

## Company Information

### BOARD OF DIRECTORS

---

Mr. Christos Papadopoulos	Chairman
Mr. Mohsin Ali Nathani	Chief Executive Officer
Mr. Andrew James Hardacre	
Mr. Raheel Ahmed	
Mr. Najam I. Chaudhri	
Mr. Shahid Zaki	
Mr. Parvez Ghias	

### COMPANY SECRETARY

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Mr. Rahim Panjwani

### AUDIT COMMITTEE OF THE BOARD

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Mr. Najam I. Chaudhri	Chairman
Mr. Shahid Zaki	Member
Mr. Andrew James Hardacre	Member

### AUDITORS

---

M/s KPMG Taseer Hadi & Co  
Chartered Accountants

### LEGAL ADVISORS

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Haidermota & Co  
Barristers at Law & Corporate Counsellors

### REGISTERED OFFICE

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

### MAIN OFFICE

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

### WEBSITE

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[www.standardchartered.com.pk](http://www.standardchartered.com.pk)

### REGISTRAR AND SHARE TRANSFER OFFICE

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M/s T H K Associates (Pvt.) Limited  
Ground Floor, State Life Building No.3  
Dr. Ziauddin Ahmad Road, Karachi  
Tel : (021) 111-000-322  
Fax : (021) 35655595

## Directors' Report

On behalf of the Board of Directors, I am pleased to present the Directors' Report of Standard Chartered Bank (Pakistan) Limited (SCBPL) along with its un-audited condensed interim financial statements for the nine months period ended 30 September 2010.

### Economy

The recovery has been set back by the damage caused by the floods, and the government has revised down the FY 2011 growth target to 2.8% from its earlier target of 4.5%. The backbone of the economy – the agricultural sector, which accounts for 21% of GDP and 45% of employment – has suffered the most. According to the latest estimates of the Ministry of Agriculture (MINFAL), nearly 30% of the summer harvest has been destroyed, causing a loss of USD 3.2 billion. The two main cash crops of the economy, cotton and rice, have been worst hit. This is likely to have a snowball effect on the manufacturing and service industries. Textile manufacturing is the biggest industry in Pakistan, accounting for 60% of all exports. This industry will be hit hard by damage to the cotton crop, which will likely hurt export earnings. Even the revised GDP growth target of 2.8% looks ambitious, and will depend largely on the scale of reconstruction spending undertaken by the government. The most immediate impact of the floods is the sharp acceleration in inflation. The government has raised the FY 2011 inflation forecast to 14.5% from its pre-flood target of 11.5%. This has forced the Central Bank to hike policy rate by 100bps in 2010 to 13.5%, with further rate hikes a strong possibility. Downside risks to the Pakistani rupee (PKR) have increased considerably because of the floods. According to the IMF staff assessment, the impact of the floods combined with rising commodity prices will lead the deficit widening to USD 5.8 billion (3.1% of GDP) in FY 2011, from USD 3.5 billion (2% of GDP) in FY 2010.

Banks remain well capitalized, with the Capital Adequacy Ratio (CAR) at 13.9% by June against 13.7% in March 2010. Slowdown in non-performing loans (NPL) and pick up in corporate earnings helped banks to post stable returns and retain a larger chunk of these earnings to boost the Tier 1 capital. NPL to loan ratio declined to 12.9% in June 2010 compared to 13.1% in March 2010. NPL are generally adequately provisioned for and banks remain profitable and generally well-capitalized, but a few small banks face capital deficiencies, and have agreed with SBP on plans to comply with the increased capital requirements by mid-2010, including through mergers and fresh capital injections by foreign and domestic partners.

### Operating Results and Business Overview

	September 30, 2010 (PKR millions)	December 31, 2009 (PKR millions)
<b>Balance Sheet</b>		
Paid-up capital	38,716	38,716
Total equity	49,575	47,746
Deposits	222,468	206,958
Advances – gross	143,852	141,230
Advances – net	125,533	124,447
Investments – net	101,841	83,785
	<b>Nine months ended 30 September 2010 (PKR millions)</b>	<b>Nine months ended 30 September 2009 (PKR millions)</b>
<b>Profit and Loss</b>		
Revenue	17,057	17,437
Administrative expenses	10,015	8,960
Other non mark-up expenses	528	232
Operating profit (before provisions and tax)	6,514	8,245
Provisions (net of recoveries)	3,566	7,733
Profit before tax	2,948	512
Profit after tax	1,908	323

## Directors' Report

The Bank has produced strong performance during the first nine months of current year with an increase of PKR 2.435 billion in profit before tax over the corresponding period last year. The improvement in profitability can be largely attributed to the decrease in provisions by more than 50% from PKR 7.7 billion to PKR 3.6 billion. This is a direct result of the application of our stringent and prudent provisioning policies in times of serious pressure on asset quality during the past years. We continue to maintain adequate provisions against our non-performing loans with current loss coverage ratio at 87%. However, deterioration in loan quality, especially in the consumer and textile sectors, continues to be a critical concern for the local banking sector in the wake of current economic situation in the country. Our focus remains on proactive and prudent risk management practices, while maintaining a balance between risk and return.

Overall revenue is almost flat in comparison with the corresponding period. Net interest income grew by 4% despite a conservative stance towards high yield consumer lending. This increase in net interest income has been offset by a decrease in non interest income primarily on account of FX and derivatives income. Administrative expenses (excluding Head Office expenses under the 'Advisory and Service Agreement – SLA') are marginally up by 2% despite high inflationary pressures, and remain well under budget. Proactive cost management has always been a key priority for the Bank. Various measures have been undertaken by the Bank in recent years in terms of rationalisation of staff and branch costs, while also meeting the requisite investment to underpin current strategies. However, SLA costs have increased in comparison with last period.

We are highly liquid and well capitalised with a sound financial position. The momentum in deposit mobilisation continues with an increase of 15% in Current and Saving Accounts (CASA) in spite of the fierce competition posed by peer banks and National Savings Scheme (NSS). This is testimony of the strength of Standard Chartered brand and our expanded geographical footprint. Fixed deposits have decreased by 10% due to the re-profiling of deposits in favour of low cost CASA, which has enabled the Bank to achieve an optimum funding mix and low cost of funds. The surplus liquidity generated through deposit mobilisation has primarily been invested in short-term risk-free government securities, thereby maintaining a high level of liquidity, while positioning the book for any interest rate shift. Investments have grown by 22% from PKR 84 billion at December 2009 to PKR 102 billion at end September 2010. Wholesale Bank gross advances are also up by 9% from PKR 101 billion to PKR 110 billion, which has been offset by the attrition in consumer loan portfolio from PKR 40 billion to PKR 34 billion. As also mentioned earlier, due to stressed consumer market environment, the Bank has adopted a defensive approach towards consumer lending.

We are tracking towards a good performance for the year as a whole, and are aware of the tough challenges that lie ahead. However, we believe that our strong fundamentals, brand strength, flexible business strategies, and an able management team will enable us to successfully face and overcome these challenges.

### Credit Rating

Pakistan Credit Rating Agency (PACRA) maintained the Bank's long-term and short-term ratings of "AAA" (Triple A) and "A1+" (A One Plus) respectively in 2010. The Bank's outstanding two listed subordinated TFCs have also been assigned "AAA" rating. These ratings denote the lowest expectation of credit risk emanating from an exceptionally strong capacity for timely payment of financial commitments.

### Performance of the Group

In compliance with section 236(5) of the Companies Ordinance, 1984, attached with this report are the consolidated condensed interim financial statements of SCBPL and its subsidiaries (the Group) namely – Standard Chartered Leasing Limited, Standard Chartered Services of Pakistan (Private) Limited and Standard Chartered Modarba, for the nine months period ended 30 September 2010.

