

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction



We have reviewed the accompanying condensed interim balance sheet of the Pakistan Branches of Citibank, N.A., incorporated in the United States of America with liability of members being limited (the Bank), as at June 30, 2009 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity (here-in-after referred to as the "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarter ended June 30, 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2009. The financial statements of the Bank for the year ended December 31, 2008 and half year ended June 30, 2008 were audited and reviewed respectively by another auditor whose reports dated March 26, 2009 and August 27, 2008, expressed unqualified opinion / conclusion on those statements.

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 June 30, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.


Chartered Accountants 
Engagement Partner: **Salman Hussain**
Dated: **26 AUG 2009**
Karachi

CITIBANK, N.A. - PAKISTAN BRANCHES
(INCORPORATED IN THE U.S.A. THE LIABILITY OF MEMBERS BEING LIMITED)
CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2009

	(Un-audited) June 30, 2009	(Audited) December 31, 2008
Note	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	9,603,746	10,583,830
Balances with other banks	6 1,887,510	7,358,861
Lendings to financial institutions	7 3,313,335	14,166,060
Investments - net	8 45,532,469	9,194,307
Advances - net (include assets held for sale amounting to Rs. 3,757 million)	9 32,926,782	41,856,749
Fixed assets	10 1,549,232	1,474,167
Deferred tax assets - net	4,034,728	3,585,127
Other assets (include mark-up receivable on account of assets held for sale amounting to Rs. 63.336 million)	11 4,347,535	13,432,726
	103,195,337	101,651,827
LIABILITIES		
Bills payable	1,441,915	1,660,227
Borrowings from financial institutions	12 12,826,841	3,152,988
Deposits and other accounts	62,387,906	65,484,768
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	13 16,741,338	22,340,772
	93,398,000	92,638,755
NET ASSETS	<u>9,797,337</u>	<u>9,013,072</u>
REPRESENTED BY		
Head office capital account	7,821,403	7,742,345
Reserves	75,785	75,785
Unremitted profit	9.4 1,998,608	1,689,600
	9,895,796	9,507,730
Deficit on revaluation of securities - net	(98,459)	(494,658)
	<u>9,797,337</u>	<u>9,013,072</u>
CONTINGENCIES AND COMMITMENTS	14	

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

ARIF USMANI
Managing Director and Citi Country Officer

ANJUM HAI
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 JUNE 30, 2009

Note	Half year ended		Quarter ended	
	June 30, 2009 (Rupees in '000)	June 30, 2008 (Rupees in '000)	June 30, 2009 (Rupees in '000)	June 30, 2008 (Rupees in '000)
Mark-up / return / interest earned	5,161,993	4,996,097	2,603,461	2,459,616
Mark-up / return / interest expensed	2,453,649	2,026,923	1,267,020	1,016,140
Net mark-up / return / interest income	2,708,344	2,969,174	1,336,441	1,443,476
Provision / (reversal) against advances - net	317,043	(171,098)	161,377	(119,579)
Provision for diminution in the value of investment - net	-	-	-	-
Bad debts written off directly	1,594,354	1,905,971	707,015	1,011,606
	1,911,397	1,734,873	868,392	892,027
Net mark-up / interest income after provisions	796,947	1,234,301	468,049	551,449
Non mark-up / interest income				
Fee, commission and brokerage income	409,637	659,419	198,789	280,131
Income from dealing in foreign currencies	731,233	1,482,464	172,289	1,143,717
Dividend income	1,204	-	1,204	-
Gain on sale of securities	177,428	130,975	40,461	162,059
Unrealised gain / (loss) on revaluation of investments classified as held for trading	34,659	(6,985)	28,059	(5,878)
Other income	345,739	204,739	(3,512)	136,015
Total non mark-up / interest income	1,699,900	2,470,612	437,290	1,716,044
	2,496,847	3,704,913	905,339	2,267,493
Non mark-up / interest expenses				
Administrative expenses	1,884,858	2,504,593	883,413	1,306,967
Provision for diminution in the value of non-banking assets	1,599	1,776	1,288	304
Other charges	23,750	24,015	12,149	23,970
Total non mark-up / interest expenses	1,910,207	2,530,384	896,850	1,331,241
	586,640	1,174,529	8,489	936,252
PROFIT BEFORE TAXATION				
Taxation				
- Current	940,571	1,046,164	350,670	690,000
- Prior year	-	-	-	-
- Deferred	(662,939)	(152,528)	(345,594)	(38,427)
	277,632	893,636	5,076	651,573
PROFIT AFTER TAXATION	309,008	280,893	3,413	284,679

