



KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Directors of Citibank N.A., Pakistan Branches ("the Bank")

Opinion

We have audited the annexed financial statements of **Citibank N.A., Pakistan Branches** ("the Bank"), which comprise the statement of financial position as at December 31, 2018, and profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2018 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the risk management framework and compliance statement on internal control, but does not include the financial statements and our auditor's report thereon.



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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Banking Companies Ordinance, 1962 and Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and the statement of changes in



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equity together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;

- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the object and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

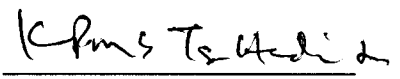
We confirm that for the purpose of our audit we have covered more than sixty percent of the total loans and advances of the Bank.

Other Matter

The engagement partner on the audit resulting in this independent auditor's report is Amir Jamil Abbasi.

Date: 29 March 2019

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

Citibank N.A., Pakistan Branches

(Incorporated In The U.S.A. The Liability of Members Being Limited)

Statement of Financial Position

As at 31 December 2018

	Note	2018	2017 (Restated)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	5	9,126,210	5,907,205
Balances with other banks	6	641,152	1,091,101
Lendings to financial institutions	7	12,458,933	23,930,516
Investments	8	66,498,149	57,091,381
Advances	9	40,003,983	24,483,524
Fixed assets	10	485,702	541,286
Intangible assets	11	-	-
Deferred tax assets	17	-	62,145
Other assets	12	11,734,103	7,112,614
		140,948,232	120,219,772
LIABILITIES			
Bills payable	14	4,199,017	1,836,429
Borrowings	15	14,123,811	15,460,370
Deposits and other accounts	16	95,036,059	78,817,906
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	17	41,187	-
Other liabilities	18	16,928,628	14,901,989
		130,328,702	111,016,694
NET ASSETS			
		10,619,530	9,203,078
REPRESENTED BY			
Head office capital account	19	6,812,671	6,812,671
Reserves		161,543	163,039
Deficit on revaluation of assets	20	(75,530)	(5,261)
Unremitted profit		3,720,846	2,232,629
		10,619,530	9,203,078
CONTINGENCIES AND COMMITMENTS			
	21		

The annexed notes 1 to 44 form an integral part of these financial statements.

NADEEM LODHI
 Managing Director and
 Citi Country Officer

GULZEB KHAN
 Chief Financial Officer

Citibank N.A., Pakistan Branches
(Incorporated In The U.S.A. The Liability of Members Being Limited)
Profit and Loss Account
For the year ended 31 December 2018

	Note	2018	2017 (Restated)
(Rupees in '000)			
Mark-up / return / interest earned	23	8,077,795	7,226,821
Mark-up / return / interest expensed	24	3,899,578	4,286,580
Net mark-up / interest income		4,178,217	2,940,241
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	1,278,044	907,031
Foreign Exchange Income		2,259,102	2,391,753
Income / (loss) from derivatives		291,624	(467,895)
Gain on securities	26	56,418	82,351
Other income	27	31,205	6,866
Total non-markup / interest income		3,916,393	2,920,106
Total income		8,094,610	5,860,347
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	28	2,101,549	2,113,118
Workers Welfare Fund		95,230	60,622
Other charges	29	745	21
Total non-markup / interest expenses		2,197,524	2,173,761
Profit before provisions		5,897,086	3,686,586
Provisions and write offs - net	30	(54,838)	(68,067)
PROFIT BEFORE TAXATION		5,951,924	3,754,653
Taxation	31	2,242,393	1,520,733
PROFIT AFTER TAXATION		3,709,531	2,233,920

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Citibank N.A., Pakistan Branches
(Incorporated In The U.S.A. The Liability of Members Being Limited)
Statement of Comprehensive Income
For the year ended 31 December 2018

	2018	2017
	(Rupees in '000)	
Profit after taxation for the year	3,709,531	2,233,920
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in deficit on revaluation of investments - net of tax	(70,269)	(69,718)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	11,315	(1,291)
Total comprehensive income	<u>3,650,577</u>	<u>2,162,911</u>

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Citibank N.A., Pakistan Branches
(Incorporated In The U.S.A. The Liability of Members Being Limited)
Statement of Changes in Equity
For the year ended 31 December 2018

	Head office capital account	Surplus / (deficit) on revaluation of investments	Share based payment contribution reserve by the ultimate holding company	Unremitted profit	Total
	----- (Rupees in '000) -----				
Opening Balance as at 1 January 2017	6,812,671	64,457	168,704	3,174,345	10,220,177
Profit after taxation for the year ended 31 December 2017	-	-	-	2,233,920	2,233,920
Other comprehensive income - net of tax	-	-	-	(1,291)	(1,291)
Remittances made to head office	-	-	-	(3,174,345)	(3,174,345)
Movement in Surplus / (Deficit) on revaluation of investments - net of tax	-	(69,718)	-	-	(69,718)
Transactions with owners, recorded directly in equity					
Contribution by the head office in respect of share based payments	-	-	8,334	-	8,334
Recharged balance payable to the head office for share based payments	-	-	(8,334)	-	(8,334)
Effect of re-measurement of cost under share based payment - net of tax	-	-	(5,665)	-	(5,665)
Opening Balance as at 1 January 2018	6,812,671	(5,261)	163,039	2,232,629	9,203,078
Profit after taxation for the current year	-	-	-	3,709,531	3,709,531
Other comprehensive income - net of tax	-	-	-	11,315	11,315
Remittances made to head office	-	-	-	(2,232,629)	(2,232,629)
Movement in Surplus / (Deficit) on revaluation of investments - net of tax	-	(70,269)	-	-	(70,269)
Transactions with owners, recorded directly in equity					
Contribution by the head office in respect of share based payments	-	-	13,990	-	13,990
Recharged balance payable to the head office for share based payments	-	-	(13,990)	-	(13,990)
Effect of re-measurement of cost under share based payment - net of tax	-	-	(1,496)	-	(1,496)
Closing Balance as at 31 December 2018	6,812,671	(75,530)	161,543	3,720,846	10,619,530

The annexed notes 1 to 44 form an integral part of these financial statements.

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Citibank N.A., Pakistan Branches
(Incorporated In The U.S.A. The Liability of Members Being Limited)
Cash Flow Statement
For the year ended 31 December 2018

	Note	2018	2017 (Restated)
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		5,951,924	3,754,653
Adjustments:			
Depreciation		122,781	128,162
Provision and write-offs - net	30	(54,838)	(68,067)
Gain on sale of fixed assets		(30,103)	(3,592)
Unrealised loss / (gain) on revaluation of investments classified as held for trading		364	(5,495)
Charge for defined benefit plan		40,127	40,539
		<u>78,331</u>	<u>91,547</u>
		6,030,255	3,846,200
(Increase) / decrease in operating assets			
Lendings to financial institutions		11,471,583	(10,605,513)
Held-for-trading securities		725,934	15,191,975
Advances		(15,465,621)	(2,993,947)
Other assets (excluding advance taxation)		(4,522,513)	(998,498)
		<u>(7,790,617)</u>	<u>594,017</u>
Increase / (decrease) in operating liabilities			
Bills payable		2,362,588	(687,874)
Borrowings from financial institutions		(1,572,218)	(2,846,330)
Deposits		16,218,153	3,741,524
Other liabilities (excluding current taxation)		2,322,792	6,366,028
		<u>19,331,315</u>	<u>6,573,348</u>
Income tax paid		(2,205,487)	(1,471,584)
Contribution to gratuity fund		(20,179)	(43,043)
Remittances made during the year on account of head office expenses		(300,995)	(466,408)
<i>Net cash flow from operating activities</i>		<u>15,044,292</u>	<u>9,032,530</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(10,241,172)	(5,708,877)
Investments in operating fixed assets		(67,197)	(90,347)
Proceeds from sale of fixed assets		30,103	3,787
<i>Net cash flow used in investing activities</i>		<u>(10,278,266)</u>	<u>(5,795,437)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Profit repatriated to head office during the year		(2,232,629)	(3,174,345)
<i>Net cash flow used in financing activities</i>		<u>(2,232,629)</u>	<u>(3,174,345)</u>
Effects of exchange rate changes on cash and cash equivalents		-	-
Increase in cash and cash equivalents		<u>2,533,397</u>	62,748
Cash and cash equivalents at the beginning of the year	32	<u>6,996,344</u>	6,933,596
Cash and cash equivalents at the end of the year	32	<u>9,529,741</u>	<u>6,996,344</u>

The annexed notes 1 to 44 form an integral part of these financial statements.

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Managing Director and
Citi Country Officer

GULZEB KHAN
Chief Financial Officer

Citibank N.A., Pakistan Branches

(Incorporated In The U.S.A. The Liability of Members Being Limited)

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2018

1. STATUS AND NATURE OF BUSINESS

Citibank N.A., Pakistan Branches (the Bank) operates as a branch of Citibank N.A. which is a foreign banking company incorporated and domiciled in the U.S.A. with limited liability and is a member of Citigroup Inc., which is the ultimate holding company.

The Bank is engaged in banking business as described in the Banking Companies Ordinance, 1962. Its principal office is at AWT Plaza, I. I. Chundrigar Road, Karachi. At 31 December 2018, the Bank operated through 3 branches (31 December 2017: 3 branches) in Pakistan.

Credit ratings assigned to Citigroup Inc. and Citibank N.A., by Moody's Investor Services are as follows:

	Long-term senior debt	Short-term debt
Citigroup Inc.	Baa1	P-2
Citibank N.A.	A1	P-1

2. BASIS OF PRESENTATION

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

2.2 These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 02, dated January 25, 2018.

2.3 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

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

IFRS 9, Financial Instruments, was notified by the SECP as applicable for accounting periods beginning on or after July 1, 2018. However, the SECP vide its SRO Letter no 229 (I) / 2019 dated 14 February 2019, has deferred the applicability of this standard to banks, to accounting periods beginning on or after June 30, 2019.

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

The State Bank of Pakistan (SBP) through its BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Bank has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format required certain recognition requirements, reclassification of comparative information and also introduced additional disclosure requirements.

There are certain other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 01 January 2018 but are considered not to be relevant or to have any significant effect on the Bank's operations and are, therefore, not disclosed in these financial statements.

2.5 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Bank's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The application of interpretation is not likely to have an impact on Bank's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank has carried out an impact assessment as at 31 December 2017 which has been submitted to the State Bank of Pakistan. However, this assessment has not been updated to 31 December 2018 pending notification as to date the standard is applicable for banks.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. On adoption of IFRS 16, the management will recognize right-of-use assets of Rs. 138.725 million with corresponding lease liabilities of Rs. 168.671 million.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Bank's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a Bank now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Bank's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a Bank increases its interest in a joint operation that meets the definition of a business. A Bank remeasures its previously held interest in a joint operation when it obtains control of the business. A Bank does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

 - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

 - IAS 23 Borrowing Costs - the amendment clarifies that a Bank treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Bank's financial statements.

2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which forms the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

- i) classification and provisioning against investments (notes 4.4 and 8)
- ii) classification and provisioning against advances (notes 4.5 and 9)
- iii) income taxes (notes 4.8, 17 and 31)
- iv) accounting for defined benefit plan (notes 4.9 and 34)
- v) depreciation / amortisation of fixed assets (notes 4.6 and 10)
- vi) fair value of derivative financial instruments (note 4.15 (b) and 22)
- vii) recording of head office expenses for the current year (note 28)
- viii) fair value of financial instruments (note 37)

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that held for trading and available for sale investments and derivative financial instruments have been marked to market and are carried at fair value. In addition, obligation in respect of staff retirement benefit is carried at present value and certain financial assets are stated net of provision.

3.2 Functional and presentational currency

These financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentational currency. The amounts are rounded to the nearest thousand.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Changes in accounting policies

The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide Circular No. 23, dated October 04, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 01, 2018.

