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Independent Auditors' Report on Review of Condensed Interim Financial Information to the Directors

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pakistan Branches of **Citibank, N.A.** (incorporated in the U.S.A. with liability of members being limited) as at 30 June 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan relating to interim reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended 30 June, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim reporting.

Other matters

The figures in the condensed interim profit and loss account for the quarters ended 30 June 2008 and 30 June 2007 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 30 June 2008.

KPMGTH

Date: 27 August 2008

Karachi

KPMG Taseer Hadi & Co

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Citibank, N.A. - Pakistan Branches

(Incorporated in the U.S.A. the liability of members being limited)

Condensed Interim Balance Sheet

As at 30 June 2008

	Note	(Un-audited) 30 June 2008	(Audited) 31 December 2007
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		11,106,674	7,799,117
Balances with other banks	7	10,338,150	192,370
Lendings to financial institutions	8	4,040,853	4,530,449
Investments	9	15,439,004	21,276,196
Advances	10	45,435,016	49,068,211
Operating fixed assets		1,527,824	1,420,645
Deferred tax assets - net		1,557,472	1,199,429
Other assets	11	15,094,287	6,982,434
		104,539,280	92,468,851
LIABILITIES			
Bills payable		1,625,522	2,120,612
Borrowings from financial institutions		4,097,997	5,977,312
Deposits and other accounts		72,669,495	68,627,815
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	12	19,921,129	9,417,201
		98,314,143	86,142,940
NET ASSETS		6,225,137	6,325,911
REPRESENTED BY			
Head office capital account		5,443,260	5,443,260
Reserves		-	-
Unremitted profit		1,216,915	936,022
		6,660,175	6,379,282
Deficit on revaluation of securities - net of deferred tax		(435,038)	(53,371)
		6,225,137	6,325,911

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Chief Executive

Chief Financial Officer

Citibank, N.A. - Pakistan Branches

(Incorporated in the U.S.A. the liability of members being limited)

Condensed Interim Profit and Loss Account (Un-audited)

For the half year ended 30 June 2008

	Half year ended		Quarter ended	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	(Rupees in '000)		(Rupees in '000)	
Mark-up / return / interest earned	4,996,097	5,191,900	2,459,616	2,462,672
Mark-up / return / interest expensed	2,026,923	2,632,508	1,016,140	1,284,382
Net mark-up / return / interest income	2,969,174	2,559,392	1,443,476	1,178,290
(Reversal) / provision against non-performing loans and advances - net	(171,098)	41,021	(119,579)	35,471
Bad debts written off directly	1,905,971	909,404	1,011,606	459,583
	1,734,873	950,425	892,027	495,054
Net mark-up/interest income after provisions	1,234,301	1,608,967	551,449	683,236
NON-MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	659,419	759,015	280,131	415,055
Income from dealing in foreign currencies ¹⁴	1,482,464	387,943	1,143,717	192,602
Gain on sale of securities	130,975	45,796	162,059	9,060
Unrealised (loss) / gain on revaluation of investments classified as held for trading	(6,985)	(5,435)	(5,878)	2,481
Other income	204,739	433,600	136,015	50,437
Total non mark-up / interest income	2,470,612	1,620,919	1,716,044	669,635
	3,704,913	3,229,886	2,267,493	1,352,871
NON-MARK-UP / INTEREST EXPENSES				
Administrative expenses	2,504,593	2,278,003	1,306,967	1,187,584
Provision / (reversal) for diminution in the value of non-banking assets - net	1,776	(1,210)	304	(1,039)
Other charges	24,015	17,226	23,970	17,221
Total non mark-up / interest expenses	2,530,384	2,294,019	1,331,241	1,203,766
PROFIT BEFORE TAXATION	1,174,529	935,867	936,252	149,105
Taxation - Current	1,046,164	705,000	690,000	295,101
- Deferred	(152,528)	(103,700)	(38,427)	(66,759)
	893,636	601,300	651,573	228,342
PROFIT AFTER TAXATION	280,893	334,567	284,679	(79,237)

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Chief Executive

Chief Financial Officer

Citibank, N.A. - Pakistan Branches

(Incorporated in the U.S.A. the liability of members being limited)

Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended 30 June 2008

	Half year ended	
	30 June 2008	30 June 2007
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,174,529	935,867
Adjustments		
Depreciation	209,236	146,590
Amortisation	8,692	4,094
Provision against non-performing advances - net	(171,098)	41,021
Reversal of provision for diminution in the value of non-banking assets - net	1,776	(1,210)
Unrealised loss on revaluation of held-for-trading securities	6,985	5,435
Bad debts written off directly	1,905,971	909,404
Charge for defined benefit plan	57,495	28,917
Gain on disposals of operating fixed assets	(2,310)	(19,981)
Lease rentals	5,000	5,225
	2,021,747	1,119,495
	3,196,276	2,055,362
(Increase) / decrease in operating assets		
Lendings to financial institutions	489,596	(7,562,682)
Held-for-trading securities	1,777,515	(918,889)
Advances	1,898,322	(2,486,310)
Other assets	(8,113,628)	(1,159,478)
	(3,948,195)	(12,127,359)
Increase / (decrease) in operating liabilities		
Bills payable	(495,090)	635,485
Borrowings from financial institutions	(1,278,486)	3,286,209
Deposits and other accounts	4,041,680	8,112,093
Other liabilities (excluding current taxation and payable to defined benefit plan)	9,739,275	1,487,052
	12,007,379	13,520,839
	11,255,460	3,448,842
Contribution to gratuity fund	(56,776)	(33,343)
Income tax paid	(282,233)	(376,550)
Net cash generated from operating activities	10,916,451	3,038,949
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	3,465,512	(127,460)
Investments in operating fixed assets	(356,669)	(382,469)
Sale proceeds from disposal of property and equipment	33,872	49,412
Net cash generated from / (used in) investing activities	3,142,715	(460,517)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of lease obligations	(5,000)	(5,225)
Remittances made to head office	-	-
Net cash used in financing activities	(5,000)	(5,225)
Increase in cash and cash equivalents	14,054,166	2,573,207
Cash and cash equivalents at beginning of the period	7,388,289	6,407,024
Cash and cash equivalents at end of the period	21,442,455	8,980,231

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Chief Executive

Chief Financial Officer

Citibank, N.A. - Pakistan Branches

(Incorporated in the U.S.A. the liability of members being limited)

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

For the half year ended 30 June 2008

	Head office capital account	Unremitted profit	Total
	----- (Rupees in '000) -----		
Balance as at 01 January 2007	3,794,244	2,274,831	6,069,075
Profit for the half year ended 30 June 2007	-	334,567	334,567
Balance as at 30 June 2007	<u>3,794,244</u>	<u>2,609,398</u>	<u>6,403,642</u>
Loss for the half year ended 31 December 2007	-	(28,102)	(28,102)
Capitalisation of unremitted profits for the year 2006	1,645,274	(1,645,274)	-
Exchange adjustment on revaluation of capital	3,742	-	3,742
Balance as at 31 December 2007	<u>5,443,260</u>	<u>936,022</u>	<u>6,379,282</u>
Profit for the half year ended 30 June 2008	-	280,893	280,893
Balance as at 30 June 2008	<u><u>5,443,260</u></u>	<u><u>1,216,915</u></u>	<u><u>6,660,175</u></u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Chief Executive

Chief Financial Officer

Citibank, N.A. - Pakistan Branches

(Incorporated in the U.S.A. the liability of members being limited)

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

For the half year ended 30 June 2008

1. STATUS AND NATURE OF BUSINESS

Citibank, N.A. - Pakistan Branches ("the bank") operates as a branch of a foreign entity Citibank, N.A. which is incorporated and domiciled in the U.S.A.

Citibank, N.A. is a member of Citigroup, Inc, which is the ultimate holding company of the bank.

The bank is engaged in banking activities permissible under the Banking Companies Ordinance, 1962. Its registered office is at State Life Building No.1, I. I. Chundrigar Road, Karachi and presently operates through 26 branches (2007: 26 branches) in Pakistan.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by the SBP shall prevail.

These condensed interim financial statements are un-audited and are being submitted as required by Section 245 of the Companies Ordinance, 1984. The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated 12 May 2004 and approved accounting standards as applicable in Pakistan relating to interim reporting. They do not include all of the information required for full annual financial statements, and these condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2007.

The State Bank of Pakistan 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 through BSD Circular No. 10 dated 26 August 2002. 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 State Bank of Pakistan through various circulars.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the bank for the year ended 31 December 2007.

5. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management and the key sources of estimates used in the preparation of these condensed interim financial statements were the same as those applied to the annual financial statements for the year ended 31 December 2007.

6. FINANCIAL RISK MANAGEMENT

The bank's financial risk management objectives and policies are consistent with those disclosed in the financial statements of the bank for the year ended 31 December 2007.