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

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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 JUNE 30, 2009

	Half year ended	
	June 30, 2009	June 30, 2008
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	586,640	1,174,529
Adjustments		
Depreciation	200,418	209,236
Amortisation	21,039	8,692
Provision / (reversal) against advances - net	317,043	(171,098)
Provision for diminution in the value of non-banking assets	1,599	1,776
Unrealised (gain) / loss on revaluation of held for trading securities	(34,659)	6,985
Bad debts written off directly	1,594,354	1,905,971
Charge for defined benefit plan	21,059	57,495
Gain on disposals of fixed assets	(11,912)	(2,310)
Lease rentals	2,987	5,000
	<u>2,111,928</u>	<u>2,021,747</u>
	2,698,568	3,196,276
(Increase) / decrease in operating assets		
Lendings to financial institutions	10,852,725	489,596
Held for trading securities	(9,265,206)	1,777,515
Advances	7,018,570	1,898,322
Other assets	9,083,592	(8,113,628)
	<u>17,689,681</u>	<u>(3,948,195)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(218,312)	(495,090)
Borrowings from financial institutions	9,692,588	(1,278,486)
Deposits and other accounts	(3,096,862)	4,041,680
Other liabilities (excluding current taxation and payable to defined benefit plan)	(5,768,107)	9,739,275
	<u>609,307</u>	<u>12,007,379</u>
	20,997,556	11,255,460
Contribution to gratuity fund	(20,419)	(56,776)
Income tax paid	(772,538)	(282,233)
Net cash generated from operating activities	<u>20,204,599</u>	<u>10,916,451</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(26,428,760)	3,465,512
Investments in fixed assets	(347,868)	(356,669)
Sale proceeds from disposal of property and equipment	63,258	33,872
Net cash (used in) / generated from investing activities	<u>(26,713,370)</u>	<u>3,142,715</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments against lease obligations	(2,987)	(5,000)
Net cash used in financing activities	<u>(2,987)</u>	<u>(5,000)</u>
Effects of exchange rate changes on cash and cash equivalents	79,058	-
	<u>(6,432,700)</u>	<u>14,054,166</u>
(Decrease) / increase in cash and cash equivalents	<u>(6,432,700)</u>	<u>14,054,166</u>
Cash and cash equivalents at the beginning of the period	17,922,742	7,388,289
Cash and cash equivalents at the end of the period	<u><u>11,490,042</u></u>	<u><u>21,442,455</u></u>

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

ARIF USMANI
 Managing Director and Citi Country Officer

ANJUM HAI
 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 JUNE 30, 2009

	Head office capital account	Unremitted profit	Share based payment contribution reserve by the ultimate holding company	Total
	------(Rupees in '000)-----			
Balance as at January 1, 2008	5,443,260	889,238	46,784	6,379,282
Profit for the half year ended June 30, 2008	-	280,893	-	280,893
Contribution by the ultimate holding company in respect of share based payments	-	-	23,372	23,372
Recharged balance payable to the ultimate holding company for share based payments	-	-	(23,372)	(23,372)
	-	-	-	-
Balance as at June 30, 2008	5,443,260	1,170,131	46,784	6,660,175
Profit for the half year ended December 31, 2008	-	519,469	-	519,469
Contribution by the ultimate holding company in respect of share based payments	-	-	23,340	23,340
Recharged balance payable to the ultimate holding company for share based payments	-	-	(23,340)	(23,340)
Effect of re-measurement of cost under share based payment - net of tax	-	-	29,001	29,001
	-	-	29,001	29,001
Capital injected during the period	2,168,394	-	-	2,168,394
Exchange adjustments on revaluation of capital	130,691	-	-	130,691
Balance as at December 31, 2008	7,742,345	1,689,600	75,785	9,507,730
Profit for the half year ended June 30, 2009	-	309,008	-	309,008
Contribution by the ultimate holding company in respect of share based payments	-	-	8,171	8,171
Recharged balance payable to the ultimate holding company for share based payments	-	-	(8,171)	(8,171)
	-	-	-	-
Exchange adjustments on revaluation of capital	79,058	-	-	79,058
Balance as at June 30, 2009	<u>7,821,403</u>	<u>1,998,608</u>	<u>75,785</u>	<u>9,895,796</u>

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

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Managing Director and Citi Country Officer

ANJUM HAI
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 CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2009

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.