The SBP vide BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Bank has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format contains recognition requirements, reclassification of comparative information and additional disclosures. The amended format also introduced certain new disclosures and has resulted in the following significant changes:

Acceptances amounting to Rs. 6,249.450 million (2017: Rs. 3,043.786 million) previously shown as part of contingencies and commitments are now recognised on the statement of financial position both as assets and liabilities. They are included in Other assets (note 12) and Other liabilities (note 18);

Deficits on revaluation of assets (note 20) amounting to Rs. 75.530 million as at December 31, 2018 (2017: Rs. 5.261 million) which were previously shown below equity as required by the repealed Companies Ordinance, 1984 has now been included as part of equity;

Intangibles (note 11) amounting to NIL (2017: NIL) which were previously shown as part of fixed assets (note 10) are now shown separately on the statement of financial position;

Cost of foreign currency swaps (note 24) amounting to Rs. 531.645 million (2017: Rs. 1,082.262 million) which was previously shown as part of mark-up income / return / interest earned has now been shown as part of mark-up / return / profit / interest expensed in the profit and loss account.

Reversal of provision against advances amounting to Rs. 54.838 million (2017: Rs. 68.067 million) which was previously shown in the Profit and Loss Account has now been shown as part of provisions and write-offs (note 30).

4.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represents cash and balances with treasury banks, balances with other banks and overdrawn nostro accounts.

4.3 Lendings to / borrowings from financial institutions

The Bank enters into inter-bank transactions at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the financial statements as investments and the counterparty liability for amounts received under these agreements is included in borrowings from financial institutions. The difference between sale and repurchase price is recognised over the period of transaction as an expense.

(b) Purchase of securities under resale agreements

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised as investments in the statement of financial position. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is recognised over the period of transaction as income.

(c) Other lendings

These are recorded at the proceeds paid. Mark-up received is recognised in the profit and loss account over the period on an accrual basis.

4.4 Investments

In accordance with the requirements of BSD circular No 10 dated July 13, 2004, the investments are classified as follows:

(a) Held for trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit making exists.

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold them till maturity. These are carried at amortised cost.

(c) Available for sale

These are investments that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognised at fair value. All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date, which is the date on which the Bank commits to purchase or sell the investments.

In accordance with the requirements of the State Bank of Pakistan, quoted securities other than those classified as 'held to maturity' are subsequently remeasured to market value. Surplus / (deficit) arising on revaluation of securities which are classified as 'available for sale' is included in the statement of comprehensive income and is shown in the statement of financial position as part of the equity. Surplus / (deficit) arising on revaluation of securities classified as 'held for trading' is taken to the profit and loss account. In accordance with the requirements specified by the State Bank of Pakistan, investments classified as 'held to maturity' are carried at amortised cost.

Impairment loss in respect of investments classified as available for sale (except term finance certificates) and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Provision for diminution in the value of term finance certificates is made as per the requirements set out in the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus on revaluation of securities on the statement of financial position as part of equity is removed there from and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in profit and loss account. The difference between the face value and the purchase price is amortised over the remaining life of the investment using effective yield method, in order to determine the amortised cost.

Gains and losses on disposal of investments during the year is taken to the profit and loss account.

4.5 Advances

Advances are stated net of specific and general provision against loan losses. Specific and general provisions are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted-off against advances. Advances are written off when there is no realistic prospect of recovery.

4.6 Operating fixed assets and depreciation

Capital work in progress

Capital work in progress is stated at cost less impairment losses, if any.

Property and equipment - owned

Fixed assets are carried at historical cost less accumulated depreciation and accumulated impairment losses, if any, except for lease hold land which is stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged to the profit and loss account applying the straight-line method using the rates specified in note 10.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged for the whole month if the assets are purchased before 15th day of the month while no depreciation is charged in the month in which assets are disposed off.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Subsequent costs are included in the assets' carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Gain and loss on disposal of fixed assets is taken to the profit and loss account.

Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each statement of financial position date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any.

Amortisation is charged to the profit and loss account applying the straight-line method using the rates specified in note 11 to these financial statements.

4.7 Impairment

The carrying amount of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

4.8 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items which are directly recognised in equity / other comprehensive income, in such cases, the relating income tax is also directly recognised in equity / other comprehensive income.

Current

Current tax is the expected tax payable on taxable income for the year determined using tax rate enacted or substantively enacted at the reporting date. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

Deferred

Deferred tax is recognised using balance sheet liability method on all material temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to be reversed, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow whole or part of the deferred tax asset to be utilised.

The Bank also recognises a deferred tax asset / liability on the deficit / surplus on revaluation of securities, which is adjusted against the related surplus / deficit in accordance with the requirements of the International Accounting Standard 12 - Income Taxes.

4.9 Staff retirement benefits

Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its permanent employees whose period of service with the Bank is five years or more. Expenses relating to the scheme are recognised and contributions to the fund are made based on actuarial recommendations.

Contributions to the fund are made on the basis of actuarial recommendation. Liability in respect of this benefit is recognised based on actuarial valuation carried out using Projected Unit Cost method. All actuarial gains and losses are recognized in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Amounts arising as a result of remeasurements are recognised in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Gratuity is payable to staff on completion of the prescribed qualifying period of service under the plan.

Defined contribution plan

The Bank operates a recognised provident fund scheme for all its permanent employees to which equal monthly contributions are made both by the Bank and employees at the rate of 10 percent of basic salary. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

4.10 Share based payments

The Bank offers two types of share based incentive plans which are Stock Award and Stock Option programmes. Under these plans, the share option of the holding company are granted by the holding company to high performing employees of the Bank. Pursuant to a separate agreement the Bank makes a cash settlement to Citigroup Inc. for the value of the share-based incentive awards delivered to the Bank's employees under these plans.

The Bank applies equity-settled accounting for its share based incentive plans, with separate accounting for its associated obligations to make payments to Citigroup Inc.

Fair value of the shares awarded under the stock award programme, on the grant date and on each measurement date, is determined with reference to the price quoted on the New York Stock Exchange.

4.11 Borrowings / deposits

- (a) Borrowings / deposits are recorded at the proceeds received.
- (b) Borrowing / deposit costs are recognised as an expense in the period in which these are incurred using the effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction

of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

4.12 Provisions

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

Other provisions are recognised when the Bank has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.13 Revenue recognition

- Mark-up / return / interest on advances and investments is recognised on a time proportion basis, taking into account effective yield on the instrument, except in case of non-performing advances where income is recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan.
- Fee and commission are recognised as and when services are performed.
- Gains and losses on sale of investments and operating fixed assets are recognised in the profit and loss account when the risks and rewards of ownership are transferred.
- Dividend income is recognised when the Bank's right to receive the dividend has been established.

4.14 Foreign currencies

a) Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentational currency.

b) Foreign currency transactions

Foreign currency transactions are translated into Pakistani Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistani Rupees at exchange rates prevailing at the reporting date. Foreign bills purchased and forward foreign exchange contracts are valued at the forward rates applicable to their respective maturities.

c) Translation gains and losses

Translation gains and losses are included in the profit and loss account.

d) Contingencies and commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates with the fair value adjustment disclosed in other assets / other liabilities as the case may be. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rate prevailing at the reporting date.

4.15 Financial instruments

(a) Financial assets and financial liabilities

The Bank initially recognises financial assets and liabilities on the date at which they originate except for investments which are recognised on the trade date.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are transferred. The Bank also enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or part of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

Financial liabilities are derecognised when the contractual obligations expire, or are discharged or cancelled.

b) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments having positive fair value are carried as assets and instruments having negative fair value are carried as liabilities. Any change in the fair value of derivative financial instruments is taken to profit and loss account.

c) Off setting

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to offset the recognised amounts and the Bank intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

4.16 Assets acquired in satisfaction of claims

The Bank occasionally acquires vehicles and other assets in settlement of certain advances. These are stated at the lower of related advances and the current fair value of such assets. Gains or losses on disposal and unrealised losses on revaluation are recognised in income currently. In case certain repossessed assets cannot be disposed of within pre-determined number of days, impairment loss is recognised by the Bank against such assets.

4.17 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

4.18 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment). The Bank's Chief operating decision maker reviews the results and assesses performance of these segments separately. The operations of the Bank are based in Pakistan, therefore geographical segment is not relevant.

4.18.1 Business segments

Trading and sales

It includes fixed income, foreign exchange, funding, own position securities, lending, borrowing and derivatives.

Corporate banking

Corporate banking includes syndicated financing and services provided in connection with merger and acquisitions, project finance, export finance, trade finance, short-term and long-term lending, bill discounting and negotiation, letter of credit, acceptances, guarantees and deposits.

5. CASH AND BALANCES WITH TREASURY BANKS	<i>Note</i>	2018	2017
		(Rupees in '000)	
In hand			
Local currency		160,717	145,966
Foreign currency		105,913	341,065
		266,630	487,031
With State Bank of Pakistan in			
Local currency current account	5.1	7,252,520	4,522,747
Foreign currency current account		49,661	13,474
Foreign currency deposit account			
- Cash reserve account	5.2	388,813	220,834
- Special cash reserve account	5.3	1,166,440	662,503
		8,857,434	5,419,558
With National Bank of Pakistan in			
Local currency current account		2,146	616
		2,146	616
		9,126,210	5,907,205

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

5.2 This represents cash reserve of 5% which is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

5.3 This represents special cash reserve of 15% which is required to be maintained with the State Bank of Pakistan on FE-25 deposits. Profit rates on these deposits are fixed by SBP on a monthly basis. These carry mark-up rates from 0.56% to 1.35% (2017: 0.06% to 0.37%).

6. BALANCES WITH OTHER BANKS	<i>Note</i>	2018	2017
		(Rupees in '000)	
In Pakistan			
In current account		30,299	48,308
		30,299	48,308
Outside Pakistan			
In current account	6.1	610,853	1,042,793
		610,853	1,042,793
		641,152	1,091,101

6.1 This includes balance of Rs. 536.690 million (2017: Rs.1,040.846 million) held with branches of Citibank, N.A. outside Pakistan.

7. LENDINGS TO FINANCIAL INSTITUTIONS	<i>Note</i>	2018	2017
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	7.1 & 7.3	12,458,933	23,930,516
		12,458,933	23,930,516
Less: provision held against Lendings to Financial Institutions		-	-
Lending to Financial Institutions - net of provision		12,458,933	23,930,516

7.1 These represent short term lendings to financial institutions against government securities. These carry mark-up at rates ranging from 10% to 10.15% (2017: 5.75% to 5.85%) per annum and have a maturity period of upto January 2019 (2017: January 2018).

7.2 Particulars of lending	2018	2017
	(Rupees in '000)	
In local currency	12,458,933	23,930,516
In foreign currencies	-	-
	12,458,933	23,930,516

7.3 Securities held as collateral against Lending to financial institutions

	2018			2017		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	11,958,919	-	11,958,919	21,930,404	-	21,930,404
Pakistan Investment Bonds	500,014	-	500,014	2,000,112	-	2,000,112
Total	12,458,933	-	12,458,933	23,930,516	-	23,930,516

8. INVESTMENTS

Note

8.1 Investments by type:

	2018				2017			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	----- (Rupees in '000) -----							
Held-for-trading securities								
Federal Government Securities	7,083,054	-	(2,864)	7,080,190	7,808,988	-	(2,500)	7,806,488
	7,083,054	-	(2,864)	7,080,190	7,808,988	-	(2,500)	7,806,488
Available-for-sale securities								
Federal Government Securities	59,534,158	-	(116,199)	59,417,959	49,292,986	-	(8,093)	49,284,893
Non Government Debt Securities	248,090	(248,090)	-	-	248,090	(248,090)	-	-
	59,782,248	(248,090)	(116,199)	59,417,959	49,541,076	(248,090)	(8,093)	49,284,893
Total Investments	66,865,302	(248,090)	(119,063)	66,498,149	57,350,064	(248,090)	(10,593)	57,091,381

8.2 Investments by segments:

	2018				2017			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	----- (Rupees in '000) -----							
Federal Government Securities								
Market Treasury Bills	63,766,140	-	(4,570)	63,761,570	52,799,464	-	(3,959)	52,795,505
Pakistan Investment Bonds	2,851,072	-	(114,493)	2,736,579	4,302,510	-	(6,634)	4,295,876
	66,617,212	-	(119,063)	66,498,149	57,101,974	-	(10,593)	57,091,381
Non Government Debt Securities								
Unlisted	248,090	(248,090)	-	-	248,090	(248,090)	-	-
	248,090	(248,090)	-	-	248,090	(248,090)	-	-
Total Investments	66,865,302	(248,090)	(119,063)	66,498,149	57,350,064	(248,090)	(10,593)	57,091,381

8.3 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

8.4 Market Treasury Bills are for a period of three months, six months and one year. The effective rates of profit on Market Treasury Bills range from 8.72% to 10.31% (2017: 5.88% to 6.01%) per annum with maturities upto February 2019 (2017: October 2018). Market Treasury Bills having face value of Rs. 25 million (2017: Rs. 25 million) have been deposited with the State Bank of Pakistan against telegraph transfer / discounting facility granted by them. In addition, Market Treasury Bills having face value of Rs. 7,359 million (2017: Rs. 7,384 million) have been deposited with the State Bank of Pakistan as pledged capital.

