

AUDITORS' REPORT TO THE DIRECTORS

We have audited the annexed statement of financial position of the Pakistan Branches of Citibank, N.A., incorporated in the U.S.A with limited liability (the Bank), as at December 31, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984);
- (b) in our opinion:
 - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984) and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.5 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2013 and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Emphasis of matter paragraph

We draw attention to note 21.4.2 of the financial statements 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.


Chartered Accountants

Engagement Partner: **Rashid. A. Jafer**

Dated: March 12, 2014

Karachi

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CITIBANK, N.A. - PAKISTAN BRANCHES
(INCORPORATED IN THE U.S.A. THE LIABILITY OF MEMBERS BEING LIMITED)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

| | Note | 2013 | 2012 Restated | 2011 Restated |
|---|------|-----------------------------|------------------|-------------------|
| | | ------(Rupees in '000)----- | | |
| ASSETS | | | | |
| Cash and balances with treasury banks | 6 | 3,991,465 | 6,770,561 | 6,990,879 |
| Balances with other banks | 7 | 602,119 | 6,035,738 | 1,149,455 |
| Lendings to financial institutions | 8 | 9,202,344 | 14,913,193 | 1,339,057 |
| Investments - net | 9 | 25,239,845 | 31,339,172 | 60,399,022 |
| Advances - net | 10 | 13,556,587 | 18,255,682 | 18,820,403 |
| Fixed assets | 11 | 153,846 | 366,664 | 634,699 |
| Deferred tax assets - net | 12 | 685,858 | 3,247,843 | 3,655,526 |
| Other assets | 13 | 6,454,325 | 4,267,364 | 3,954,861 |
| | | 59,886,389 | 85,196,217 | 96,943,902 |
| LIABILITIES | | | | |
| Bills payable | 15 | 1,284,956 | 2,185,724 | 2,028,623 |
| Borrowings from financial institutions | 16 | 909,854 | 141,666 | 11,231,101 |
| Deposits and other accounts | 17 | 40,936,496 | 64,293,565 | 61,678,515 |
| Sub-ordinated loans | | - | - | - |
| Liabilities against assets subject to finance lease | | - | - | - |
| Deferred tax liabilities | | - | - | - |
| Other liabilities | 18 | 8,197,699 | 9,583,676 | 11,315,633 |
| | | 51,329,005 | 76,204,631 | 86,253,872 |
| NET ASSETS | | <u>8,557,384</u> | <u>8,991,586</u> | <u>10,690,030</u> |
| REPRESENTED BY | | | | |
| Head office capital account | 19 | 6,812,671 | 6,812,671 | 6,812,671 |
| Reserves | | 161,613 | 154,932 | 149,286 |
| Unremitted profit | | 1,650,374 | 2,007,471 | 3,881,210 |
| | | 8,624,658 | 8,975,074 | 10,843,167 |
| (Deficit) / Surplus on revaluation of assets - net of tax | 20 | (67,274) | 16,512 | (153,137) |
| | | <u>8,557,384</u> | <u>8,991,586</u> | <u>10,690,030</u> |
| CONTINGENCIES AND COMMITMENTS | | | | |
| | 21 | | | |

The annexed notes 1 to 43 and Annexures I and II form an integral part of these financial statements.

NADEEM LODHI
Managing Director and Citi Country Officer

ADAMJEE YAKOOB
Chief Financial Officer

CITIBANK, N.A. - PAKISTAN BRANCHES
(INCORPORATED IN THE U.S.A. THE LIABILITY OF MEMBERS BEING LIMITED)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2013

| | Note | 2013 | 2012 Restated |
|---|------|-----------------------------|------------------|
| | | ------(Rupees in '000)----- | |
| Mark-up / return / interest earned | 23 | 4,808,111 | 8,262,997 |
| Mark-up / return / interest expensed | 24 | 2,103,808 | 3,030,151 |
| Net mark-up / return / interest income | | 2,704,303 | 5,232,846 |
| Provision against loans and advances - net | 10.3 | (703,946) | 819,270 |
| Bad debts written off directly | 10.4 | 18,509 | 15,503 |
| Reversal of provision against off-balance sheet obligations - net | 18.2 | - | (12,679) |
| | | (685,437) | 822,094 |
| Net mark-up / interest income after provisions | | 3,389,740 | 4,410,752 |
| NON MARK-UP / INTEREST INCOME | | | |
| Fee, commission and brokerage income | | 499,040 | 583,246 |
| Income from dealing in foreign currencies | 25 | 1,717,527 | 1,724,461 |
| Gain on sale of securities | 26 | 94,485 | 1,069,805 |
| Unrealised (loss) / gain on revaluation of investments classified as held for trading | | (1,366) | 236,831 |
| Other income | 27 | (148,552) | (1,158,346) |
| Total non mark-up / interest income - net | | 2,161,134 | 2,455,997 |
| | | 5,550,874 | 6,866,749 |
| NON MARK-UP / INTEREST EXPENSE | | | |
| Administrative expenses | 28 | 2,681,434 | 4,396,399 |
| Reversal of provision against diminution in the value of non-banking assets - net | 13.2 | (1,717) | (6,935) |
| Operating fixed assets written off | | 661 | 340 |
| Other charges | 29 | (15,878) | 73,515 |
| Total non mark-up / interest expenses - net | | 2,664,500 | 4,463,319 |
| PROFIT BEFORE TAXATION | | 2,886,374 | 2,403,430 |
| Taxation | 30 | | |
| - Current | | 553,391 | 1,157,995 |
| - Prior years | | (1,934,735) | (557,327) |
| - Deferred | | 2,592,482 | 325,620 |
| | | 1,211,138 | 926,288 |
| PROFIT AFTER TAXATION | | 1,675,236 | 1,477,142 |

The annexed notes 1 to 43 and Annexures I and II form an integral part of these financial statements.