7. BALANCES WITH OTHER BANKS

	30 June 2008	31 December 2007
	(Rupees in '000)	
In Pakistan:		
In current accounts	92,502	56,505
Outside Pakistan:		
In current accounts	1,081,845	135,865
In deposit accounts	9,163,803	-
	10,245,648	135,865
	10,338,150	192,370

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	800,000	700,000
Repurchase agreement lendings (Reverse Repo)	3,240,853	3,830,449
	4,040,853	4,530,449

9. INVESTMENTS

	30 June 2008			31 December 2007		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
------(Rupees in '000)-----						
Investments by types						
Held-for-trading securities						
Market Treasury Bills	3,204,648	-	3,204,648	3,536,269	-	3,536,269
Pakistan Investment Bonds	128,299	-	128,299	1,574,193	-	1,574,193
	3,332,947	-	3,332,947	5,110,462	-	5,110,462
Available-for-sale securities						
Market Treasury Bills	4,879,777	982,744	5,862,521	7,309,306	1,863,640	9,172,946
Pakistan Investment Bonds	6,919,810	-	6,919,810	6,787,863	296,195	7,084,058
Unlisted shares	52,000	-	52,000	52,000	-	52,000
	11,851,587	982,744	12,834,331	14,149,169	2,159,835	16,309,004
Investments at cost	15,184,534	982,744	16,167,278	19,259,631	2,159,835	21,419,466
Less: Provision for diminution in value of investments	52,000	-	52,000	52,000	-	52,000
Investments - net of provision	15,132,534	982,744	16,115,278	19,207,631	2,159,835	21,367,466
(Deficit) / surplus on revaluation of held-for-trading securities	(6,985)	-	(6,985)	(9,161)	-	(9,161)
(Deficit) / surplus on revaluation of available-for-sale securities	(668,641)	(648)	(669,289)	(90,843)	8,734	(82,109)
Total investments	14,456,908	982,096	15,439,004	19,107,627	2,168,569	21,276,196

- 9.1 As at 30 June 2008, 47,491 shares of VISA International were held by the bank carried at nil value. 60,901 shares were redeemed during the period.

10. ADVANCES

	30 June 2008	31 December 2007
	(Rupees in '000)	
Loans, cash credits, running finances etc. In Pakistan	45,929,292	49,735,561
Bills discounted and purchased (excluding Market Treasury Bills)		
Payable in Pakistan	231,350	426,572
Payable outside Pakistan	943,773	750,161
	1,175,123	1,176,733
Advances - gross	47,104,415	50,912,294
Provision for non-performing advances		
- Specific	(901,566)	(921,958)
- General	(767,833)	(922,125)
	(1,669,399)	(1,844,083)
Advances - net of provision	45,435,016	49,068,211

- 10.1 Advances include Rs. 1,134.278 million (2007: Rs. 1,044.729 million) which have been placed under non-performing status as detailed below:

	30 June 2008			31 December 2007		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
------(Rupees in '000)-----						
Category of classification						
Substandard	293,793	73,771	73,771	509,354	391,850	391,850
Doubtful	25,380	12,690	12,690	10,533	5,266	5,266
Loss	815,105	815,105	815,105	524,842	524,842	524,842
	1,134,278	901,566	901,566	1,044,729	921,958	921,958

11. OTHER ASSETS

It includes unrealised gain on forward foreign exchange contracts, foreign currency options and interest rate derivatives as at 30 June 2008 amounting to Rs. 13.164 billion (2007: Rs. 4.682 billion).

12. OTHER LIABILITIES

It includes unrealised loss on forward foreign exchange contracts, foreign currency options and interest rate derivatives as at 30 June 2008 amounting to Rs. 14.489 billion (2007: Rs. 5.085 billion).

13. CONTINGENCIES AND COMMITMENTS

30 June 31 December
2008 2007

13.1 Direct credit substitutes

(Rupees in '000)

Includes general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities.

(i) Government	-	8,831
(ii) Banking companies and other financial institutions	8,831	2,594,171
(iii) Others	3,813,052	192,044
	<u>3,821,883</u>	<u>2,795,046</u>

13.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, warranties, advance payment guarantees and shipping guarantees related to particular transactions.

(i) Government	1,660,321	1,334,820
(ii) Banking companies and other financial institutions	1,118,018	4,613
(iii) Others	719,738	2,604,822
	<u>3,498,077</u>	<u>3,944,255</u>

13.3 Trade-related contingent liabilities

Includes short-term self-liquidating trade-related contingent liabilities arising from the movement of goods, such as documentary credits where the underlying shipment is used as security.

Letters of credit	<u>22,943,570</u>	<u>21,901,504</u>
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13.4 Other contingencies

Indemnity issued	15,484	15,484
Claims not acknowledged as debts	-	1,684
	<u>15,484</u>	<u>17,168</u>

13.4.1

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

13.5 Commitments in respect of forward transactions

Uncancellable commitments to extend credit	<u>400,000</u>	<u>650,000</u>
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13.6	Commitments in respect of forward foreign exchange contracts	30 June 2008	31 December 2007
		(Rupees in '000)	
	Purchase	101,790,386	114,967,483
	Sale	84,605,040	109,460,801

The bank utilises foreign exchange instruments to meet the needs of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk.