8.5 Pakistan Investment Bonds (PIBs) are for periods of three, five, ten and fifteen years. The yield on these PIBs range from 6.39% to 11.25% (2017: 6.40% to 11.25%) per annum with maturities from Jan 2019 to December 2019 (2017: July 2018 to April 2021). Pakistan Investment Bonds having face value of Rs. 331 million (2017: Rs. 331 million) have been deposited with the State Bank of Pakistan as pledged capital.

8.6 Provision for diminution in value of investments

2018 **2017**
(Rupees in '000)

8.6.1 Opening balance	(248,090)	(248,090)
Exchange adjustments	-	-
Charge / reversals		
Charge for the year	-	-
Reversals for the year	-	-
Reversal on disposals	-	-
Transfers - net	-	-
Amounts written off	-	-
Closing Balance	(248,090)	(248,090)

8.6.2 Particulars of provision against debt securities

Category of classification

	2018		2017	
	NPI	Provision	NPI	Provision
	(Rupees in '000)			
Domestic				
Loss	248,090	248,090	248,090	248,090
	248,090	248,090	248,090	248,090

8.7 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows

	Cost	
	2018	2017
	(Rupees in '000)	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	56,683,086	46,007,977
Pakistan Investment Bonds	2,851,072	3,285,009
	59,534,158	49,292,986
Non Government Debt Securities		
	Cost	
	2018	2017
	(Rupees in '000)	
Unlisted		
Azgard Nine Limited - Unrated		
49,618 Term Finance Certificates (2017: 49,618) of Rs. 5,000 each	248,090	248,090

8.7.1 Represents term finance certificates received as partial settlement from Azgard Nine Limited against overdue suspended mark-up amounting to Rs. 248.090 million kept in memorandum account and are completely provided for.

9. ADVANCES

	Performing		Non Performing		Total	
	2018	2017	2018	2017	2018	2017
(Rupees in '000)						
Loans, cash credits, running finances, etc.	36,077,786	23,064,303	2,743,634	2,798,643	38,821,420	25,862,946
Bills discounted and purchased	3,926,623	1,419,476	-	-	3,926,623	1,419,476
Advances - gross	40,004,409	24,483,779	2,743,634	2,798,643	42,748,043	27,282,422
Provision against advances						
- Specific	-	-	(2,743,634)	(2,798,643)	(2,743,634)	(2,798,643)
- General	(426)	(255)	-	-	(426)	(255)
	(426)	(255)	(2,743,634)	(2,798,643)	(2,744,060)	(2,798,898)
Advances - net of provision	40,003,983	24,483,524	-	-	40,003,983	24,483,524

9.1 Particulars of advances (Gross)

	2018	2017
(Rupees in '000)		
In local currency	42,451,703	27,046,785
In foreign currencies	296,340	235,637
	42,748,043	27,282,422

9.2 Based on classification defined in SBP Prudential Regulations, Rs. 42,212.824 million (2017: Rs. 26,661.002 million) advances fall under Corporate and Rs. 535.219 million (2017: Rs. 621.420 million) fall under Consumer and SME classification as at December 31, 2018.

9.3 Advances include Rs. 2,743.634 million (2017: Rs. 2,798.643 million) which have been placed under non-performing status as detailed below:-

Category of Classification	2018		2017	
	Non performing loans	Provision	Non performing loans	Provision
(Rupees in '000)				
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	2,743,634	2,743,634	2,798,643	2,798,643
Total	2,743,634	2,743,634	2,798,643	2,798,643

9.4 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	2,798,643	255	2,798,898	2,866,751	214	2,866,965
Charge for the year	-	171	171	-	41	41
Reversals	(55,009)	-	(55,009)	(68,108)	-	(68,108)
	(55,009)	171	(54,838)	(68,108)	41	(68,067)
Amounts written off	-	-	-	-	-	-
Closing balance	2,743,634	426	2,744,060	2,798,643	255	2,798,898

9.4.1 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

9.4.2 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	2,743,634	426	2,744,060	2,798,643	255	2,798,898
	2,743,634	426	2,744,060	2,798,643	255	2,798,898

9.4.3 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loan, the Bank holds enforceable collateral in the event of recovery through litigation for financing other than personal loans. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

10. FIXED ASSETS

	Note	2018	2017
(Rupees in '000)			
Capital work-in-progress	10.1	28,624	-
Property and equipment	10.2	457,078	541,286
		485,702	541,286

10.1 Capital work-in-progress

Civil works	8,624	-
Advances to suppliers	20,000	-
	28,624	-

10.2 Property and Equipment

2018					
Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total	
----- (Rupees in '000) -----					
At January 1, 2018					
Cost	6,295	690,054	544,270	79,144	1,319,763
Accumulated depreciation	(3,754)	(253,038)	(445,204)	(76,481)	(778,477)
Net book value	<u>2,541</u>	<u>437,016</u>	<u>99,066</u>	<u>2,663</u>	<u>541,286</u>
Year ended December 2018					
Opening net book value	2,541	437,016	99,066	2,663	541,286
Additions	-	2,995	35,822	-	38,817
Disposals	-	(145)	(99)	-	(244)
Depreciation charge	(239)	(72,246)	(47,664)	(2,632)	(122,781)
Other adjustments / transfers	-	-	-	-	-
Closing net book value	<u>2,302</u>	<u>367,620</u>	<u>87,125</u>	<u>31</u>	<u>457,078</u>
At December 31, 2018					
Cost	6,295	625,413	513,296	34,977	1,179,981
Accumulated depreciation	(3,993)	(257,793)	(426,171)	(34,946)	(722,903)
Net book value	<u>2,302</u>	<u>367,620</u>	<u>87,125</u>	<u>31</u>	<u>457,078</u>
Rate of depreciation (percentage)	<u>5</u>	<u>10-50</u>	<u>14.3-33.33</u>	<u>20</u>	

2017					
Building on Lease hold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total	
----- (Rupees in '000) -----					
At January 1, 2017					
Cost	6,295	564,856	775,006	79,144	1,425,301
Accumulated depreciation	(3,535)	(184,032)	(646,080)	(70,193)	(903,840)
Net book value	<u>2,760</u>	<u>380,824</u>	<u>128,926</u>	<u>8,951</u>	<u>521,461</u>
Year ended December 2017					
Opening net book value	2,760	380,824	128,926	8,951	521,461
Additions	-	127,959	20,223	-	148,182
Disposals	-	-	(195)	-	(195)
Depreciation charge	(219)	(71,767)	(49,888)	(6,288)	(128,162)
Other adjustments / transfers	-	-	-	-	-
Closing net book value	<u>2,541</u>	<u>437,016</u>	<u>99,066</u>	<u>2,663</u>	<u>541,286</u>
At December 31, 2017					
Cost / Revalued amount	6,295	690,054	544,270	79,144	1,319,763
Accumulated depreciation	(3,754)	(253,038)	(445,204)	(76,481)	(778,477)
Net book value	<u>2,541</u>	<u>437,016</u>	<u>99,066</u>	<u>2,663</u>	<u>541,286</u>
Rate of depreciation (percentage)	<u>5</u>	<u>10-50</u>	<u>14.3-33.33</u>	<u>20</u>	

10.3 The cost of fully depreciated assets still in use amounts to Rs. 389.365 million (2017: Rs. Rs. 516.730 million).

10.4 During the year fixed assets having cost of Rs. 130.058 million (2017: NIL) and Net Book Value of Rs. 0.244 million (2017: NIL) were written-off.

11. INTANGIBLE ASSETS

		2018	
		Computer software	Total
		(Rupees in 000)	
At January 1, 2018			
Cost		10,945	10,945
Accumulated amortisation and impairment		(10,945)	(10,945)
Net book value		-	-
Year ended December 2018			
Opening net book value		-	-
Additions:			
- developed internally		-	-
- directly purchased		-	-
- through business combinations		-	-
Impairment loss recognised in the profit and loss account - net		-	-
Disposals		-	-
Amortisation charge		-	-
Other adjustments		-	-
Closing net book value		-	-
At December 31, 2018			
Cost		-	-
Accumulated amortisation and impairment		-	-
Net book value		-	-
Rate of amortisation (percentage)		20 - 33.33	-
Useful life (years)		3-5	-
		2017	
		Computer software	Total
		(Rupees in 000)	
At January 1, 2017			
Cost		10,945	10,945
Accumulated amortisation and impairment		(10,945)	(10,945)
Net book value		-	-
Year ended December 2017			
Opening net book value		-	-
Additions:			
- developed internally		-	-
- through acquisitions / purchased		-	-
- through business combinations		-	-
Impairment loss recognised in the profit and loss account - net		-	-
Disposals		-	-
Amortisation charge		-	-
Exchange rate adjustments		-	-
Other adjustments		-	-
Closing net book value		-	-
At December 31, 2017			
Cost		10,945	10,945
Accumulated amortisation and impairment		(10,945)	(10,945)
Net book value		-	-
Rate of amortisation (percentage)		20 - 33.33	-
Useful life		3-5	-

11.1 The cost of fully amortised assets still in use is NIL (2017: Rs. 10.945 million).

11.2 During the year intangible assets having cost of Rs. 10.945 million (2017: NIL) and Net Book Value of NIL (2017: NIL) were written-off.

12 OTHER ASSETS

		2018	2017
		(Rupees in '000)	
Income / Mark-up accrued in local currency		831,646	396,229
Income / Mark-up accrued in foreign currency		30,365	33,531
Advances, deposits, advance rent and other prepayments		112,335	114,305
Advance taxation (payments less provisions)		921,512	822,537
Non-banking assets acquired in satisfaction of claims	12.1	7,954	7,954
Branch adjustment account		-	580
Mark to market gain on forward foreign exchange contracts		3,578,806	2,697,417
Acceptances		6,249,450	3,043,786
Others		9,989	4,229
		11,742,057	7,120,568
Less: Provision held against other assets	12.2	7,954	7,954
Other Assets (Net of Provision)		11,734,103	7,112,614
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		-	-
Other Assets		11,734,103	7,112,614

12.1 The management has made provision against the amount of non-banking assets acquired in satisfaction of claims taking a conservative view. Therefore, the management has not disclosed the market value of these assets.