## Directors' Report

Key highlights of the Group's performance are given below:

	September 30, 2010 (PKR millions)	December 31, 2009 (PKR millions)
<b>Balance Sheet</b>		
Paid-up capital	38,716	38,716
Total equity	50,607	48,699
Deposits	222,353	206,916
Advances – net	130,699	129,460
Investments – net	101,425	83,264
	<b>Nine months ended 30 September 2010 (PKR millions)</b>	<b>Nine months ended 30 September 2009 (PKR millions)</b>
<b>Profit and Loss</b>		
Revenue	17,268	17,628
Administrative expenses	10,129	9,027
Other non mark-up expenses	531	232
Operating profit (before provisions and tax)	6,608	8,369
Provisions (net of recoveries)	3,559	7,822
Profit before tax	3,049	547
Profit after tax	1,986	354

### Board of Directors

The following changes have taken place in the Board of Directors since the last Directors' report:

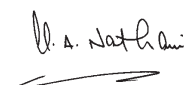
Mr. Christos Papadopoulos and Mr. Raheel Ahmed have been appointed as Directors in place of Mr. Shayne Nelson and Mr. Mahendra Gursahani respectively, who resigned with effect from 23 September 2010.

The Board places on record its appreciation and thanks for the valuable services rendered by Mr. Shayne Nelson and Mr. Mahendra Gursahani during their association with the Bank.

### Appreciation and Acknowledgment

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

On behalf of the Board



**Mohsin Ali Nathani**  
Chief Executive

Karachi: 28 October 2010

Standard Chartered Bank (Pakistan) Limited  
**Condensed Interim Un-Consolidated  
Financial Information**  
For the nine months period ended  
30 September 2010

## Condensed Interim Un-consolidated Statement of Financial Position

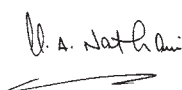
### As at 30 September 30, 2010

	Notes	September 30 2010 (Un-Audited) (Rupees in '000)	December 31 2009 (Audited)
<b>ASSETS</b>			
Cash and balances with treasury banks		23,798,535	21,521,550
Balances with other banks		1,316,998	2,238,182
Lendings to financial institutions	6	15,261,927	20,568,064
Investments	7	101,841,438	83,784,536
Advances	8	125,533,272	124,446,724
Operating fixed assets		6,668,651	6,995,784
Intangible assets		26,776,559	27,026,172
Deferred tax assets	9	3,799,466	4,159,452
Other assets		24,691,714	22,133,748
		<b>329,688,560</b>	<b>312,874,212</b>
<b>LIABILITIES</b>			
Bills payable		4,841,473	4,844,638
Borrowings from financial institutions		16,697,272	15,747,326
Deposits and other accounts	10	222,467,656	206,957,950
Sub-ordinated loans		1,135,900	1,523,000
Other liabilities		34,971,148	36,055,442
		<b>280,113,449</b>	<b>265,128,356</b>
<b>NET ASSETS</b>		<b>49,575,111</b>	<b>47,745,856</b>
<b>REPRESENTED BY:</b>			
Share capital		38,715,850	38,715,850
Reserves		2,327,931	1,946,365
Unappropriated profit		5,535,290	4,003,356
		<b>46,579,071</b>	<b>44,665,571</b>
Surplus on revaluation of assets - net of deferred tax		2,996,040	3,080,285
		<b>49,575,111</b>	<b>47,745,856</b>

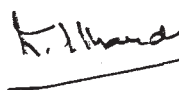
#### CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 18 form an integral part of these condensed interim unconsolidated financial information.



**Mohsin Ali Nathani**  
Chief Executive



**Najam I. Chaudhri**  
Director



**Shahid Zaki**  
Director



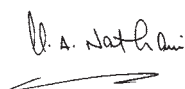
**Parvez Ghias**  
Director

## Condensed Interim Un-consolidated Profit and Loss Account (Un-audited)

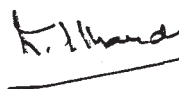
### For the nine months period ended September 30, 2010

	Three months period ended September 30, 2010	Nine months period ended September 30, 2010	Three months period ended September 30, 2009	Nine months period ended September 30, 2009
	(Rupees in '000)		(Rupees in '000)	
Mark-up / return / interest earned	6,902,349	20,562,889	6,592,753	19,765,641
Mark-up / return / interest expensed	(2,733,644)	(7,902,492)	(2,691,672)	(7,625,240)
<b>Net mark-up / return / interest income</b>	<b>4,168,705</b>	<b>12,660,397</b>	<b>3,901,081</b>	<b>12,140,401</b>
Provision against non-performing loans and advances	(685,991)	(2,758,499)	(2,288,303)	(6,090,088)
Recovery of amounts written off	127,955	485,441	212,545	672,641
(Provision) / reversal of provision for diminution in the value of investments	(688)	(688)	-	2,174
Bad debts written off directly	(463,637)	(1,292,390)	(640,452)	(2,317,387)
	(1,022,361)	(3,566,136)	(2,716,210)	(7,732,660)
<b>Net mark-up / return / interest income after provisions</b>	<b>3,146,344</b>	<b>9,094,261</b>	<b>1,184,871</b>	<b>4,407,741</b>
<b>NON MARK-UP / NON INTEREST INCOME</b>				
Fees, commission and brokerage income	792,403	2,687,301	944,633	3,073,483
Dividend income	-	-	7,488	7,792
Income from dealing in foreign currencies	426,293	1,121,055	491,221	1,597,940
Gain on sale of securities	198,007	545,749	186,513	263,368
Unrealized gain on revaluation of investments classified as held for trading	6,782	75,251	30,799	153,653
Other income	(19,791)	(32,835)	(48,536)	200,605
<b>Total non mark-up / non interest income</b>	<b>1,403,694</b>	<b>4,396,521</b>	<b>1,612,118</b>	<b>5,296,841</b>
	<b>4,550,038</b>	<b>13,490,782</b>	<b>2,796,989</b>	<b>9,704,582</b>
<b>NON MARK-UP / NON INTEREST EXPENSES</b>				
Administrative expenses	(3,630,975)	(10,014,800)	(2,451,791)	(8,959,631)
Other provisions / asset write offs	(11,748)	(456,181)	(34,089)	(36,544)
Other charges	(11,963)	(72,067)	(93,343)	(195,560)
<b>Total non mark-up / non interest expenses</b>	<b>(3,654,686)</b>	<b>(10,543,048)</b>	<b>(2,579,223)</b>	<b>(9,191,735)</b>
	<b>895,352</b>	<b>2,947,734</b>	<b>217,766</b>	<b>512,847</b>
Extra-ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	<b>895,352</b>	<b>2,947,734</b>	<b>217,766</b>	<b>512,847</b>
Taxation - current	(229,430)	(637,394)	(602,879)	(1,402,587)
- prior years'	-	-	-	(14,646)
- deferred	(84,389)	(402,511)	502,935	1,227,461
	(313,819)	(1,039,905)	(99,944)	(189,772)
<b>PROFIT AFTER TAXATION</b>	<b>581,533</b>	<b>1,907,829</b>	<b>117,822</b>	<b>323,075</b>
<b>BASIC / DILUTED EARNINGS PER SHARE</b>	<b>Rupees 0.15</b>	<b>Rupees 0.49</b>	<b>Rupees 0.03</b>	<b>Rupees 0.08</b>

The annexed notes 1 to 18 form an integral part of these condensed interim unconsolidated financial information.



**Mohsin Ali Nathani**  
Chief Executive



**Najam I. Chaudhri**  
Director



**Shahid Zaki**  
Director



**Parvez Ghias**  
Director

**Condensed Interim Un-Consolidated Statement of Comprehensive Income (Un-audited)  
For the nine months period ended September 30, 2010**

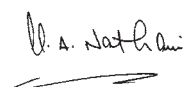
	September 30 2010	September 30 2009
	(Rupees in '000)	
<b>Profit for the period</b>	<b>1,907,829</b>	<b>323,075</b>
<b>Other comprehensive income:</b>		
Surplus / (deficit) on revaluation of 'Available for Sale' financial assets	(i) -	-
Surplus / (deficit) on revaluation of fixed assets	(ii) -	-
Actuarial gain / (loss) on defined benefit plans	(iii) -	-
Deferred tax on actuarial gain / (loss)	-	-
<b>Total comprehensive income for the period</b>	<b><u>1,907,829</u></b>	<b><u>323,075</u></b>

(i) Surplus / deficit on revaluation of 'Available for Sale' securities is presented under a separate head below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated 04 August 2000 and BSD circular 10 dated 13 July 2004.