13.7 Commitments in respect of operating leases

Not later than one year	8,796	9,987
Later than one year and not later than five years	7,286	11,589
	16,082	21,576

The bank has obtained vehicles under operating lease agreements for upto five years. The above represents minimum lease payments under the non-cancellable operating lease agreements.

13.8 Other commitments

Interest rate and cross currency derivative contracts (notional amount)	72,014,650	59,063,686
Foreign currency options	73,932,737	64,413,044

14 INCOME FROM DEALING IN FOREIGN CURRENCIES

It includes income from foreign exchange swap trading positions.

15 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 plan and key management personnel of the bank. These transactions were made on commercial terms and conditions.

15.1 Details of significant transactions with related parties are as follows:

	30 June 2008	31 December 2007
	(Rupees in '000)	
Advances to key management personnel	-	2,693
Deposits of associated undertakings	147,845	2,296
Deposits by key management personnel	2,032	744
Deposits by staff retirement benefit funds	35,234	70,200
Balances due from other Citibank branches	10,244,406	134,896
Balances due to other Citibank branches	-	590,532
Unremitted head office expenses	714,498	640,377
Payable for expenses	77,231	1,251
Payable to defined benefit plan	28,681	27,962

	Half year ended	
	30 June 2008	30 June 2007
	(Rupees in '000)	
Profit / expense for the year		
Mark-up/return/interest earned	26,231	160,783
Mark-up/return/interest expensed	23,598	6,923
Other income	99,166	81,101
Regional expenses for support services	142,153	123,942
Head office expenses	74,121	59,403
Remuneration paid to key management personnel	20,212	29,283
Contribution to staff retirement benefit funds	57,494	51,543

	Balance as at 31 December 2007	Net placements / disbursements / deposits / transfers	Net settlements / repayments / withdrawals / transfers	Balance as at 30 June 2008
	----- (Rupees in '000) -----			
Loans and Advances				
Key management personnel	2,693	1,142	(3,835)	-
Deposits				
Associated undertakings	2,296	329,670	(184,121)	147,845
Key management personnel	744	52,540	(51,252)	2,032
Staff retirement benefit funds	70,200	160,052	(195,018)	35,234

16. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	30 June 2008			
	Trading and Sales	Retail Banking	Corporate Banking	Total
	----- (Rupees in '000) -----			
Total Income	2,171,924	3,291,783	2,003,002	7,466,709
Total Expenses	978,116	4,304,024	1,903,676	7,185,816
Net Income / (loss)	1,193,808	(1,012,241)	99,326	280,893
Segment Assets (Gross)	33,627,235	42,609,190	30,039,675	106,276,100
Segment Non-Performing Loans	-	361,097	773,181	1,134,278
Segment Provision Required*	-	959,719	777,101	1,736,820
Segment Liabilities	15,547,990	39,362,750	43,403,403	98,314,143
Segment Return on net				
Assets (ROA) (%)**	7.1%	-4.9%	0.7%	0.5%
Segment Cost of funds (%)***	6.9%	5.1%	7.2%	6.2%

30 June 2007

	Trading and Sales	Retail Banking	Corporate Banking	Total
------(Rupees in '000)-----				
Total Income	1,708,293	3,316,574	1,787,952	6,812,819
Total Expenses	1,038,665	3,976,080	1,463,507	6,478,252
Net Income / (loss)	669,628	(659,506)	324,445	334,567
Segment Assets (Gross)	29,077,131	46,221,122	31,712,973	107,011,226
Segment Non-Performing Loans	-	126,029	427,475	553,504
Segment Provision Required*	-	1,062,452	461,488	1,523,940
Segment Liabilities	18,350,117	43,353,680	37,429,086	99,132,883
Segment Return on net				
Assets (ROA) (%)**	4.6%	-2.9%	2.1%	0.6%
Segment Cost of funds (%)***	8.7%	6.2%	7.1%	7.0%

* The provision against each segment represents provision held against advances, investments, and other assets.

** Segment ROA = Net income / (Segment Assets - Segment Provisions)

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

17. GENERAL

- 17.1** These condensed interim financial statements were authorised for issue by the management of the bank on ___ August 2008.
- 17.2** Figures have been rounded off to the nearest thousand rupees.
- 17.3** Corresponding information has been reclassified, rearranged or additionally incorporated in these condensed interim financial statements, wherever necessary, to facilitate comparison and to confirm with changes in presentation in the current period.

Chief Executive

Chief Financial Officer