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

	<u>Long-term senior debt</u>	<u>Short-term debt</u>	<u>Outlook</u>
Citigroup Inc.	A3	P-1	Stable
Citibank, N.A.	A1	P-1	Stable

The bank is engaged in banking activities permissible under the Banking Companies Ordinance, 1962. Its principal office is at AWT Plaza, I. I. Chundrigar Road, Karachi and presently operates through 26 branches (December 31, 2008: 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 purchasing 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 condensed interim financial statements as such but are restricted to the amount of facility actually utilised and appropriate portion of mark-up thereon.

3 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case the requirements differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

The State Bank of Pakistan (SBP) as per BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property for banking companies till further instructions. In addition, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard 7, Financial Instruments: Disclosure vide SRO 411(1) / 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the categories as prescribed by the SBP through various circulars.

The disclosures made in these condensed interim financial statements have, however, been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. These condensed interim financial statements do not include all of the information required for a full set of 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 December 31, 2008.

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 December 31, 2008 except for the change as explained below:

- 4.1 During the period the bank has changed its accounting policy in respect of borrowing costs. As per the revised policy borrowing costs directly attributable to the acquisition, construction or production of the 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. Previously, borrowing costs were recognised as an expense in the period in which they were incurred. The change in accounting policy has been made to comply with the requirements of IAS 23 (Amendment), "Borrowing Costs" which became effective from January 1, 2009. The change in accounting policy has had no effect on the financial statements of the bank for the current and prior periods.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 of the bank for the year ended December 31, 2008.

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
6 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	128,781	122,871
Outside Pakistan		
In current accounts	534,271	296,041
In deposit accounts	1,224,458	6,939,949
	<u>1,758,729</u>	<u>7,235,990</u>
	<u>1,887,510</u>	<u>7,358,861</u>

7 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	400,000	100,000
Repurchase agreement lendings	2,913,335	14,066,060
	<u>3,313,335</u>	<u>14,166,060</u>

8 INVESTMENTS - NET

	June 30, 2009			December 31, 2008		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in '000)					
Investments by type						
Held-for-trading securities						
Market treasury bills	11,044,354	-	11,044,354	3,425,229	-	3,425,229
Pakistan Investment Bonds	1,670,731	-	1,670,731	24,650	-	24,650
	<u>12,715,085</u>	<u>-</u>	<u>12,715,085</u>	<u>3,449,879</u>	<u>-</u>	<u>3,449,879</u>
Available-for-sale securities						
Market treasury bills	25,631,647	2,837,415	28,469,062	2,165,273	-	2,165,273
Pakistan Investment Bonds	3,844,204	-	3,844,204	4,340,233	-	4,340,233
Term finance certificates						
- unlisted	621,000	-	621,000	-	-	-
Unlisted shares	52,000	-	52,000	52,000	-	52,000
	<u>30,148,851</u>	<u>2,837,415</u>	<u>32,986,266</u>	<u>6,557,506</u>	<u>-</u>	<u>6,557,506</u>
Investments at cost	42,863,936	2,837,415	45,701,351	10,007,385	-	10,007,385
Less: Provision for diminution in the value of investments	52,000	-	52,000	52,000	-	52,000
Investments - net of provisions	<u>42,811,936</u>	<u>2,837,415</u>	<u>45,649,351</u>	<u>9,955,385</u>	<u>-</u>	<u>9,955,385</u>
(Deficit) / surplus on revaluation of held for trading securities	34,594	-	34,594	(65)	-	(65)
(Deficit) on revaluation of available for sale securities	(146,211)	(5,265)	(151,476)	(761,013)	-	(761,013)
Investments	<u>42,700,319</u>	<u>2,832,150</u>	<u>45,532,469</u>	<u>9,194,307</u>	<u>-</u>	<u>9,194,307</u>

8.1 As at June 30, 2009, 47,491 shares of VISA International were held by the bank and are carried at nil value (December 31, 2008 : Nil value).