12.1.1 Non-banking assets acquired in satisfaction of claims

	2018 (Rupees in '000)	2017
Opening Balance	7,954	7,954
Additions	-	-
Revaluation	-	-
Disposals	-	-
Depreciation	-	-
Impairment	-	-
Closing Balance	<u>7,954</u>	<u>7,954</u>

12.2 Provision held against other assets

Non banking assets acquired in satisfaction of claims	<u>7,954</u>	<u>7,954</u>
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12.2.1 Movement in provision held against other assets

Opening balance	7,954	7,954
Charge for the year	-	-
Reversals	-	-
Amount Written off	-	-
Closing balance	<u>7,954</u>	<u>7,954</u>

12.3 The Income Tax returns of the Bank have been filed up to the tax year 2018 (accounting year ended December 31, 2017) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The income tax authorities have issued amended assessment orders for up to tax years 2018, and created additional tax demands (including disallowances of reversal of provisions made prior to Seventh Schedule and charging of Minimum Tax) of Rs.630 million (2017: Rs.837 million), which have been fully paid as required under the law. The Bank has filed appeals before the appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favour of the Bank.

13. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2018 (2017: Nil)

14. BILLS PAYABLE

	Note	2018 (Rupees in '000)	2017
In Pakistan		<u>4,199,017</u>	1,836,429
		<u>4,199,017</u>	<u>1,836,429</u>

15. BORROWINGS

		2018	2017
Unsecured			
Call borrowings	15.1	13,886,190	15,458,408
Overdrawn nostro accounts		237,621	1,962
Total unsecured		<u>14,123,811</u>	<u>15,460,370</u>
		<u>14,123,811</u>	<u>15,460,370</u>

15.1 This represents unsecured borrowing that carries mark-up rate of 2.4% (2017:1.44% to 1.45%) per annum and are due to mature in January 2019 (2017: January 2018).

15.2 Particulars of borrowings with respect to Currencies

	2018 (Rupees in '000)	2017
In local currency	3	3
In foreign currencies	<u>14,123,808</u>	15,460,367
	<u>14,123,811</u>	<u>15,460,370</u>

16. DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Current deposits	37,301,239	3,526,445	40,827,684	15,897,272	1,501,184	17,398,456
Savings deposits	22,070,832	2,366,723	24,437,555	43,119,050	2,187,503	45,306,553
Term deposits	24,428,822	30,323	24,459,145	11,077,985	24,112	11,102,097
Others	3,305,257	5,848	3,311,105	3,230,794	138,635	3,369,429
	<u>87,106,150</u>	<u>5,929,339</u>	<u>93,035,489</u>	73,325,101	3,851,434	77,176,535
Financial Institutions						
Current deposits	1,725,187	275,383	2,000,570	1,568,055	73,316	1,641,371
	<u>1,725,187</u>	<u>275,383</u>	<u>2,000,570</u>	1,568,055	73,316	1,641,371
	<u>88,831,337</u>	<u>6,204,722</u>	<u>95,036,059</u>	74,893,156	3,924,750	78,817,906

16.1	Composition of deposits	2018	2017
		(Rupees in '000)	
	- Individuals	318,140	308,138
	- Public Sector Entities	2,888,241	712,572
	- Banking Companies	2,521,988	1,063,004
	- Non-Banking Financial Institutions	1,319,019	1,588,485
	- Private Sector	87,988,671	75,145,707
		95,036,059	78,817,906

16.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 328.686 million (2017: Rs. 300.267 million).

17. DEFERRED TAX LIABILITIES

	2018			
	At January 1, 2018	Recognised in P&L A/C	Recognised in OCI / equity	At December 31, 2018
	(Rupees in 000)			
Deductible Temporary Differences on				
- Post retirement employee benefits	79,243	-	(6,092)	73,151
- Deficit on revaluation of investments	2,832	-	37,837	40,669
- Provision against advances	82,064	(82,064)	-	-
	164,139	(82,064)	31,745	113,820
Taxable Temporary Differences on				
- Accelerated tax depreciation	(14,204)	4,205	-	(9,999)
- effect of re-measurement of cost under share based payment	(87,790)	-	805	(86,985)
- Unrealized gain on derivatives	-	(58,023)	-	(58,023)
	(101,994)	(53,818)	805	(155,007)
	62,145	(135,882)	32,550	(41,187)

	2017			
	At January 1, 2017	Recognised in P&L A/C	Recognised in OCI / equity	At December 31, 2017
	(Rupees in 000)			
Deductible Temporary Differences on				
- Post retirement employee benefits	78,548	-	695	79,243
- (Surplus) / Deficit on revaluation of investments	(34,708)	-	37,540	2,832
- Provision against advances, off balance sheet etc.	193,988	(111,924)	-	82,064
	237,828	(111,924)	38,235	164,139
Taxable Temporary Differences on				
- Accelerated tax depreciation	(12,989)	(1,215)	-	(14,204)
- effect of re-measurement of cost under share based payment	(90,840)	-	3,050	(87,790)
	(103,829)	(1,215)	3,050	(101,994)
	133,999	(113,139)	41,285	62,145

	<i>Note</i>	2018	2017
		(Rupees in '000)	
18. OTHER LIABILITIES			
Mark-up / Return / Interest payable in local currency		502,742	233,761
Mark-up / Return / Interest payable in foreign currency		926	1,857
Unearned commission and income on bills discounted		54,619	29,558
Accrued expenses	18.1 & 18.2	889,733	756,476
Acceptances		6,249,450	3,043,786
Mark to market loss on forward foreign exchange contracts		3,380,425	2,778,681
Unremitted head office expenses		769,833	755,690
Payable to regional offices for support services		75,151	9,683
Payable to defined benefit plan		179,019	176,478
Payable on account of sale proceeds of securities held under custody		1,700,155	3,845,061
Payable on account of sale proceeds of shares sold by an associated undertaking		420,887	420,887
Securities sold but not yet purchased		495,449	1,607,376
Others		2,210,239	1,242,695
		16,928,628	14,901,989

18.1 This includes the Bank's obligation to the head office under the stock award and stock option programmes. As of December 31, 2018 recognised liability for share based incentive plans was Rs. 212.267 million (2017: Rs. 198.015 million).

18.2 The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful as this is not in the nature of tax and therefore could not have been introduced through the money bill. The Federal Board of Revenue has filed review petitions against the above judgment. These petitions are currently pending with the Supreme Court of Pakistan.

A legal advice has been obtained by the Pakistan Banks Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive or final till the review petitions are decided. Accordingly, the Bank maintains full provision of Rs. 252.638 million in respect of federal WWF law from the date of its levy till December 2013. Further the Bank maintains provision of Rs. 391.243 million against provincial WWF law from the date of its levy till December 31, 2018.

19. HEAD OFFICE CAPITAL ACCOUNT		2018	2017
		(Rupees in '000)	
Capital held as:			
Deposit of un-encumbered approved securities		6,812,671	6,812,671
19.1	This represents Market Treasury Bills having face value of Rs. 7,359 million (2017: Rs. 7,384 million) and Pakistan Investment Bonds having face value of Rs. 331 million (2017: Rs. 331 million). The market value of Market Treasury Bills and Pakistan Investment Bonds as at December 31, 2018 amounts to Rs. 7,355 million and Rs. 332 million and (2017: Rs. 7,346 million and Rs. 355 million) and these have maturities of up to January 2019 and July 2019 (2017: January 2018 and July 2018).		
19.2	Capital has been deposited with the State Bank of Pakistan in compliance with section 13 of the Banking Companies Ordinance, 1962.		
20. (DEFICIT) ON REVALUATION OF ASSETS		Note	2018
			2017
			(Rupees in '000)
Deficit on revaluation of			
- Available for sale securities	8.1	(116,199)	(8,093)
Deferred tax on deficit on revaluation of:			
- Available for sale securities		40,669	2,832
		(75,530)	(5,261)
21. CONTINGENCIES AND COMMITMENTS			
-Guarantees	21.1	2,328,536	2,270,404
-Commitments	21.2	243,706,429	231,226,536
-Other contingent liabilities	21.3	210,336	170,422
		246,245,301	233,667,362
21.1 Guarantees:			
Financial guarantees		202	202
Performance guarantees		2,328,334	2,223,543
Other guarantees		-	46,659
		2,328,536	2,270,404
21.2 Commitments:			
Documentary credits and short-term trade-related transactions		12,151,417	11,721,571
- letters of credit			
Commitments in respect of:			
- forward foreign exchange contracts	21.2.1	213,647,263	171,420,246
- forward government securities transactions	21.2.2	539,830	9,326,926
- derivatives - interest rate swaps	21.2.3	1,966,667	3,933,333
- forward lending	21.2.4	14,227,239	25,327,130
Commitments for acquisition of:			
- operating fixed assets		7,573	1,451
Other commitments	21.2.5	1,166,440	9,495,879
		243,706,429	231,226,536
21.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		115,534,754	94,204,250
Sale		98,112,509	77,215,996
		213,647,263	171,420,246

21.2.2 Commitments in respect of forward government securities transactions	<i>Note</i>	2018	2017
		(Rupees in '000)	
Purchase		539,830	1,609,683
Sale		-	7,717,243
		539,830	9,326,926
21.2.3 Commitments in respect of derivatives			
Purchase*		1,966,667	3,933,333
Sale		-	-
		1,966,667	3,933,333
* Interest rate derivative contracts		1,966,667	3,933,333
21.2.4 Commitments in respect of forward lending			
Forward repurchase agreement lending		12,469,769	23,964,259
Undrawn formal standby facilities, credit lines and other commitments to lend	21.2.4.1	1,757,470	1,362,871
		14,227,239	25,327,130

21.2.4.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

21.2.5 Other commitments	<i>Note</i>	2018	2017
		(Rupees in '000)	
Forward borrowing		-	8,833,376
Forward placement		1,166,440	662,503
		1,166,440	9,495,879
21.3 Other contingent liabilities			
Claims not acknowledged as debt	21.3.1	210,336	170,422

21.3.1 These are not recognised as debt as the probability of these crystallising against the Bank is considered remote.

22. DERIVATIVE INSTRUMENTS

A derivative financial instrument is a contract the value of which is determined by reference to one or more underlying financial instruments, reference rates or indices. Forward contracts, options and swaps are the most common types of derivatives. Also included in derivatives are structured financial products that have one or more characteristics of forwards, futures, swaps and options.

The Bank enters into derivatives contracts for market making and for creating effective hedges to enable customers and the Bank to transfer, modify or reduce their interest rate and foreign exchange risks. The Bank as an Authorised Derivative Dealer (ADD) is an active participant in the derivative market of Pakistan.

Overall responsibility for derivatives trading activity lies with the treasury. Existence of an independent market risk function together with the Asset Liability Committee (ALCO) assists in the identification and quantification of risks on derivatives. This involves:

- co-ordinating approvals of market risk limits;
- formulation of policies and procedures with respect to market risk; and
- monitoring of Market risk and Credit risk exposure.

Treasury operations records transactions in the books, while product control reports the price and liquidity information independently.

22.1 Product Analysis		2018	
		Interest Rate Swaps	
Counterparties		Notional Principal	Mark to market loss
(Rupees in '000)			
With other entities for			
Hedging		-	-
Market Making		1,966,667	(32,600)
Total			
Hedging		-	-
Market Making		1,966,667	(32,600)
22.2 Maturity Analysis		2017	
		Interest Rate Swaps	
Counterparties		Notional Principal	Mark to market gain
(Rupees in '000)			
With other entities for			
Hedging		-	-
Market Making		3,933,333	57,998
Total			
Hedging		-	-
Market Making		3,933,333	57,998

Remaining Maturity	2018				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
(Rupees in '000)					
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	1	1,966,667	(32,600)	-	(32,600)
1 to 2 Year	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-
Total			(32,600)	-	(32,600)
Remaining Maturity	2017				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
(Rupees in '000)					
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	1	3,933,333	-	57,998	57,998
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-
Total			-	57,998	57,998

22.3 The fair value of derivative financial instruments has been determined using valuation techniques with significant inputs such as forecasted market interest rates and foreign exchange rates. The determination of the fair value of these instruments is most sensitive to these key assumptions. Any significant change in these key assumptions may have an effect on the fair value of these derivative financial instruments.