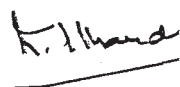
(ii) Surplus on revaluation of fixed assets is presented under a separate head below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

(iii) The actuarial valuations for employee benefit plans are carried out at regular intervals. The management considers that there are no events at the balance sheet date which require an update of these valuations. In the absence of updated valuations, no corresponding actuarial gains / losses have been recognised during the period.

The annexed notes 1 to 18 form an integral part of these condensed interim unconsolidated financial information.




**Mohsin Ali Nathani**  
Chief Executive



**Najam I. Chaudhri**  
Director



**Shahid Zaki**  
Director



**Parvez Ghias**  
Director

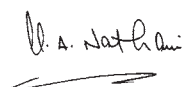


## Condensed Interim Un-Consolidated Cash Flow Statement (Un-audited)

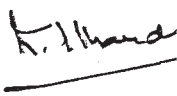
For the nine months period ended September 30, 2010

	September 30, 2010	September 30, 2009
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,947,734	512,847
Dividend income	-	(7,792)
	<u>2,947,734</u>	<u>505,055</u>
<b>Adjustments for:</b>		
Depreciation	420,405	496,966
Amortization	287,774	383,026
Gain on disposal of fixed assets	(8,074)	(3,845)
Unrealized gain on revaluation of investments classified as held for trading	(75,251)	(153,653)
Other provisions / asset write offs	456,181	36,544
Provision / (reversal of provision) for diminution in the value of investments	688	(2,174)
Lease rentals expense	2,369	6,878
Provisions against loans and advances - net of recoveries	3,565,448	7,734,834
	<u>4,649,540</u>	<u>8,498,576</u>
	<u>7,597,274</u>	<u>9,003,631</u>
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	5,306,137	10,515,112
Held for trading securities	119,085	(6,243,372)
Advances	(4,651,996)	(10,193,585)
Other assets	(2,800,691)	(3,908,067)
	<u>(2,027,465)</u>	<u>(9,829,912)</u>
<b>(Decrease) / increase in operating liabilities</b>		
Bills payable	(3,165)	(613,965)
Borrowings from financial institutions	949,946	10,588,875
Deposits and other accounts	15,509,706	28,743,184
Other liabilities	(1,084,294)	4,202,842
	<u>15,372,193</u>	<u>42,920,936</u>
<b>Cash inflow before taxation</b>	<u>20,942,002</u>	<u>42,094,655</u>
Income tax paid	(850,850)	(1,301,680)
<b>Net cash generated from operating activities</b>	<u>20,091,152</u>	<u>40,792,975</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments	(18,222,523)	(38,257,558)
Dividend income received	-	7,792
Net investment in fixed assets (including intangible assets)	(132,829)	(175,939)
Sale proceeds on disposal of fixed assets	9,470	7,552
<b>Net cash used in investing activities</b>	<u>(18,345,882)</u>	<u>(38,418,153)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of sub-ordinated Term Finance Certificates	(387,100)	(187,300)
Payment of lease obligations	(2,369)	(6,878)
<b>Net cash used in financing activities</b>	<u>(389,469)</u>	<u>(194,178)</u>
<b>Increase in cash and cash equivalents for the period</b>	<u>1,355,801</u>	<u>2,180,644</u>
Cash and cash equivalents at beginning of the period	<u>23,759,732</u>	<u>24,002,617</u>
Cash and cash equivalents at end of the period	<u>25,115,533</u>	<u>26,183,261</u>

The annexed notes 1 to 18 form an integral part of these condensed interim unconsolidated financial information.



**Mohsin Ali Nathani**  
Chief Executive



**Najam I. Chaudhri**  
Director



**Shahid Zaki**  
Director

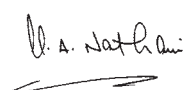


**Parvez Ghias**  
Director

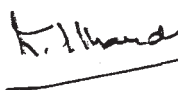
## Condensed Interim Un-Consolidated Statement of Changes in Equity (Un-audited) For the nine months period ended September 30, 2010

	Share Capital	Share Premium	Statutory Reserve	Unappropriated Profit	Total
	(Rupees in '000)				
<b>Balance as at 31 December 2008</b>	38,715,850	1,036,090	776,402	3,481,778	44,010,120
<b>Total Comprehensive income for the period</b>					
Profit for the period	-	-	-	323,075	323,075
Other Comprehensive income	-	-	-	-	-
	-	-	-	323,075	323,075
Transfer to statutory reserve	-	-	64,615	(64,615)	-
<b>Balance as at 30 September 2009</b>	38,715,850	1,036,090	841,017	3,740,238	44,333,195
<b>Total Comprehensive income for the period</b>					
Profit for the period	-	-	-	346,290	346,290
Other Comprehensive income	-	-	-	(13,914)	(13,914)
	-	-	-	332,376	332,376
Transfer to statutory reserve	-	-	69,258	(69,258)	-
<b>Balance as at 31 December 2009</b>	38,715,850	1,036,090	910,275	4,003,356	44,665,571
<b>Total Comprehensive income for the period</b>					
Profit for the period	-	-	-	1,907,829	1,907,829
Other Comprehensive income	-	-	-	-	-
	-	-	-	1,907,829	1,907,829
Transfer to statutory reserve	-	-	381,566	(381,566)	-
Transferred from surplus on revaluation of fixed assets - net of deferred tax	-	-	-	5,671	5,671
<b>Balance as at 30 September 2010</b>	38,715,850	1,036,090	1,291,841	5,535,290	46,579,071

The annexed notes 1 to 18 form an integral part of these condensed interim unconsolidated financial information.



**Mohsin Ali Nathani**  
Chief Executive



**Najam I. Chaudhri**  
Director



**Shahid Zaki**  
Director



**Parvez Ghias**  
Director

## Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited) For the nine months period ended September 30, 2010

### 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 is engaged in the banking business as defined in the Banking Companies Ordinance, 1962 and has a total number of 162 branches in Pakistan (2009: 162 branches in Pakistan) in operation at 30 September 2010.

Standard Chartered Bank (Pakistan) Limited has the following three subsidiaries. All of them are incorporated in Pakistan.

- Standard Chartered Leasing Limited
- Standard Chartered Modarba
- Standard Chartered Services of Pakistan (Private) Limited

These condensed interim financial statements are separate financial statements of the Bank in which investments in subsidiaries are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated condensed interim financial statements are presented separately.

### 2 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 31 December 2009.

### 3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2009.

### 4 ACCOUNTING ESTIMATES

The basis for the accounting estimates adopted in the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2009 except as mentioned in note 4.1.

## Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited) For the nine months period ended September 30, 2010

### 4.1 CHANGE IN ACCOUNTING ESTIMATE

During the current period, the Bank has changed its estimate of useful life for motor vehicles and buildings on leasehold land. The useful life of motor vehicles has been changed from 5 years to 3 years, whereas in case of buildings on leasehold land, the estimate of economic life for capital expenditure incurred on leasehold buildings after January 1, 2010 has been revised from 15 years to 10 years. The management believes that the revised useful lives of motor vehicles and buildings on leasehold land will more appropriately reflect the pattern in which economic benefits are expected to be consumed by the Bank through continuing use of these assets. The change in accounting estimate has been applied prospectively in accordance with the requirements of International Accounting Standard 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' (IAS 8). Had the accounting estimate not been changed, the profit before tax would have been higher by Rs 10.278 million, while profit after tax would have been higher by Rs 6.681 million. The effect on future periods is not estimated to be material.

