,122,445	67,238,369
REPRESENTED BY:			
Share capital		38,715,850	38,715,850
Reserves		18,113,758	16,667,466
Surplus on revaluation of assets	19	4,976,565	5,528,671
Unappropriated profit		6,316,272	6,326,382
		68,122,445	67,238,369
CONTINGENCIES AND COMMITMENTS	20		

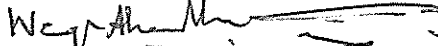
The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

KSMC


Chairman


Chief Executive Officer


Chief Financial Officer


Director

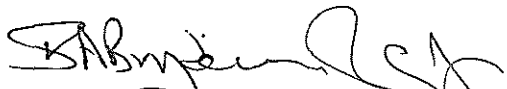

Director


Standard Chartered Bank (Pakistan) Limited
Profit and Loss Account (Un-audited)

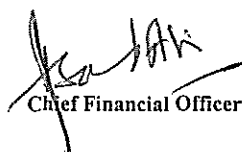
For the six months period ended 30 June 2019

		Three months period ended 30 June 2019	Six months period ended 30 June 2019	Three months period ended 30 June 2018	Six months period ended 30 June 2018
	Note	(Rupees in '000)			
Mark-up / return / interest earned	21	12,260,793	23,435,783	7,122,662	13,905,847
Mark-up / return / interest expensed	22	(5,295,431)	(10,196,449)	(2,627,476)	(5,162,176)
Net mark-up / interest income		6,965,362	13,239,334	4,495,186	8,743,671
NON MARK-UP / INTEREST INCOME					
Fee and commission income	23	824,015	1,916,035	931,732	2,241,052
Dividend income		-	-	-	-
Foreign exchange income	24	1,340,214	2,668,539	1,509,630	2,441,827
Income / (loss) from derivatives		(138,759)	233,598	(300,379)	(383,094)
Gain / (loss) on securities	25	334,693	567,187	282,211	621,463
Other income	26	11,779	48,586	22,072	55,805
Total non mark-up / interest income		2,371,942	5,433,945	2,445,266	4,977,053
Total Income		9,337,304	18,673,279	6,940,452	13,720,724
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	27	(2,748,632)	(5,377,868)	(2,819,323)	(5,629,725)
Workers welfare fund		(257,661)	(388,989)	(85,353)	(169,333)
Other charges	28	(12,362)	(21,393)	(478)	(865)
Total non mark-up / interest expenses		(3,018,655)	(5,788,250)	(2,905,154)	(5,799,923)
Profit before provisions		6,318,649	12,885,029	4,035,298	7,920,801
(Provisions) / recovery and write offs - net	29	(160,743)	13,108	232,384	545,881
Extra-ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		6,157,906	12,898,137	4,267,682	8,466,682
Taxation	30	(2,444,184)	(5,666,677)	(1,808,693)	(3,278,479)
PROFIT AFTER TAXATION		3,713,722	7,231,460	2,458,989	5,188,203
		(Rupees)	(Rupees)	(Rupees)	(Rupees)
BASIC / DILUTED EARNINGS PER SHARE	31	0.96	1.87	0.64	1.34

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


Chairman


Chief Executive Officer


Chief Financial Officer


Director


Director

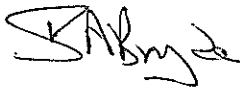
Standard Chartered Bank (Pakistan) Limited
Statement of Comprehensive Income (Un-audited)


For the six months period ended 30 June 2019

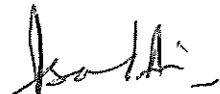
	Three months period ended 30 June 2019	Six months period ended 30 June 2019	Three months period ended 30 June 2018	Six months period ended 30 June 2018
	(Rupees in '000)			
Profit after taxation for the period	3,713,722	7,231,460	2,458,989	5,188,203
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments - net of tax	(579,218)	(562,516)	(42,093)	(50,222)
Total comprehensive income for the period	3,134,504	6,668,944	2,416,896	5,137,981


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

KINC


Chairman


Chief Executive Officer


Chief Financial Officer


Director

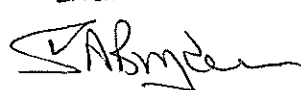

Director


Standard Chartered Bank (Pakistan) Limited
Statement of Changes in Equity (Un-audited)
For the six months period ended 30 June 2019

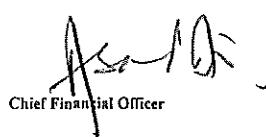
	Share Capital	Share Premium	Statutory Reserve	Surplus / (Deficit) on revaluation of		Unappropriated Profit(a)	Total
				Investments	Fixed Assets		
	(Rupees in '000)						
Balance as at 1 January 2018	38,715,850	1,036,090	13,383,504	(38,069)	5,639,634	4,199,687	62,936,696
Total comprehensive income for the period							
Profit after tax for the six months period ended 30 June 2018	-	-	-	-	-	5,188,203	5,188,203
Other comprehensive income	-	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	-	-	-	(50,222)	-	-	(50,222)
	-	-	-	(50,222)	-	5,188,203	5,137,981
Transactions with owners, recorded directly in equity							
Cash dividend (Final 2017) at Rs. 1.00 per share	-	-	-	-	-	(3,871,585)	(3,871,585)
	-	-	-	-	-	(3,871,585)	(3,871,585)
Transfer to statutory reserve	-	-	1,037,641	-	-	(1,037,641)	-
Transferred from surplus on revaluation of fixed assets in respect of incremental depreciation - net of deferred tax	-	-	-	-	(19,478)	19,478	-
Balance as at 30 June 2018	38,715,850	1,036,090	14,421,145	(88,291)	5,620,156	4,498,142	64,203,092
Total comprehensive income for the period							
Profit after tax for the six months ended 31 December 2018	-	-	-	-	-	6,051,157	6,051,157
Other comprehensive income	-	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	-	-	-	(3,980)	-	-	(3,980)
Remeasurement of post employment obligations - net of tax	-	-	-	-	-	14,076	14,076
	-	-	-	(3,980)	-	6,065,233	6,061,253
Transactions with owners, recorded directly in equity							
Share based payment transactions (Contribution from holding Company)	-	-	-	-	-	46,502	46,502
Payment against share based payment transactions (to holding Company)	-	-	-	-	-	(168,789)	(168,789)
Cash dividend (Interim 2018) at Rs. 0.75 per share	-	-	-	-	-	(2,903,689)	(2,903,689)
	-	-	-	-	-	(3,025,976)	(3,025,976)
Transfer to statutory reserve	-	-	1,210,231	-	-	(1,210,231)	-
Transferred from surplus on revaluation of fixed assets in respect of incremental depreciation - net of deferred tax	-	-	-	-	786	(786)	-
Balance as at 31 December 2018	38,715,850	1,036,090	15,631,376	(92,271)	5,620,942	6,326,382	67,238,369
Total comprehensive income for the period							
Profit after tax for the six months period ended 30 June 2019	-	-	-	-	-	7,231,460	7,231,460
Other comprehensive income	-	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	-	-	-	(562,516)	-	-	(562,516)
	-	-	-	(562,516)	-	7,231,460	6,668,944
Transactions with owners, recorded directly in equity							
Cash dividend (Final 2018) at Rs. 1.50 per share	-	-	-	-	-	(5,807,378)	(5,807,378)
	-	-	-	-	-	(5,807,378)	(5,807,378)
Transfer to statutory reserve	-	-	1,446,292	-	-	(1,446,292)	-
Surplus / (Deficit) on revaluation - net of deferred tax	-	-	-	-	22,510	-	22,510
Transferred from surplus on revaluation of fixed assets in respect of incremental depreciation - net of deferred tax	-	-	-	-	(12,100)	12,100	-
Balance as at 30 June 2019	38,715,850	1,036,090	17,077,668	(654,787)	5,631,352	6,316,272	68,122,445

(a) As further explained in note 10.2.1 of these condensed interim financial statements the amount of Rs. 21.624 million as at 30 June 2019 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 37 form an integral part of these condensed interim financial statements.