22.4 Risk management related to derivatives is discussed in note 42.

23. MARK-UP / RETURN / INTEREST EARNED	<i>Note</i>	2018	2017
(Rupees in '000)			
On:			
a) Loans and advances		2,427,456	1,319,480
b) Investments		3,155,538	4,180,579
c) Lendings to financial institutions		2,451,778	1,685,456
d) Balances with banks		43,023	41,306
		8,077,795	7,226,821
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		3,096,101	2,928,152
Borrowings		271,832	276,166
Cost of foreign currency swaps against foreign currency deposits / borrowings		531,645	1,082,262
		3,899,578	4,286,580
25. FEE AND COMMISSION INCOME			
Branch banking customer fees		20,703	18,724
Card related fees (debit and credit cards)		7,961	6,898
Credit related fees		780	4,292
Custody related fees		309,175	368,360
Commission on trade		143,932	98,835
Commission on guarantees		12,727	15,923
Commission on cash management		292,955	74,974
Commission on remittances including home remittances		484,313	284,432
Others		5,498	34,593
		1,278,044	907,031
26. GAIN ON SECURITIES			
Realised	26.1	56,782	76,856
Unrealised - held for trading	8.1	(364)	5,495
		56,418	82,351
26.1 Realised gain on:			
Federal Government Securities		56,782	76,856
		56,782	76,856
27. OTHER INCOME			
Gain on sale of fixed assets - net		30,103	3,592
Sale of non-capitalized assets		78	2,967
Incidental Income		1,024	307
		31,205	6,866

28. OPERATING EXPENSES

	Note	2018 (Rupees in '000)	2017
Total compensation expense	28.1	630,956	682,098
Property expense			
Rent & taxes		143,185	161,794
Insurance		814	1,847
Utilities cost		37,788	44,540
Security (including guards)		47,805	49,107
Repair & maintenance (including janitorial charges)		59,449	67,445
Depreciation		72,485	71,986
Others		295	-
		361,821	396,719
Information technology expenses			
Software maintenance		12,834	477
Hardware maintenance		5,185	5,041
Depreciation		47,664	49,888
Network charges		36,798	45,480
Others		78	-
		102,559	100,886
Other operating expenses			
Legal & professional charges		32,338	39,511
Outsourced services costs (refer note 33.1)		265,879	147,556
Travelling & conveyance		94,035	98,829
NIFT clearing charges		1,606	8,059
Depreciation		2,632	6,288
Training & development		1,586	237
Postage & courier charges		27,594	21,803
Communication		28,532	25,079
Head office expenses	28.4	315,138	339,493
Stationery & printing		32,566	29,457
Marketing, advertisement & publicity		300	6,199
Donations	28.2	1,448	3,620
Auditors Remuneration	28.3	3,615	4,921
Banking Service Charges		82,060	55,056
Brokerage and commission paid		62,762	53,644
Card Association Fees		15,413	27,158
Others		38,709	66,505
		1,006,213	933,415
		2,101,549	2,113,118

The Bank has incurred outsourced services cost of Rs. 82.249 million (2017: Rs. 46.659 million) pertaining to payments to companies incorporated outside Pakistan and Rs. 183.63 million (2017: Rs. 100.897 million) pertaining to payments to companies incorporated in Pakistan.

The Bank has outsourced some of its activities to Citi-affiliated entities incorporated outside Pakistan. This includes among others, KYC and AML transaction monitoring, FATCA validation and reporting, e-statement, Electronic Communication surveillance, Regulatory report production, Data hosting, system and infrastructure support, Suppliers' management and payment processing, and Commercial Cards processing and printing.

28.1 Total compensation expense

	2018 (Rupees in '000)	2017
Fees and Allowances etc	-	-
Managerial Remuneration		
i) Fixed	362,577	372,643
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	99,444	118,356
b) Bonus & Awards in Shares etc.	18,516	22,244
Charge for defined benefit plan	40,127	40,539
Contribution to defined contribution Plan	23,838	24,226
Rent & house maintenance	23,861	46,371
Utilities	7,547	6,440
Medical	15,336	14,539
Conveyance	29,107	33,370
Professional membership fees reimbursement	364	104
Others	-	338
Sub-total	620,717	679,170
Severance Allowance *	10,239	2,928
Grand Total	630,956	682,098

* The number of persons paid severance allowance was 01 (2017: 03).

28.2	Donations above Rs. 0.5 Million		2018	2017
			(Rupees in '000)	
	Marie Adelaide Leprosy Centre		500	2,500
	Donations individually not exceeding Rs. 500,000		948	1,120
			<u>1,448</u>	<u>3,620</u>
28.2.1	Donations were not made to any donee in which key management personnel or their spouse had any interest.			
28.3	Auditors' remuneration	Note	2018	2017
			(Rupees in '000)	
	Audit fee		1,519	1,460
	Fee for the half yearly review		491	455
	Special certifications and other services		1,296	2,694
	Out-of-pocket expenses		309	312
			<u>3,615</u>	<u>4,921</u>
28.4	Head office expenses are estimated based on head office certificates of prior year and are subject to true ups / actualisation.			
29.	OTHER CHARGES	Note	2018	2017
			(Rupees in '000)	
	Penalties imposed by State Bank of Pakistan		745	21
			<u>745</u>	<u>21</u>
30.	PROVISIONS & WRITE OFFS - NET			
	Reversal against loans & advances	9.4	(54,838)	(68,067)
			<u>(54,838)</u>	<u>(68,067)</u>
31.	TAXATION			
	Current		2,073,277	1,217,112
	Prior years		33,236	190,482
	Deferred		135,880	113,139
			<u>2,242,393</u>	<u>1,520,733</u>
31.1	Relationship between tax expense and accounting profit			
	Profit before taxation		5,951,924	3,754,653
	Taxation at the applicable tax rate of 35% (2017: 35%)		2,083,173	1,314,129
	Taxation at the applicable Super tax rate of 4% (2017: 0%)		238,077	-
	Prior year charge			
	- Current Tax		33,236	-
	- Super Tax		-	190,482
	Taxation effect of expenses / income that are not deductible / taxable in determining taxable income		(99,332)	5,066
	Others		(12,761)	11,056
			<u>2,242,393</u>	<u>1,520,733</u>
32.	CASH AND CASH EQUIVALENTS			
	Cash and Balance with Treasury Banks		9,126,210	5,907,205
	Balance with other Banks		641,152	1,091,101
	Overdrawn Nostros		(237,621)	(1,962)
			<u>9,529,741</u>	<u>6,996,344</u>

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

	2018						
	Liabilities				Equity		
	Bills payable	Borrowings	Deposits and other accounts	Other liabilities	Head office capital account	Reserves	Unremitted profit
	----- (Rupees in '000) -----						
Balance as at 01 January 2018	1,836,429	15,458,408	78,817,906	14,901,989	6,812,671	163,039	2,232,629
Changes from financing cash flows							
Proceeds from sub-ordinated debt	-	-	-	-	-	-	-
Profit repatriated to head office during the year	-	-	-	-	-	-	(2,232,629)
Total changes from financing cash flows	1,836,429	15,458,408	78,817,906	14,901,989	6,812,671	163,039	-
Other changes							
Liability-related							
Changes in bills payable	2,362,588	-	-	-	-	-	-
Changes in borrowings	-	(1,572,218)	-	-	-	-	-
Changes in deposits and other accounts	-	-	16,218,153	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-
- Cash based	-	-	-	2,001,617	-	-	-
- Non-cash based	-	-	-	25,022	-	(1,496)	11,315
Profit for the year	-	-	-	-	-	-	3,709,531
Balance as at 31 December 2018	4,199,017	13,886,190	95,036,059	16,928,628	6,812,671	161,543	3,720,846
	2017						
	Liabilities				Equity		
	Bills payable	Borrowings	Deposits and other accounts	Other liabilities	Head office capital	Reserves	Unremitted profit
	----- (Rupees in '000) -----						
Balance as at 01 January 2017	2,524,303	18,304,738	75,076,382	8,994,172	6,812,671	168,704	3,174,345
Changes from financing cash flows							
Proceeds from sub-ordinated debt	-	-	-	-	-	-	-
Profit repatriated to head office during the year	-	-	-	-	-	-	(3,174,345)
Total changes from financing cash flows	2,524,303	18,304,738	75,076,382	8,994,172	6,812,671	168,704	-
Other changes							
Liability-related							
Changes in bills payable	(687,874)	-	-	-	-	-	-
Changes in borrowings	-	(2,846,330)	-	-	-	-	-
Changes in deposits and other accounts	-	-	3,741,524	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-
- Cash based	-	-	-	5,856,577	-	-	-
- Non-cash based	-	-	-	51,240	-	(5,665)	(1,291)
Profit for the year	-	-	-	-	-	-	2,233,920
Balance as at 31 December 2017	1,836,429	15,458,408	78,817,906	14,901,989	6,812,671	163,039	2,232,629

33. STAFF STRENGTH

	2018	2017
	(Number)	
Permanent	135	139
Bank's own staff strength at the end of the year	135	139

33.1 In addition to the above, 168 (2017: 183) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

34. DEFINED BENEFIT PLAN

34.1 General description

All permanent employees with a minimum service period of five years or more with the Bank are entitled to end of service benefits calculated at 130 percent of basic salary for each year of service with the Bank. The assets of the funded plan are held independently in a separate trustee administered fund.

34.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2018	2017
	(Number)	
- Gratuity fund	135	139

34.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2018 using the following significant assumptions:

	2018	2017
	(Per annum)	
Discount rate	12.00%	8.00%
Expected rate of return on plan assets	12.00%	8.00%
Expected rate of salary increase	11.00%	8.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted State Life Insurance Corporation 2001 - 2005 mortality tables with one year age set back.

34.4 Reconciliation of payable to defined benefit plans	Note	Gratuity fund	
		2018	2017
(Rupees in '000)			
Present value of obligations		263,842	260,384
Fair value of plan assets		<u>(84,823)</u>	<u>(83,906)</u>
Payable		<u><u>179,019</u></u>	<u><u>176,478</u></u>
34.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		260,384	259,479
Current service cost		26,874	26,400
Interest cost		20,241	21,020
Benefits paid by the Bank		(21,716)	(52,265)
Re-measurement (gain) / loss		<u>(21,941)</u>	<u>5,750</u>
Obligations at the end of the year		<u><u>263,842</u></u>	<u><u>260,384</u></u>
34.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		83,906	82,483
Interest income on plan assets		6,988	6,881
Contribution by the Bank - net		20,179	43,043
Benefits paid by the Bank		(21,716)	(52,265)
Re-measurements: Net return on plan assets over interest income (loss) / gain	34.8.2	<u>(4,534)</u>	<u>3,764</u>
Fair value at the end of the year		<u><u>84,823</u></u>	<u><u>83,906</u></u>
34.7 Movement in payable under defined benefit schemes			
Opening balance		176,478	176,996
Charge for the year		40,127	40,539
Contribution by the Bank - net		(20,179)	(43,043)
Re-measurement (gain) / loss recognised in OCI during the year	34.8.2	<u>(17,407)</u>	<u>1,986</u>
Closing balance		<u><u>179,019</u></u>	<u><u>176,478</u></u>
34.8 Charge for defined benefit plans			
34.8.1 Cost recognised in profit and loss			
Current service cost		26,874	26,400
Net interest on defined benefit liability		<u>13,253</u>	<u>14,139</u>
		<u><u>40,127</u></u>	<u><u>40,539</u></u>

34.8.2 Re-measurements recognised in OCI during the year	Gratuity fund	
	2018	2017
	(Rupees in '000)	
Loss / (gain) on obligation		
- Financial assumptions	(21,961)	5,750
- Experience adjustment	20	-
Return on plan assets over interest income	4,534	(3,764)
Total re-measurements recognised in OCI	<u>(17,407)</u>	<u>1,986</u>

34.9 Components of plan assets

Cash and cash equivalents - net	4,274	8,491
Government Securities	80,549	75,415

34.10 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Gratuity Fund 2018 (Rupees in '000)
1% increase in discount rate	245,889
1% decrease in discount rate	284,101
1 % increase in expected rate of salary increase	285,356
1 % decrease in expected rate of salary increase	244,494

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the Statement of Financial Position.