### 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 2009.

### 6 LENDINGS TO FINANCIAL INSTITUTIONS

	September 30 2010	December 31 2009
	(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	1,945,334	3,446,217
Placements	<u>13,316,593</u>	<u>17,121,847</u>
	<u>15,261,927</u>	<u>20,568,064</u>

## Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited) For the nine months period ended September 30, 2010

### 7 INVESTMENTS

	September 30, 2010			December 31, 2009		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----						
<b>7.1 Investments by type</b>						
<b>Held for trading</b>						
Market Treasury Bills	7,160,321	-	7,160,321	7,265,191	-	7,265,191
Pakistan Investment Bonds	27,599	-	27,599	1,928	-	1,928
Term Finance Certificates - listed	-	-	-	186,460	-	186,460
Commercial Paper	146,574	-	146,574	-	-	-
<b>Available for sale</b>						
Market Treasury Bills	73,924,000	8,317,367	82,241,367	58,609,847	4,778,239	63,388,086
Pakistan Investment Bonds	10,402,157	18,975	10,421,132	10,853,046	19,009	10,872,055
Ordinary shares of unlisted companies	86,987	-	86,987	86,987	-	86,987
Sukuk Bonds	1,800,000	-	1,800,000	1,800,000	-	1,800,000
<b>Subsidiaries</b>						
Standard Chartered Services of Pakistan (Private) Limited	44,500	-	44,500	44,500	-	44,500
Standard Chartered Modarba	42,000	-	42,000	42,000	-	42,000
Standard Chartered Leasing Limited	730,589	-	730,589	730,589	-	730,589
<b>Investments at amortised cost</b>	<b>94,364,727</b>	<b>8,336,342</b>	<b>102,701,069</b>	<b>79,620,548</b>	<b>4,797,248</b>	<b>84,417,796</b>
Provision for diminution in the value of investments	(77,966)	-	(77,966)	(77,278)	-	(77,278)
<b>Investments (net of provisions)</b>	<b>94,286,761</b>	<b>8,336,342</b>	<b>102,623,103</b>	<b>79,543,270</b>	<b>4,797,248</b>	<b>84,340,518</b>
Surplus on revaluation of held for trading securities-net	75,251	-	75,251	179,835	-	179,835
(Deficit) / surplus on revaluation of available for sale securities-net	(904,767)	47,851	(856,916)	(738,590)	2,773	(735,817)
<b>Total Investments at market value</b>	<b>93,457,245</b>	<b>8,384,193</b>	<b>101,841,438</b>	<b>78,984,515</b>	<b>4,800,021</b>	<b>83,784,536</b>

## Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited) For the nine months period ended September 30, 2010

### 8 ADVANCES

	September 30 2010	December 31 2009
	(Rupees in '000)	
Loans, cash credits, running finances, etc.		
- In Pakistan	136,072,757	134,642,412
- Outside Pakistan	-	-
	<b>136,072,757</b>	134,642,412
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	2,672,007	2,314,548
- Payable outside Pakistan	5,107,120	4,273,402
	<b>7,779,127</b>	6,587,950
Advances - gross	<b>143,851,884</b>	141,230,362
Provision for non-performing advances	<b>(18,318,612)</b>	(16,783,638)
Advances - net of provision	<b>125,533,272</b>	124,446,724

8.1 Advances include Rs 21,115.728 million (31 December 2009: Rs 21,388.480 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2010								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas (Rupees in '000)	Total	Domestic	Overseas	Total
Substandard	1,739,824	-	1,739,824	420,256	-	420,256	420,256	-	420,256
Doubtful	2,867,112	-	2,867,112	1,376,868	-	1,376,868	1,376,868	-	1,376,868
Loss	16,508,792	-	16,508,792	15,367,319	-	15,367,319	15,367,319	-	15,367,319
	<b>21,115,728</b>	<b>-</b>	<b>21,115,728</b>	<b>17,164,443</b>	<b>-</b>	<b>17,164,443</b>	<b>17,164,443</b>	<b>-</b>	<b>17,164,443</b>
General Provision	-	-	-	1,154,169	-	1,154,169	1,154,169	-	1,154,169
	<b>21,115,728</b>	<b>-</b>	<b>21,115,728</b>	<b>18,318,612</b>	<b>-</b>	<b>18,318,612</b>	<b>18,318,612</b>	<b>-</b>	<b>18,318,612</b>

Category of classification	December 31, 2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas (Rupees in '000)	Total	Domestic	Overseas	Total
Substandard	3,965,960	-	3,965,960	990,118	-	990,118	990,118	-	990,118
Doubtful	2,559,424	-	2,559,424	1,149,507	-	1,149,507	1,149,507	-	1,149,507
Loss	14,863,096	-	14,863,096	13,346,008	-	13,346,008	13,346,008	-	13,346,008
	<b>21,388,480</b>	<b>-</b>	<b>21,388,480</b>	<b>15,485,633</b>	<b>-</b>	<b>15,485,633</b>	<b>15,485,633</b>	<b>-</b>	<b>15,485,633</b>
General Provision	-	-	-	1,298,005	-	1,298,005	1,298,005	-	1,298,005
	<b>21,388,480</b>	<b>-</b>	<b>21,388,480</b>	<b>16,783,638</b>	<b>-</b>	<b>16,783,638</b>	<b>16,783,638</b>	<b>-</b>	<b>16,783,638</b>

## Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited) For the nine months period ended September 30, 2010

8.1.1 At 30 September 2010, the provision requirement has been reduced by Rs. 570.345 million (31 December 2009: Rs. 749.951 million) due to 40 percent benefit of Forced Sale Value (FSV) of commercial, residential and industrial properties (land and building only) held as collateral, in accordance with the requirements specified by SBP BSD Circular 10 dated 20 October 2009. The said FSV benefit is not available for distribution of cash and stock dividend.

### 9 DEFERRED TAX Assets

The Finance Act, 2010 has amended the Seventh Schedule to the Income Tax Ordinance, 2001 whereby the claim of provision for advances and off balance sheet items (bad debts) would be allowed as follows:

- Consumers and Small and Medium Enterprises (SME) sector – 5 percent (2009: 1 percent) of the related gross advances.
- Corporate and other sector – upto maximum of 1 percent of related gross advances.

The amount of bad debts classified as substandard under Prudential Regulations issued by the State Bank of Pakistan would not be allowed as an expense.

The management has carried out an exercise at 30 September 2010 and concluded that they would be able to get deduction of provision in excess of the limits prescribed by the Income Tax Ordinance, 2001. Accordingly, deferred tax asset of Rs. 2,258 million has been recognised on such provisions for the year ended 31 December 2009 and period ended 30 September 2010.

The Seventh Schedule has been further amended vide Finance Act, 2010, by introducing transitional provisions, whereby amounts provided for against irrecoverable or doubtful advances in tax year 2008 (income year 2007) and prior years would be allowed in the tax year in which these advances are actually written off.

The Management considers that the amendment made vide Finance Act, 2009 in respect of bad debts being allowed at 1% of total advances is applicable for tax year 2010 (income year 2009), whereas for tax year 2009 (income year 2008), the provision for bad debts would continue to be allowed under the Seventh Schedule at the time of actual write-off in the books.

Accordingly, deferred tax asset recognized through 31 December 2008 related to provisions for advances and off balance sheet items amounting to Rs. 4,240 million has been carried forward.