9	ADVANCES - NET	Note	June 30, 2009 (Rupees in '000)	December 31, 2008
	Loans, cash credits, running finances etc. In Pakistan		34,204,356	41,763,352
	Bills discounted and purchased (excluding Market treasury bills)			
	Payable in Pakistan		391,784	936,699
	Payable outside Pakistan		425,355	935,763
			817,139	1,872,462
	Advances - gross		35,021,495	43,635,814
	Provision against advances			
	- Specific	9.2	(1,644,929)	(1,173,983)
	- General	9.3	(449,784)	(605,082)
			(2,094,713)	(1,779,065)
	Advances - net of provision		32,926,782	41,856,749

9.1 Advances include Rs. 2,825.045 million (December 31, 2008: Rs. 1,955.724 million) which have been placed under non-performing status as detailed below:

9.2 Category of classification

	June 30, 2009			December 31, 2008		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	------(Rupees in '000)-----					
Substandard *	928,261	118,887	118,887	842,363	223,914	223,914
Doubtful	708,828	426,890	426,890	299,872	180,502	180,502
Loss	1,187,956	1,099,152	1,099,152	813,489	769,567	769,567
	2,825,045	1,644,929	1,644,929	1,955,724	1,173,983	1,173,983

* This includes principal balance of restructured loans of Rs. 481.379 million (2008: Nil). The State Bank of Pakistan has allowed exemption from certain regulatory requirements in respect of these restructured loans.

9.3 General provision represents provision amounting to Rs. 449.784 million (December 31, 2008: Rs. 605.082 million) held against consumer finance portfolio calculated in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

9.4 The State Bank of Pakistan vide its BSD Circular No. 2 dated January 27, 2009 has allowed banks to avail the benefit of 30% of forced sales value (FSV) of pledged stocks and mortgaged commercial and residential properties held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirements with effect from December 31, 2008. However, as per the Circular the additional impact on profitability arising from availing the benefit of forced sale value against pledged stocks and mortgaged residential and commercial properties would not be available for remittance of profits. The additional profit arising from availing the FSV benefit - net of tax as at June 30, 2009 which is not available for remittance to head office amounted to approximately Rs. 24.611 million.

9.5 Non-current assets held for sale

As at June 30, 2009, the bank has classified its mortgage and auto loans (amounting to Rs. 3,757 million) as assets held for sale. This is consequent to the bank's decision to exit these businesses. Due diligence is being conducted by interested buyers for these portfolios.

10	FIXED ASSETS	Note	June 30, 2009 (Rupees in '000)	December 31, 2008
	Capital work-in-progress		195,173	154,559
	Property and equipment	10.1 & 10.2	1,183,802	1,278,654
	Intangible assets	10.1	170,257	40,954
			1,549,232	1,474,167

**For the half
year ended
June 30, 2009
(Rupees in '000)**

10.1 The following additions were made at cost during the period:

- Furniture and fixtures	5,975
- Electrical and office equipment	72,295
- Vehicles	78,642
- Intangibles	150,342
	<u>307,254</u>

10.2 The written down value of fixed assets disposed of / deleted during the period were as follows:

- Furniture and fixtures	1,043
- Electrical and office equipment	5,216
- Vehicles	45,087
	<u>51,346</u>

11 OTHER ASSETS

11.1 Unrealised gain on derivatives

It includes unrealised gain on forward foreign exchange contracts, foreign currency options and interest rate derivatives as at June 30, 2009 amounting to Rs. 2,662.512 million (December 31, 2008: Rs. 11,198.547 million).

11.2 Assets held for sale

As more fully explained in note 9.5 to these condensed interim financial statements, other assets also include assets held for sale amounting to Rs. 63.336 million which represent mark-up receivable on advances classified as "assets held for sale."

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
12 BORROWINGS FROM FINANCIAL INSTITUTIONS		
In Pakistan	12,826,324	3,152,988
Outside Pakistan	517	-
	<u>12,826,841</u>	<u>3,152,988</u>
12.1 Particulars of borrowings from financial institutions		
In local currency	12,826,324	3,152,988
In foreign currency	517	-
	<u>12,826,841</u>	<u>3,152,988</u>
12.2 Details of borrowings from financial institutions		
Secured		
Borrowings from the State Bank of Pakistan under		
- Export refinance scheme	1,457,479	1,697,140
- Long-term finance for export oriented project	382,950	340,414
Repurchase agreement borrowings	2,775,506	495,485
	<u>4,615,935</u>	<u>2,533,039</u>
Unsecured		
Call borrowings	8,209,692	600,000
Overdrawn nostro	517	19,949
Overdrawn bank accounts	697	-
	<u>8,210,906</u>	<u>619,949</u>
	<u>12,826,841</u>	<u>3,152,988</u>
13 OTHER LIABILITIES		

It includes unrealised loss on forward foreign exchange contracts, foreign currency options and interest rate derivatives as at June 30, 2009 amounting to Rs. 11,147.617 million (December 31, 2008: Rs. 16,504.873 million).

