



The Pakistan Credit Rating Agency Limited

Rating Report

Standard Chartered Bank (Pakistan) Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
22-Jun-2024	AAA	A1+	Stable	Maintain	-
23-Jun-2023	AAA	A1+	Stable	Maintain	-
25-Jun-2022	AAA	A1+	Stable	Maintain	-
25-Jun-2021	AAA	A1+	Stable	Maintain	-
25-Jun-2020	AAA	A1+	Stable	Maintain	-
25-Dec-2019	AAA	A1+	Stable	Maintain	-
25-Jun-2019	AAA	A1+	Stable	Maintain	-
24-Dec-2018	AAA	A1+	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The ratings reflect the Standard Chartered Bank (Pakistan) Limited “SCBPL”, strong association with the globally renowned and financially sound institution, Standard Chartered PLC. SCBPL's strategic alignment and operational integration within the parent company enable it to leverage the technical resources and extensive expertise cultivated at the Group level, reinforcing its position as a leading bank in Pakistan's financial landscape. The Bank's core competencies are its robust technology infrastructure, exceptional service delivery, and differentiated customer base. The Bank is predominately digitally operated in retail banking. In Mortgage financing, the Bank ranks at 3rd highest in the country and % 2nd highest in credit card spend. For CY23, the Bank's net markup income stood at PKR ~94.1bln registering an increase of 107%. This increase was primarily driven by a significant rise in returns from the Bank's advances and investments which outpaced the growth in interest expenses. The bank's efficiency ratio, dropped to 8.7% in CY23 from 19.9% in CY22, which indicates enhanced operational efficiency. This improvement reflects the bank's ability to manage its expenses more effectively relative to its income. The Income from derivatives constitute the largest share of non-markup income, followed by Income from foreign exchange. The Bank reported a Profit after tax of PKR ~42.6bln (CY:22 PKR ~19.8bln). Standard Chartered Bank Pakistan Limited maintained a more conservative approach, in alignment with its parent company's policy to mitigate significant country-specific risks. The advances portfolio grew modestly by 1.6%, reaching PKR 240.8bln, reflecting a conservative approach to credit expansion. The ADR edged up to 30.6% (CY:22 30%). The Bank reported NPLs of PKR 21bln (CY22: 21.2bln). This stability was complemented by enhanced loan loss coverage, which increased to 98% from 97.5%, showcasing the bank's prudent risk management, However, the infection ratio of the Bank stood at 8.7% (CY:22 8.9%). The Investment stood at PKR 226.7bln compared to (CY22: 477.7bln), and the bank's investment book represented 22.6% (CY22: 51.5%) of the total assets. Short-term government securities continue to dominate the investment portfolio representing 99.8%. The bank's market share in customer deposits has decreased to 2.7% as of Dec'23 (CY22: 3.2%), as part of group's global approach. SCBPL's deposit base largely comprised of low-cost deposits that has allowed the bank to maintain one of the most favourable CASA mixes in the industry, standing at 97% in CY23 compared to 95.5% in CY22, SCBPL stands out among its peers with the highest Return on Equity and Return on Assets, reflecting its financial performance and operational efficiency. The Bank's CAR improved to 20.07% (CY22: 18.68%).

The ratings depends on the Bank's ability to maintain profitability in changing domestic conditions while safeguarding spreads without compromising asset quality.

Disclosure

Name of Rated Entity	Standard Chartered Bank (Pakistan) Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology Financial Institution Rating(Oct-23),Methodology Rating Modifiers(Apr-24)
Related Research	Sector Study Commercial Banks(Jun-24)
Rating Analysts	Madiha Sohail madiha.sohail@pacra.com +92-42-35869504



Profile

Structure Standard Chartered Bank (Pakistan) Limited was incorporated in 2006 and listed on Pakistan Stock Exchange Limited (PSX).

Background SCBPL is the oldest and largest international Bank in Pakistan. It is also the first international Bank to be awarded an Islamic banking license and initiated its Islamic banking operations in 2004 in Pakistan

Operations The bank serves various market segments through its 40-branch network, focusing on quality. Wealth and Retail Banking offers credit cards, personal loans, mortgage loans, wealth management solutions, and business banking products. In Corporate, and Institutional Banking (CIB), the bank provides lending activities, cash management, trade finance, security services, treasury management services, and corporate finance and advisory services.

Ownership

Ownership Structure SCBPL is owned (98.99%) by Standard Chartered PLC. The remaining stake in the Bank is held by the general public.

Stability Standard Chartered Group has a history of over 170 years in banking and operates through a network of more than 650 branches and outlets in more than 50 markets

Business Acumen Standard Chartered (PLC) credit ratings as of 19th Sept 2023 were "A+" with a stable outlook (S&P), "A3" with a stable outlook (Moody's), as of 8th Oct 2023, and "A" with a negative outlook (Fitch) as of 6th July 2023.