NADEEM LODHI
Managing Director and Citi Country Officer

ADAMJEE YAKOOB
Chief Financial Officer

CITIBANK, N.A. - PAKISTAN BRANCHES
(INCORPORATED IN THE U.S.A. THE LIABILITY OF MEMBERS BEING LIMITED)
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

| | Note | 2013 | 2012 Restated |
|---|------|-----------------------------|--------------------|
| | | ------(Rupees in '000)----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 2,886,374 | 2,403,430 |
| Adjustments for non cash and other items: | | | |
| Depreciation | | 122,058 | 293,526 |
| Amortisation | | 45,222 | 48,843 |
| Provision against loans and advances | | (703,946) | 819,270 |
| Unrealised loss / (gain) on revaluation of investments classified as held for trading | | 1,366 | (236,831) |
| Bad debts written off directly | | 18,509 | 15,503 |
| Gain on disposal of operating fixed assets | | (34,478) | (38,203) |
| Charge for defined benefit plan | | 74,103 | 109,946 |
| Reversal of provision against diminution in the value of non-banking assets | | (1,717) | (6,935) |
| Reversal of provision against off-balance sheet obligations | | - | (12,679) |
| Operating fixed assets written off | | 661 | 340 |
| | | <u>(478,222)</u> | <u>992,780</u> |
| | | 2,408,152 | 3,396,210 |
| (Increase) / decrease in operating assets | | | |
| Lendings to financial institutions | | 5,710,849 | (13,574,136) |
| Investments - Held for trading securities | | (1,044,903) | 22,048,859 |
| Advances | | 5,384,532 | (270,052) |
| Other assets | | (4,173,513) | (292,889) |
| | | <u>5,876,965</u> | <u>7,911,782</u> |
| Increase / (decrease) in operating liabilities | | | |
| Bills payable | | (900,768) | 157,101 |
| Borrowings from financial institutions | | 774,755 | (11,046,890) |
| Deposits and other accounts | | (23,357,069) | 2,615,050 |
| Other liabilities | | 2,687,539 | 788,007 |
| | | <u>(20,795,543)</u> | <u>(7,486,732)</u> |
| | | (12,510,426) | 3,821,260 |
| Contribution to gratuity fund | | (270,694) | (47,925) |
| Income tax paid | | (157,007) | (2,912,781) |
| Net cash (used in) / generated from operating activities | | <u>(12,938,127)</u> | <u>860,554</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Net investments in available for sale securities | | 7,013,964 | 7,508,821 |
| Investments in operating fixed assets | | 7,547 | (114,124) |
| Sale proceeds from disposal of property and equipment | | 71,808 | 77,653 |
| Net cash generated from investing activities | | <u>7,093,319</u> | <u>7,472,350</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Profit repatriated to head office during the year | | (2,052,798) | (3,327,991) |
| Remittances made during the year on account of head office expenses | | (308,542) | (296,403) |
| Net cash used in financing activities | | <u>(2,361,340)</u> | <u>(3,624,394)</u> |
| (Decrease) / increase in cash and cash equivalents | | <u>(8,206,148)</u> | <u>4,708,510</u> |
| Cash and cash equivalents at the beginning of the year | | 12,789,878 | 8,081,368 |
| Cash and cash equivalents at the end of the year | 31 | <u>4,583,730</u> | <u>12,789,878</u> |

The annexed notes 1 to 43 and Annexures I and II form an integral part of these financial statements.

NADEEM LODHI
Managing Director and Citi Country Officer

ADAMJEE YAKOOB
Chief Financial Officer

CITIBANK, N.A. - PAKISTAN BRANCHES
(INCORPORATED IN THE U.S.A. THE LIABILITY OF MEMBERS BEING LIMITED)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

| | 2013 | 2012 Restated |
|--|-----------------------------|-------------------------|
| | ------(Rupees in '000)----- | |
| Profit after taxation for the year | 1,675,236 | 1,477,142 |
| Items that will not be reclassified to profit and loss | | |
| Components of comprehensive income reflected in equity | | |
| - Remeasurements of defined benefit plan | 31,484 | (35,216) |
| - Deferred tax (liability) / asset on remeasurements of defined benefit plan | (11,019) | 12,326 |
| | 20,465 | (22,890) |
| Comprehensive income transferred to equity | <u>1,695,701</u> | <u>1,454,252</u> |
| Items that may be reclassified subsequently to profit and loss | | |
| Components of comprehensive income not reflected in equity | | |
| - (Deficit) / Surplus on revaluation of available for sale securities | (128,900) | 260,999 |
| - Deferred tax asset / (liability) on revaluation of available for sale securities | 45,114 | (91,350) |
| | (83,786) | 169,649 |
| | <u><u>1,611,915</u></u> | <u><u>1,623,901</u></u> |