Chairman


Chief Executive Officer


Chief Financial Officer


Director

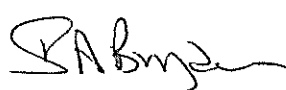

Director

Standard Chartered Bank (Pakistan) Limited
Cash Flow Statement (Un-audited)
For the six months period ended 30 June 2019

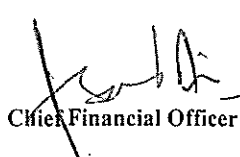
	Note	2019	2018
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation for the period		12,898,137	8,466,682
Adjustments for:			
Depreciation	27	487,139	224,297
Amortization	27	51	84
Gain on sale of fixed assets	26	(30,041)	(7,307)
Unrealized gain on revaluation of investments classified as held for trading - net	25	(137,951)	(12,659)
(Provisions) / recovery and write offs - net	29	(13,108)	(545,881)
		<u>306,090</u>	<u>(341,466)</u>
		13,204,227	8,125,216
(Increase) / Decrease in operating assets			
Lendings to financial institutions		(21,685,330)	(4,020,270)
Held-for-trading securities		998,608	(18,728,635)
Advances		(19,771,988)	(15,325,398)
Other assets (excluding advance taxation)		(12,351,671)	366,896
		<u>(52,810,381)</u>	<u>(37,707,407)</u>
Increase / (Decrease) in operating liabilities			
Bills payable		(564,452)	(1,288,165)
Borrowings from financial institutions		12,864,394	7,897,772
Deposits		13,923,937	25,147,957
Other liabilities		10,066,374	8,203,284
		<u>36,290,253</u>	<u>39,960,848</u>
Cash (outflow) / inflow before taxation		<u>(3,315,901)</u>	<u>10,378,657</u>
Income tax paid		(4,375,821)	(3,877,914)
Net cash flow (used in) / generated from operating activities		<u>(7,691,722)</u>	<u>6,500,743</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		25,798,563	7,442,386
Investment in fixed assets		(88,626)	(136,440)
Proceeds from sale of fixed assets		30,041	7,307
Net cash flow from investing activities		<u>25,739,978</u>	<u>7,313,253</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(5,797,061)	(3,862,143)
Net cash flow used in financing activities		<u>(5,797,061)</u>	<u>(3,862,143)</u>
Increase in cash and cash equivalents for the period		<u>12,251,195</u>	<u>9,951,853</u>
Cash and cash equivalents at beginning of the period		49,697,264	35,380,481
Effect of exchange rate changes on cash and cash equivalents		931,272	484,664
		<u>50,628,536</u>	<u>35,865,145</u>
Cash and cash equivalents at end of the period		<u>62,879,731</u>	<u>45,816,998</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
Cash and balances with treasury banks		58,016,783	43,554,768
Balances with other banks		4,948,025	3,506,161
Overdrawn nostros		(85,077)	(1,243,931)
		<u>62,879,731</u>	<u>45,816,998</u>


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


KS m


Chairman


Chief Executive Officer


Chief Financial Officer


Director


Director

Standard Chartered Bank (Pakistan) Limited

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

For the six months period ended 30 June 2019

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 68 branches in Pakistan (2018: 77 branches in Pakistan) in operation at 30 June 2019.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

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

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of

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

2.2 The condensed interim financial statements do not include all the information and disclosures required for the full set of annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended 31 December 2018.

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

On 1 January 2019, the Bank adopted IFRS 16 Leases. A number of other new standards, amendments and interpretations are effective from 1 January 2019 but they do not have a material effect on the Bank's financial statements.

IFRS 16 introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The significant judgments in the implementation were determining if a contract contains a lease, and the determination of whether the Bank is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates. The weighted average discount rate applied to lease liabilities on the transition date 1 January 2019 was 13.8 percent.

The impact of IFRS 16 on the Bank is primarily where the Bank is a lessee in property lease contracts. The Bank has elected to adopt simplified approach on transition and has not restated comparative information. On 1 January 2019, the Bank recognized a lease liability, being the remaining lease payments, including extension options where renewal is reasonably certain, discounted using the Bank's incremental borrowing rate at the date of initial application. The corresponding right-of-use asset recognized is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The balance sheet increase as a result of recognition of lease liability and right to use assets as of 1 January 2019 was Rs. 2,246 million and Rs. 2, 290 million respectively, with no adjustment to retained earnings. The asset is presented in 'Fixed Assets' and the liability is presented in 'Other liabilities'. Also in relation to those leases under IFRS 16, the Bank has recognized depreciation and interest costs, instead of operating lease expenses. During the six months period to 30 June 2019, the Bank recognized depreciation expense of Rs. 271 million and interest expense of Rs. 110 million on these leases.

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

There are various standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not effective in the current year. These are not likely to have material effect on the Bank's financial statements except for the following:

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

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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 Securities and Exchange Commission of Pakistan vide its notification dated 14 February 2019 modified the effective date for implementation of IFRS 9 as 'reporting period / year ending on or after June 30, 2019 (earlier application is permitted)'. State Bank of Pakistan has also informed the Bank that keeping in view the implementation challenges of IFRS 9 and representations by the banking industry, it has been decided that IFRS 9 is not applicable on financials of period ending June 30, 2019 for banks/DFIs/MFBs.

The management has completed an initial assessment of changes required in classification and measurement of financial instruments on adoption of the standard and has also carried out an initial exercise to calculate impairment required under expected credit loss model which results in an estimated reduction of provision by around Rs. 910 million as at 30 June 2019.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2018 except for the following:

3.1 Leases

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Bank mainly leases properties for its operations. The Bank recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Bank has elected not to recognize right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognized as an expenses on a straight line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

Upto 31 December 2018, assets held under property leases, not equivalent to ownership rights, were classified as operating leases and were not recognized as assets in the statement of financial position. Payments under operating leases were recognized in profit and loss on a straight line basis over the term of the lease.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2018.

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 2018.

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6	CASH AND BALANCES WITH TREASURY BANKS	<i>Note</i>	30 June 2019	31 December 2018
			(Rupees in '000)	
	In hand			
	- Local currency		4,863,912	4,786,076
	- Foreign currencies		6,145,337	4,974,694
	With State Bank of Pakistan in:			
	- Local currency current account	<i>6.1</i>	25,048,750	22,318,671
	- Local currency current account - Islamic Banking	<i>6.1</i>	1,909,694	1,949,185
	Foreign currency deposit account			
	- Cash reserve account	<i>6.2</i>	4,693,116	4,141,199
	- Special cash reserve account	<i>6.2</i>	13,060,288	11,555,317
	- Local US Dollar collection account		266,591	63,245
	With National Bank of Pakistan in:			
	- Local currency current account		1,203,384	496,166
	Prize Bonds		825,711	8,944
			<u>58,016,783</u>	<u>50,293,497</u>

6.1 The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 22 of the Banking Companies Ordinance, 1962. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its demand and time liabilities in Pakistan as may be prescribed by SBP.

6.2 As per BSD Circular No. 15 dated 21 June 2008, cash reserve of 5% and special cash reserve of 15% (for Islamic 6%) are required to be maintained with SBP on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

7	BALANCES WITH OTHER BANKS	<i>Note</i>	30 June 2019	31 December 2018
			(Rupees in '000)	
	Outside Pakistan			
	- In current accounts	<i>7.1</i>	4,948,025	2,344,297
			<u>4,948,025</u>	<u>2,344,297</u>

7.1 This includes balances of Rs. 4,902.366 million (2018: Rs. 2,295.707 million) held with other branches and subsidiaries of Standard Chartered Group outside Pakistan.

8	LENDINGS TO FINANCIAL INSTITUTIONS	<i>Note</i>	30 June 2019	31 December 2018
			(Rupees in '000)	
	Bai Muajjal receivable from State Bank of Pakistan	<i>8.1</i>	4,117,655	-
	Placements	<i>8.2</i>	24,033,183	6,465,508
			<u>28,150,838</u>	<u>6,465,508</u>

8.1 These represent lendings to State Bank of Pakistan by Islamic Banking Business under Bai Muajjal agreements at return rates ranging from 10.27 percent to 10.37 percent per annum with maturities upto February 2020.

8.2 This represents placements with other branches and subsidiaries of Standard Chartered Group outside Pakistan at mark-up rates ranging from 0.55 percent to 2.35 percent per annum (2018: 0.55 percent to 2.90 percent per annum), and are due to mature during July 2019.

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8.3 Particulars of lending	Note	30 June	31 December
		2019	2018
		(Rupees in '000)	
in local currency		4,117,655	-
in foreign currencies		24,033,183	6,465,508
	8.3.1	<u>28,150,838</u>	<u>6,465,508</u>

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

9 INVESTMENTS

9.1 Investments by type	30 June 2019				31 December 2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	(Rupees in '000)							
<i>Held for trading securities</i>								
Federal Government Securities	11,129,002	-	137,951	11,266,953	12,127,610	-	52,025	12,179,635
	<u>11,129,002</u>	<u>-</u>	<u>137,951</u>	<u>11,266,953</u>	<u>12,127,610</u>	<u>-</u>	<u>52,025</u>	<u>12,179,635</u>
<i>Available for sale securities</i>								
Federal Government Securities	240,678,097	-	(1,011,240)	239,666,857	266,324,636	-	(148,733)	266,175,903
Shares	786,081	(730,371)	-	55,710	786,081	(682,492)	1,566	105,155
Non Government Debt Securities	785,025	(285,025)	3,875	503,875	885,025	(285,025)	5,211	605,211
	<u>242,249,203</u>	<u>(1,015,396)</u>	<u>(1,007,365)</u>	<u>240,226,442</u>	<u>267,995,742</u>	<u>(967,517)</u>	<u>(141,956)</u>	<u>266,886,269</u>
Total Investments	<u>253,378,205</u>	<u>(1,015,396)</u>	<u>(869,414)</u>	<u>251,493,395</u>	<u>280,123,352</u>	<u>(967,517)</u>	<u>(89,931)</u>	<u>279,065,904</u>

