



A. F. FERGUSON & CO.

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Citibank N.A. Pakistan Branches** as at June 30, 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts 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 for interim financial reporting. 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 and condensed interim statement of comprehensive income for the quarters ended June 30, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2011.

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, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter paragraph

We draw attention to note 17.4.2 to the condensed interim financial information which explains the matter raised by the State Bank of Pakistan with respect to return on certain foreign currency deposit accounts. Our opinion is not qualified in respect of this matter.

A. Ferguson & Co

Chartered Accountants

Dated: August 27, 2011

Karachi

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CITIBANK, N.A. - PAKISTAN BRANCHES
(INCORPORATED IN THE U.S.A. THE LIABILITY OF MEMBERS BEING LIMITED)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2011

| | Note | (Un-audited) June 30, 2011 | (Audited) December 31, 2010 |
|---|------|----------------------------------|-----------------------------------|
| (Rupees in '000) | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | | 6,759,039 | 7,001,789 |
| Balances with other banks | 9 | 1,045,064 | 1,396,604 |
| Lendings to financial institutions | 10 | 15,508,245 | 11,410,316 |
| Investments - net | 11 | 43,051,035 | 50,236,317 |
| Advances - net | 12 | 20,552,378 | 19,244,213 |
| Fixed assets | 13 | 751,310 | 865,640 |
| Deferred tax assets - net | | 3,849,455 | 3,693,968 |
| Other assets | 14 | 2,997,123 | 3,505,065 |
| | | 94,513,649 | 97,353,912 |
| LIABILITIES | | | |
| Bills payable | | 1,979,985 | 1,164,263 |
| Borrowings from financial institutions | 15 | 4,711,614 | 4,342,038 |
| Deposits and other accounts | | 64,212,263 | 68,304,814 |
| Sub-ordinated loans | | - | - |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liabilities | | - | - |
| Other liabilities | 16 | 13,601,588 | 14,677,325 |
| | | 84,505,450 | 88,488,440 |
| NET ASSETS | | <u>10,008,199</u> | <u>8,865,472</u> |
| REPRESENTED BY | | | |
| Head office capital account | | 6,812,671 | 6,812,671 |
| Reserves | | 125,573 | 125,573 |
| Unremitted profit | | 3,295,761 | 2,201,511 |
| | | 10,234,005 | 9,139,755 |
| Deficit on revaluation of securities - net of tax | | (225,806) | (274,283) |
| | | <u>10,008,199</u> | <u>8,865,472</u> |

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

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 QUARTER AND HALF YEAR ENDED JUNE 30, 2011