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NADEEM LODHI
Managing Director and Citi Country Officer

ADAMJEE YAKOOB
Chief Financial Officer

CITIBANK, N.A. - PAKISTAN BRANCHES
(INCORPORATED IN THE U.S.A. THE LIABILITY OF MEMBERS BEING LIMITED)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

| | 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, 2012 | 6,812,671 | 3,957,548 | 149,286 | 10,919,505 |
| Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses - net of tax referred in note 3.5.2 | - | (76,338) | - | (76,338) |
| Balance as at January 1, 2012 - restated | 6,812,671 | 3,881,210 | 149,286 | 10,843,167 |
| Profit for the year ended December 31, 2012 - Restated | - | 1,477,142 | - | 1,477,142 |
| Other comprehensive income for the year | | | | |
| Remeasurements of defined benefit plan | - | (35,216) | - | (35,216) |
| Tax on remeasurements of defined benefit plan | - | 12,326 | - | 12,326 |
| | - | (22,890) | - | (22,890) |
| Transactions with owners | | | | |
| Contribution by the ultimate holding company in respect of share based payments | - | - | 30,879 | 30,879 |
| Recharged balance payable to the ultimate holding company for share based payments | - | - | (30,879) | (30,879) |
| Effect of re-measurement of cost under share based payment - net of tax | - | - | 5,646 | 5,646 |
| | - | - | 5,646 | 5,646 |
| Profit remittance made to head office | - | (3,327,991) | - | (3,327,991) |
| Balance as at December 31, 2012 - restated | 6,812,671 | 2,007,471 | 154,932 | 8,975,074 |
| Profit for the year ended December 31, 2013 | - | 1,675,236 | - | 1,675,236 |
| Other comprehensive income for the year | | | | |
| Remeasurements of defined benefit plan | - | 31,484 | - | 31,484 |
| Tax on remeasurements of defined benefit plan | - | (11,019) | - | (11,019) |
| | - | 20,465 | - | 20,465 |
| Transactions with owners | | | | |
| Contribution by the ultimate holding company in respect of share based payments | - | - | 34,990 | 34,990 |
| Recharged balance payable to the ultimate holding company for share based payments | - | - | (34,990) | (34,990) |
| Effect of re-measurement of cost under share based payment - net of tax | - | - | 6,681 | 6,681 |
| | - | - | 6,681 | 6,681 |
| Profit remittance made to head office | - | (2,052,798) | - | (2,052,798) |
| Balance as at December 31, 2013 | 6,812,671 | 1,650,374 | 161,613 | 8,624,658 |

The annexed notes 1 to 43 and Annexures I and II form an integral part of these financial statements.

NADEEM LODHI
Managing Director and Citi Country Officer

ADAMJEE YAKOOB
Chief Financial Officer

CITIBANK, N.A. - PAKISTAN BRANCHES
(INCORPORATED IN THE U.S.A. THE LIABILITY OF MEMBERS BEING LIMITED)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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:

| | Long-term senior debt | Short-term debt |
|----------------|----------------------------------|----------------------------|
| Citigroup Inc. | Baa2 | P-2 |
| Citibank, N.A. | A2 | P-1 |

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. At December 31, 2013, the Bank operated through 3 branches (December 31, 2012: 7 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 purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

3 STATEMENT OF COMPLIANCE

- 3.1** These 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the directives issued by the SECP and SBP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the requirements of the said directives prevail.
- 3.2** The SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3** IFRS 8 "Operating Segments" is effective for the Bank's accounting period beginning on or after January 1, 2009. All Banking Companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.
- 3.4** The 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, only the surplus / (deficit) on revaluation of available for sale (AFS) securities, 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 these financial statements.

3.5 Changes in accounting policies and disclosure

3.5.1 IAS 1, 'Financial statement presentation' has been amended effective January 1, 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to the profit or loss subsequently (reclassification adjustments). The specified change has been made in the statement of comprehensive income for the year.

3.5.2 IAS 19 (revised) 'Employee benefits' which became effective for annual periods beginning on or after January 1, 2013 amends accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses and the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

During the year the Bank has changed its accounting policy to comply with the changes made in IAS 19. As per the previous policy actuarial gains and losses were recognised in the profit and loss account over the future expected average remaining working lives of the employees to the extent of the greater of 10% of the present value of defined benefit obligation at that date and 10% of the fair value of plan assets at that date.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Bank's financial statements are affected only by the 'remeasurements' relating to prior years. The effects have been summarised below:

| | December 31, 2013 | December 31, 2012 | December 31, 2011 |
|---|----------------------------|----------------------|----------------------|
| | ----- Rupees in '000 ----- | | |
| Impact on Statement of Financial Position | | | |
| Increase in deferred tax assets | 42,412 | 53,431 | 41,105 |
| Decrease in other assets | (29,024) | (29,024) | - |
| Increase in other liabilities | 38,250 | 69,734 | 117,443 |
| Decrease in unremitted profit | (24,862) | (45,327) | (76,338) |
| Impact on Statement of Comprehensive Income | | | |
| Remeasurements of defined benefit plan | 31,484 | (35,215) | - |
| Tax on remeasurement of defined benefit plan | (11,019) | 12,325 | - |
| Increase / (decrease) in other comprehensive income | 20,465 | (22,890) | - |
| Impact on Statement of Changes in Equity | | | |
| Increase / (decrease) in unremitted profit | | | |
| - Impact on unremitted profit for 2011 | - | - | (76,338) |
| - Impact for the year | 20,465 | 31,011 | - |
| Impact on Profit and Loss Account | | | |
| Decrease in administrative expenses | - | 82,925 | 3,541 |
| Effect of related taxation | - | (29,024) | (1,239) |

The Bank's policy for Staff Retirement Benefits (note 5.9) and disclosure relating to Defined Benefit Plan (note 33) have been amended to comply with the requirement of IAS 19 (revised).