9.1.1 Investments given as collateral	30 June	31 December
	2019	2018
	(Rupees in '000)	
Market Treasury Bills	13,870,715	-
	<u>13,870,715</u>	<u>-</u>
9.2 Provision for diminution in the value of investments		
Opening balance	967,517	962,147
Charge for the period	47,879	5,370
Closing Balance	<u>1,015,396</u>	<u>967,517</u>

9.2.1 Particulars of provision against debt securities

Category of classification	30 June 2019		31 December 2018	
	Non Performing Investments	Provision	Non Performing Investments	Provision
Domestic	(Rupees in '000)			
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	285,025	285,025	285,025	285,025
	<u>285,025</u>	<u>285,025</u>	<u>285,025</u>	<u>285,025</u>

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10	ADVANCES	Note	Performing		Non Performing		Total	
			30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
(Rupees in '000)								
	Loans, cash credits, running finances, etc.		134,456,970	117,624,884	16,876,199	16,915,712	151,333,169	134,540,596
	Islamic financing and related assets		52,507,470	49,077,231	477,787	486,990	52,985,257	49,564,221
	Bills discounted and purchased (excluding treasury bills)		2,577,252	3,057,432	-	-	2,577,252	3,057,432
	Advances - gross	10.1	189,541,692	169,759,547	17,353,986	17,402,702	206,895,678	187,162,249
	Provision for non-performing advances							
	- Specific	10.3	-	-	(16,609,225)	(16,841,631)	(16,609,225)	(16,841,631)
	- General	10.3	(841,687)	(776,856)	-	-	(841,687)	(776,856)
	Advances - net of provision		188,700,005	168,982,691	744,761	561,071	189,444,766	169,543,762

10.1	Particulars of advances - gross	30 June 2019	31 December 2018
(Rupees in '000)			
	In local currency	197,185,828	181,776,109
	In foreign currencies	9,709,850	5,386,140
		206,895,678	187,162,249

10.2 Advances include Rs. 17,353.986 million (31 December 2018: Rs. 17,402.702 million) which have been placed under non performing status as detailed below:

Category of classification	30 June 2019		31 December 2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	59,890	-	23,099	-
Substandard	629,927	141,507	321,582	68,015
Doubtful	238,883	94,618	365,798	144,450
Loss	16,425,286	16,373,100	16,692,223	16,629,166
	17,353,986	16,609,225	17,402,702	16,841,631
General Provision	-	841,687	-	776,856
	17,353,986	17,450,912	17,402,702	17,618,487

10.2.1 At 30 June 2019, the provision requirement has been reduced by Rs. 33.268 million (31 December 2018: Rs. 44.834 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. 21.624 million due to the said FSV benefit is not available for distribution of cash and stock dividend / bonus to employees.

10.3	Particulars of provision against advances	30 June 2019			31 December 2018		
		Specific	General	Total	Specific	General	Total
(Rupees in '000)							
	Opening balance	16,841,631	776,856	17,618,487	18,953,981	670,580	19,624,561
	Charge for the period	371,956	67,841	439,797	393,398	113,656	507,054
	Reversals	(498,397)	(3,010)	(501,407)	(1,588,039)	(7,380)	(1,595,419)
		(126,441)	64,831	(61,610)	(1,194,641)	106,276	(1,088,365)
	Amounts written off	(234,859)	-	(234,859)	(1,018,712)	-	(1,018,712)
	Other movements	128,894	-	128,894	101,003	-	101,003
	Closing balance	16,609,225	841,687	17,450,912	16,841,631	776,856	17,618,487

11	FIXED ASSETS	Note	30 June 2019	31 December 2018
(Rupees in '000)				
	Capital work-in-progress	11.1	41,724	12,203
	Property and equipment		7,617,586	7,825,776
	Right-of-use assets	11.4	1,711,617	-
			9,370,927	7,837,979
11.1	Capital work-in-progress			
	Civil works		41,724	12,203
			41,724	12,203

	30 June 2019	31 December 2018
	(Rupees in '000)	
11.2 Additions to fixed assets		
The following additions have been made to fixed assets during the period:		
Capital work-in-progress	29,521	12,203
Buildings on freehold land	-	2,563
Buildings on leasehold land	-	1,277
Furniture and fixture	2,100	11,870
Electrical office and computer equipment	45,110	342,494
Vehicles	11,895	46,359
Leasehold improvements	-	69,424
	<u>59,105</u>	<u>473,987</u>

11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is Rs. Nil (2018: Rs. Nil).

11.4 IFRS 16 'Leases', is effective for annual periods beginning on or after 1 January 2019. Accordingly, operating leases meeting the criteria prescribed within the standard are presented as on-balance sheet items. Also refer note 3.1.

12 INTANGIBLE ASSETS

	Note	30 June 2019	31 December 2018
		(Rupees in '000)	
Goodwill	12.1	26,095,310	26,095,310
Customer relationships intangible		115	166
		<u>26,095,425</u>	<u>26,095,476</u>

12.1 At 30 June 2019, the Bank performed a review of the goodwill that has been assigned to cash generating units for indicators of impairment, considering whether there were any reduced expectations for future cashflows and / or fluctuations in the discount rate or the assumptions. The results of the review indicated that there is no goodwill impairment to be recognized.

	Note	30 June 2019	31 December 2018
		(Rupees in '000)	
13 OTHER ASSETS			
Income / mark-up accrued in local currency		5,062,897	2,959,431
Income / mark-up accrued in foreign currencies		61,248	33,470
Advances, deposits, advance rent and other prepayments		448,555	551,481
Defined benefit plans		16,300	16,300
Advance taxation (payments less provisions)	13.1	12,310,679	13,847,613
Branch adjustment account		2,766	-
Mark to market gain on forward foreign exchange contracts		17,670,843	8,370,550
Interest rate derivatives and currency options - positive fair value		12,454	30,937
Receivable from SBP / Government of Pakistan		141,762	634,680
Receivable from associated undertakings		929,537	751,835
Receivable from Standard Chartered Bank, Sri Lanka operations		41,724	35,200
Advance Federal Excise Duty		188,443	188,443
Acceptances		7,678,498	5,699,708
Unsettled trades		1,469,195	-
Sundry receivables		222,324	985,692
Others		1,012,493	365,068
		<u>47,269,718</u>	<u>34,470,408</u>
Less: Provision held against other assets	13.2	(35,495)	(35,495)
Other Assets - net of provisions		<u>47,234,223</u>	<u>34,434,913</u>

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13.1 Advance taxation (payments less provisions) represents the amounts paid under appeals / litigations of Rs. 8,303 million (including amount paid against claim for amortization of goodwill of Rs. 3,607 million, refer note 20.3.3), assessed refunds of Rs. 3,374 million and advance tax paid under section 147 and other tax payments.

13.2	Provision held against other assets	30 June 2019	31 December 2018
		(Rupees in '000)	
	Others - Trade related	35,495	35,495
		<u>35,495</u>	<u>35,495</u>

13.2.1 Movement in provision against other assets

Opening balance	35,495	35,495
Net charge for the period	-	-
Other movements	-	-
Closing balance	<u>35,495</u>	<u>35,495</u>

14 BILLS PAYABLE

In Pakistan	16,143,358	16,144,129
Outside Pakistan	235,817	799,498
	<u>16,379,175</u>	<u>16,943,627</u>

15 BORROWINGS

In Pakistan	31,150,712	17,848,847
Outside Pakistan	3,813,198	6,174,850
	<u>34,963,910</u>	<u>24,023,697</u>

15.1 Details of borrowings secured / unsecured

Secured

Borrowings from State Bank of Pakistan under Export Refinance (ERF) scheme	16,903,818	17,658,060
Repurchase agreement borrowings (Repo)	13,870,715	-
State Bank of Pakistan - LTFF	102,997	190,522
	<u>30,877,530</u>	<u>17,848,582</u>

Unsecured

Call borrowings	4,001,303	4,165,857
Overdrawn nostro accounts	85,077	2,009,258
	<u>34,963,910</u>	<u>24,023,697</u>

16 DEPOSITS AND OTHER ACCOUNTS

	30 June 2019			31 December 2018		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	(Rupees in '000)					
Customers						
Remunerative						
- Fixed deposits	23,271,396	656,712	23,928,108	23,678,966	614,478	24,293,444
- Savings deposits	177,823,064	26,509,782	204,332,846	177,483,289	24,915,546	202,398,835
Non-Remunerative						
- Current accounts	123,469,234	66,234,751	189,703,985	128,778,230	55,626,670	184,404,900
- Margin accounts	4,201,670	217,363	4,419,033	5,243,140	81,423	5,324,563
- Special exporters' account	4,690,714	-	4,690,714	4,728,626	-	4,728,626
	333,456,078	93,618,608	427,074,686	339,912,251	81,238,117	421,150,368
Financial Institutions						
- Remunerative deposits - Others	4,154,718	-	4,154,718	129,202	-	129,202
- Non-remunerative deposits - Others	6,283,039	1,310,430	7,593,469	2,549,230	1,070,136	3,619,366
	343,893,835	94,929,038	438,822,873	342,590,683	82,308,253	424,898,936

16.1 This includes Rs. 671.815 million (2018: Rs. 964.772 million) against balances of other branches and subsidiaries of Standard Chartered Group operating outside Pakistan.