14 CONTINGENCIES AND COMMITMENTS

14.1 Direct credit substitutes

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

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
(i) Government	59,384	12,121
(ii) Banking companies and other financial institutions	33,308	79,614
(iii) Others	9,751,368	2,835,467
	<u>9,844,060</u>	<u>2,927,202</u>

14.2 Transaction-related contingent liabilities

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

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
(i) Government	1,158,398	1,161,956
(ii) Banking companies and other financial institutions	87,672	97,167
(iii) Others	1,072,974	2,218,121
	<u>2,319,044</u>	<u>3,477,244</u>

14.3 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.

	Note	June 30, 2009	December 31, 2008
		(Rupees in '000)	
Letters of credit		<u>7,805,759</u>	<u>17,218,899</u>

14.4 Other contingencies

Indemnity issued		15,484	15,484
Claims not acknowledged as debts		234,835	229,601
	14.4.1	<u>250,319</u>	<u>245,085</u>

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

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
14.5 Commitments in respect of forward transactions		
Forward agreement lendings (reverse repos)	2,913,335	14,188,450
Forward agreement borrowings (repos)	2,775,506	497,928
Uncancellable commitments to extend credit	-	400,000

14.6 Commitments in respect of forward foreign exchange contracts

Purchase	116,793,660	112,481,147
Sale	59,549,701	68,350,414

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.

	June 30, 2009	December 31, 2008
14.7 Commitments in respect of operating leases	(Rupees in '000)	
Not later than one year	-	6,193
Later than one year and not later than five years	-	4,896
	<u>-</u>	<u>11,089</u>

The bank had obtained vehicles under operating lease agreements for upto five years. The above represented minimum lease payments under non-cancellable operating lease agreements.

	June 30, 2009	December 31, 2008
14.8 Other commitments	(Rupees in '000)	
Interest rate and cross currency derivative contracts (notional amount)	68,339,670	53,332,586
Foreign currency options	4,344,732	35,611,738

15 INCOME FROM DEALING IN FOREIGN CURRENCIES

It includes income from foreign exchange swap trading positions, forward settled inter bank deals and revaluation of nostro accounts.

16 TAXATION

16.1 The income tax assessments of the bank have been finalised upto and including tax year 2008. Matters of disagreement exist between the bank and tax authorities for various assessment / tax years and are pending with the Commissioner of Income Tax (Appeals) and the Income Tax Appellate Tribunal.

The issues mainly relate to addition of mark-up in suspense to income, bad debts written off and disallowances relating to various profit and loss expenses including head office expenses. However, adequate provision has been made in these condensed interim financial statements in respect of these matters.

16.2 Amendments in the Seventh Schedule to the Income Tax Ordinance, 2001

The Finance Act, 2009 has introduced certain significant amendments in the Seventh Schedule to the Income Tax Ordinance, 2001 with regard to the allowability of charge for irrecoverable debts in arriving at the taxable income of banking companies. The revised Seventh Schedule now allows banking companies a tax deduction in respect of the provision for advances and off balance sheet items upto a maximum of 1% of total advances to the effect that such provisions are based upon and are in line with the Prudential Regulations of the State Bank of Pakistan and certified to this effect by the external auditor. Further, provisioning in excess of the above mentioned limit would be allowed to be carried over to the succeeding years.

However, the amendments do not specify any transitional mechanism in respect of provisions for non performing advances made in previous years and which have not yet been allowed by the authorities as a tax deduction. The bank has recognised a deferred tax asset of Rs. 3,005.907 million at June 30, 2009 in respect of such disallowances.

The matter regarding introduction of appropriate transitional provisions in the Seventh Schedule has been taken up by the Pakistan Bank's Association (PBA) and the Institute of Chartered Accountants of Pakistan (ICAP) with the Federal Board of Revenue (FBR). In accordance with Circular No. 7/2009 dated July 28, 2009 issued by ICAP pending the final resolution of the matter the Institute considers that reversal of deferred tax asset in relation thereto may not be made until the end of the financial year by which time the matter is expected to be decided by the FBR as proposed by ICAP and PBA. Accordingly, the bank has maintained the amount of deferred tax asset recognised on provisions against advances disallowed as a tax deduction in previous years.