Financial Strength Standard Chartered PLC, incorporated in the UK, is listed on the London Stock Exchange and Hong Kong Stock Exchange along with Bombay and National Stock Exchanges in India and has total assets of US\$ 822.3bln at end-Dec23 (end-Dec22: US\$ 819.9bln).

Governance

Board Structure SCBPL's seven-member BoD comprises qualified and experienced professionals. The board comprises four members of the Standard Chartered (SC) Group, including SCBPL's CEO. Out of the remaining members of the board, three members are non-executive directors.

Members' Profile The members carry extensive experience and varied backgrounds remain crucial in providing key insights and valuable guidance to the company's management. Mr. Ian Bryden, the chairman of the board, has previously served in global financial institution at a senior level with overall 27 years of extensive experience.

Board Effectiveness The Board has four Committees: Audit, Human Resources, Risk, and Information Technology. These Committees have defined scopes of work and reporting procedures, and they fulfill their duties as per their terms of reference. The Board held six meetings during the year.

Financial Transparency The company's external auditors, EY Ford Rhodes, Chartered Accountants, issued an unqualified audit opinion about the annual financial statement for CY23. Furthermore, the Board has set up a practical internal audit function that reports independently to the Audit Committee regularly on compliance with critical policies and procedures and recommends amendments to these policies in line with the industry's best practices.

Management

Organizational Structure SCBPL operates through a well-defined organizational structure with fourteen different departments. The Bank operates along a matrix organizational structure whereby all departmental heads report to the CEO along with a reporting line to the cluster heads based in Singapore and Dubai. The cluster heads in turn report to the Global head based in London

Management Team SCBPL's senior management team comprises experienced bankers having national and international exposure. Mr. Rehan Shaikh has over 35 years of progressively senior management and diversified experience in banking including the areas of Corporate Relationship Management, Risk Management, Remedial Management, International Trade Finance, and Branch Management.

Effectiveness The bank's business is overseen and managed by the country management team (CMT), which consists of the CEO, CFO, COO, and CCRO and leaders from different business units, products, and support functions. The CMT is accountable for supervising and controlling the bank's operations

MIS SCBPL has developed Internal Controls over Financial Reporting (ICFR) / COSO as per the guidelines of SBP, with the support of external consultants. The Standard Chartered Group, through a well-coordinated program.

Risk Management Framework Standard Chartered PLC's Enterprise Risk Management Framework (ERMF) provides a group-wide approach to risk management and controls. It sets principles and standards for risk management across the bank's branches and subsidiaries. It includes a healthy risk culture, strategic risk management aligned with the bank's framework and risk appetite, management of ten principal risks through Risk Type Frameworks, annual review of risk appetite, and defined roles and responsibilities for effective internal control

Business Risk

Industry Dynamics CY23 remained a challenging year for the economy inclusive of a drop in exchange reserves, currency devaluation, and peak inflation. To combat inflation and curb aggregate demand, the Central Bank maintained a tight monetary policy stance. Despite these challenges, CY23 was a remarkably successful year for the banking industry. The sector outperformed historical statistics, with two-thirds of net markup income coming from investments in government securities and the remainder from advances. During the year, Pakistan's banking sector's total assets posted growth of ~30% YoY whilst investments surged by ~42% to PKR ~25.6trln (end-Dec22: PKR ~18trln). Gross Advances of the sector recorded growth of ~4% to stand at PKR ~13.101trln (end-Dec22: PKR ~12.645trln). Non-performing loans witnessed an increase of 8.3% YoY to PKR ~881bln (end-Dec22: ~812bln). The CAR averaged at 21.6% (end-Dec22: 16.9%). Looking ahead, with the expected monetary rate cut, banks are likely to sustain some dilution in profitability by CY24.

Relative Position SCBPL, a medium-sized bank, with a minimal growth and has witnessed a slight increase in its total deposit base to PKR 719.5bln (CY22: PKR 718.4bln).

Revenues In CY23, the bank demonstrated notable financial performance improvements, The spread increased significantly to 11.5% from (CY22: 6%), indicating enhanced profitability. This was driven by a substantial rise in asset yield to 19.1% from 12.3% in CY22. Despite the cost of funds also increasing to 7.6% from 6.5% in CY22, the bank managed to maintain a positive margin. The notable 68% growth in interest markup earned, reaching PKR 151.85bln compared to PKR 90.43bln in CY22, underscores the bank's ability to leverage its assets effectively.

Performance Non-interest income witnessed significant decline of 26.16% on a YoY basis in CY23. The decline is due to loss in sales of securities, the profit before tax of the Bank inched up by 78% and was recorded at PKR 89.2bln (CY22: PKR 50.12bln). The increase in profit was due to a substantial increase in the overall income of the bank from PKR 62.6bln in CY22 to PKR 107.48mln. The Bank reported a Profit after tax of PKR ~PKR 42.6bln (CY22: PKR ~19.8bln) witnessed an increase in profitability by 114.7% on YoY basis, the profitability increase on the back of higher returns on advances and investments.