17 DEFERRED TAX ASSETS / (LIABILITIES)

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

	Note	30 June 2019			
		At 1 January 2019	Recognised in profit and loss	Recognised in OCI	At 30 June 2019
		(Rupees in '000)			
Deductible Temporary Differences on					
Post retirement employee benefits		7,256	-	-	7,256
Deficit on revaluation of investments	19.2	49,685	-	302,893	352,578
Provision against advances, off balance sheet etc.	17.1	2,485,817	(288,753)	-	2,197,064
Unpaid liabilities		1,902,215	501,074	-	2,403,289
		4,444,973	212,321	302,893	4,960,187
Taxable Temporary Differences on					
Surplus on revaluation of fixed assets	19.1	(202,903)	6,516	-	(196,387)
Goodwill		(7,830,986)	-	-	(7,830,986)
Accelerated tax depreciation		(42,293)	27,241	-	(15,052)
		(8,076,182)	33,757	-	(8,042,425)
		(3,631,209)	246,078	302,893	(3,082,238)
		(Rupees in '000)			
Deductible Temporary Differences on					
Post retirement employee benefits		14,835	-	(7,579)	7,256
Deficit on revaluation of investments		20,498	-	29,187	49,685
Provision against advances, off balance sheet etc.		2,959,817	(474,000)	-	2,485,817
Unpaid liabilities		1,417,138	485,077	-	1,902,215
		4,412,288	11,077	21,608	4,444,973
Taxable Temporary Differences on					
Surplus on revaluation of fixed assets		(212,968)	10,065	-	(202,903)
Goodwill		(7,830,986)	-	-	(7,830,986)
Accelerated tax depreciation		(74,742)	32,449	-	(42,293)
		(8,118,696)	42,514	-	(8,076,182)
		(3,706,408)	53,591	21,608	(3,631,209)

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

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18 OTHER LIABILITIES	<i>Note</i>	30 June 2019	31 December 2018
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		315,788	198,511
Mark-up / return / interest payable in foreign currencies		26,498	33,470
Accrued expenses		2,575,838	2,741,552
Advance payments		585,132	455,317
Sundry creditors		5,884,058	4,249,807
Mark to market loss on forward foreign exchange contracts		12,586,594	3,663,891
Unrealized loss on interest rate derivatives and currency options		5,014,900	2,607,779
Due to Holding Company	18.1	10,804,731	11,925,280
Charity fund balance		3,256	7,932
Dividend payable		95,884	85,567
Branch adjustment account		-	2,438
Provision against off-balance sheet obligations	18.2	247,639	283,541
Worker's Welfare Fund (WWF) payable	18.3	2,654,265	2,265,276
Lease liability	18.4	1,805,748	-
Acceptances		7,678,498	5,699,708
Unsettled trades		2,974,767	4,920,925
Others		130,145	204,504
		<u>53,383,741</u>	<u>39,345,498</u>
18.1 Due to Holding Company			
On account of reimbursement of executive and general administrative expenses		10,250,476	10,250,476
Dividend and other payable		554,255	1,674,804
		<u>10,804,731</u>	<u>11,925,280</u>
18.2 Provision against off-balance sheet obligations			
Opening balance		283,541	282,927
Charge for the period		53,878	8,500
Reversals		(89,780)	(7,886)
Closing balance		<u>247,639</u>	<u>283,541</u>

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

18.3 The Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the law introduced by the Federal Government by Finance Act, 2008 for the levy of Worker's Welfare Fund (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 along with the other banks has challenged applicability of the said law on Banks before the Sindh High Court.

18.4 IFRS 16 'Leases', is effective for annual periods beginning on or after 1 January 2019. Accordingly, operating leases meeting the criteria prescribed within the standard are presented as on-balance sheet items. Also refer note 3.1.

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19	SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX	30 June 2019	31 December 2018
		<i>Note</i>	(Rupees in '000)
	Surplus / (deficit) arising on revaluation of:		
	Fixed assets	19.1	5,827,739
	Available for Sale securities	19.2	(1,007,365)
			<u>4,820,374</u>
	Deferred tax on surplus / (deficit) on revaluation of:		
	Fixed assets	19.1	(196,387)
	Available for Sale securities	19.2	352,578
			<u>156,191</u>
			<u>5,228,671</u>
19.1	Surplus on revaluation of fixed assets - net of tax		
	Surplus on revaluation of fixed assets as at 1 January		5,823,845
	Surplus / (Deficit) on revaluation - net of deferred tax		22,510
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(12,100)
	Related deferred tax liability on incremental depreciation charged during the period		(6,516)
			<u>(18,616)</u>
	Surplus on revaluation of fixed assets as at 30 June		5,827,739
	Less: Related deferred tax liability on:		
	Revaluation surplus as at 1 January		(202,903)
	Incremental depreciation charged during the period		6,516
			<u>(196,387)</u>
	Surplus on revaluation of fixed assets as at 30 June - net of tax		<u>5,631,352</u>
19.2	(Deficit) / Surplus on revaluation of Available for Sale securities - net of tax		
	Market Treasury Bills		(323,650)
	Pakistan Investment Bonds		(666,740)
	Sukuk and Ijarah Bonds		(16,975)
	Listed shares		-
			<u>(1,007,365)</u>
	Related deferred tax asset / (liability)		352,578
			<u>(654,787)</u>
20	CONTINGENCIES AND COMMITMENTS		
	Guarantees	20.1	147,179,732
	Commitments	20.2	423,969,260
	Other contingent liabilities	20.3	11,102,661
			<u>582,251,653</u>
20.1	Guarantees		
	Guarantees issued favouring:		
	Financial guarantees		20,044,610
	Performance guarantees		87,998,774
	Other guarantees		39,136,348
			<u>147,179,732</u>
20.2	Commitments		
	Documentary credits and short-term trade-related transactions		
	Letters of credit		24,546,682
	Commitments in respect of:		
	Forward foreign exchange contracts		
	- Purchase	20.4	226,233,048
	- Sale	20.4	172,856,743
	Commitment for acquisition of fixed assets		32,698
	Commitment in respect of operating lease	20.6	300,089
			<u>423,969,260</u>
20.3	Other contingent liabilities		<u>11,102,661</u>
20.3.1	The Bank has a case before the Court on the land where an office building is constructed and the Bank owns a portion of that premises. A request for clearance of its premises from the competent court has been filed based on the fact that the Bank is a bonafide purchaser of the premises having no relevance with the principal case. Considering the facts of the case, the management expects a favourable decision in this case from the competent court. The Bank is also in litigation with various tenants for repossessing its office space in one of its other owned properties. These cases are now being adjudicated before the Court of Rent Controller. Based on the facts of the case and the opinion of legal counsel, the management expects a favourable decision from the dealing court in remaining cases.		
20.3.2	Further, an order for income year 2011 levying Federal Excise Duty of Rs. 515.6 million has been issued. The demand has been stayed by the Sindh High Court.		

20.3.3 The tax department amended the assessments for income years 2007 to 2017 (tax years 2008 to 2018 respectively) under the related provisions of the Income Tax Law, determining additional tax liability amounting to Rs. 4,696 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 favor of the Bank at appellate forums. Accordingly, no additional provision is required. The Sindh High Court has decided the issue of goodwill amortisation in favor of the Bank for the tax years 2008 and 2012. A tax refund order of Rs. 893 million has been issued by the Federal Board of Revenue in respect of tax year 2008. The Federal Board of Revenue has filed leave to appeal before the Supreme Court of Pakistan.

20.4 Commitments in respect of forward foreign exchange contracts	30 June	31 December
	2019	2018
	(Rupees in '000)	
Purchase from:		
State Bank of Pakistan	94,880,663	77,367,993
Other banks	130,853,273	95,861,603
Customers	499,112	561,849
	<u>226,233,048</u>	<u>173,791,445</u>
Sale to:		
Other banks	141,442,401	91,861,463
Customers	31,414,342	15,318,060
	<u>172,856,743</u>	<u>107,179,523</u>

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

20.5 Commitments to extend credit

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

20.6 Commitments in respect of operating lease	30 June	31 December
	2019	2018
	(Rupees in '000)	
Not later than one year	81,833	230,766
Later than one year and not later than five years	208,339	149,452
Later than five years	9,917	4,097
	<u>300,089</u>	<u>384,315</u>

20.7 Derivative instruments

20.7.1 Product analysis

Counterparties	30 June 2019			
	(Rupees in '000)			
	Interest Rate Swaps & Cross Currency Swaps		FX Options	
	Notional Principal *	Mark to market gain / loss	Notional Principal *	Mark to market gain / loss
With Banks for				
Hedging	-	-	-	-
Market Making	13,417,614	(432,291)	-	-
With FIs other than banks				
Hedging	-	-	-	-
Market Making	-	-	-	-
With other entities for				
Hedging	-	-	-	-
Market Making	16,313,916	(4,570,155)	-	-
Total				
Hedging	-	-	-	-
Market Making	29,731,530	(5,002,446)	-	-
	<u>29,731,530</u>	<u>(5,002,446)</u>	<u>-</u>	<u>-</u>
	31 December 2018			
	(Rupees in '000)			
	Interest Rate Swaps & Cross Currency Swaps		FX Options	
	Notional Principal *	Mark to market gain / loss	Notional Principal *	Mark to market gain / loss
With Banks for				
Hedging	-	-	-	-
Market Making	13,108,769	(1,554,362)	37,141	(214)
With FIs other than banks				
Hedging	-	-	-	-
Market Making	-	-	-	-
With other entities for				
Hedging	-	-	-	-
Market Making	14,538,458	(1,022,480)	37,141	214
Total				
Hedging	-	-	-	-
Market Making	27,647,227	(2,576,842)	74,283	-
	<u>27,647,227</u>	<u>(2,576,842)</u>	<u>74,283</u>	<u>-</u>

* At the exchange rate prevailing at period end.