3.6 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or to have any significant effect on the Bank's operations and are, therefore, not disclosed in these financial statements.

3.7 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards and amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after January 1, 2014 and have not been early adopted by the Bank.

- 3.7.1** IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist where the determination of control is difficult to assess. The amendments may impact the financial statements of the Bank which has not yet been quantified.
- 3.7.2** IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The amendments may impact the financial statements of the Bank which has not yet been quantified.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2014 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 Functional and presentational currency

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

4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

- i) classification and provisioning against investments (notes 5.3 and 9)
- ii) classification and provisioning against advances (notes 5.4 and 10)
- iii) income taxes (notes 5.8, 12 and 30)
- iv) accounting for defined benefit plan (notes 5.9 and 33)
- v) depreciation / amortisation of fixed assets (notes 5.5 and 11)
- vi) fair value of derivative financial instruments (note 5.15 (b) and 22)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

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

5.2 Lendings to / borrowings from financial institutions

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

(a) Sale of securities under repurchase agreements

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

(b) Purchase of securities under resale agreements

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

(c) Other lendings

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

5.3 Investments

The bank classifies its investments as follows:

(a) Held for trading

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

(b) Held to maturity

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

(c) Available for sale

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

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

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

Investment in unquoted equity securities are stated at cost less impairment.

Impairment loss in respect of investments classified as available for sale (except term finance certificates) and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Provision for diminution in the value of term finance certificates is made as per the requirements set out in the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus on revaluation of securities on the statement of financial position below equity is removed therefrom and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in profit and loss account.

The difference between the face value and the purchase price is amortised over the remaining life of the investment using effective yield method, in order to determine the amortised cost.

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

5.4 Advances

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

5.5 Fixed assets

Capital work in progress

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

Tangible

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

Depreciation is charged to the profit and loss account applying the straight-line method using the rates specified in note 11.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on additions is charged for the whole month if the assets are purchased before the 15th day of the month while no depreciation is charged in the month in which assets are disposed off.

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

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

Intangible

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

Amortisation is charged to the profit and loss account applying the straight-line method using the rates specified in note 11.3 to these financial statements.

5.6 Non-current assets held for sale

The Bank classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

5.7 Impairment

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

5.8 Taxation

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

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

Deferred

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

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

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

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

5.9 Staff retirement benefits

Defined benefit plan

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

Contributions to the fund are made on the basis of actuarial recommendation. Liability in respect of this benefit is recognised based on actuarial valuation carried out using the Projected Unit Cost method.

As noted in note 3.5.2 the amounts arising as a result of remeasurements are recognised in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

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

Defined contribution plan

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

5.10 Share based payments

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

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

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

5.11 Borrowings / deposits and their cost

- a) Borrowings / deposits are recorded at the proceeds received.
- b) Borrowing / deposit costs are recognised as an expense in the period in which these are incurred using the effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

5.12 Provisions

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

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

5.13 Revenue recognition

- Mark-up / return / interest on advances and investments is recognised on a time proportion basis, except in case of non-performing advances where income is recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan.
- Where debt securities are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.
- Fee and commission are recognised as and when services are performed.
- Gains and losses on sale of investments and operating fixed assets are recognised in the profit and loss account when the risks and rewards of ownership are transferred.
- Dividend income is recognised when the Bank's right to receive the dividend has been established.

5.14 Foreign currencies

(a) Functional and presentational currency

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

(b) Foreign currency transactions

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

(c) Translation gains and losses

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

(d) Contingencies and commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Pakistani rupees terms at the exchange rate prevailing at the reporting date.

5.15 Financial instruments

(a) Financial assets and financial liabilities

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

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

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

(b) Derivative financial instruments

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

(c) Offsetting

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

5.16 Assets acquired in satisfaction of claims

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

5.17 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

5.18 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of the other segments. The operations of the Bank are based in Pakistan, therefore geographical segment is not relevant.

5.18.1 Business segments

Trading and sales

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

Retail banking

It includes retail lending, deposits, banking services and credit card business.