### 10 DEPOSITS AND OTHER ACCOUNTS

	September 30 2010	December 2009
	(Rupees in '000)	
<b>Customers</b>		
- Fixed deposits	52,379,281	58,401,746
- Savings deposits	88,411,324	79,299,603
- Current accounts - (Non-remunerative)	79,622,252	67,475,564
- Margin accounts	1,005,456	753,904
- Special exporters' account	442,195	240,396
	<u>221,860,508</u>	<u>206,171,213</u>
<b>Financial Institutions</b>		
- Non-remunerative deposits	607,148	786,737
	<u>222,467,656</u>	<u>206,957,950</u>

## Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited) For the nine months period ended September 30, 2010

### 11 CONTINGENCIES AND COMMITMENTS

September 30  
2010December 31  
2009

#### 11.1 Transaction-related contingent liabilities

Guarantees issued favouring:

- Government
- Others

(Rupees in '000)

	32,309,548	34,059,679
	13,563,376	13,209,874

#### 11.2 Trade-related contingent liabilities

Letters of credit

	19,667,154	20,169,332
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#### 11.3 Other contingencies

Claims against the Bank not acknowledged as debt

	13,100,859	12,045,661
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#### 11.4 Commitments in respect of forward exchange contracts

Purchase

- State Bank of Pakistan
- Other banks
- Customers

	24,144,750	16,284,600
	35,192,762	26,262,941
	6,105,405	3,067,658

Sale

- State Bank of Pakistan
- Other banks
- Customers

	8,657,750	842,000
	25,344,838	23,597,145
	1,485,271	1,108,140

#### 11.5 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.

#### 11.6 Derivative Instruments

Product Analysis	30 September 2010			
	(Rupees in '000)			
	Interest Rate Swaps		FX Options	
Counterparties	No. of Contracts	Notional Principal	No. of Contracts	Notional Principal *
<b>With Banks for</b>				
Hedging	-	-	-	-
Market Making	38	53,934,797	12	1,657,012
<b>With FIs other than banks</b>				
Hedging	-	-	-	-
Market Making	3	2,700,000	-	-
<b>With other entities for</b>				
Hedging	-	-	-	-
Market Making	63	86,836,528	12	1,657,012
<b>Total</b>				
Hedging	-	-	-	-
Market Making	104	143,471,325	24	3,314,024
2009 Total Market Making	120	145,494,759	416	7,863,076

\* At the exchange rate prevailing at the end of the reporting period

Contracts with banks represent contracts entered with branches of Standard Chartered Bank, UK to obtain cover against the contracts with customers, except for 12 contracts having notional principal of Rs 21,368 million with local banks.



## Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited) For the nine months period ended September 30, 2010

### 12 OTHER INCOME

	Three months period ended September 30, 2010	Nine months period ended September 30, 2010	Three months period ended September 30, 2009	Nine months period ended September 30, 2009
	(Rupees in '000)		(Rupees in '000)	
Rent on property	13,650	22,218	118	3,294
Gain on disposal of fixed assets	1,590	8,074	1,147	3,845
Income on interest rate derivatives and others	(35,031)	(63,127)	(49,801)	193,466
	<u>(19,791)</u>	<u>(32,835)</u>	<u>(48,536)</u>	<u>200,605</u>

### 13 OTHER PROVISIONS / ASSET WRITE OFFS

<b>Asset write offs</b>	11,748	11,748	-	2,455
<b>Other provisions</b>				
Provision against receivable under cross currency swaps arrangements	-	103,127	34,089	34,089
Overdue mark up suspended	-	341,306	-	-
	-	444,433	34,089	34,089
	<u>11,748</u>	<u>456,181</u>	<u>34,089</u>	<u>36,544</u>

## Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited) For the nine months period ended September 30, 2010

### 14 TAXATION

#### 14.1 Standard Chartered Bank (Pakistan) Limited

The return for income year 2009 (tax year 2010) is due for filing by 30 October, 2010 .

The department has amended the return filed for income year 2008 (tax year 2009) under section 122 (5A) of the Income Tax Ordinance, 2001, raising a demand of Rs. 2,233 million. The management considers that the additional liability is the result of timing differences and no additional provision is required. The above demand was completely paid under section 137(2). An appeal against the amended assessment order has been filed before the Commissioner (Appeals) which is pending to date.

The department, after the finalisation of the above assessment, has issued a notice to further amend the assessment under section 122(5A) showing its intention to disallow the relief allowed for bad debts written off against the provision made during the year. The potential tax impact is Rs.1,219 million. The Bank has challenged the aforesaid notice of the tax department by filing a petition before the Sindh High Court. The petition has been admitted for hearing and an interim stay has also been granted by the Court till the matter is heard and decided upon by the Court.

The department has further amended the return filed for income year 2007 (tax year 2008) under section 122 (5A) of the Income Tax Ordinance, 2001 on 31 December 2009 raising an additional demand of Rs. 893 million. A reference against the decision of the Tribunal has been filed by the Bank before the Sindh High Court. The petition has been admitted for hearing and an interim stay has also been granted by the Court till the matter is heard and decided upon by the Court.

Previously, the department had amended the return filed for the same year under section 122(5A) of the Income Tax Ordinance, 2001 on 30 January 2009 raising an additional demand of Rs. 1,150 million. The management has already filed an appeal against the disallowances. The appeal has been disposed of by the Commissioner (Appeals). The Bank has challenged and an interim stay has also been granted by the Court till the matter is heard and decided upon by the Court. the said decision before the Appellate Tribunal.

Management also considers that the additional liability is the result of timing differences and no additional provision is required.

#### 14.2 Standard Chartered Bank – Branch Operations

The income tax assessments of SCB Pakistan branches have been finalized up to and including tax year 2006. Bank's / departmental appeals for the assessment / tax years 1976-77 to 2006 are pending before different appellate levels. Management expects favorable decision on pending appeals.

The department has amended the return filed for the year 2006 (tax year 2007) under section 122 (5A) of the Income Tax Ordinance, 2001 on 29 October 2009 raising a demand of Rs. 570 million. The management has filed an appeal against the disallowances, and considers that the additional liability is the result of timing differences and no additional provision is required.

**Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited)  
For the nine months period ended September 30, 2010**

**14.3 Union Bank Limited**

Union Bank's tax assessments for the assessment years 1993-94 through tax year 2007 are under various stages of appeal against certain disallowances.

The department has amended the return filed for the year 2003 (Tax year 2004) under section 122 (5A) of the Income Tax Ordinance, 2001 on 28 September 2009 raising a demand of Rs. 771 million. The management has filed an appeal against the disallowances.

The department has also amended the return filed for the year 2006 (tax year 2007) under section 122 (5A) of the Income Tax Ordinance, 2001 on 29 October 2009 raising a demand of Rs. 762 million. The management has filed an appeal against the disallowances.

The management has booked a prior year provision of Rs. 174 million in FY 2009, and considers that the remaining demand was arbitrary and / or as a result of timing differences. Accordingly, the management believes that no further provision is required.

In case of the assessments for 2005 and 2006, an additional demand of Rs. 1,347 million has been raised, which has been reversed by a favorable decision by the Commissioner of Income Tax (Appeals). The tax department is in appeal before the Tribunal.

## Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited) For the nine months period ended September 30, 2010

### 15 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Segment analysis with respect to business activity	Wholesale Banking	Consumer Banking	Total
	----- (Rupees in '000) -----		
<b>September 30, 2010</b>			
Internal Income	(7,668,614)	7,668,614	-
Net mark-up / return / interest income	12,724,994	(64,597)	12,660,397
Non mark-up / non interest income	2,474,203	1,922,318	4,396,521
Operating income	7,530,583	9,526,335	17,056,918
Non mark-up / non interest expenses	3,312,693	7,230,355	10,543,048
Operating profit before provisions and taxation	4,217,890	2,295,980	6,513,870
Direct write-offs / provisions against non-performing loans and advances - net of recoveries	597,823	2,967,625	3,565,448
Provision for diminution in the value of investments	688	-	688
<b>Profit before taxation</b>	<u>3,619,379</u>	<u>(671,645)</u>	<u>2,947,734</u>
<b>Other segment items:</b>			
Depreciation of tangible fixed assets	65,613	354,792	420,405
Amortisation of intangible assets	54,990	232,784	287,774
Segment assets (gross)	292,558,159	55,835,295	348,393,454
Segment non performing loans	12,494,182	8,621,546	21,115,728
Segment provision required	10,809,076	7,509,536	18,318,612
Segment liabilities	114,236,196	165,877,253	280,113,449
Segment return on net assets (ROA) (%) - annualised	*	-1.86%	1.19%
Segment cost of funds (%) - annualised	**	5.29%	6.88%
<b>September 30, 2009</b>			
Internal Income	(6,314,288)	6,314,288	-
Net mark-up / return / interest income	10,447,462	1,692,939	12,140,401
Non mark-up / non interest income	3,240,458	2,056,383	5,296,841
Operating income	7,373,632	10,063,610	17,437,242
Non mark-up / non interest expenses	3,348,653	5,843,082	9,191,735
Operating profit before provisions and taxation	4,024,979	4,220,528	8,245,507
Direct write-offs / provisions against non-performing loans and advances - net of recoveries	3,005,366	4,729,468	7,734,834
Reversal of provision for diminution in the value of investments	(2,174)	-	(2,174)
<b>Profit before taxation</b>	<u>1,021,787</u>	<u>(508,940)</u>	<u>512,847</u>
<b>Other segment items:</b>			
Depreciation of tangible fixed assets	87,470	409,496	496,966
Amortisation of intangible assets	79,389	303,637	383,026
Segment assets (gross)	267,086,625	57,526,466	324,613,091
Segment non performing loans	12,045,566	7,416,969	19,462,535
Segment provision required	9,654,277	6,458,279	16,112,556
Segment liabilities	113,507,255	151,086,419	264,593,674
Segment return on net assets (ROA) (%) - annualised	*	-1.33%	0.22%
Segment cost of funds (%) - annualised	**	3.91%	4.81%