	2018 (Rupees in '000)
34.11 Expected contributions to be paid to the funds in the next financial year	<u>22,695</u>
34.12 Expected charge for the next financial year	<u>46,838</u>

34.13 Maturity profile

The weighted average duration of the obligation is 8.09 years

34.14 Funding Policy

Funding levels are monitored on an annual basis and are based on actuarial recommendations. Through its defined benefit gratuity plan, the Fund is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The Fund believes that due to long-term nature of the plan liabilities and the strength of the Bank's support, current investment strategy manages this risk adequately.
Inflation risk	The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, plan assets are variable rate instruments and are re-priced at regular intervals to off-set inflationary impacts.
Life expectancy / Withdrawal rate	The majority of the plans' obligations are to provide benefits on severance with the Bank on achieving retirement. Any change in life expectancy / withdrawal rate would impact plan liabilities.

34.15 The plan assets and defined benefit obligations are based in Pakistan.

35. DEFINED CONTRIBUTION PLAN

All permanent employees of the Bank are entitled to end of service benefits through a recognised provident fund, whereby the Bank and all permanent employees are required to make monthly contributions to the scheme at 10 percent of basic salary.

During the year, the Bank contributed Rs. 23.838 million (2017: Rs. 24.226 million) in respect of the defined contribution plan.

36. COMPENSATION OF CHIEF EXECUTIVE AND EXECUTIVES

	<u>Citi Country Officer</u>		<u>Executives</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>----- (Rupees in '000) -----</u>			
Managerial remuneration	61,281	57,232	204,566	232,709
Charge for defined benefit plan	1,999	1,999	12,844	13,607
Contribution to defined contribution plan	2,400	2,400	15,419	16,335
Rent and house maintenance	9,985	9,779	61,675	65,340
Utilities	4,569	5,106	15,419	16,335
Medical	131	182	1,319	1,313
Others	3,353	3,010	42,419	23,984
	<u>83,718</u>	<u>79,708</u>	<u>353,661</u>	<u>369,623</u>
Number of persons	<u>1</u>	<u>1</u>	<u>50</u>	<u>52</u>

The Bank also provides free use of furnished accommodation and bank maintained car to the Citi Country Officer (CCO).

37. FAIR VALUE MEASUREMENTS

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in principal or, in its absence, the most advantageous market to which the Bank has access at that date.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

37.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

	Note	2018				
		Carrying / Notional Value	Fair Value			Total
			Level 1	Level 2	Level 3	
----- (Rupees in '000) -----						
On balance sheet financial instruments						
Financial assets - measured at fair value						
Investments						
Federal Government Securities		66,498,149	-	66,498,149	-	66,498,149
Financial assets - disclosed but not measured at fair value						
Cash and balances with treasury banks	37.2	9,126,210	-	-	-	-
Balances with other banks	37.2	641,152	-	-	-	-
Lendings to financial institutions	37.2	12,458,933	-	-	-	-
Advances - net	37.2	40,003,983	-	-	-	-
Other financial assets	37.2	10,696,740	-	-	-	-
		<u>139,425,167</u>	<u>-</u>	<u>66,498,149</u>	<u>-</u>	<u>66,498,149</u>
Off-balance sheet financial instruments - measured at fair value						
Forward purchase of foreign exchange		115,534,754	-	119,113,702	-	119,113,702
Forward sale of foreign exchange		98,112,509	-	94,729,805	-	94,729,805
Forward repurchase agreement lendings (reverse repos)		12,469,769	-	12,469,769	-	12,469,769
Forward Borrowing		-	-	-	-	-
Forward purchase contracts of government securities		539,830	-	522,514	-	522,514
Forward sale contracts of government securities		-	-	-	-	-
Forward placement		1,166,440	-	1,166,440	-	1,166,440
Interest rate derivative contracts		1,966,667	-	1,934,066	-	1,934,066
----- (Rupees in '000) -----						
2017						
	Note	Carrying / Notional Value	Fair Value			Total
			Level 1	Level 2	Level 3	
----- (Rupees in '000) -----						
On balance sheet financial instruments						
Financial assets - measured at fair value						
Investments						
Federal Government Securities		57,091,381	-	57,091,381	-	57,091,381
Financial assets - disclosed but not measured at fair value						
Cash and balances with treasury banks	37.2	5,907,205	-	-	-	-
Balances with other banks	37.2	1,091,101	-	-	-	-
Lendings to financial institutions	37.2	23,930,516	-	-	-	-
Advances - net	37.2	24,483,524	-	-	-	-
Other financial assets	37.2	6,170,963	-	-	-	-
		<u>118,674,690</u>	<u>-</u>	<u>57,091,381</u>	<u>-</u>	<u>57,091,381</u>
Off-balance sheet financial instruments - measured at fair value						
Forward purchase of foreign exchange		94,204,250	-	96,841,760	-	96,841,760
Forward sale of foreign exchange		77,215,996	-	74,448,477	-	74,448,477
Forward repurchase agreement lendings (reverse repos)		23,964,259	-	23,964,259	-	23,964,259
Forward Borrowing		8,833,376	-	8,833,376	-	8,833,376
Forward purchase contracts of government securities		1,609,683	-	1,613,172	-	1,613,172
Forward sale contracts of government securities		7,717,243	-	7,717,243	-	7,717,243
Forward placement		662,503	-	662,503	-	662,503
Interest rate derivative contracts		3,933,333	-	3,991,331	-	3,991,331

37.2 The Bank has not disclosed the fair values for these financial assets and liabilities, as these are short term or repriced over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

38. SEGMENT INFORMATION

38.1 Segment Details with respect to Business Activities

The Chief Operating Decision Maker (CODM) is the Managing Director and Citi Country Officer of the Bank. The segment analysis with respect to business activity presented to the CODM is as follows:

	2018		
	Corporate Banking	Trading & Sales	Total
	(Rupees in '000)		
Profit & Loss			
Net mark-up / return / profit	(668,645)	4,846,862	4,178,217
Inter segment revenue - net	3,160,533	(3,160,533)	-
Non mark-up / return / interest income	1,308,699	2,607,694	3,916,393
Total Income	3,800,587	4,294,023	8,094,610
Segment direct expenses	1,203,737	993,787	2,197,524
Inter segment expense allocation	-	-	-
Total expenses	1,203,737	993,787	2,197,524
Provisions	(54,838)	-	(54,838)
Profit before tax	2,651,688	3,300,236	5,951,924
Balance Sheet			
	Corporate Banking	Trading & Sales	Total
	(Rupees in '000)		
Cash & Bank balances	266,629	9,500,733	9,767,362
Investments	-	66,498,149	66,498,149
Net inter segment lending	62,790,652	(62,790,652)	-
Lendings to financial institutions	-	12,458,933	12,458,933
Advances - performing	40,003,983	-	40,003,983
- non-performing net of provision	-	-	-
Others	8,609,484	3,610,321	12,219,805
Total Assets	111,670,748	29,277,484	140,948,232
Borrowings	-	14,123,811	14,123,811
Deposits & other accounts	94,446,990	589,069	95,036,059
Net inter segment borrowing	(62,790,652)	62,790,652	-
Others	17,223,758	3,945,074	21,168,832
Total liabilities	48,880,096	81,448,606	130,328,702
Equity	-	10,619,530	10,619,530
Total Equity & liabilities	48,880,096	92,068,136	140,948,232
Contingencies & Commitments	16,455,332	229,789,969	246,245,301

	2017		
	Corporate Banking	Trading & Sales	Total
	----- (Rupees in '000) -----		
Profit & Loss			
Net mark-up / return / profit	(730,226)	3,670,467	2,940,241
Inter segment revenue - net	2,109,950	(2,109,950)	-
Non mark-up / return / interest income	910,777	2,009,329	2,920,106
Total Income	2,290,501	3,569,846	5,860,347
Segment direct expenses	1,043,703	1,130,058	2,173,761
Inter segment expense allocation	-	-	-
Total expenses	1,043,703	1,130,058	2,173,761
Provisions	(68,067)	-	(68,067)
Profit before tax	1,314,865	2,439,788	3,754,653
Balance Sheet			
	----- (Rupees in '000) -----		
Cash & Bank balances	487,030	6,511,276	6,998,306
Investments	-	57,091,381	57,091,381
Net inter segment lending	61,143,362	(61,143,362)	-
Lendings to financial institutions	-	23,930,516	23,930,516
Advances - performing	24,483,524	-	24,483,524
- non-performing	-	-	-
Others	4,940,028	2,776,017	7,716,045
Total Assets	91,053,944	29,165,828	120,219,772
Borrowings	-	15,460,370	15,460,370
Subordinated debt			-
Deposits & other accounts	78,704,550	113,356	78,817,906
Net inter segment borrowing	(61,143,362)	61,143,362	-
Others	12,349,394	4,389,024	16,738,418
Total liabilities	29,910,582	81,106,112	111,016,694
Equity	-	9,203,078	9,203,078
Total Equity & liabilities	29,910,582	90,309,190	120,219,772
Contingencies & Commitments	15,526,719	218,140,644	233,667,363

39 TRUST ACTIVITIES

The Bank provides local and foreign custodial services including vault services along with security trustee services.

40. RELATED PARTY TRANSACTIONS

Transactions with related parties comprise of transactions in the normal course of business with other branches of Citibank, N.A. outside Pakistan, other direct and indirect subsidiaries of Citigroup, retirement benefit plans and key management personnel of the Bank.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to executives is determined in accordance with the terms of their appointment.

	2018		2017	
	Head Office	Branches and other related parties	Head Office	Branches and other related parties
----- (Rupees in '000) -----				
Balances with other banks				
In current accounts	-	536,690	788,518	252,328
	-	536,690	788,518	252,328
Other Assets				
Interest / mark-up accrued	1,076	-	191	-
Other receivables	-	3,510	-	4,685
Unrealised gain / (loss) on forward foreign exchange contracts - purchase	-	-	-	-
	-	720,788	-	773,715
	1,076	724,298	191	778,400
Borrowings				
Opening balance	-	15,458,408	-	18,304,738
Borrowings during the year	-	979,524,899	-	3,823,481,242
Settled during the year	-	(981,097,117)	-	(3,826,327,572)
Closing balance	-	13,886,190	-	15,458,408
Overdrawn Nostros	237,618	-	-	1,959
Deposits and other accounts				
Opening balance	616	328,248	3	602,546
Received during the year	1,090,363	4,062,479	12,321	2,124,496
Withdrawn during the year	(1,090,213)	(3,697,395)	(11,708)	(2,398,794)
Closing balance	766	693,332	616	328,248
Other Liabilities				
Interest / mark-up payable	-	926	-	1,857
Unremitted Head Office Expense	769,833	-	755,690	-
Unrealised loss on forward foreign exchange contracts - sale	-	-	-	-
	-	723,363	-	681,413
Payable to defined benefit plan	-	179,019	-	176,478
Payable to associated undertakings	-	2,121,042	-	4,265,948
Payable for expenses and share based payments	-	287,419	-	207,699
	769,833	3,311,769	755,690	5,333,395
Contingencies and Commitments				
Forward exchange contracts				
Purchase	-	29,964,551	-	18,777,952
Sales	-	29,964,551	-	18,776,061
Counter guarantees to branches	150,623	1,233,307	44,819	839,467
	150,623	61,162,409	44,819	38,393,480
Income				
Mark-up / return / interest earned	21,543	12,499	380	40,020
Fee and commission income	19,212	526,643	25,898	29,049
Net gain on sale of securities	-	(62)	-	3
Foreign Exchange Income	-	26,163	-	24,429
Expense				
Mark-up / return / interest paid	2,558	80,875	110	217,703
Regional expenses for support services	7,698	74,551	6,409	40,249
Head office expenses	315,138	44,017	339,493	-
Contribution to staff retirement benefit funds	-	44,017	-	67,269
Remuneration of Key Management Personnel	-	83,718	-	79,708

41. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	2018	2017
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>6,812,671</u>	<u>6,812,671</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>10,619,530</u>	9,203,079
Eligible Additional Tier 1 (ADT 1) Capital	<u>-</u>	-
Total Eligible Tier 1 Capital	<u>10,619,530</u>	9,203,079
Eligible Tier 2 Capital	<u>426</u>	255
Total Eligible Capital (Tier 1 + Tier 2)	<u>10,619,956</u>	9,203,334
Risk Weighted Assets (RWAs):		
Credit Risk	<u>29,188,301</u>	20,275,890
Market Risk	<u>957,497</u>	1,734,829
Operational Risk	<u>12,444,529</u>	11,132,628
Total	<u>42,590,327</u>	33,143,347
Common Equity Tier 1 Capital Adequacy ratio	<u>24.93%</u>	<u>27.77%</u>
Tier 1 Capital Adequacy Ratio	<u>24.93%</u>	<u>27.77%</u>
Total Capital Adequacy Ratio	<u>24.94%</u>	<u>27.77%</u>

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions to be raised to Rs. 10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.10 billion capital (net of losses) from the end of the financial year 2013 onwards. However, branches of foreign banks operating in Pakistan whose head office holds paid-up capital (free of losses) of atleast US\$ 300 million, have a CAR of 8% or minimum prescribed by the home regulator and have prescribed number of branches, are allowed to maintain lower amount with prior approval of SBP. In this regard the Bank is maintaining higher capital to support business requirements.