| | Note | Half year ended | | Quarter ended | |
|---|------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | | June 30, 2011 (Rupees in '000) | June 30, 2010 (Rupees in '000) | June 30, 2011 (Rupees in '000) | June 30, 2010 (Rupees in '000) |
| Mark-up / return / interest earned | | 5,122,169 | 4,416,954 | 2,488,940 | 2,225,625 |
| Mark-up / return / interest expensed | | 2,380,351 | 2,014,170 | 1,210,820 | 1,034,637 |
| Net mark-up / return / interest income | | 2,741,818 | 2,402,784 | 1,278,120 | 1,190,988 |
| Provision against advances - net | | 103,127 | 1,284,176 | 35,746 | 815,123 |
| Provision for diminution in the value of investments - net | | - | - | - | - |
| Bad debts written off directly | | 31,684 | 45,727 | 8,122 | 42,306 |
| | | 134,811 | 1,329,903 | 43,868 | 857,429 |
| Net mark-up / return / interest income after provisions | | 2,607,007 | 1,072,881 | 1,234,252 | 333,559 |
| NON MARK-UP / INTEREST INCOME | | | | | |
| Fee, commission and brokerage income | | 373,283 | 381,283 | 221,443 | 173,611 |
| Income from dealing in foreign currencies | 18 | 1,208,000 | 1,159,172 | 475,866 | 616,640 |
| Dividend income | | - | - | - | - |
| (Loss) / gain on sale of securities | | (3,166) | 356,823 | 1,853 | 124,300 |
| Unrealised gain / (loss) on revaluation of investments classified as held-for-trading | | 1,076 | (5,132) | (5,465) | 1,114 |
| Other income / (loss) | 19 | (790,876) | (775,654) | (205,951) | (283,036) |
| Total non mark-up / interest income | | 788,317 | 1,116,492 | 487,746 | 632,629 |
| | | 3,395,324 | 2,189,373 | 1,721,998 | 966,188 |
| NON MARK-UP / INTEREST EXPENSES | | | | | |
| Administrative expenses | | 1,970,088 | 1,801,243 | 1,049,073 | 865,102 |
| (Reversal) / provision for appreciation / diminution in the value of non-banking assets - net | | (2,265) | 1,174 | (396) | 703 |
| Other charges | | 28,643 | 23,826 | 19,241 | 15,571 |
| Total non mark-up / interest expenses | | 1,996,466 | 1,826,243 | 1,067,918 | 881,376 |
| PROFIT BEFORE TAXATION | | 1,398,858 | 363,130 | 654,080 | 84,812 |
| Taxation | | | | | |
| - Current | | 625,320 | 498,606 | 297,461 | 316,853 |
| - Prior years | | (139,122) | (128,022) | (139,122) | (128,022) |
| - Deferred | 20 | (181,590) | (188,017) | (113,721) | (102,245) |
| | | 304,608 | 182,567 | 44,618 | 86,586 |
| PROFIT AFTER TAXATION | | 1,094,250 | 180,563 | 609,462 | (1,774) |

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

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 COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2011

| | <u>Half year ended</u> | | <u>Quarter ended</u> | |
|--|---|---|---|---|
| | <u>June 30,</u> <u>2011</u> <u>(Rupees in '000)</u> | <u>June 30,</u> <u>2010</u> <u>(Rupees in '000)</u> | <u>June 30,</u> <u>2011</u> <u>(Rupees in '000)</u> | <u>June 30,</u> <u>2010</u> <u>(Rupees in '000)</u> |
| Profit for the period after taxation | 1,094,250 | 180,563 | 609,462 | (1,774) |
| Components of comprehensive income not reflected in equity | | | | |
| Surplus / (deficit) on revaluation of available-for-sale securities - net of tax | 48,477 | (62,961) | 13,623 | 3,700 |
| Total comprehensive income for the period | <u>1,142,727</u> | <u>117,602</u> | <u>623,085</u> | <u>1,926</u> |

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

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 CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2011