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		Three months period ended 30 June 2019	Six months period ended 30 June 2019	Three months period ended 30 June 2018	Six months period ended 30 June 2018
21	MARK-UP / RETURN / INTEREST EARNED	(Rupees in '000)			
	On loans and advances to customers	4,949,910	9,329,274	2,906,257	5,622,140
	On loans and advances to financial institutions	11,180	21,684	73,166	76,962
	On investments in: i) Held for trading securities	(7,070)	13,221	34,994	106,306
	ii) Available for sale securities	6,387,204	12,144,595	3,968,240	7,836,792
	On deposits with financial institutions / State Bank of Pakistan	44,639	84,348	20,567	31,315
	On securities purchased under resale agreements	571,359	1,336,026	113,209	197,428
	On call money lending / placements	303,571	506,635	6,229	34,904
		<u>12,260,793</u>	<u>23,435,783</u>	<u>7,122,662</u>	<u>13,905,847</u>
22	MARK-UP / RETURN / INTEREST EXPENSED				
	Deposits	4,470,927	8,869,506	2,294,991	4,517,119
	Securities sold under repurchase agreements	164,178	260,219	74,383	173,413
	Call borrowings	32,662	84,402	34,698	67,970
	Borrowings from State Bank of Pakistan under Export Refinance (ERF) scheme	78,587	169,673	75,664	160,246
	Cost of foreign currency swaps against foreign currency deposits / borrowings	498,720	703,091	147,740	243,428
	Finance cost of lease liability	50,357	109,558	-	-
		<u>5,295,431</u>	<u>10,196,449</u>	<u>2,627,476</u>	<u>5,162,176</u>
22.1	IFRS 16 'Leases', is effective for annual periods beginning on or after 1 January 2019. Accordingly, finance cost of lease liability on operating leases meeting the criteria prescribed within the standard are separately disclosed. Also refer note 3.1.				
23	FEE & COMMISSION INCOME	(Rupees in '000)			
	Branch banking customer fees	65,307	130,358	71,411	143,670
	Deposits protection premium	(109,305)	(199,455)	-	-
	Consumer finance related fees	7,887	23,235	4,877	21,411
	Card related fees (debit and credit cards)	249,580	674,752	350,165	843,989
	Credit related fees	29,564	87,930	42,435	187,472
	Investment banking fees	5,771	18,809	44,718	91,852
	Commission on trade	227,692	492,145	121,473	306,093
	Commission on guarantees	128,144	300,223	123,207	275,169
	Commission on cash management	127,728	215,890	67,610	152,811
	Commission on remittances including home remittances	32,095	57,606	6,560	16,907
	Commission on bancassurance	12,491	23,634	43,163	92,097
	Custody Fees	47,061	90,908	56,113	109,581
		<u>824,015</u>	<u>1,916,035</u>	<u>931,732</u>	<u>2,241,052</u>
23.1	As per State Bank of Pakistan DPC Circular No. 04 of 2018, dated 22nd June 2018, all member banks are required to pay deposits protection premium at the rate of 0.16% on eligible deposits as defined in the aforesaid circular.				
24	FOREIGN EXCHANGE INCOME	(Rupees in '000)			
	Gain / (loss) realised from dealing in				
	- Foreign Currencies	1,047,971	2,225,230	889,902	1,529,747
	- Derivative financial instruments	292,243	443,309	619,728	912,080
		<u>1,340,214</u>	<u>2,668,539</u>	<u>1,509,630</u>	<u>2,441,827</u>
25	GAIN / (LOSS) ON SECURITIES				
	Realised	193,119	429,236	361,213	608,804
	Unrealised - held for trading	141,574	137,951	(79,002)	12,659
		<u>334,693</u>	<u>567,187</u>	<u>282,211</u>	<u>621,463</u>
25.1	Realised gain on:				
	Federal Government Securities				
	Market Treasury Bills	(90,175)	110,619	277,262	272,669
	Pakistan Investment Bonds	283,294	318,617	83,951	336,135
		<u>193,119</u>	<u>429,236</u>	<u>361,213</u>	<u>608,804</u>
26	OTHER INCOME				
	Rent on property	6,149	12,020	5,723	11,083
	Gain on sale of fixed assets - net	1,068	30,041	6,147	7,307
	Sri Lanka branch operations cost & FX translation	4,562	6,525	202	1,265
	Recoveries against assets from acquisition of Union Bank Limited	-	-	10,000	36,150
		<u>11,779</u>	<u>48,586</u>	<u>22,072</u>	<u>55,805</u>

27 OPERATING EXPENSES

Note	Three months	Six months	Three months	Six months
	period ended	period ended	period ended	period ended
	30 June	30 June	30 June	30 June
	2019	2019	2018	2018
(Rupees in '000)				
Total compensation expense	1,525,915	2,940,536	1,578,903	3,055,484
Property expense				
Rent & taxes	95,224	181,246	203,589	408,633
Insurance	2,836	6,014	4,933	10,855
Utilities cost	65,345	109,742	78,739	151,406
Security (including guards)	59,035	109,742	46,611	106,275
Repair & maintenance	115,091	219,530	62,217	181,194
Facilities management cost	34,262	68,903	47,490	81,628
Depreciation (Property related)	38,013	84,231	45,036	111,847
Depreciation (Right of use assets)	27.1	135,513	271,153	-
Cleaning and janitorial	98,045	219,949	72,936	144,279
Minor improvements and others	8,383	10,883	3,096	12,930
	651,747	1,281,393	564,647	1,209,047
Information technology expenses				
Software maintenance	44,744	78,506	32,887	76,062
Hardware maintenance	77,535	154,063	72,427	158,535
Depreciation (IT related)	45,947	94,825	49,269	96,312
Amortization	26	51	44	84
Network charges	1,858	3,841	2,196	2,825
	170,110	331,286	156,823	333,818
Other operating expenses				
Directors' fees and allowances	1,550	2,700	875	2,975
Fees and allowances to Shariah Board	2,315	5,062	1,676	2,985
Legal & professional charges	21,833	57,196	31,086	59,347
Outsourced services costs	18,194	31,538	5,560	20,596
Travelling & conveyance	30,201	53,873	33,482	70,697
Depreciation (Other fixed assets)	21,275	36,930	4,747	16,138
Training & development	3,316	3,814	3,633	7,017
Postage & courier charges	30,856	59,657	35,221	61,183
Communication	72,520	145,384	88,673	180,687
Stationery & printing	36,414	85,445	50,138	88,869
Marketing, advertisement & publicity	84,502	136,137	110,470	251,820
Donations	7,000	7,000	5,890	5,890
Auditors remuneration	10,313	16,813	7,538	13,094
Cash transportation services	19,671	39,536	19,639	39,392
Documentation and processing charges	35,957	69,838	31,961	64,113
Insurance	3,848	8,829	8,254	11,841
Others	1,095	64,901	80,106	134,732
	400,860	824,653	518,949	1,031,376
	2,748,632	5,377,868	2,819,322	5,629,725

27.1 IFRS 16 'Leases', is effected for annual periods beginning on or after 1 January 2019. Accordingly, depreciation against right of use assets on operating leases meeting the criteria prescribed within the standard are separately disclosed. Also refer note 3.1.

27.2 The Bank is awaiting approval from State Bank of Pakistan for payment of group executive and general administration expenses for prior years. In concurrence with SCB UK, no expenses have been charged since 1 January 2018.

Note	Three months	Six months	Three months	Six months
	period ended	period ended	period ended	period ended
	30 June	30 June	30 June	30 June
	2019	2019	2018	2018
(Rupees in '000)				
28 OTHER CHARGES				
Net charge against fines and penalties imposed by SBP	12,362	21,393	478	865
29 (PROVISIONS) / RECOVERY & WRITE OFFS - NET				
(Provision) / recovery against loans and advances	10.3 & 18.2	(64,339)	97,512	207,506
Recovery of amounts written off	10.3	71,364	140,946	93,639
Provision for diminution in the value of investments	9.2	(47,880)	(47,880)	(5,370)
Bad debts written off directly		(58,302)	(109,442)	(56,443)
Fixed asset write offs		-	(6,442)	(6,948)
Impairment against fixed assets		(61,586)	(61,586)	-
Provision against other assets		-	-	-
		(160,743)	13,108	232,384
		13,108	232,384	545,881
30 TAXATION				
- Current		2,813,417	5,305,556	1,692,434
- Prior year	30.1	-	607,199	-
- Deferred		(369,233)	(246,078)	116,259
		2,444,184	5,666,677	1,808,693
		5,666,677	1,808,693	3,278,479

30.1 The Parliament through Finance Supplementary (Second Amendment) Act, 2019 dated March 11, 2019 retrospectively implemented super tax for Financial Year 2017. The bank has recorded full year amount of such super tax as a prior year charge in its current financial statements.