The Head office capital account of the Bank for the year ended December 31, 2018 stands at Rs 6.813 billion and is in compliance with the SBP requirement for the said year. In addition the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 11.90% of the risk weighted exposures of the Bank as of December 31, 2018. The Bank's CAR as at December 31, 2018 was 24.94% of its risk weighted exposure.

A framework for Domestic Systemically Important Bank – (D-SIB) was issued by State Bank of Pakistan in April 2018. Under the framework, the bank is required to hold additional CET 1 capital on its risk weighted assets in Pakistan at the rate applicable on G-SIB. Citigroup Inc., an ultimate parent company, is currently required to maintain 2% additional capital buffer under the G-SIB framework. Accordingly, bank also holds additional 2% under Pillar 1 capital requirement.

The capital to risk weighted assets ratio, is calculated in accordance with the SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

	2018	2017
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	10,619,530	9,203,079
Total Exposures	<u>167,813,928</u>	<u>142,663,738</u>
Leverage Ratio	<u>6.33%</u>	<u>6.45%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	68,163,186	88,102,934
Total Net Cash Outflow	<u>25,765,502</u>	<u>36,702,434</u>
Liquidity Coverage Ratio	<u>264.55%</u>	<u>240.05%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	99,839,445	89,286,589
Total Required Stable Funding	<u>49,670,959</u>	<u>34,475,951</u>
Net Stable Funding Ratio	<u>201.00%</u>	<u>258.98%</u>

41.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time are placed on the website. The link to the full disclosures is available at <http://www.citibank.com/pakistan/homepage/CapitalAdequacyandLiquidityStatements.html>

42. RISK MANAGEMENT

The Head office capital account of the Bank for the year ended December 31, 2018 stands at Rs 6.813 billion and is in compliance with the SBP requirement for the said year. In addition the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 11.90% of the risk weighted exposures of the Bank. The Bank's CAR as at December 31, 2018 was 24.94% of its risk weighted exposure.

- These standards are governed by specific policies which are defined and documented.
- Risks are measured using defined methodologies.
- Limits for credit, market and liquidity risks are approved by Risk Management, which is "independent" of the business areas.
- Dedicated risk management and control functions are in place for credit (Corporate and Consumer), market, liquidity and operational risks.

Additionally, Risk Management maintains oversight of the regulatory, economic, reputational and legal risks associated with the above-mentioned risk areas.

42.1 Credit Risk

This represents the potential for financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations arising out of activities which include lendings, sales and trading, derivatives, securities transaction and settlement.

42.1.1 Corporate credit risk

This risk is managed through the following:

- Single centre of control for each credit relationship that coordinates credit activities with the borrower.
- Documented target market and portfolio concentration limits that establish the credit appetite and minimum acceptable standards (both borrower and industry specific), provide portfolio diversification and maintain risk / capital alignment.
- Consistent standards for credit origination, documentation and remedial management.
- Maintenance of accurate and consistent borrower risk ratings through use of statistical models (periodically validated) or approved scoring methodologies after taking into consideration the available credit risk mitigates.
- Periodic stress testing of the credit portfolio based on emerging or expected risk events.

42.1.2 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Private	12,458,933	23,930,516	-	-	-	-
	12,458,933	23,930,516	-	-	-	-

42.1.3 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Textile	248,090	248,090	248,090	248,090	248,090	248,090
Financial	66,617,212	57,101,974	-	-	-	-
	66,865,302	57,350,064	248,090	248,090	248,090	248,090

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public / Government	66,617,212	57,101,974	-	-	-	-
Private	248,090	248,090	248,090	248,090	248,090	248,090
	66,865,302	57,350,064	248,090	248,090	248,090	248,090

42.1.4 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Textile	1,639,799	1,680,124	1,639,799	1,676,621	1,639,799	1,676,621
Chemical and Pharmaceuticals	13,620,148	8,672,959	54,843	55,468	54,843	55,468
Footwear and Leather garments	73,174	73,174	73,174	73,174	73,174	73,174
Automobile and transportation equipment	9,176,146	3,952,925	34,721	38,527	34,721	38,527
Electronics and electrical appliances	4,401,370	2,952,354	-	-	-	-
Power (electricity), Gas, Water, Sanitary	1,420,044	1,109,995	-	-	-	-
Wholesale and Retail Trade	9,026	11,102	9,026	9,026	9,026	9,026
Transport, Storage and Communication	6,388,144	3,897,566	13,258	13,258	13,258	13,258
Financial	3,138	-	-	-	-	-
Services	5,758	-	-	-	-	-
Individuals	383,687	464,976	138,314	142,863	138,314	142,863
Others	5,627,609	4,467,247	780,499	789,706	780,499	789,706
	42,748,043	27,282,422	2,743,634	2,798,643	2,743,634	2,798,643

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Private	42,748,043	27,282,422	2,743,634	2,798,643	2,743,634	2,798,643
	42,748,043	27,282,422	2,743,634	2,798,643	2,743,634	2,798,643

42.1.5 Contingencies and Commitments

Credit risk by industry sector	2018	2017
	(Rupees in '000)	
Mining and Quarrying	-	124,407
Textile	141	141
Chemical and Pharmaceuticals	4,333,891	6,053,743
Automobile and transportation equipment	1,077,859	10,552
Electronics and electrical appliances	684,502	539,699
Power (electricity), Gas, Water, Sanitary	54,549	50,212
Transport, Storage and Communication	2,686,622	4,558,258
Financial	226,403,645	212,555,001
Services	149,552	342,384
Others	10,854,540	9,432,965
	246,245,301	233,667,362
Credit risk by public / private sector		
Public / Government	36,861,981	52,629,874
Private	209,383,320	181,037,488
	246,245,301	233,667,362

42.1.6 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 36,677.272 million (2017: Rs. 27,661.426 million) are as following:

	2018	2017
	(Rupees in '000)	
Funded	25,191,772	16,946,487
Non Funded	11,485,500	10,714,939
Total Exposure	36,677,272	27,661,426

The sanctioned limits against these top 10 exposures aggregated to Rs. 76,334.30 million (2017: Rs. 42,305.70 million)

42.1.7 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2018					
	Disbursements	Utilization				
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
	(Rupees in '000)					
Punjab	31,376,301	31,376,301	-	-	-	-
Sindh	81,561,950	-	81,561,950	-	-	-
KPK including FATA	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	65,739,422	-	-	-	65,739,422	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
Total	178,677,673	31,376,301	81,561,950	-	65,739,422	-
Province / Region	2017					
	Disbursements	Utilization				
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
	(Rupees in '000)					
Punjab	23,765,336	23,765,336	-	-	-	-
Sindh	56,223,469	-	56,223,469	-	-	-
KPK including FATA	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	55,762,521	-	-	-	55,762,521	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
Total	135,751,326	23,765,336	56,223,469	-	55,762,521	-

42.2 Market Risk

Market risk is the risk of losses arising from fluctuation in the market value of trading and non-trading portfolios. The primary sources of market risk are fluctuation in interest rates and foreign exchange rates.

Market risk is measured in accordance with the Bank's established standards, under which the business is required to establish, with approval from independent market risk management, a market risk limit framework, including risk measures, limits and controls, that clearly defines approved risk profiles and is within the parameters of the Bank's overall risk appetite. In all cases, businesses are ultimately responsible for the market risk they take and for remaining within their defined limits.

The Bank's principal measure of earnings risk to earnings from non-trading portfolios due to interest rate changes is Interest Rate Exposure (IRE). This measures the change in expected Net Interest Revenue from changes in market rates of interest. Market risk in trading portfolios is measured through a complementary set of tools, including factor sensitivities, value-at-risk and stress testing.

The Bank uses the Standardized Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II. This approach covers the Bank's trading portfolios, comprising off-balance sheet transactions including derivatives and securities classified under the trading portfolio.

42.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	9,126,210	-	9,126,210	5,907,205	-	5,907,205
Balances with other banks	641,152	-	641,152	1,091,101	-	1,091,101
Lendings to financial institutions	12,458,933	-	12,458,933	23,930,516	-	23,930,516
Investments	-	66,498,149	66,498,149	-	57,091,381	57,091,381
Advances	40,003,983	-	40,003,983	24,483,524	-	24,483,524
Fixed assets	485,702	-	485,702	541,286	-	541,286
Intangible assets	-	-	-	-	-	-
Deferred tax assets	-	-	-	62,145	-	62,145
Other assets	8,148,825	3,585,278	11,734,103	4,415,197	2,697,417	7,112,614
	<u>70,864,805</u>	<u>70,083,427</u>	<u>140,948,232</u>	<u>60,430,974</u>	<u>59,788,798</u>	<u>120,219,772</u>

42.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss resulting from adverse movement in exchange rates. The Bank's principal exchange rate related contracts are forward foreign exchange conducts, cross currency swaps and options. Non traded foreign exchange risk arises through the provision of banking products and services in foreign currency. The objectives of foreign exchange risk management function is to minimise the adverse impact of foreign exchange assets and liabilities mismatch and maximise the earnings observing the limits set by the Bank. Exchange position arising from trading activities are monitored through foreign exchange limits on aggregate and individual basis. Hedging strategies and mark to market valuations are used to mitigate exchange risk resulting from open positions. Overall exchange position risk is maintained in accordance with the regulatory requirements prescribed by the State Bank of Pakistan.

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments.

	2018				2017			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	6,069,692	24,047,305	17,705,780	(271,833)	5,296,463	22,524,765	17,377,318	149,016
Great Britain Pound Sterling	16,796	12,075	-	4,721	173,668	1,382	(171,455)	831
Euro	317,861	179,064	(15,884)	122,913	47,409	51,905	-	(4,496)
Japanese Yen	986,239	951,954	-	34,285	50,068	1	(34,328)	15,739
Other currencies	904,323	796,146	(74,394)	33,783	416,142	250,500	(302,715)	(137,073)
	<u>8,294,911</u>	<u>25,986,544</u>	<u>17,615,502</u>	<u>(76,131)</u>	<u>5,983,750</u>	<u>22,828,553</u>	<u>16,868,820</u>	<u>24,017</u>

	2018		2017	
	Banking	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account				
Increase of 1%	(176,916)	1,999	(168,487)	(1,300)
Decrease of 1%	176,916	(1,999)	168,487	1,300
- Other comprehensive income				
Increase of 1%	-	-	-	-
Decrease of 1%	-	-	-	-

42.2.3 Equity position Risk

The risk arising from taking long or short positions, in the trading book, in the equities and all instruments that exhibit market behaviour similar to equities. The Bank does not maintain equity trading portfolio.