Corporate banking

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

| | Note | 2013 | 2012 |
|--|---|------------------------------|-------------------|
| | | ----- (Rupees in '000) ----- | |
| 6 CASH AND BALANCES WITH TREASURY BANKS | | | |
| In hand | | | |
| Local currency | | 260,733 | 620,164 |
| Foreign currencies | | 332,970 | 818,552 |
| With State Bank of Pakistan in | | | |
| Local currency current account | 6.1 | 1,438,190 | 2,918,773 |
| Foreign currency current account | | 10,302 | 71,479 |
| Foreign currency deposit accounts | | | |
| - Cash reserve account | 6.2 | 473,961 | 582,898 |
| - Special cash reserve account | 6.3 | 1,421,882 | 1,748,695 |
| With National Bank of Pakistan in | | | |
| Local currency current account | | 53,427 | 10,000 |
| | | <u>3,991,465</u> | <u>6,770,561</u> |
| 6.1 | The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by SBP. | | |
| 6.2 | This represents cash reserve of 5% which is required to be maintained with State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits). | | |
| 6.3 | This represents special cash reserve of 15% which is required to be maintained with State Bank of Pakistan on FE-25 deposits. Profit rates on these deposits are fixed by SBP on a monthly basis. During the year this deposit was not remunerated (2012: Nil). | | |
| 7 BALANCES WITH OTHER BANKS | Note | 2013 | 2012 |
| | | ----- (Rupees in '000) ----- | |
| In Pakistan | | | |
| In current account | | 17,268 | 35,189 |
| Outside Pakistan | | | |
| In current account | 7.1 | 584,851 | 6,000,549 |
| In deposit account | | - | - |
| | | <u>602,119</u> | <u>6,035,738</u> |
| 7.1 | This includes balance of Rs.556.003 million (2012: Rs.5,997.220 million) held with branches of Citibank, N.A. outside Pakistan. | | |
| 8 LENDINGS TO FINANCIAL INSTITUTIONS | Note | 2013 | 2012 |
| | | ----- (Rupees in '000) ----- | |
| Repurchase agreement lendings (Reverse Repo) | 8.1, 8.2 & 8.3 | 9,202,344 | 14,913,193 |
| | | <u>9,202,344</u> | <u>14,913,193</u> |
| 8.1 | These represent short term lendings to financial institutions against government securities. These carry mark-up at rates ranging from 9.8% to 10.33% (2012: 9.19% to 9.34%) per annum and have a maturity period of upto January 2014 (2012: January 2013). | | |
| 8.2 Particulars of lendings to financial institutions | | 2013 | 2012 |
| | | ----- (Rupees in '000) ----- | |
| In local currency | | 9,202,344 | 14,913,193 |
| | | <u>9,202,344</u> | <u>14,913,193</u> |

8.3 Securities held as collateral against lendings to financial institutions

| | Note | 2013 | | | 2012 | | |
|-----------------------|------|------------------------------|-----------------------------|-----------|--------------|-----------------------------|------------|
| | | Held by Bank | Further given as collateral | Total | Held by Bank | Further given as collateral | Total |
| | | ----- (Rupees in '000) ----- | | | | | |
| Market Treasury Bills | | 9,202,344 | - | 9,202,344 | 14,913,193 | - | 14,913,193 |
| | | 9,202,344 | - | 9,202,344 | 14,913,193 | - | 14,913,193 |

9 INVESTMENTS

9.1 Investments by types:

| INVESTMENTS | | 2013 | | | 2012 | | | |
|---|------|------------------------------|---------------------|------------|--------------|---------------------|------------|-------|
| | | Held by Bank | Given as collateral | Total | Held by Bank | Given as collateral | Total | |
| Investments by types: | | ----- (Rupees in '000) ----- | | | | | | |
| Held-for-trading securities | | | | | | | | |
| Market Treasury Bills | 9.4 | 502,123 | - | 502,123 | 788,342 | - | 788,342 | |
| Pakistan Investment Bonds | 9.5 | 4,240,120 | - | 4,240,120 | 2,908,998 | - | 2,908,998 | |
| | | 4,742,243 | - | 4,742,243 | 3,697,340 | - | 3,697,340 | |
| Available-for-sale securities | | | | | | | | |
| Market Treasury Bills | 9.4 | 12,205,710 | - | 12,205,710 | 18,550,975 | - | 18,550,975 | |
| Pakistan Investment Bonds | 9.5 | 8,387,407 | - | 8,387,407 | 9,056,106 | - | 9,056,106 | |
| Fully Paid-up Ordinary Shares | 9.6 | 2,000 | - | 2,000 | 2,000 | - | 2,000 | |
| Unlisted Term Finance Certificates | 9.7 | - | - | - | - | - | - | |
| | | 20,595,117 | - | 20,595,117 | 27,609,081 | - | 27,609,081 | |
| Investments at cost | | 25,337,360 | - | 25,337,360 | 31,306,421 | - | 31,306,421 | |
| Less: Provision for diminution in the value of Investments | | 9.8 | 2,000 | - | 2,000 | 2,000 | - | 2,000 |
| Investments (net of provisions) | | 25,335,360 | - | 25,335,360 | 31,304,421 | - | 31,304,421 | |
| Surplus on revaluation of held-for-trading securities - net | 9.10 | 7,982 | - | 7,982 | 9,348 | - | 9,348 | |
| (Deficit) / surplus on revaluation of available-for-sale securities - net | 20 | (103,497) | - | (103,497) | 25,403 | - | 25,403 | |
| Total investments at market value | | 25,239,845 | - | 25,239,845 | 31,339,172 | - | 31,339,172 | |