\* Segment ROA = Net income / (Segment assets - Segment provisions)

\*\* Segment cost of funds has been computed based on average balances

**Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited)  
For the nine months period ended September 30, 2010**

The management reviews the performance of Corporate and Institutional Banking and Global Markets as one business segment, namely Wholesale Banking. Therefore the business activities of the Bank have been presented in two segments, Wholesale and Consumer Banking.

**Wholesale banking**

Deposits, trade and other lending activities for corporates and financial institutions. It also includes the overall management of treasury of the Bank, which entails various cash and interest risk management products for customers. The products include FX forwards, FX options and interest rate swaps.

**Consumer Banking**

Wealth management, deposits, mortgages, auto finance, unsecured lending (credit cards, personal loans etc.) and SME lending (including SME trade).

## Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited) For the nine months period ended September 30, 2010

### 16. RELATED PARTY TRANSACTIONS

Related parties comprise of Standard Chartered Plc., ultimate parent company, its other subsidiaries and branches, key management personnel, and employees' retirement benefit funds. The transactions with related parties are conducted at commercial 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:

<b>OUTSTANDING BALANCES</b>	<b>September 30 2010</b>	<b>December 31 2009</b>
	<b>(Rupees in '000)</b>	
<b>Group</b>		
Nostro balances with other subsidiaries and branches of the holding company	<b>1,278,209</b>	2,179,389
Overdrawn nostro balances with other subsidiaries and branches of the holding company	<b>127,322</b>	36,075
Vostro balances of other subsidiaries and branches of the holding company	<b>114,587</b>	334,559
Placements with Group	<b>13,316,593</b>	17,121,847
Deposits of Group Companies	<b>14,595</b>	16,056
Due from Group Companies	<b>2,730</b>	-
Due to Holding Company	<b>5,561,511</b>	10,614,728
Due to Group Companies	-	32,230
Due from associated undertakings	<b>95,997</b>	132,884
Interest receivable from Group companies	<b>10,203</b>	6,773
Inter-company derivative assets	<b>1,195,530</b>	794,789
Inter-company derivative liabilities	<b>1,442,853</b>	896,575
Other receivables	<b>563</b>	-
<b>Subsidiaries</b>		
Deposits of subsidiaries	<b>115,150</b>	42,126
Loans to subsidiaries	<b>4,357</b>	87,183
Accrued interest receivable	<b>351</b>	575
Other receivables	<b>1,126</b>	2,815
<b>Key management personnel</b>		
Loans and advances to key management personnel	<b>140,583</b>	130,470
Deposits of key management personnel	<b>37,244</b>	21,469
<b>Others</b>		
Deposits by staff retirement benefit funds	<b>87,748</b>	26,613
Deposits by customers with common directorship	<b>1,059</b>	-
Receivable from defined benefit plans	<b>17,931</b>	17,740
Receivable from defined contribution plans	<b>111,047</b>	111,047
Derivative assets	-	29,209
Derivative liabilities	-	12,518

## Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited) For the nine months period ended September 30, 2010

	Nine months period ended	
	September 30 2010	September 30 2009
<b>Profit and Loss Group</b>	(Rupees in '000)	
Mark-up / interest expensed	1,402	4,787
Mark-up / interest / income earned	41,619	114,052
Fee and commission expense	30,918	29,745
Fee and commission income	54	54
Reimbursement of executive and general administrative expense	3,348,340	2,549,778
Payment to group company for direct sales services rendered	395,137	509,435
Net loss on inter-company derivatives	145,537	852,727
Royalty expense	56,848	59,024
<b>Key management personnel</b>		
Mark-up / interest / income earned	2,480	1,730
Mark-up / interest expensed	778	821
Sale of vehicles	86	-
Salaries and benefits	182,124	189,210
Post retirement benefits	11,423	10,486
<b>Subsidiaries</b>		
Mark-up / interest expensed	12,488	3,282
Mark-up / interest / income earned	5,804	55,531
Lease rentals paid	2,369	6,878
Administrative expenses (including rent and other charges)	7,913	6,517
Reimbursement of salaries	4,699	4,078
<b>Others</b>		
Contribution to defined contribution plans	193,696	179,339
Charge for defined contribution plans	193,696	93,738
Net income for defined benefit plans	194	2,796
Mark up / interest expensed on deposits of staff retirement benefit funds	1,625	9,977
Mark up / interest expensed on deposits of companies with common directorship	120,966	220,303
Remuneration / fee paid to non executive directors	2,205	2,200
Gain / (loss) on Derivatives	16,691	(4,821)

### 16.1 Net movement in loans and deposits in summarised as follows:

	Balance as at 31 December 2009	Net disbursement/ deposits	Net repayments / withdrawals	Balance as at 30 September 2010
----- (Rupees in '000) -----				
<b>Loans and advances</b>				
Key Management Personnel	130,470	77,089	(66,976)	140,583
Subsidiaries	87,183	2,584,537	(2,667,363)	4,357
<b>Deposits</b>				
Group companies	16,056	423,452	(424,913)	14,595
Subsidiaries	42,126	13,183,325	(13,110,301)	115,150
Key Management Personnel	21,469	470,549	(454,774)	37,244
Others	26,613	52,724,295	(52,662,101)	88,807

## Notes to the Condensed Interim Un-Consolidated Financial Statements (Un-audited) For the nine months period ended September 30, 2010

### 17 ISLAMIC BANKING BUSINESS

The Bank is operating with 15 Islamic Banking branches at the end of current period as compared to 10 Islamic Banking branches at the end of last year.

#### Balance Sheet

September 30  
2010

December 31  
2009

(Rupees in '000)

#### Assets

Cash in hand	134,378	87,391
Balances with and due from Financial Institutions	1,450,386	524,863
Investments	1,800,000	1,800,000
Financing and receivables		
- Murabaha	1,247,954	1,254,219
- Musharaka	-	-
- Diminishing Musharaka	7,662,626	5,086,874
- Others	32,130	133,119
Operating fixed assets	207,458	55,375
Other assets	4,676,004	1,190,530
	<b>17,210,936</b>	<b>10,132,371</b>

#### Liabilities

Deposits and other accounts		
- Current accounts	4,730,141	3,099,484
- Savings accounts	2,127,810	1,719,601
- Term deposits	3,504,191	3,181,834
- Others	494,400	198,160
Due to Financial Institutions	635,000	114,300
Other liabilities	4,165,209	816,811
	<b>15,656,751</b>	<b>9,130,190</b>

#### Net Assets

##### Represented by:

Islamic Banking Fund	200,000	200,000
Reserves	1,354,185	802,181
	<b>1,554,185</b>	<b>1,002,181</b>

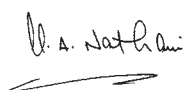
Remuneration to Shariah Advisor / Board

##### Charity fund

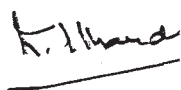
Opening balance	-	-
Additions during the period / year	3,632	1,558
Payments / utilization during the period / year	(3,632)	(1,558)
Closing balance	-	-

### 18 DATE OF AUTHORIZATION

These condensed interim un-consolidated financial statements were authorized for issue in the Board of Directors meeting held on October 28, 2010.