31 EARNINGS PER SHARE - BASIC AND DILUTED

	Six months	Six months
	period ended	period ended
	30 June	30 June
	2019	2018
(Rupees in '000)		
Profit for the period	7,231,460	5,188,203
	(Number of shares)	
Weighted average number of ordinary shares	3,871,585,021	3,871,585,021
	(Rupees)	
Earnings per share - basic and diluted	1.87	1.34

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32 FAIR VALUE OF FINANCIAL INSTRUMENTS

32.1 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	30 June 2019					Fair value				
	Held for Trading	Available for Sale	Loans and Receivables	Other financial Assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
- Investments										
	Federal Government Securities (T-Bills + PIBs + Sukuka)	11,266,953	239,666,857	-	-	250,933,810	-	250,933,810	-	250,933,810
	Sukuk Bonds (other than government)	-	503,875	-	-	503,875	-	503,875	-	503,875
	Equity securities traded (Shares)	-	55,710	-	-	55,710	55,710	-	-	55,710
- Other assets										
	Unrealized gain on Forward foreign exchange contracts	-	17,670,843	-	-	17,670,843	-	17,670,843	-	17,670,843
	Unrealized gain on Interest rate derivatives & currency options	-	12,454	-	-	12,454	-	12,454	-	12,454
Financial assets not measured at fair value										
	Cash and bank balances with SBP and NBP	32.2	-	-	58,016,783	58,016,783	-	-	-	58,016,783
	Balances with other banks	32.2	-	-	4,948,025	4,948,025	-	-	-	4,948,025
	Lending to financial institutions	32.2	-	-	28,150,838	28,150,838	-	-	-	28,150,838
	Bai Muajjal with GOP	32.2	-	-	1,390,978	1,390,978	-	-	-	1,390,978
	Advances	32.2	-	189,444,766	-	189,444,766	-	-	-	189,444,766
	Other assets	32.2	-	-	9,233,813	9,233,813	-	-	-	9,233,813
			11,266,953	257,909,739	189,444,766	101,740,437	-	-	-	560,261,895
Financial liabilities measured at fair value										
- Other liabilities										
	Unrealized loss on forward foreign exchange contracts	32.2	-	12,586,594	-	12,586,594	-	12,586,594	-	12,586,594
	Unrealized loss on Interest rate derivatives & currency options	32.2	-	5,014,900	-	5,014,900	-	5,014,900	-	5,014,900
Financial liabilities not measured at fair value										
	Bills Payable	32.2	-	-	-	16,379,175	-	-	-	16,379,175
	Deposits and other accounts	32.2	-	-	-	438,832,873	-	-	-	438,832,873
	Borrowings	32.2	-	-	-	34,963,910	-	-	-	34,963,910
	Other liabilities (excluding Liabilities against assets subject to finance lease)	32.2	-	-	-	24,719,014	-	-	-	24,719,014
			-	17,601,494	-	514,884,972	-	-	-	532,486,466
Off-balance sheet financial instruments										
	Interest Rate swaps / Foreign currency options / Forward purchase contracts		-	-	248,109,835	248,109,835	-	265,793,132	-	265,793,132
	Interest Rate swaps / Foreign currency options / Forward sale contracts		-	-	180,711,489	180,711,489	-	198,312,983	-	198,312,983

On balance sheet financial instruments

Note	31 December 2018					Fair value				
	Held for Trading	Available for Sale	Loans and Receivables	Other financial Assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
- Investments										
	Federal Government Securities (T-Bills + PIBs + Sukuka)	12,179,635	266,175,003	-	-	278,355,538	-	278,355,538	-	278,355,538
	Sukuk Bonds (other than government)	-	605,211	-	-	605,211	-	605,211	-	605,211
	Equity securities traded (Shares)	-	105,155	-	-	105,155	105,155	-	-	105,155
- Other assets										
	Unrealized gain on Forward foreign exchange contracts	-	8,370,550	-	-	8,370,550	-	8,370,550	-	8,370,550
	Unrealized gain on Interest rate derivatives & currency options	-	30,937	-	-	30,937	-	30,937	-	30,937
Financial assets not measured at fair value										
	Cash and bank balances with SBP and NBP	32.2	-	-	50,293,497	50,293,497	-	-	-	50,293,497
	Balances with other banks	32.2	-	-	2,344,297	2,344,297	-	-	-	2,344,297
	Lending to financial institutions	32.2	-	-	6,465,508	6,465,508	-	-	-	6,465,508
	Bai Muajjal with GOP	32.2	-	-	1,390,978	1,390,978	-	-	-	1,390,978
	Sukuk Bonds (other than government)	32.2	-	-	-	-	-	-	-	-
	Advances	32.2	-	169,543,762	-	169,543,762	-	-	-	169,543,762
	Other assets	32.2	-	-	11,548,171	11,548,171	-	-	-	11,548,171
			12,179,635	275,287,756	169,543,762	72,042,451	-	-	-	529,053,604
Financial liabilities measured at fair value										
- Other liabilities										
	Unrealized loss on Forward foreign exchange contracts	32.2	-	3,663,891	-	3,663,891	-	3,663,891	-	3,663,891
	Unrealized loss on Interest rate derivatives & currency options	32.2	-	2,607,779	-	2,607,779	-	2,607,779	-	2,607,779
Financial liabilities not measured at fair value										
	Bills Payable	32.2	-	-	-	16,943,627	-	-	-	16,943,627
	Deposits and other accounts	32.2	-	-	-	424,898,936	-	-	-	424,898,936
	Borrowings	32.2	-	-	-	24,023,697	-	-	-	24,023,697
	Sub-ordinated loans	32.2	-	-	-	-	-	-	-	-
	Other liabilities (excluding liabilities against assets subject to finance lease)	32.2	-	-	-	31,205,469	-	-	-	31,205,469
			-	6,271,670	-	497,071,729	-	-	-	503,343,399
Off-balance sheet financial instruments										
	Interest Rate swaps / Foreign currency options / Forward purchase contracts		-	-	192,684,550	192,684,550	-	201,086,037	-	201,086,037
	Interest Rate swaps / Foreign currency options / Forward sale contracts		-	-	116,007,928	116,007,928	-	122,379,598	-	122,379,598

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).

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

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33 SEGMENT INFORMATION

33.1 Segment Details with respect to Business Activities

	Six months period ended 30 June 2019				
	Corporate and Institutional Banking	Commercial Banking	Retail Banking	Central and Other Items	Total
	(Rupees in '000)				
Profit and Loss					
Inter segment revenue - net	2,413,699	(2,032,960)	9,567,308	(9,936,863)	11,184
Net mark-up / return / profit	(139,049)	3,016,275	(2,758,890)	13,120,998	13,239,334
Non mark-up / return / interest income	3,233,541	760,665	1,309,759	129,980	5,433,945
Total Income	5,508,191	1,743,980	8,118,177	3,314,115	18,684,463
Segment direct expenses	991,322	574,123	3,626,384	596,421	5,788,250
Inter segment expense allocation	1,372	545	8,110	1,157	11,184
Total expenses	992,694	574,668	3,634,494	597,578	5,799,434
(Reversals) / provisions	-	(156,903)	27,885	115,909	(13,109)
Profit before taxation	4,515,497	1,326,215	4,455,798	2,600,628	12,898,138
Balance Sheet	30 June 2019				
Cash & Bank balances	-	-	-	62,964,808	62,964,808
Investments	11,266,952	123,543	-	240,102,900	251,493,395
Net inter segment lending	23,327,461	-	259,343,264	(282,670,725)	-
Lendings to financial institutions	-	-	-	28,150,838	28,150,838
Advances - Performing	82,326,623	64,350,934	25,413,221	-	172,090,778
- Non performing	3,453,325	11,657,739	2,242,924	-	17,353,988
Others	33,252,495	9,117,430	14,668,203	25,662,447	82,700,575
Total Assets	153,626,856	85,249,646	301,667,612	74,210,268	614,754,382
Borrowings	-	16,903,818	-	18,060,092	34,963,910
Deposits & other accounts	119,236,104	19,304,818	300,275,127	6,824	438,822,873
Net inter segment borrowing	-	37,791,899	-	(37,791,899)	-
Others	34,390,752	11,249,111	1,392,485	25,812,806	72,845,154
Total Liabilities	153,626,856	85,249,646	301,667,612	6,087,823	546,631,937
Equity	-	-	-	68,122,445	68,122,445
Total Equity & Liabilities	153,626,856	85,249,646	301,667,612	74,210,268	614,754,382
Contingencies & Commitments	168,788,504	2,936,149	1,761	410,525,239	582,251,653
	Six months period ended 30 June 2018				
Inter segment revenue - net	1,793,991	(1,298,299)	6,063,213	(6,550,595)	8,310
Net mark-up / return / profit	(550,994)	2,150,772	(870,633)	8,014,526	8,743,671
Non mark-up / return / interest income	2,396,636	602,628	1,975,067	2,722	4,977,053
Total Income	3,639,633	1,455,101	7,167,647	1,466,653	13,729,034
Segment direct expenses	932,269	599,299	3,852,553	415,802	5,799,923
Inter segment expense allocation	1,415	685	6,118	92	8,310
Total expenses	933,684	599,984	3,858,671	415,894	5,808,233
(Reversals) / provisions	(15,049)	(601,985)	58,835	12,318	(545,881)
Profit before taxation	2,720,998	1,457,102	3,250,141	1,038,441	8,466,682
Balance Sheet	30 June 2018				
Cash & Bank balances	-	-	-	47,060,929	47,060,929
Investments	24,319,524	103,590	-	259,280,976	283,704,090
Net inter segment lending	45,479,557	-	241,178,382	(286,657,939)	-
Lendings to financial institutions	-	-	-	12,087,935	12,087,935
Advances - Performing	48,138,251	66,719,681	20,045,055	-	134,902,987
- Non performing	3,316,460	12,704,599	2,614,644	-	18,635,703
Others	13,771,974	6,125,180	14,755,805	25,201,745	59,854,704
Total Assets	135,025,766	85,653,050	278,593,886	56,973,646	556,246,348
Borrowings	-	13,789,312	-	21,382,207	35,171,519
Deposits & other accounts	104,938,468	20,585,269	277,185,947	14,337	402,724,021
Net inter segment borrowing	-	42,008,379	-	(42,008,379)	-
Others	30,087,298	9,270,090	1,407,939	13,382,389	54,147,716
Total Liabilities	135,025,766	85,653,050	278,593,886	(7,229,446)	492,043,256
Equity	-	-	-	64,203,092	64,203,092
Total Equity & Liabilities	135,025,766	85,653,050	278,593,886	56,973,646	556,246,348
Contingencies & Commitments	125,806,676	4,643,538	3,144	294,864,086	425,317,444