Sustainability In pursuit of growth, SCBPL aims to provide revenue generation while maintaining a vigilant approach to risk management and cost efficacy.

Financial Risk

Credit Risk In CY23, SCBPL demonstrated cautious yet stable growth in its financial performance. The advances portfolio grew modestly by 1.6%, reaching PKR 240.8bln from PKR 236.9bln in CY22. This growth reflects a conservative approach to credit expansion. The ADR edged up to 30.6% (CY:22 30%). The Bank reported NPLs of PKR 21bln (CY22: 21.2bln). This stability was complemented by enhanced loan loss coverage, which increased to 98% from 97.5%, showcasing the bank's prudent risk management and provisioning practices.

Market Risk At the end of Dec-23, the bank's investment book represented 22.6% (CY22: 51.5%) of the total assets. Government securities continue to dominate the investment portfolio representing 99.8%, This reflects the risk averse appetite of the bank.

Liquidity And Funding The composition of deposits at the end of CY23 was led by Private sector (49.7%) and followed by the Individuals (37.8%), followed by non-resident and trusts. Advances to Deposit Ratio (ADR) of the Bank stood at 30.6% (CY22: 30%)

Capitalization SCBPL's equity remains high in the mid-size banking universe. It remained strong at PKR 96.2bln in CY23 (CY22: PKR 87.5bln). SCBPL's CAR during the period increased to 20.07% (CY22: 18.7%) which is well above the regulatory requirement of 11.5%



PKR mln

Standard Chartered Bank Pakistan Ltd
Listed Public Limited

Dec-23	Dec-22	Dec-21	Dec-20
12M	12M	12M	12M

A BALANCE SHEET

1 Total Finances - net	219,929	215,833	234,748	177,544
2 Investments	226,712	477,732	450,583	349,243
3 Other Earning Assets	382,670	65,598	25,967	83,310
4 Non-Earning Assets	172,383	167,750	128,703	110,934
5 Non-Performing Finances-net	254	375	(576)	874
Total Assets	1,001,948	927,289	839,426	721,905
6 Deposits	719,535	718,450	626,774	556,506
7 Borrowings	48,265	28,064	35,029	23,293
8 Other Liabilities (Non-Interest Bearing)	137,925	93,254	98,017	60,428
Total Liabilities	905,725	839,768	759,820	640,227
Equity	96,223	87,521	79,605	81,678

B INCOME STATEMENT

1 Mark Up Earned	151,851	90,430	46,852	52,222
2 Mark Up Expensed	(57,692)	(45,828)	(20,585)	(24,082)
3 Non Mark Up Income	13,325	18,048	11,126	12,800
Total Income	107,484	62,649	37,393	40,940
4 Non-Mark Up Expenses	(18,426)	(13,845)	(12,137)	(12,383)
5 Provisions/Write offs/Reversals	163	1,319	(495)	(4,941)
Pre-Tax Profit	89,221	50,123	24,762	23,617
6 Taxes	(46,599)	(30,279)	(11,034)	(10,483)
Profit After Tax	42,622	19,844	13,728	13,133

C RATIO ANALYSIS

1 Performance

Net Mark Up Income / Avg. Assets	9.8%	5.0%	3.4%	4.2%
Non-Mark Up Expenses / Total Income	17.1%	22.1%	32.5%	30.2%
ROE	46.4%	23.7%	17.0%	17.0%

2 Capital Adequacy

Equity / Total Assets (D+E+F)	9.6%	9.4%	9.5%	11.3%
Capital Adequacy Ratio	20.1%	18.7%	16.9%	19.1%

3 Funding & Liquidity

Liquid Assets / (Deposits + Borrowings Net of Repo)	45.1%	74.4%	78.6%	71.6%
(Advances + Net Non-Performing Advances) / Deposits	30.6%	30.1%	37.4%	32.0%
CA Deposits / Deposits	50.8%	45.7%	41.7%	43.3%
SA Deposits / Deposits	46.4%	49.8%	50.4%	49.2%

4 Credit Risk

Non-Performing Advances / Gross Advances	8.7%	9.0%	8.3%	11.4%
Non-Performing Finances-net / Equity	0.3%	0.4%	-0.7%	1.1%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-term Rating Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA-	
A+	
A	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A-	
BBB+	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB	
BBB-	
BB+	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
BB	
BB-	
B+	
B	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B-	
CCC	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
CC	
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



*The correlation shown is indicative and, in certain cases, may not hold.

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults, or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s):
 a) Broker Entity Rating
 b) Corporate Rating
 c) Debt Instrument Rating
 d) Financial Institution Rating
 e) Holding Company Rating
 f) Independent Power Producer Rating
 g) Microfinance Institution Rating
 h) Non-Banking Finance Companies Rating

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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

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- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
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- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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