| | June 30, 2011 | June 30, 2010 |
|--|--------------------------|--------------------------|
| | (Rupees in '000) | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 1,398,858 | 363,130 |
| Adjustments for : | | |
| Depreciation | 165,351 | 211,632 |
| Amortisation | 23,129 | 26,316 |
| Provision against advances - net | 103,127 | 1,284,176 |
| (Reversal) / provision for appreciation / diminution in the value of non-banking assets - net | (2,265) | 1,174 |
| Unrealised (gain) / loss on revaluation of held-for-trading securities | (1,076) | 5,132 |
| Bad debts written off directly | 31,684 | 45,727 |
| Charge for defined benefit plan | 22,974 | 16,869 |
| Gain on disposals of fixed assets | (4,643) | (8,279) |
| | <u>338,281</u> | <u>1,582,747</u> |
| | 1,737,139 | 1,945,877 |
| (Increase) / decrease in operating assets | | |
| Lendings to financial institutions | (4,097,929) | 761,484 |
| Held-for-trading securities | 454,515 | (5,424,586) |
| Advances | (1,442,976) | 4,606,459 |
| Other assets | 510,207 | (351,289) |
| | <u>(4,576,183)</u> | <u>(407,932)</u> |
| Increase / (decrease) in operating liabilities | | |
| Bills payable | 815,722 | (297,214) |
| Borrowings from financial institutions | 300,204 | (1,516,070) |
| Deposits and other accounts | (4,092,551) | (680,044) |
| Other liabilities (excluding current taxation and payable to defined benefit plan) | (1,282,754) | (1,454,462) |
| | <u>(4,259,379)</u> | <u>(3,947,790)</u> |
| | (7,098,423) | (2,409,845) |
| Contribution to gratuity fund | (19,520) | (16,869) |
| Income tax paid | (282,635) | (77,292) |
| Net cash used in operating activities | <u>(7,400,578)</u> | <u>(2,504,006)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Net investments in available-for-sale securities | 6,806,423 | 5,372,828 |
| Investments in fixed assets | (85,581) | (57,834) |
| Sale proceeds from disposal of fixed assets | 16,074 | 40,536 |
| Net cash generated from investing activities | <u>6,736,916</u> | <u>5,355,530</u> |
| Effects of exchange rate changes on cash and cash equivalents | - | 24,261 |
| (Decrease) / increase in cash and cash equivalents | <u>(663,662)</u> | <u>2,875,785</u> |
| Cash and cash equivalents at the beginning of the period | 8,398,393 | 10,400,369 |
| Cash and cash equivalents at end of the period | <u><u>7,734,731</u></u> | <u><u>13,276,154</u></u> |

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

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, 2011

| | 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, 2010 | 6,780,848 | 1,778,573 | 92,715 | 8,652,136 |
| Profit after tax for the half year ended June 30, 2010 | - | 180,563 | - | 180,563 |
| Contribution by the ultimate holding company in respect of share based payments | - | - | (2,326) | (2,326) |
| Recharged balance payable to the ultimate holding company for share based payments | - | - | 2,326 | 2,326 |
| Effect of re-measurement of cost under share based payment - net of tax | - | - | - | - |
| Exchange adjustments on revaluation of capital | 24,261 | - | - | 24,261 |
| Balance as at June 30, 2010 | 6,805,109 | 1,959,136 | 92,715 | 8,856,960 |
| Profit after tax for the half year ended December 31, 2010 | - | 242,375 | - | 242,375 |
| Contribution by the ultimate holding company in respect of share based payments | - | - | 47,254 | 47,254 |
| Recharged balance payable to the ultimate holding company for share based payments | - | - | (47,254) | (47,254) |
| Effect of re-measurement of cost under share based payment - net of tax | - | - | 32,858 | 32,858 |
| Exchange adjustments on revaluation of capital | 7,562 | - | - | 7,562 |
| Balance as at December 31, 2010 | 6,812,671 | 2,201,511 | 125,573 | 9,139,755 |
| Profit after tax for the half year ended June 30, 2011 | - | 1,094,250 | - | 1,094,250 |
| Contribution by the ultimate holding company in respect of share based payments | - | - | 23,568 | 23,568 |
| Recharged balance payable to the ultimate holding company for share based payments | - | - | (23,568) | (23,568) |
| Effect of re-measurement of cost under share based payment - net of tax | - | - | - | - |
| Balance as at June 30, 2011 | <u>6,812,671</u> | <u>3,295,761</u> | <u>125,573</u> | <u>10,234,005</u> |

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

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)
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2011

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 operates through 16 branches (December 31, 2010: 16 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 (SBP) 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 this condensed interim financial information as such but are restricted to the amount of facility actually utilised and appropriate portion of mark-up thereon.

3 STATEMENT OF COMPLIANCE

3.1 This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards 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, 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, Banking Companies Ordinance, 1962 and the directives issued by SBP prevail.

3.2 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 through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has also deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3.3 The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and this condensed interim financial information should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2010.

3.4 SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on Revaluation of Available-for-sale (AFS) Securities only, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of this condensed interim financial information.

4. BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention except that certain investments and derivative financial instruments have been marked to market and are carried at fair value.

5. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in this condensed interim financial information are measured using the currency of the primary economic environment in which the Bank operates. This condensed interim financial information is presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2010.

7 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 this condensed interim financial information are the same as those applied to the annual financial statements for the year ended December 31, 2010.

8 FINANCIAL RISK MANAGEMENT

The Bank's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2010.

| | (Un-audited) | (Audited) |
|--|-------------------|-------------------|
| | June | December |
| | 30, 2011 | 31, 2010 |
| | (Rupees in '000) | |
| 9 BALANCES WITH OTHER BANKS | | |
| In Pakistan | | |
| - Current accounts | 45,788 | 79,540 |
| Outside Pakistan | | |
| - Current accounts | 999,276 | 973,755 |
| - Deposit accounts | - | 343,309 |
| | <u>999,276</u> | <u>1,317,064</u> |
| | <u>1,045,064</u> | <u>1,396,604</u> |
| 10 LENDINGS TO FINANCIAL INSTITUTIONS | | |
| Call money lendings | - | 100,000 |
| Repurchase agreement lendings (Reverse Repo) | 15,508,245 | 11,310,316 |
| | <u>15,508,245</u> | <u>11,410,316</u> |

11 INVESTMENTS - NET

| | June 30, 2011 (Un-audited) | | | December 31, 2010 (Audited) | | |
|---|----------------------------|---------------------|------------|-----------------------------|---------------------|------------|
| | 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 | 13,075,699 | - | 13,075,699 | 15,304,570 | - | 15,304,570 |
| Pakistan Investment Bonds | 3,312,596 | - | 3,312,596 | 1,538,240 | - | 1,538,240 |
| | 16,388,295 | - | 16,388,295 | 16,842,810 | - | 16,842,810 |
| Available-for-sale securities | | | | | | |
| Market treasury bills | 16,808,863 | - | 16,808,863 | 23,733,562 | 2,787,299 | 26,520,861 |
| Pakistan Investment Bonds | 7,998,907 | - | 7,998,907 | 5,093,332 | - | 5,093,332 |
| Fully paid-up ordinary shares | 52,000 | - | 52,000 | 52,000 | - | 52,000 |
| Unlisted term finance certificates | 2,206,000 | - | 2,206,000 | 2,206,000 | - | 2,206,000 |
| | 27,065,770 | - | 27,065,770 | 31,084,894 | 2,787,299 | 33,872,193 |
| Investments at cost | 43,454,065 | - | 43,454,065 | 47,927,704 | 2,787,299 | 50,715,003 |
| Less: Provision for diminution in the value of investments | 52,000 | - | 52,000 | 52,000 | - | 52,000 |
| Investments - net of provisions | 43,402,065 | - | 43,402,065 | 47,875,704 | 2,787,299 | 50,663,003 |
| Deficit on revaluation of held-for-trading securities - net | (3,636) | - | (3,636) | (4,712) | - | (4,712) |
| Deficit on revaluation of available-for-sale securities - net | (347,394) | - | (347,394) | (421,820) | (154) | (421,974) |
| Investments at market value | 43,051,035 | - | 43,051,035 | 47,449,172 | 2,787,145 | 50,236,317 |

Note **(Un-audited)** **(Audited)**
June **December**
30, 2011 **31, 2010**
(Rupees in '000)

12 ADVANCES - NET

| | | | |
|--|-------------|-------------|-------------|
| Loans, cash credits, running finances etc. - In Pakistan | | 22,637,528 | 22,115,762 |
| Bills discounted and purchased (excluding Market treasury bills) | | | |
| Payable in Pakistan | | 1,021,927 | 1,076,895 |
| Payable outside Pakistan | | 1,375,857 | 538,547 |
| | | 2,397,784 | 1,615,442 |
| Advances - gross | | 25,035,312 | 23,731,204 |
| Provision against advances | | | |
| - Specific | 12.2 & 12.4 | (4,345,157) | (4,309,629) |
| - General | 12.3 | (137,777) | (177,362) |
| | | (4,482,934) | (4,486,991) |
| Advances - net of provision | | 20,552,378 | 19,244,213 |