| | | Note | 2013 | 2012 |
|-----|---|-----------|------------------------------|-------------------|
| | | | ----- (Rupees in '000) ----- | |
| 9.2 | Investments by segments: | | | |
| | Federal Government Securities: | | | |
| | Market Treasury Bills | 9.3 & 9.4 | 12,707,833 | 19,339,317 |
| | Pakistan Investment Bonds | 9.3 & 9.5 | 12,627,527 | 11,965,104 |
| | | | <u>25,335,360</u> | <u>31,304,421</u> |
| | Fully Paid up Ordinary Shares | | | |
| | Unlisted shares | 9.6 | 2,000 | 2,000 |
| | Term Finance Certificates: | | | |
| | Unlisted | 9.7 | - | - |
| | Investments at cost | | <u>25,337,360</u> | <u>31,306,421</u> |
| | Less: Provision for diminution in value of investments | 9.8 | 2,000 | 2,000 |
| | Investments (net of provisions) | | <u>25,335,360</u> | <u>31,304,421</u> |
| | Surplus on revaluation of held-for-trading securities | 9.10 | 7,982 | 9,348 |
| | (Deficit) / surplus on revaluation of available-for-sale securities | 20 | (103,497) | 25,403 |
| | Total investments at market value | | <u>25,239,845</u> | <u>31,339,172</u> |

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

9.4 Market Treasury Bills are for a period of three months, six months and one year. The effective rates of profit on Market Treasury Bills range from 8.95% to 10.48% (2012: 9.01% to 10.25%) per annum with maturities upto June 2014 (2012: November 2013). In addition Market Treasury Bills having face value of Rs. 4,450 million (2012: Rs. 5,175 million) have been deposited with the State Bank of Pakistan as pledged capital.

9.5 Pakistan Investment Bonds (PIBs) are for periods of three, five, ten, fifteen and twenty years. The yield on these PIBs range from 8.00% to 11.50% (2012: 8.00% to 12.00%) per annum with maturities from April 2014 to June 2024 (2012: June 2013 to June 2024). Pakistan Investment Bonds having face value of Rs 25 million (2012: Rs 25 million) have been deposited with the State Bank of Pakistan against telegraph transfer / discounting facility granted by them. Pakistan Investment Bonds having face value of Rs 3,265 million (2012: 2,540 million) have been deposited with the State Bank of Pakistan as pledged capital.

| | Note | 2013 | 2012 |
|--|------|-----------------------------|--------------|
| | | ------(Rupees in '000)----- | |
| 9.6 Particulars of Fully Paid-up Ordinary Shares - Unlisted companies | | | |
| Arabian Sea Country Club | | | |
| 200,000 (2012: 200,000) fully paid-up ordinary shares of Rs.10/- each | | 2,000 | 2,000 |
| Chief Executive Officer - Mr. Arif Khan Abbasi | | | |
| | | <u>2,000</u> | <u>2,000</u> |

9.7 Represents term finance certificates received as partial settlement from Azgard Nine Limited against overdue mark-up. The bank has taken full provision against the outstanding amount.

| | Note | 2013 | 2012 |
|--|------|-----------------------------|--------------|
| | | ------(Rupees in '000)----- | |
| 9.8 Particulars of provision for diminution in the value of investments | | | |
| Opening balance | | 2,000 | 52,000 |
| Reversals | | - | (50,000) |
| Closing balance | | <u>2,000</u> | <u>2,000</u> |
| 9.8.1 Particulars of provision for diminution in the value of investments by type and segment | | | |
| Unlisted shares - available-for-sale investments | | <u>2,000</u> | <u>2,000</u> |

9.9 Quality of Available for Sale Securities

| | 2013 | | 2012 | |
|--|--------------------------|-----------------------------|--------------------------|-----------------------------|
| | Amount (Rupees'000) | Rating (where available) | Amount (Rupees'000) | Rating (where available) |
| Federal Government Securities (at market value) | | | | |
| Market Treasury Bills | 12,173,760 | N/A | 18,578,998 | N/A |
| Pakistan Investment Bonds | <u>8,315,860</u> | N/A | <u>9,053,486</u> | N/A |
| | 20,489,620 | | 27,632,484 | |
| Ordinary shares - unlisted (at cost) | | | | |
| Arabian Sea Country Club | <u>2,000</u> | Unrated | <u>2,000</u> | Unrated |
| | 2,000 | | 2,000 | |
| Term Finance Certificates - unlisted (at cost) | | | | |
| Azgard Nine Limited | <u>-</u> | Unrated | <u>-</u> | Unrated |
| | - | | - | |
| Total | <u><u>20,491,620</u></u> | | <u><u>27,634,484</u></u> | |

| | 2013 | 2012 |
|--|-----------------------------|--------------|
| | ------(Rupees in '000)----- | |
| 9.10 Unrealised gain on revaluation of investments classified as held for trading | | |
| Market Treasury Bills | (5,482) | 162 |
| Pakistan Investments Bonds | <u>13,464</u> | <u>9,186</u> |
| | <u>7,982</u> | <u>9,348</u> |

| 10 | ADVANCES | Note | 2013 | 2012 |
|----|--|--------|------------------------------|-------------|
| | | | ----- (Rupees in '000) ----- | |
| | Loans, cash credits, running finances, etc. In Pakistan | | 15,900,839 | 23,032,953 |
| | Bills discounted and purchased (excluding treasury bills) | | | |
| | Payable in Pakistan | | 696,603 | 901,664 |
| | Payable outside Pakistan | | 501,140 | 507,063 |
| | | | 1,197,743 | 1,408,727 |
| | Advances - gross | 10.1.3 | 17,098,582 | 24,441,680 |
| | Provision against advances | | | |
| | Specific - provision against non-performing advances | 10.2 | (3,541,861) | (6,091,487) |
| | General - provision against advances | 10.3.1 | (134) | (94,511) |
| | | 10.3 | (3,541,995) | (6,185,998) |
| | Advances - net of provisions | | 13,556,587 | 18,255,682 |