42.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Bank's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off-balance sheet assets and liabilities.

The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities. Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----				
Impact of 1% change in interest rates on				
- Profit and loss account				
Increase of 1%	98,429	607,358	(239,931)	481,914
Decrease of 1%	(98,429)	(607,358)	239,931	(481,914)
- Other comprehensive income				
Increase of 1%	-	(539,583)	-	(416,827)
Decrease of 1%	-	539,583	-	416,827

42.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield / Interest rate	Total	2018									Non-interest bearing financial instruments	
		Exposed to Yield / Interest risk										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
----- (Rupees in '000) -----												
On-balance sheet financial instruments												
<i>Assets</i>												
Cash and balances with treasury banks	0.78%	9,126,210	1,555,253	-	-	-	-	-	-	-	-	7,570,957
Balances with other banks	0.00%	641,152	-	-	-	-	-	-	-	-	-	641,152
Lendings to financial institutions	7.33%	12,458,933	12,458,933	-	-	-	-	-	-	-	-	-
Investments	5.83%	66,498,149	55,836,324	7,818,115	-	2,843,710	-	-	-	-	-	-
Advances	8.02%	40,003,983	30,682,728	3,202,431	2,886,821	2,010,923	1,020,832	18,375	32,767	68,573	69,562	10,971
Other assets	0.00%	10,696,739	-	-	-	-	-	-	-	-	-	10,696,739
		139,425,166	100,533,238	11,020,546	2,886,821	4,854,633	1,020,832	18,375	32,767	68,573	69,562	18,919,819
<i>Liabilities</i>												
Bills payable	-	4,199,017	-	-	-	-	-	-	-	-	-	4,199,017
Borrowings	4.74%	14,123,811	13,886,190	-	-	-	-	-	-	-	-	237,621
Deposits and other accounts	3.41%	95,036,059	45,083,295	3,096,405	667,000	5,000	25,000	-	20,000	-	-	46,139,359
Other liabilities	-	16,707,313	-	-	-	-	-	-	-	-	-	16,707,313
		130,066,200	58,969,485	3,096,405	667,000	5,000	25,000	-	20,000	-	-	67,283,310
On-balance sheet gap		9,358,966	41,563,753	7,924,141	2,219,821	4,849,633	995,832	18,375	12,767	68,573	69,562	(48,363,491)

Effective Yield / Interest rate	Total	2018									Non-interest bearing financial instruments
		Exposed to Yield / Interest risk									
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
----- (Rupees in '000) -----											
Off-balance sheet financial instruments											
Commitments in respect of:											
- forward Foreign Exchange contracts - purchase	115,534,754	62,803,710	31,753,951	19,974,129	1,002,964	-	-	-	-	-	-
- forward Foreign Exchange contracts - sale	(98,112,509)	(40,340,113)	(41,307,498)	(14,416,254)	(2,048,644)	-	-	-	-	-	-
- forward purchase contracts of government securities	539,830	539,830	-	-	-	-	-	-	-	-	-
- forward placement	1,166,440	1,166,440	-	-	-	-	-	-	-	-	-
- Interest Rate Derivative Contracts - long position	1,966,667	-	-	-	1,966,667	-	-	-	-	-	-
- Interest Rate Derivative Contracts - short position	(1,966,667)	-	-	-	(1,966,667)	-	-	-	-	-	-
-forward repurchase agreement lendings (reverse repo)	12,469,769	12,469,769	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	31,598,284	36,639,636	(9,553,547)	5,557,875	(1,045,680)	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		78,203,389	(1,629,406)	7,777,696	3,803,953	995,832	18,375	12,767	68,573	69,562	(48,363,491)
Cumulative Yield / Interest Risk Sensitivity Gap		78,203,389	76,573,983	84,351,679	88,155,632	89,151,464	89,169,839	89,182,606	89,251,179	89,320,741	40,957,250

Effective Yield / Interest rate	Total	2017									Non-interest bearing financial instruments	
		Exposed to Yield / Interest risk										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
----- (Rupees in '000) -----												
On-balance sheet financial instruments												
<u>Assets</u>												
Cash and balances with treasury banks	0.10%	5,907,205	883,337	-	-	-	-	-	-	-	5,023,868	
Balances with other banks	0.00%	1,091,101	-	-	-	-	-	-	-	-	1,091,101	
Lendings to financial institutions	5.89%	23,930,516	23,930,516	-	-	-	-	-	-	-	-	
Investments	4.42%	57,091,381	25,954,822	27,858,184	411,574	2,866,801	-	-	-	-	-	
Advances	6.92%	24,483,524	19,337,885	1,328,076	618,608	1,918,193	29,285	1,025,177	42,213	85,613	76,427	22,047
Other assets	0.00%	6,170,963	-	-	-	-	-	-	-	-	-	6,170,963
		118,674,690	70,106,560	29,186,260	618,608	2,329,767	2,896,086	1,025,177	42,213	85,613	76,427	12,307,979
<u>Liabilities</u>												
Bills payable		1,836,429	-	-	-	-	-	-	-	-	-	1,836,429
Borrowings	1.47%	15,460,370	15,460,370	-	-	-	-	-	-	-	-	-
Deposits and other accounts	3.29%	78,817,906	48,382,843	7,855,821	119,985	5,000	-	25,000	20,000	-	-	22,409,257
Other liabilities	0.00%	14,799,176	-	-	-	-	-	-	-	-	-	14,799,176
		110,913,881	63,843,213	7,855,821	119,985	5,000	-	25,000	20,000	-	-	39,044,862
On-balance sheet gap		7,760,809	6,263,347	21,330,439	498,623	2,324,767	2,896,086	1,000,177	22,213	85,613	76,427	(26,736,883)

Effective Yield / Interest rate	Total	2017									Non-interest bearing financial instruments
		Exposed to Yield/ Interest risk									
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
----- (Rupees in '000) -----											
Off-balance sheet financial instruments											
Commitments in respect of:											
- forward Foreign Exchange contracts - purchase	94,204,250	52,550,161	36,570,831	5,083,258	-	-	-	-	-	-	-
- forward Foreign Exchange contracts - sale	(77,215,996)	(44,931,656)	(15,811,782)	(16,472,558)	-	-	-	-	-	-	-
- forward purchase contracts of government securities	1,609,683	1,609,683	-	-	-	-	-	-	-	-	-
- forward sale contracts of government securities	7,717,243	7,717,243	-	-	-	-	-	-	-	-	-
- forward placement	662,503	662,503	-	-	-	-	-	-	-	-	-
- Interest Rate Derivative Contracts - long position	3,933,333	-	-	-	3,933,333	-	-	-	-	-	-
- Interest Rate Derivative Contracts - short position	(3,933,333)	-	-	-	(3,933,333)	-	-	-	-	-	-
-forward repurchase agreement lendings (reverse repo)	23,964,259	23,964,259	-	-	-	-	-	-	-	-	-
-forward borrowing	(8,833,376)	(8,833,376)	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	42,108,566	32,738,817	20,759,049	(11,389,300)	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		39,002,164	42,089,488	(10,890,677)	2,324,767	2,896,086	1,000,177	22,213	85,613	76,427	(26,736,883)
Cumulative Yield / Interest Risk Sensitivity Gap		39,002,164	81,091,652	70,200,975	72,525,742	75,421,828	76,422,005	76,444,218	76,529,831	76,606,258	49,869,375

42.2.6 Reconciliation of assets and liabilities exposed to Yield / Interest Rate risk with total assets and liabilities

	2018	2017
	(Rupees in '000)	
Total financial assets as per note 42.2.5	139,425,166	118,674,690
Add: Non financial assets		
Operating fixed assets	485,702	541,286
Deferred tax asset	-	62,145
Other assets	1,037,364	941,651
Total assets as per statement of financial position	140,948,232	120,219,772
Total liabilities as per note 42.2.5	130,066,200	110,913,881
Add: Non financial liabilities		
Deferred tax liabilities	41,187	-
Other liabilities	221,315	102,813
Total liabilities as per statement of financial position	130,328,702	111,016,694

42.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk is inherent in the Bank's activities and as with other risk types is managed through an overall framework with checks and balances that include recognised ownership of the risk by the businesses, independent risk management oversight and independent review by corporate audit. The operational risk policy codifies the core governing principles for operational risk management and provides a framework for operational risk. In accordance with the policy, each business area is responsible to identify its key operational risks as well as the controls established to mitigate those risks and to ensure compliance with laws, regulations, regulatory administrative actions and the Bank's policies.

Total**2018**

Upto 1 Day Over 1 to 7 days Over 7 to 14 days Over 14 days to 1 Month Over 1 to 2 Months Over 2 to 3 Months Over 3 to 6 Months Over 6 to 9 Months Over 9 months to 1 year Over 1 to 2 years Over 2 to 3 years Over 3 to 5 Years Over 5 Years

(Rupees in '000)

Unremitted profit	3,720,846
Deficit on revaluation of assets	(75,530)
	<u>10,619,530</u>

Total**2017**

Upto 1 Day Over 1 to 7 days Over 7 to 14 days Over 14 days to 1 Month Over 1 to 2 Months Over 2 to 3 Months Over 3 to 6 Months Over 6 to 9 Months Over 9 months to 1 year Over 1 to 2 years Over 2 to 3 years Over 3 to 5 Years Over 5 Years

(Rupees in '000)**Assets**

Cash and balances with treasury banks	5,907,205	-	22,300	62,500	5,423,365	13,449	379,342	5,999	-	250	-	-	-	-
Balances with other banks	1,091,101	-	-	-	1,091,101	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	23,930,516	-	21,930,404	-	2,000,112	-	-	-	-	-	-	-	-	-
Investments	57,091,381	-	12,993,658	-	12,961,474	19,425,702	8,428,398	-	409,487	-	2,872,662	-	-	-
Advances	24,483,524	30,699	1,449,546	13,689,788	4,168,626	281,381	1,048,242	620,928	11,121	1,911,121	35,921	1,030,036	44,075	162,040
Fixed assets	541,286	292	2,039	2,039	4,370	8,733	8,733	26,170	24,894	24,121	88,698	74,967	131,821	144,409
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	62,145	-	238	238	544	1,022	1,022	3,065	3,065	3,235	12,429	12,429	24,858	-
Other assets	7,112,614	507,146	497,925	484,046	1,052,114	1,345,280	843,076	704,644	245,420	1,093,978	33,401	305,584	-	-
	120,219,772	538,137	36,896,110	14,238,611	26,701,706	21,075,567	10,708,813	1,360,806	693,987	3,032,705	3,043,111	1,423,016	200,754	306,449

Liabilities

Bills payable	1,836,429	-	918,215	459,107	459,107	-	-	-	-	-	-	-	-	-
Borrowings	15,460,370	-	15,460,370	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	78,817,906	-	446,000	1,250,000	69,096,098	268,986	7,586,837	119,985	-	5,000	-	25,000	20,000	-
Other liabilities	14,901,989	529,051	636,625	650,598	1,879,005	1,421,994	1,243,168	3,059,951	2,019,179	2,945,287	69,030	341,214	71,258	35,629
	111,016,694	529,051	17,461,210	2,359,705	71,434,210	1,690,980	8,830,005	3,179,936	2,019,179	2,950,287	69,030	366,214	91,258	35,629
Net assets	9,203,078	9,086	19,434,900	11,878,906	(44,732,504)	19,384,587	1,878,808	(1,819,130)	(1,325,192)	82,418	2,974,081	1,056,802	109,496	270,820

Head office capital account	6,812,671
Reserves	163,039
Unremitted profit	2,232,629
Deficit on revaluation of assets	(5,261)
	<u>9,203,078</u>

43. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 29, 2019 by the management of the Bank

44. GENERAL

44.1 Figures have been rounded off to the nearest thousand rupees.

44.2 Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.

NADEEM LODHI
Managing Director and
Citi Country Officer

GULZEB KHAN
Chief Financial Officer