12.1 Advances include Rs 4,981.785 million (December 31, 2010: Rs 4,988.867 million) which have been placed under non-performing status as detailed below:

12.2 Category of classification

| | June 30, 2011 (Un-audited) | | | | |
|-------------|------------------------------|----------|------------------|-----------------------|-------------------|
| | Domestic | Overseas | Total | Provision required | Provision held |
| | ----- (Rupees in '000) ----- | | | | |
| Substandard | 188,482 | - | 188,482 | 47,581 | 47,581 |
| Doubtful | 16,280 | - | 16,280 | 7,770 | 7,770 |
| Loss | 4,777,023 | - | 4,777,023 | 4,289,806 | 4,289,806 |
| | <u>4,981,785</u> | <u>-</u> | <u>4,981,785</u> | <u>4,345,157</u> | <u>4,345,157</u> |
| | ----- | | | | |
| | December 31, 2010 (Audited) | | | | |
| | Domestic | Overseas | Total | Provision required | Provision held |
| | ----- (Rupees in '000) ----- | | | | |
| Substandard | 246,201 | - | 246,201 | 62,376 | 62,376 |
| Doubtful | 916,302 | - | 916,302 | 452,521 | 452,521 |
| Loss | 3,826,364 | - | 3,826,364 | 3,794,732 | 3,794,732 |
| | <u>4,988,867</u> | <u>-</u> | <u>4,988,867</u> | <u>4,309,629</u> | <u>4,309,629</u> |

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

12.4 The State Bank of Pakistan (SBP) vide its letters no. BSD/BRP-5/X/8787/2011 and BSD/BRP-2/X/955/2011 dated July 6, 2011 and July 25, 2011 has allowed relaxation in maintaining provisioning against the exposure of Agritech Limited and Azgard Nine Limited till August 31, 2011, to all those banks who have agreed to reschedule / restructure their exposures against these companies. The bank has maintained a provision of Rs 448.861 million against the exposures of these companies and for remaining exposure has availed the benefit of relaxation provided by the SBP. Had the exemption not been available, the provision against advances would have been higher by Rs 448.861 million while the profit before taxation for the current period would have been lower by the same amount.

| | Note | (Un-audited) | (Audited) |
|--------------------------|-------------|------------------|----------------------|
| | | June 30, 2011 | December 31, 2010 |
| | | (Rupees in '000) | |
| 13 FIXED ASSETS | | | |
| Capital work-in-progress | | 26,764 | 4,650 |
| Property and equipment | 13.1 & 13.2 | 616,236 | 729,551 |
| Intangible assets | | 108,310 | 131,439 |
| | | <u>751,310</u> | <u>865,640</u> |

| | (Un-audited) | |
|--|------------------|------------------|
| | June 30, 2011 | June 30, 2010 |
| | (Rupees in '000) | |
| 13.1 | | |
| The following additions were made at cost during the period: | | |
| - Furniture and fixtures | 2,005 | 1,834 |
| - Electrical and office equipment | 6,290 | 1,981 |
| - Vehicles | 55,172 | 57,348 |
| | <u>63,467</u> | <u>61,163</u> |

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

| | | |
|-----------------------------------|---------------|---------------|
| - Furniture and fixtures | 2,005 | 1,834 |
| - Electrical and office equipment | 6,290 | 1,981 |
| - Vehicles | 55,172 | 57,348 |
| | <u>63,467</u> | <u>61,163</u> |

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

| | (Un-audited) | |
|-----------------------------------|------------------|------------------|
| | June 30, 2011 | June 30, 2010 |
| | (Rupees in '000) | |
| - Furniture and fixtures | - | 6,124 |
| - Electrical and office equipment | 342 | 3,911 |
| - Vehicles | 11,089 | 22,222 |
| | <u>11,431</u> | <u>32,257</u> |