10.1 Particulars of advances (gross)

| | | | |
|--------|--------------------------------|------------|------------|
| 10.1.1 | In local currency | 16,597,442 | 23,872,601 |
| | In foreign currencies | 501,140 | 569,079 |
| | | 17,098,582 | 24,441,680 |
| 10.1.2 | Short term (for upto one year) | 9,285,616 | 14,035,720 |
| | Long term (for over one year) | 7,812,966 | 10,405,960 |
| | | 17,098,582 | 24,441,680 |

10.1.3 Based on classification defined in SBP Prudential Regulations, Rs 16,286.248 million (2012: Rs 19,944.935 million) advances fall under Corporate and Rs 812.334 million (2012: Rs 4,496.745 million) fall under Consumer and SME classification as at December 31, 2013.

10.2 Advances include Rs. 3,548.054 million (2012: Rs.6,207.490 million) which have been placed under non-performing status as detailed below:

| | 2013 | | | 2012 | | |
|-----------------------------------|--------------------------------|--------------------|----------------|--------------------------------|--------------------|----------------|
| | Classified advances (Domestic) | Provision required | Provision held | Classified advances (Domestic) | Provision required | Provision held |
| ----- (Rupees in '000) ----- | | | | | | |
| Category of classification | | | | | | |
| Substandard | 2,389 | 597 | 597 | 4,927 | 1,359 | 1,359 |
| Doubtful | 21,567 | 17,166 | 17,166 | 138,504 | 69,252 | 69,252 |
| Loss | 3,524,098 | 3,524,098 | 3,524,098 | 6,064,059 | 6,020,876 | 6,020,876 |
| | 3,548,054 | 3,541,861 | 3,541,861 | 6,207,490 | 6,091,487 | 6,091,487 |

10.3 Particulars of provision against advances

| | Note | 2013 | | | 2012 | | |
|----------------------------|--------|------------------------------|----------|-------------|-----------|----------|-----------|
| | | Specific | General | Total | Specific | General | Total |
| | | ----- (Rupees in '000) ----- | | | | | |
| Opening balance | | 6,091,487 | 94,511 | 6,185,998 | 5,338,814 | 118,870 | 5,457,684 |
| Charge for the year | | 32,707 | - | 32,707 | 1,255,687 | - | 1,255,687 |
| Reversals | | (642,276) | (94,377) | (736,653) | (412,058) | (24,359) | (436,417) |
| | | (609,569) | (94,377) | (703,946) | 843,629 | (24,359) | 819,270 |
| Amounts written off | 10.4.1 | (138,146) | - | (138,146) | (90,956) | - | (90,956) |
| Sale of consumer portfolio | | (1,801,911) | - | (1,801,911) | | | |
| Closing balance | | 3,541,861 | 134 | 3,541,995 | 6,091,487 | 94,511 | 6,185,998 |

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

During the year, SBP has issued Prudential Regulations (PRs) for Small and Medium Enterprises. The PRs require the Bank to maintain a general provision against financings to Small Enterprises. However, these have been classified as non-performing advances and accordingly the Bank has already created a full provision against these amounts.

10.3.2 Particulars of provision against advances

| | 2013 | | | 2012 | | |
|-------------------|------------------------------|---------|-----------|-----------|---------|-----------|
| | Specific | General | Total | Specific | General | Total |
| | ----- (Rupees in '000) ----- | | | | | |
| In local currency | 3,541,861 | 134 | 3,541,995 | 6,091,487 | 94,511 | 6,185,998 |

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

- 10.3.4** During the year, the Bank sold its consumer asset portfolio, comprising of Auto Loans, Personal Loans and Credit Cards after obtaining all regulatory approvals. For details refer note 27.2.

| | Note | 2013 | 2012 |
|---|---------------------|------------------------------|----------------|
| | | ----- (Rupees in '000) ----- | |
| 10.4 Particulars of write-offs | | | |
| 10.4.1 Against provisions | 10.3 & 10.4.1.1 | 138,146 | 90,956 |
| Directly charged to profit and loss account | 10.4.1.2 & 10.4.1.3 | 18,509 | 15,503 |
| | | <u>156,655</u> | <u>106,459</u> |

- 10.4.1.1** Includes Rs 81.823 million on account of loss on sale of a loan to a commercial bank.

- 10.4.1.2** Includes an amount of Rs 0.978 million in lieu of discount offered to a customer on prepayment of loan liability.