**Mohsin Ali Nathani**  
Chief Executive



**Najam I. Chaudhri**  
Director



**Shahid Zaki**  
Director



**Parvez Ghias**  
Director

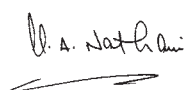


Standard Chartered Bank (Pakistan) Limited  
**Condensed Interim Consolidated  
Financial Statements**  
For the nine months period ended  
30 September 2010

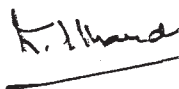
## Condensed Interim Consolidated Statement of Financial Position As at 30 September 2010

	30 September 2010 (Un-Audited)	31 December 2009 (Audited)
<b>(Rupees in '000)</b>		
<b>ASSETS</b>		
Cash and balances with treasury banks	23,798,600	21,521,592
Balances with other banks	1,408,076	2,305,891
Lendings to financial institutions	15,261,927	20,568,064
Investments	101,424,629	83,263,661
Advances	130,699,377	129,460,154
Operating fixed assets	6,674,905	7,003,915
Intangible assets	26,776,559	27,026,172
Deferred tax assets	3,850,441	4,229,453
Other assets	24,833,907	22,230,290
	<b>334,728,421</b>	<b>317,609,192</b>
<b>LIABILITIES</b>		
Bills payable	4,841,473	4,844,638
Borrowings from financial institutions	16,697,272	15,847,326
Deposits and other accounts	222,352,989	206,915,825
Sub-ordinated loans	1,135,900	1,523,000
Other liabilities	39,093,989	39,779,024
	<b>284,121,623</b>	<b>268,909,813</b>
	<b>50,606,798</b>	<b>48,699,379</b>
<b>NET ASSETS</b>		
<b>REPRESENTED BY:</b>		
Share capital	38,715,850	38,715,850
Reserves	2,438,068	2,052,347
Unappropriated profit	5,626,832	4,078,277
Attributable to equity holders of the Bank	46,780,750	44,846,474
Minority interest	830,008	772,504
	<b>47,610,758</b>	<b>45,618,978</b>
Surplus on revaluation of assets - net of deferred tax	2,996,040	3,080,401
	<b>50,606,798</b>	<b>48,699,379</b>

The annexed notes 1 to 6 form an integral part of these condensed interim consolidated financial information.



**Mohsin Ali Nathani**  
Chief Executive



**Najam I. Chaudhri**  
Director



**Shahid Zaki**  
Director



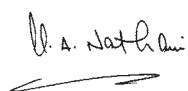
**Parvez Ghias**  
Director

## Condensed Interim Consolidated Profit and Loss Account (Un-audited)

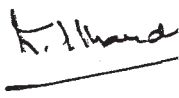
### For the nine months period ended 30 September 2010

	Three months period ended 30 September 2010	Nine months period ended 30 September 2010	Three months period ended 30 September 2009	Nine months period ended 30 September 2009
	(Rupees in '000)		(Rupees in '000)	
Mark-up / return / interest earned	7,153,603	21,235,728	6,704,742	20,119,388
Mark-up / return / interest expensed	(2,914,411)	(8,387,177)	(2,772,094)	(7,813,324)
<b>Net mark-up / return / interest income</b>	<b>4,239,192</b>	<b>12,848,551</b>	<b>3,932,648</b>	<b>12,306,064</b>
Provision against non-performing loans and advances	(671,340)	(2,744,361)	(2,313,007)	(6,170,996)
Recovery of amounts previously written off	127,955	485,441	212,545	672,641
(Provision) / reversal of provision for diminution in the value of investments	(13,678)	(7,570)	1,047	(6,589)
Bad debts written off directly	(463,637)	(1,292,390)	(640,452)	(2,317,387)
	(1,020,700)	(3,558,880)	(2,739,867)	(7,822,331)
<b>Net mark-up / return / interest income after provisions</b>	<b>3,218,492</b>	<b>9,289,671</b>	<b>1,192,781</b>	<b>4,483,733</b>
<b>NON MARK-UP / NON INTEREST INCOME</b>				
Fees, commission and brokerage income	794,909	2,695,037	948,781	3,094,195
Dividend income	-	-	981	1,285
Income from dealing in foreign currencies	426,293	1,121,055	491,221	1,597,940
Gain on sale of securities	198,007	545,749	186,513	263,368
Unrealized gain on revaluation of investments classified as held for trading	6,782	75,251	30,799	153,653
Other income	(21,552)	(17,498)	(49,100)	212,042
<b>Total non mark-up / non interest income</b>	<b>1,404,439</b>	<b>4,419,594</b>	<b>1,609,195</b>	<b>5,322,483</b>
	4,622,931	13,709,265	2,801,976	9,806,216
<b>NON MARK-UP / NON INTEREST EXPENSES</b>				
Administrative expenses	(3,666,793)	(10,129,026)	(2,472,798)	(9,027,314)
Other provisions / asset write-offs	(11,748)	(456,181)	(34,089)	(36,544)
Other charges	(13,875)	(75,014)	(93,343)	(195,560)
<b>Total non mark-up / non interest expenses</b>	<b>(3,692,416)</b>	<b>(10,660,221)</b>	<b>(2,600,230)</b>	<b>(9,259,418)</b>
	930,515	3,049,044	201,746	546,798
Extra-ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	<b>930,515</b>	<b>3,049,044</b>	<b>201,746</b>	<b>546,798</b>
Taxation - current	(230,834)	(641,399)	(606,300)	(1,406,008)
- prior years'	-	-	-	(14,646)
- deferred	(103,414)	(421,536)	502,935	1,227,461
	(334,248)	(1,062,935)	(103,365)	(193,193)
<b>PROFIT AFTER TAXATION</b>	<b>596,267</b>	<b>1,986,109</b>	<b>98,381</b>	<b>353,605</b>
<b>Attributable to :</b>				
Equity holders of the Bank	581,913	1,928,605	105,013	308,318
Minority interest	14,354	57,504	(6,632)	45,287
	596,267	1,986,109	98,381	353,605
<b>BASIC / DILUTED EARNINGS PER SHARE</b>	<b>Rupees 0.15</b>	<b>Rupees 0.50</b>	<b>Rupees 0.03</b>	<b>Rupees 0.08</b>

The annexed notes 1 to 6 form an integral part of these condensed interim consolidated financial information.



**Mohsin Ali Nathani**  
Chief Executive



**Najam I. Chaudhri**  
Director



**Shahid Zaki**  
Director



**Parvez Ghias**  
Director

## Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited) For the nine months period ended 30 September 2010

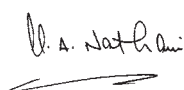
	30 September 2010	30 September 2009
(Rupees in '000)		
<b>Profit after tax</b>	<b>1,986,109</b>	353,605
<b>Other comprehensive income:</b>		
Surplus / (deficit) on revaluation of 'Available for Sale' financial assets	-	-
Surplus / (deficit) on revaluation of fixed assets	-	-
Actuarial gain / (loss) on defined benefit plans	-	-
Deferred tax on actuarial gain / (loss)	-	-
<b>Total comprehensive income for the period</b>	<b>1,986,109</b>	353,605

(i) Surplus / deficit on revaluation of 'Available for Sale' securities is presented under a separate head below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated 04 August 2000 and BSD circular 10 dated 13 July 2004.

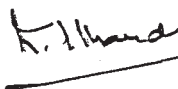
(ii) Surplus on revaluation of fixed assets is presented under a separate head below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

(iii) The actuarial valuations for employee benefit plans are carried out at regular intervals. The management considers that there are no events at the balance sheet date which require an update of these valuations. In the absence of updated valuations, no corresponding actuarial gains / losses have been recognised during the period.

The annexed notes 1 to 6 form an integral part of these condensed interim consolidated financial information.