14 OTHER ASSETS**14.1 Revaluation gain on derivatives**

It includes gain on revaluation of forward foreign exchange contracts, foreign currency options and derivatives as at June 30, 2011 amounting to Rs 1,591.139 million (December 31, 2010: Rs 2,241.437 million).

| | (Un-audited) June 30, 2011 | (Audited) December 31, 2010 |
|---|----------------------------------|-----------------------------------|
| | (Rupees in '000) | |
| 15 BORROWINGS FROM FINANCIAL INSTITUTIONS | | |
| In Pakistan | 4,685,039 | 4,342,038 |
| Outside Pakistan | 26,575 | - |
| | <u>4,711,614</u> | <u>4,342,038</u> |
| 15.1 Particulars of borrowings from financial institutions | | |
| In local currency | 4,685,039 | 4,342,038 |
| In foreign currency | 26,575 | - |
| | <u>4,711,614</u> | <u>4,342,038</u> |
| 15.2 Details of borrowings from financial institutions | | |
| Secured | | |
| Borrowings from the State Bank of Pakistan under | | |
| - Export refinance scheme | 1,141,560 | 1,361,561 |
| - Long Term Financing - Export Oriented Projects scheme (LTF-EOP) | 40,395 | 93,178 |
| Repurchase agreement borrowings | 3,360,287 | 2,787,299 |
| | 4,542,242 | 4,242,038 |
| Unsecured | | |
| Call borrowings | 100,000 | 100,000 |
| Overdrawn accounts | 69,372 | - |
| | 169,372 | 100,000 |
| | <u>4,711,614</u> | <u>4,342,038</u> |
| 16 OTHER LIABILITIES | | |
| 16.1 | | |
| It includes loss on revaluation of forward foreign exchange contracts, foreign currency options and derivatives as at June 30, 2011 amounting to Rs 9,250.988 million (December 31, 2010: Rs 11,058.699 million). | | |
| 17 CONTINGENCIES AND COMMITMENTS | | |
| 17.1 Direct credit substitutes | | |
| Includes general guarantees of indebtedness, bank acceptance, guarantees and standby letters of credit serving as financial guarantees for loans and securities. | | |
| | (Un-audited) June 30, 2011 | (Audited) December 31, 2010 |
| | (Rupees in '000) | |
| (i) Government | 427,983 | 21,148 |
| (ii) Banking companies and other financial institutions | 68,041 | 68,874 |
| (iii) Others | 39,343 | 7,010,606 |
| | <u>535,367</u> | <u>7,100,628</u> |

17.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and stand by letters of credit related to particular transactions.

| | (Un-audited) June 30, 2011 | (Audited) December 31, 2010 |
|---|----------------------------------|-----------------------------------|
| | (Rupees in '000) | |
| (i) Government | 595,637 | 1,078,396 |
| (ii) Banking companies and other financial institutions | 127,661 | 120,152 |
| (iii) Others | 1,722,153 | 1,717,533 |
| | <u>2,445,451</u> | <u>2,916,081</u> |

17.3 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.

| | (Un-audited) June 30, 2011 | (Audited) December 31, 2010 |
|-------------------|----------------------------------|-----------------------------------|
| | (Rupees in '000) | |
| Letters of credit | <u>27,925,833</u> | <u>13,235,235</u> |

17.4 Other contingencies

| | | |
|----------------------------------|-----------------------|----------------|
| Indemnity issued | 15,484 | 15,484 |
| Claims not acknowledged as debts | <u>276,855</u> | <u>276,363</u> |
| | 17.4.1 <u>292,339</u> | <u>291,847</u> |