Corporate and Institutional Banking

Corporate and Institutional Banking comprises International Corporate 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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34 RELATED PARTY TRANSACTIONS

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

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

	30 June 2019				31 December 2018			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
	(Rupees in '000)							
Balances with other banks								
In current accounts	4,902,366	-	-	-	2,295,707	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-
	<u>4,902,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,295,707</u>	<u>-</u>	<u>-</u>	<u>-</u>
Lending to financial institutions								
Opening balance	6,465,508	-	-	-	5,396,987	-	-	-
Addition during the year	2,389,888,711	-	-	-	1,857,802,348	-	-	-
Repaid during the year	(2,372,321,036)	-	-	-	(1,856,733,827)	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	<u>24,033,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,465,508</u>	<u>-</u>	<u>-</u>	<u>-</u>
Advances								
Opening balance	-	5,269	198,459	-	-	424	178,127	-
Addition during the year	-	258	99,972	-	-	-	131,359	-
Repaid during the year	-	(1,137)	(47,893)	-	-	(2,601)	(82,836)	-
Transfer in / (out) - net	-	-	(29,291)	-	-	7,446	(28,191)	-
Closing balance	<u>-</u>	<u>4,390</u>	<u>221,247</u>	<u>-</u>	<u>-</u>	<u>5,269</u>	<u>198,459</u>	<u>-</u>
Provision held against advances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Assets								
Interest / mark-up accrued	4,293	-	703	-	1,040	-	342	-
Receivable from staff retirement fund	-	-	-	16,300	-	-	-	16,300
Due from associated undertakings	971,262	-	-	-	787,578	-	-	-
Other receivable	-	-	-	-	-	-	1,354	-
Closing balance	<u>975,555</u>	<u>-</u>	<u>703</u>	<u>16,300</u>	<u>788,618</u>	<u>-</u>	<u>1,696</u>	<u>16,300</u>
Borrowings								
Opening balance	6,174,770	-	-	-	75,526	-	-	-
Borrowings during the year	32,526	-	-	-	6,148,004	-	-	-
Settled during the year	(2,167,750)	-	-	-	(48,760)	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	<u>4,039,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,174,770</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deposits and other accounts								
Opening balance	964,772	403,272	80,143	122,721	835,108	21,718	78,535	492,124
Received during the year	146,560	432,907	479,968	8,894,380	375,648	238,867	644,572	6,906,082
Withdrawn during the year	(380,429)	(615,361)	(453,879)	(8,819,119)	(245,984)	(268,910)	(611,784)	(6,357,945)
Transfer in / (out) - net	-	-	-	-	-	411,597	(31,180)	(917,540)
Closing balance	<u>730,903</u>	<u>220,818</u>	<u>106,232</u>	<u>197,982</u>	<u>964,772</u>	<u>403,272</u>	<u>80,143</u>	<u>122,721</u>
Other Liabilities								
Interest / mark-up payable	61,278	-	-	-	8,968	-	-	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-
Due to holding company	10,804,731	-	-	-	11,925,280	-	-	-
Other liabilities	-	-	369	-	-	-	-	-
Closing balance	<u>10,866,009</u>	<u>-</u>	<u>369</u>	<u>-</u>	<u>11,934,248</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contingencies and Commitments								
Transaction-related contingent liabilities - guarantees	65,538,509	-	-	-	41,591,083	-	-	-
Trade-related contingent liabilities - letters of credit	-	-	-	-	-	-	-	-
Trade-related commitment liabilities - acceptances	-	-	-	-	-	-	-	-
Commitments in respect of forward								
foreign exchange contracts	5,291,954	-	-	-	8,393,906	-	-	-
Derivatives								
Derivative instruments - Interest rate swaps - notional	8,066,426	-	-	-	8,787,692	-	-	-
Derivative instruments - FX options - notional	-	-	-	-	37,141	-	-	-
Derivative assets	19,882	-	-	-	35,424	-	-	-
Derivative liabilities	464,608	-	-	-	469,300	-	-	-

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RELATED PARTY TRANSACTIONS

	30 June 2019				30 June 2018			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
(Rupees in '000)								
Income								
Mark-up / return / interest earned	54,668	123	11,504	-	16,310	7	9,453	-
Fee and commission income	362,529	-	-	-	406,043	-	-	-
Dividend income	-	-	-	-	-	-	-	-
Net gain on sale of securities	-	-	-	-	-	-	-	-
Income / (loss) from derivatives	(10,850)	-	-	-	(380,538)	-	-	-
Expense								
Mark-up / return / interest paid	52,074	14,531	1,121	21,902	21,205	223	857	25,198
Fee and commission expense	16,371	-	-	-	46,298	-	-	-
Operating expenses	-	2,700	190,146	-	-	2,975	168,413	-
Rent and Renovation expense	-	-	1,723	-	-	-	1,634	-
Royalty reversal	-	-	-	-	-	-	-	-
Insurance premium paid	-	-	-	-	-	-	-	-
Insurance claims settled	-	-	-	-	-	-	-	-
Other transactions								
Dividend paid	5,748,491	-	-	-	3,832,339	-	-	-
Contribution to defined contribution plans	-	-	-	199,336	-	-	-	171,174
Net charge for defined contribution plans	-	-	-	199,336	-	-	-	171,174

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

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	30 June 2019	31 December 2018
(Rupees in '000)		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>38,715,850</u>	<u>38,715,850</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	44,023,781	43,225,327
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	44,023,781	43,225,327
Eligible Tier 2 Capital	6,473,039	6,397,797
Total Eligible Capital (Tier 1 + Tier 2)	<u>50,496,820</u>	<u>49,623,124</u>
Risk Weighted Assets (RWAs):		
Credit Risk	234,310,406	197,466,522
Market Risk	22,340,971	15,292,403
Operational Risk	47,195,782	47,195,782
Total	<u>303,847,159</u>	<u>259,954,707</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>14.49%</u>	<u>16.63%</u>
Tier 1 Capital Adequacy Ratio	<u>14.49%</u>	<u>16.63%</u>
Total Capital Adequacy Ratio	<u>16.62%</u>	<u>19.09%</u>
Minimum CAR (including Capital Conservation Buffer)	<u>11.90%</u>	<u>11.90%</u>
Leverage Ratio (LR):		
Eligible Tier 1 Capital	44,023,781	43,225,327
Total Exposures	778,417,275	709,934,051
Leverage Ratio	<u>5.66%</u>	<u>6.09%</u>
Minimum SBP Requirement	<u>3.00%</u>	<u>3.00%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	276,317,511	315,026,677
Total Net Cash Outflow	70,850,014	79,224,875
Liquidity Coverage Ratio	<u>390.0%</u>	<u>397.6%</u>
Minimum SBP Requirement	<u>100.0%</u>	<u>100.0%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	422,947,789	408,936,281
Total Required Stable Funding	194,479,298	156,640,624
Net Stable Funding Ratio	<u>217%</u>	<u>261%</u>
Minimum SBP Requirement	<u>100%</u>	<u>100%</u>

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36 ISLAMIC BANKING BUSINESS

The bank is operating 6 (Dec 2018: 8) Islamic banking branches and 65 (Dec 2018: 69) Islamic banking windows at the end of the period.