**Mohsin Ali Nathani**  
Chief Executive



**Najam I. Chaudhri**  
Director



**Shahid Zaki**  
Director



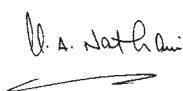
**Parvez Ghias**  
Director

## Condensed Interim Consolidated Cash Flow Statement (Un-audited)

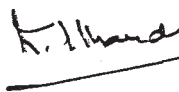
### For the nine months period ended 30 September 2010

	30 September 20109	30 September 2009
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,049,044	546,798
Dividend income	-	(1,285)
	<u>3,049,044</u>	<u>545,513</u>
<b>Adjustments for:</b>		
Depreciation	422,545	499,733
Amortization	287,774	383,026
Gain on disposal of fixed assets	(8,074)	(4,508)
Unrealized gain on revaluation of investments classified as held for trading	(75,251)	(153,653)
Other provisions / write offs	456,181	36,544
Provision for diminution in the value of investments	7,570	6,589
Lease rentals expense	2,369	6,878
Provision against loans and advances - net of recoveries	3,551,310	7,815,742
	<u>4,644,424</u>	<u>8,590,351</u>
	<u>7,693,468</u>	<u>9,135,864</u>
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	5,306,137	10,520,841
Held for trading securities	119,085	(6,243,372)
Advances	(4,790,533)	(11,899,259)
Other assets	(2,848,575)	(3,896,685)
	<u>(2,213,886)</u>	<u>(11,518,475)</u>
<b>(Decrease) / increase in operating liabilities</b>		
Bills payable	(3,165)	(613,965)
Borrowings from financial institutions	849,946	10,493,011
Deposits and other accounts	15,437,164	28,725,876
Other liabilities	(685,035)	6,067,537
	<u>15,598,910</u>	<u>44,672,459</u>
<b>Cash inflow before taxation</b>	<u>21,078,492</u>	<u>42,289,848</u>
Income tax paid	(852,621)	(1,303,400)
<b>Net cash generated from operating activities</b>	<u>20,225,871</u>	<u>40,986,448</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments	(18,333,587)	(38,331,334)
Dividend income received	-	1,285
Net investment in fixed assets (including intangible assets)	(133,092)	(175,675)
Sale proceeds on disposal of fixed assets	9,470	10,877
<b>Net cash used in investing activities</b>	<u>(18,457,209)</u>	<u>(38,494,847)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of sub-ordinated Term Finance Certificates	(387,100)	(187,300)
Expenditure on issue of right shares	-	(3,886)
Payment of lease obligations	(2,369)	(6,878)
<b>Net cash used in financing activities</b>	<u>(389,469)</u>	<u>(198,064)</u>
<b>Increase in cash and cash equivalents for the period</b>	<u>1,379,193</u>	<u>2,293,537</u>
Cash and cash equivalents at beginning of the period	23,827,483	24,002,701
Cash and cash equivalents at end of the period	<u>25,206,676</u>	<u>26,296,238</u>

The annexed notes 1 to 6 form an integral part of these condensed interim consolidated financial information.



**Mohsin Ali Nathani**  
Chief Executive



**Najam I. Chaudhri**  
Director



**Shahid Zaki**  
Director

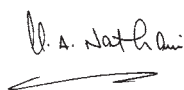


**Parvez Ghias**  
Director

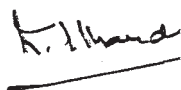
## Condensed Interim Consolidated Statement of Changes in Equity (Un-audited) For the nine months period ended 30 September 2010

	Share Capital	Share Premium	Statutory Reserve	Unappropriated Profit	Total	Minority Interest	Total
(Rupees in '000)							
<b>Balance as at 31 December 2008</b>	38,715,850	1,036,090	868,594	3,504,907	44,125,441	775,021	44,900,462
<b>Total Comprehensive income for the period</b>							
Profit for the period	-	-	-	308,318	308,318	45,287	353,605
Other Comprehensive income	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	61,664	(3,366)	(3,366)	(520)	(3,886)
Expenditure on issue of right shares	-	-	-	-	-	-	-
<b>Balance as at 30 September 2009</b>	38,715,850	1,036,090	930,258	3,748,195	44,430,393	819,788	45,250,181
<b>Total Comprehensive income for the period</b>							
Profit for the period	-	-	-	429,995	429,995	12,616	442,611
Other Comprehensive income	-	-	-	(13,914)	(13,914)	-	(13,914)
Transfer to statutory reserve	-	-	85,999	(85,999)	-	-	-
Dividend paid to minority shareholders	-	-	-	-	-	(59,900)	(59,900)
<b>Balance as at 31 December 2009</b>	38,715,850	1,036,090	1,016,257	4,078,277	4,078,277	772,504	45,618,978
<b>Total Comprehensive income for the period</b>							
Profit for the period	-	-	-	1,928,605	1,928,605	57,504	1,986,109
Other Comprehensive income	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	385,721	(385,721)	-	-	-
Transferred from surplus on revaluation of fixed assets - net of deferred tax	-	-	-	5,671	5,671	-	5,671
<b>Balance as at 30 September 2010</b>	38,715,850	1,036,090	1,401,978	5,626,832	46,780,750	830,008	47,610,758

The annexed notes 1 to 6 form an integral part of these condensed interim consolidated financial information.



**Mohsin Ali Nathani**  
Chief Executive



**Najam I. Chaudhri**  
Director



**Shahid Zaki**  
Director



**Parvez Ghias**  
Director

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited) For the nine months period ended 30 September 2010

### 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 is engaged in the banking business as defined in the Banking Companies Ordinance, 1962 and has a total number of 162 branches in Pakistan (2009: 162 branches in Pakistan) in operation at 30 September 2010.

Standard Chartered Bank (Pakistan) Limited has the following three subsidiaries. All of them are incorporated in Pakistan.

- Standard Chartered Leasing Limited
- Standard Chartered Modarba
- Standard Chartered Services of Pakistan (Private) Limited

These condensed interim financial statements are consolidated financial statements of Standard Chartered Bank (Pakistan) Limited and its subsidiaries ("the Group").

### 2 STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim consolidated financial information do not include the information reported for full annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2009.

### 3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim consolidated financial information are the same as those applied in the preparation of the annual consolidated financial statements of the Bank for the year ended 31 December 2009.

### 4 ACCOUNTING ESTIMATES

The basis for the accounting estimates adopted in the preparation of the condensed interim consolidated financial information are the same as those applied in the preparation of the annual consolidated financial statements of the Bank for the year ended 31 December 2009 except as mentioned in note 4.1.

**Notes to the Condensed Interim Consolidated Financial Information (Un-audited)  
For the nine months period ended 30 September 2010**

**4.1 Change in accounting estimate**

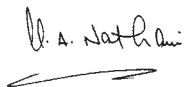
During the current period, the Bank has changed its estimate of useful life for motor vehicles and buildings on leasehold land. The useful life of motor vehicles has been changed from 5 years to 3 years, whereas in case of buildings on leasehold land, the estimate of economic life for capital expenditure incurred on leasehold buildings after January 1, 2010 has been revised from 15 years to 10 years. The management believes that the revised useful lives of motor vehicles and buildings on leasehold land will more appropriately reflect the pattern in which economic benefits are expected to be consumed by the Bank through continuing use of these assets. The change in accounting estimate has been applied prospectively in accordance with the requirements of International Accounting Standard 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' (IAS 8). Had the accounting estimate not been changed, the profit before tax would have been higher by Rs 10.278 million, while profit after tax would have been higher by Rs 6.681 million. The effect on future periods is not estimated to be material.

**5 FINANCIAL RISK MANAGEMENT**

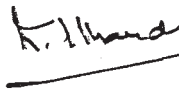
The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual consolidated financial statements of the Bank for the year ended 31 December 2009.

**6 DATE OF AUTHORIZATION**

These condensed interim consolidated financial statements were authorized for issue in the Board of Directors meeting held on October 28, 2010.



**Mohsin Ali Nathani**  
Chief Executive



**Najam I. Chaudhri**  
Director



**Shahid Zaki**  
Director



**Parvez Ghias**  
Director