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

17.4.2 The bank has received communication from the State Bank of Pakistan dated March 25, 2011 wherein the bank has been asked to take measures to fully comply with the requirements specified by the State Bank of Pakistan's guidelines relating to the returns on a specific portfolio of its foreign currency deposits. Based on legal advice, the bank maintains that it has fully complied with such requirements and returns on these deposits are in accordance with the bank's General Terms and Conditions. The possible financial impact, if any, has not been determined as it involves data relating to past several years. The bank has taken up the matter with the SBP and discussions with the SBP are in progress. The management is confident that this matter will be resolved in its favour.

| | (Un-audited) June 30, 2011 | (Audited) December 31, 2010 |
|--|----------------------------------|-----------------------------------|
| | (Rupees in '000) | |
| 17.5 Commitments in respect of forward transactions | | |
| Forward agreement lending (reverse repos) | <u>16,012,478</u> | <u>11,372,857</u> |
| Forward agreement borrowings (repos) | <u>3,362,846</u> | <u>2,790,284</u> |
| Forward sale contracts of government securities | <u>2,476,468</u> | <u>838,267</u> |
| Uncancellable commitments to extend credit | <u>-</u> | <u>378,430</u> |
| 17.6 Commitments in respect of forward foreign exchange contracts | | |
| Purchase | <u>113,152,567</u> | <u>128,072,394</u> |
| Sale | <u>62,459,524</u> | <u>71,842,177</u> |

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.

| | (Un-audited) June 30, 2011 | (Audited) December 31, 2010 |
|---|----------------------------------|-----------------------------------|
| | (Rupees in '000) | |
| 17.7 Other commitments | | |
| Cross currency and interest rate derivative contracts (notional amount) | <u>59,631,005</u> | <u>66,308,305</u> |
| Foreign currency options | <u>722,779</u> | <u>2,062,762</u> |

18 INCOME FROM DEALING IN FOREIGN CURRENCIES

It includes income from foreign exchange dealings, forward settled interbank deals, revaluation of on balance sheet exposure and foreign exchange impact with respect to derivative contracts.

19 OTHER INCOME

This is net of funding cost of FX swaps amounting to Rs 756 million (June 30, 2010: Rs 940 million).

20 DEFERRED TAXATION

During the current period, the bank has recognised a deferred tax asset of Rs. 245.157 million on provisions amounting to Rs. 700.449 million made in 2010 which were in excess of 5% of gross advances pertaining to Consumer and SMEs. Previously, the management had not recognised this amount, as Finance Act, 2010 appeared to restrict carry forward of provisions for advances and off balance sheet items in excess of 5% for Consumer and SME advances. However, during the current period, Finance Act, 2011 has clarified that provisions for advances and off balance sheet items in excess of 5% of Consumer and SME advances are also allowed to be carried forward.

21 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. These transactions were made on commercial terms and conditions.

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.

21.1 Details of significant transactions with related parties and balances with them as at period end are as follows:

| | Balance as at December 31, 2010 | Net placements / disbursements / deposits / transfers | Net settlements / repayments / withdrawals / transfers | Balance as at June 30, 2011 |
|--|---------------------------------------|--|--|-----------------------------------|
| | ----- (Rupees in '000) ----- | | | |
| Advances | | | | |
| Key management personnel | 382 | 702 | (667) | 417 |
| Deposits | | | | |
| Associated undertakings | 618,795 | 690,546 | (1,028,848) | 280,493 |
| Key management personnel | 7,306 | 43,193 | (45,156) | 5,343 |
| Staff retirement benefit funds | 13,657 | 1,020,777 | (1,008,615) | 25,819 |
| | | | (Un-audited) June 30, 2011 | (Audited) December 31, 2010 |
| | | | (Rupees in '000) | |
| Nostro balances / placements with Citibank branches outside Pakistan | | | 967,854 | 1,312,499 |
| Unremitted head office expenses | | | 786,352 | 544,193 |
| Payable for expenses and share based payment | | | 162,686 | 119,088 |
| Payable to defined benefit plan | | | 74,778 | 71,324 |