17 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 Inc., retirement benefit plans and key management personnel of the bank. These transactions were made on commercial terms and conditions.

17.1 Balances outstanding as at period / year end

	Balance as at December 31, 2008	Net placements / disbursements / deposits / transfers	Net settlements / repayments / withdrawals / transfers	Balance as at June 30, 2009
------(Rupees in '000)-----				
Loans and advances				
Key management personnel	4,627	1,003	(774)	4,856
Deposits				
Related parties	121,882	209,133	(165,308)	165,707
Key management personnel	2,994	15,021	(14,560)	3,455
Staff retirement benefit funds	17,360	65,526	(67,415)	15,471
			June 30, 2009	December 31, 2008
			(Rupees in '000)	
Nostro balances / placements with Citibank branches outside Pakistan			1,757,611	7,235,450
Bank overdrafts			517	-
Unremitted head office expenses			691,086	621,960
Payable for expenses			143,133	142,084
Payable to defined benefit plan			54,208	53,568
Claims receivable from Citi Global Insurance Reserve Plan			-	12,867
			Half year ended	
			June 30, 2009	June 30, 2008
			(Rupees in '000)	

17.2 Income / expense for the period

	June 30, 2009	June 30, 2008
	(Rupees in '000)	
Mark-up / return / interest earned	26,273	26,231
Mark-up / return / interest expensed	134	23,598
Other income	15,914	99,166
Regional expenses for support services	235,893	142,153
Head office expenses	69,126	74,121
Remuneration paid to key management personnel	13,400	20,212
Contribution to staff retirement benefit funds	48,449	57,494

18 SEGMENT INFORMATION

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:

	For the half year ended June 30, 2009			
	Trading and sales	Retail banking	Corporate banking	Total
	------(Rupees in '000)-----			
Total income	2,379,702	2,493,492	1,988,699	6,861,893
Total expenses	1,034,393	3,303,648	2,214,844	6,552,885
Net income / (loss)	1,345,309	(810,156)	(226,145)	309,008
Segment return on net assets (%)**	6.7%	-4.4%	-1.7%	0.6%
Segment cost of funds (%)***	12.1%	5.9%	6.6%	6.6%
	As at June 30, 2009			
	Trading and sales	Retail banking	Corporate banking	Total
	------(Rupees in '000)-----			
Segment assets (gross)	40,173,269	37,221,681	27,965,446	105,360,396
Segment non-performing loans	-	373,851	2,451,194	2,825,045
Segment provision required*	-	658,001	1,507,058	2,165,059
Segment liabilities	22,417,705	34,415,770	36,564,525	93,398,000

For the half year ended June 30, 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 return on net assets (%)**	7.1%	-4.9%	0.7%	0.5%
Segment cost of funds (%)***	6.9%	4.2%	5.8%	5.1%

As at December 31, 2008

	Trading and sales	Retail banking	Corporate banking	Total
----- (Rupees in '000) -----				
Segment assets (gross)	32,787,490	38,131,258	32,580,891	103,499,639
Segment non-performing loans	-	418,179	1,537,545	1,955,724
Segment provision required*	-	799,368	1,048,444	1,847,812
Segment liabilities	12,370,657	35,498,170	44,769,928	92,638,755

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

** Segment return on net asset = Net income / (Segment assets - Segment provisions)

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

19 NON - ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- 19.1** The capital adequacy ratio of the bank as at June 30, 2009 calculated in accordance with BSD Circular No. 8 of 2006 was 15.86% (un-audited). As the capital held by the bank was higher than the present minimum amount specified under the regulatory requirements, the bank repatriated capital to head office amounting to Rs. 1,099.363 million (USD 13.5 million), subsequent to June 30, 2009.
- 19.2** Subsequent to the period end, the bank has announced closure of five of its branches in Sialkot, Multan, Gujranwala, Jhelum and Hyderabad effective from September 1, 2009.

20 FINANCIAL RISK MANAGEMENT

The significant judgments made by the 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 of the bank for the year ended December 31, 2008.

21 GENERAL

- 21.1** These condensed interim financial statements were authorised for issue by the management of the bank on August ____, 2009.
- 21.2** Figures have been rounded off to the nearest thousand rupees.
- 21.3** Corresponding information has been reclassified, rearranged or additionally incorporated in these condensed interim financial statements, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period.

ARIF USMANI
Managing Director and Citi Country Officer

ANJUM HAI
Chief Financial Officer