	<i>Note</i>	30 June 2019	31 December 2018
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		2,952,277	2,858,428
Due from financial institutions	36.1	10,091,965	4,873,442
Investments	36.2	2,374,003	6,487,739
Islamic financing and related assets - net	36.3	52,450,787	49,010,356
Fixed assets		193,233	32,987
Other assets		2,666,795	1,775,916
Total Assets		70,729,060	65,038,868
LIABILITIES			
Bills payable		176,927	94,221
Due to financial institutions		3,284,000	3,289,000
Deposits and other accounts	36.4	47,616,114	43,334,139
Due to Head Office		8,693,536	10,040,967
Other liabilities		2,121,463	1,825,266
		61,892,040	58,583,593
NET ASSETS		8,837,020	6,455,275
REPRESENTED BY:			
Islamic Banking Fund		200,000	200,000
(Deficit) / surplus on revaluation of assets		(16,975)	(3,239)
Unappropriated / Unremitted profit	36.9	8,653,995	6,258,514
		8,837,020	6,455,275

CONTINGENCIES AND COMMITMENTS

36.6

The profit and loss account of the Bank's Islamic banking branches for the period ended 30 June 2019 is as follows:

	<i>Note</i>	Six months period ended 30 June 2019	Six months period ended 30 June 2018
------(Rupees in '000)-----			
Profit / return earned	36.7	3,054,639	1,894,330
Profit / return expensed	36.8	(524,835)	(293,671)
Net Profit / return		2,529,804	1,600,659
Other income			
Fee and Commission Income		195,271	344,179
Foreign Exchange Income		570,736	515,417
Other Income		149	6
		766,156	859,602
Total Income		3,295,960	2,460,261
Other expenses			
Operating expenses		(919,191)	(839,669)
		(919,191)	(839,669)
Profit / (loss) before provisions		2,376,769	1,620,592
Provisions and write offs - net		18,712	(8,066)
Profit / (loss) before taxation		2,395,481	1,612,526

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	30 June 2019			31 December 2018				
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total		
(Rupees in '000)								
36.1 Due from Financial Institutions								
Unsecured	-	5,974,310	5,974,310	-	4,873,442	4,873,442		
Bai Muajjal Receivable from State Bank of Pakistan	4,117,655	-	4,117,655	-	-	-		
	<u>4,117,655</u>	<u>5,974,310</u>	<u>10,091,965</u>	<u>-</u>	<u>4,873,442</u>	<u>4,873,442</u>		
36.2 Investments by segments:	30 June 2019			31 December 2018				
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
Federal Government Securities:								
Ijarah Sukuk	500,000	-	(20,850)	479,150	4,500,000	-	(8,450)	4,491,550
Bai Muajjal with GOP	1,390,978	-	-	1,390,978	1,390,978	-	-	1,390,978
	<u>1,890,978</u>	<u>-</u>	<u>(20,850)</u>	<u>1,870,128</u>	<u>5,890,978</u>	<u>-</u>	<u>(8,450)</u>	<u>5,882,528</u>
Non Government Debt Securities								
Listed	500,000	-	3,875	503,875	600,000	-	5,211	605,211
Unlisted	-	-	-	-	-	-	-	-
	<u>500,000</u>	<u>-</u>	<u>3,875</u>	<u>503,875</u>	<u>600,000</u>	<u>-</u>	<u>5,211</u>	<u>605,211</u>
Total Investments	<u>2,390,978</u>	<u>-</u>	<u>(16,975)</u>	<u>2,374,003</u>	<u>6,490,978</u>	<u>-</u>	<u>(3,239)</u>	<u>6,487,739</u>
36.3 Islamic financing and related assets					30 June 2019	31 December 2018		
(Rupees in '000)								
Ijarah					-	-		
Murabaha					2,361,392	3,401,261		
Musharaka					21,284,062	17,060,987		
Diminishing Musharaka					20,383,678	23,152,627		
Musawammah					4,834,458	846,677		
Saadiq Credit Cards					436,523	438,149		
Advances against Islamic assets - Murabaha					2,886,047	3,195,553		
Advances against Islamic assets - Diminishing Musharakah					62,268	27,384		
Inventory related to Islamic financing - Murabaha					736,829	1,441,583		
Gross Islamic financing and related assets					<u>52,985,257</u>	<u>49,564,221</u>		
Less: provision against Islamic financings								
- Specific					(434,577)	(462,179)		
- General					(99,893)	(91,686)		
Islamic financing and related assets - net of provision					<u>(534,470)</u>	<u>(553,865)</u>		
					<u>52,450,787</u>	<u>49,010,356</u>		
36.4 Deposits								
Customers								
Current deposits					29,448,261	28,126,618		
Savings deposits					13,564,660	14,173,673		
Term deposits					492,370	1,025,293		
Margin accounts					102,615	5,509		
					<u>43,607,906</u>	<u>43,331,093</u>		
Financial Institutions								
Savings deposits					4,008,208	3,046		
					<u>4,008,208</u>	<u>3,046</u>		
					<u>47,616,114</u>	<u>43,334,139</u>		
36.5 Charity Fund								
Opening Balance					7,932	4,700		
Additions during the period								
Received from customers on account of delayed payment					2,611	7,685		
Other Non-Shariah compliant income					143	247		
					<u>2,754</u>	<u>7,932</u>		
Payments / utilization during the period								
Education					(5,500)	(887)		
Health					(1,930)	(3,813)		
					<u>(7,430)</u>	<u>(4,700)</u>		
Closing Balance					<u>3,256</u>	<u>7,932</u>		
36.6 CONTINGENCIES AND COMMITMENTS								
Guarantees					83,894	428,800		
Commitments					13,716,399	10,690,449		
Other contingent liabilities					3,392,483	1,701,153		
					<u>17,192,776</u>	<u>12,820,402</u>		
36.7 Profit / Return Earned of Financing, Investments and Placement					Six months period ended 30 June 2019	Six months period ended 30 June 2018		
(Rupees in '000)								
Profit earned on:								
Financing					2,711,417	1,693,338		
Investments					293,918	175,890		
Placements					49,304	25,102		
					<u>3,054,639</u>	<u>1,894,330</u>		
36.8 Profit on Deposits and other Dues Expensed								
Deposits and other accounts					484,105	266,235		
Due to Financial Institutions					30,035	27,436		
Finance cost of lease liability					10,695	-		
					<u>524,835</u>	<u>293,671</u>		

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36.9 Islamic Banking Business Unappropriated Profit	30 June 2019	31 December 2018
	(Rupees in '000)	
Opening Balance	6,258,514	5,086,697
Add: Islamic Banking profit for the period	2,395,481	2,671,817
Less: Transferred / Remitted to Head Office	-	(1,500,000)
Closing Balance	8,653,995	6,258,514

36.10 Profit & Loss distribution and Pool Management

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

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

a) 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	7.07%	203,769	31,298	86.69%	13.31%

b) Mudarabah Depositors Pool

- General Depositors Pool
- Special Depositors Pool
- High Yield 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-Mall" (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-Mall) 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-Mal based on declared sharing ratios (before start of every given month).

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 Mudaraba based deposits

The deposits and funds accepted under the above mentioned pools are provided to diverse sectors including Sugar, Textile, Fertilizer, Cement, Power, Packaging, FMCG, Edible Oil, Steel, Logistics etc. as well as in Government of Pakistan backed by Ijarah Sukuks.

iv) Other information

Profit rate / weightage announcement frequency

Mudarib share (Amount in '000)

Mudarib share (%)

Mudarib Share transferred through Hiba (Amount in '000)

Mudarib Share transferred through Hiba (%)

Average return on pool assets

Average return on deposits

	Type of Pool		
	General	Special	High Yield
	Monthly		
Mudarib share (Amount in '000)	229,785	43,407	13,984
Mudarib share (%)	47.2%	21.1%	16.8%
Mudarib Share transferred through Hiba (Amount in '000)	13,856	38,907	10,964
Mudarib Share transferred through Hiba (%)	5.70%	47.3%	43.9%
Average return on pool assets	10.3%	10.7%	11.5%
Average return on deposits	5.4%	8.4%	9.6%

37. GENERAL

37.1 Subsequent Event


The Board of Directors in its meeting held on 27 August 2019 has declared a cash dividend of X.XX % (Rs. X.XXX/- per share) in respect of the half year ended 30 June 2019 (30 June 2018: Rs 0.75/- per share). These condensed interim financial statements do not include the effect of this dividend which will be accounted for subsequent to the period end.

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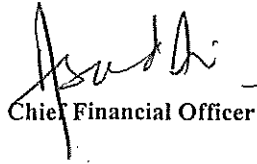
37.2 Date Of Authorization

These financial statements were authorized for issue in the Board of Directors meeting held on 27 August 2019.

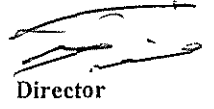
return


Chairman


Chief Executive Officer


Chief Financial Officer


Director


Director