(Un-audited)
Half year ended

| June 30, 2011 | June 30, 2010 |
|------------------|------------------|
|------------------|------------------|

(Rupees in '000)

21.2 Income / expense for the period

| | | |
|--|---------|---------|
| Mark-up / return / interest earned | 5,925 | 5,751 |
| Mark-up / return / interest expensed | 223 | 237 |
| Other income | 2,609 | 3,833 |
| Regional expenses for support services | 128,666 | 188,407 |
| Head office expenses | 242,160 | 118,162 |
| Remuneration paid to key management personnel | 32,216 | 29,434 |
| Contribution to staff retirement benefit funds | 44,897 | 42,916 |
| Sale of fixed assets | - | 1,008 |

22 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, 2011 (Un-audited)

| | Trading and sales | Retail banking | Corporate banking | Total |
|----------------------------------|------------------------------|----------------|-------------------|-----------|
| | ----- (Rupees in '000) ----- | | | |
| Total income | 2,025,702 | 1,567,182 | 2,317,602 | 5,910,486 |
| Total expenses | 1,233,806 | 1,842,691 | 1,739,739 | 4,816,236 |
| Net income / (loss) | 791,896 | (275,509) | 577,863 | 1,094,250 |
| Segment return on net assets (%) | 2.35% | -4.50% | 7.77% | 2.32% |
| Segment cost of funds (%)** | 10.09% | 4.85% | 7.19% | 6.44% |

As at June 30, 2011 (Un-audited)

| | Trading and sales | Retail banking | Corporate banking | Total |
|------------------------------|------------------------------|----------------|-------------------|------------|
| | ----- (Rupees in '000) ----- | | | |
| Segment assets (gross) | 67,401,787 | 12,256,089 | 19,408,217 | 99,066,093 |
| Segment non-performing loans | - | 1,964,925 | 3,016,860 | 4,981,785 |
| Segment provision required* | - | 19,510 | 4,532,934 | 4,552,444 |
| Segment liabilities | 13,055,220 | 31,426,168 | 40,024,062 | 84,505,450 |

For the half year ended June 30, 2010 (Un-audited)

| | Trading and sales | Retail banking | Corporate banking | Total |
|--|------------------------------|----------------|-------------------|-----------|
| | ----- (Rupees in '000) ----- | | | |
| Total income | 1,562,624 | 2,004,290 | 1,966,532 | 5,533,446 |
| Total expenses | 660,769 | 2,577,703 | 2,114,412 | 5,352,883 |
| Net income / (loss) | 901,855 | (573,412) | (147,880) | 180,563 |
| Segment return on net assets (ROA) (%) | 3.19% | -9.39% | -1.69% | 0.42% |
| Segment cost of funds (%)** | 5.80% | 5.40% | 6.40% | 5.90% |

As at December 31, 2010 (Audited)

| | Trading and sales | Retail banking | Corporate banking | Total |
|------------------------------|------------------------------|----------------|-------------------|-------------|
| | ----- (Rupees in '000) ----- | | | |
| Segment assets (gross) | 69,389,894 | 13,220,950 | 19,301,833 | 101,912,677 |
| Segment non-performing loans | - | 1,845,071 | 3,143,796 | 4,988,867 |
| Segment provision required* | - | 1,997,334 | 2,561,431 | 4,558,765 |
| Segment liabilities | 14,421,510 | 30,351,885 | 43,715,045 | 88,488,440 |

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

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

23 GENERAL

- 23.1** This condensed interim financial information was authorised for issue by the management of the Bank on August 27, 2011.
- 23.2** Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.
- 23.3** Corresponding figures have been reclassified, rearranged or additionally incorporated in this condensed interim financial information, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period. No significant reclassifications were made.

ARIF USMANI
Managing Director and Citi Country Officer

ANJUM HAI
Chief Financial Officer