- 10.4.1.3** Includes an amount of Rs. 14.544 million against payment on behalf of a customer for a letter of credit.

| | | | |
|--|------|----------------|----------------|
| 10.4.2 Write offs of Rs. 500,000 and above (excluding discount on prepayment and loss on sale) | 10.5 | 56,321 | 752 |
| Write offs of Rs. 500,000 and above | | 97,345 | - |
| Write offs of below Rs. 500,000 | | <u>2,989</u> | <u>105,707</u> |
| | | <u>156,655</u> | <u>106,459</u> |

10.5 Details of loan write off of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to person(s) during the year ended December 31, 2013 is given in Annexure-I. These loans are written off as a book entry without prejudice to the Bank's right of recovery against the customers.

| | 2013 | 2012 |
|--|------------------------------|------------------|
| | ----- (Rupees in '000) ----- | |
| 10.6 Particulars of loans and advances to directors, executives associated companies, etc. | | |
| Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons * | | |
| Balance at beginning of the year | 648,796 | 899,290 |
| Loans granted during the year | 206,256 | 23,640 |
| Repayments | <u>(419,897)</u> | <u>(274,134)</u> |
| Balance at end of the year | <u>435,155</u> | <u>648,796</u> |

* Represents loans given by the Bank to their executives and other employees as per the terms of their employment.

| | Note | 2013 | 2012 |
|--------------------------|------|------------------------------|----------------|
| | | ----- (Rupees in '000) ----- | |
| 11 FIXED ASSETS | | | |
| Capital work-in-progress | 11.1 | 500 | 12,383 |
| Property and equipment | 11.2 | 149,730 | 287,443 |
| Intangible assets | 11.3 | <u>3,616</u> | <u>66,838</u> |
| | | <u>153,846</u> | <u>366,664</u> |

| | 2013 ------(Rupees in '000)----- | 2012 ------(Rupees in '000)----- |
|---------------------------------------|-------------------------------------|-------------------------------------|
| 11.1 Capital work-in-progress | | |
| Advances to suppliers and contractors | 500 | 12,383 |
| Others | - | - |
| | <u>500</u> | <u>12,383</u> |
| 11.2 Property and equipment | | |

| | 2013 | | | | | | | |
|--|------------------------------|------------------------------------|-------------------------------|------------------------------|---|-------------------------------|-------------------------------|------------------------------|
| | COST | | | ACCUMULATED DEPRECIATION | | | BOOK VALUE | |
| | As at January 01, 2013 | Additions/ (Deletions) | As at December 31, 2013 | As at January 01, 2013 | Charge for the year / (on deletions) / adjustment* | As at December 31, 2013 | As at December 31, 2013 | Rate of depreciation % |
| | ------(Rupees in '000)----- | | | | | | | |
| Leasehold land and buildings | 6,295 | - | 6,295 | 2,577 | 241 | 2,818 | 3,477 | 5 |
| | | - | | | - | | | |
| Furniture and fixtures | 429,961 | 5,998 (176,092) | 259,867 | 349,876 | 54,001 (175,101) 2,221 | 230,997 | 28,870 | 10 - 50 |
| Electrical, office and computer equipment | 1,167,802 | 6,434 (109,624) | 1,064,612 | 1,074,263 | 35,132 (108,497) 17,494 | 1,018,392 | 46,220 | 14.3-33.33 |
| Vehicles | 266,812 | 31,144 (129,002) | 168,954 | 156,711 | 32,684 (93,129) 1,525 | 97,791 | 71,163 | 20 |
| | <u>1,870,870</u> | <u>43,576</u> <u>(414,718)</u> | <u>1,914,446</u> | <u>1,583,427</u> | <u>122,058</u> <u>(376,727)</u> <u>21,240</u> | <u>1,349,998</u> | <u>149,730</u> | |
| | | - | | | | | | |
| | ------(Rupees in '000)----- | | | | | | | |
| | 2012 | | | | | | | |
| | COST | | | ACCUMULATED DEPRECIATION | | | BOOK VALUE | |
| | As at January 01, 2012 | Additions/ (Deletions) | As at December 31, 2012 | As at January 01, 2012 | Charge for the year / (on deletions) | As at December 31, 2012 | As at December 31, 2012 | Rate of depreciation % |
| | ------(Rupees in '000)----- | | | | | | | |
| Leasehold land and buildings | 6,295 | - | 6,295 | 2,333 | 244 | 2,577 | 3,718 | 5 |
| | | - | | | - | | | |
| Furniture and fixtures | 618,747 | 46,510 (235,296) | 429,961 | 450,660 | 129,566 (230,350) | 349,876 | 80,085 | 10 - 50 |
| Electrical, office and computer equipment | 1,245,870 | 51,545 (129,613) | 1,167,802 | 1,083,694 | 116,011 (125,442) | 1,074,263 | 93,539 | 14.3-33.33 |
| Vehicles | 324,948 | 11,429 (69,565) | 266,812 | 147,898 | 47,705 (38,892) | 156,711 | 110,101 | 20 |
| | <u>2,195,860</u> | <u>109,484</u> <u>(434,474)</u> | <u>1,870,870</u> | <u>1,684,585</u> | <u>293,526</u> <u>(394,684)</u> | <u>1,583,427</u> | <u>287,443</u> | |
| | | | | | | | | |

* Represents amount recovered from a commercial bank for use of bank's assets.

11.2.1 The cost of fully depreciated assets still in use amounts to Rs. 1,146.286 million (2012: Rs. 1,083.839 million).

11.2.2 During the year the Bank decided to close down four of its branches and vacate certain premises. Pursuant to this decision the management has recognised an accelerated depreciation of Rs. 83.335 million (2012: Rs. 112.879 million) on certain fixed assets located at these branches.

11.3 Intangible assets

| | | | | | 2013 | | | |
|-------------------|------------------------------|----------------------------|----------------------------|---------------------------|---|-------------------------------|-------------------------------|-------------------------|
| | As at January 01, 2013 | Additions / (deletions) | As at December 31, 2013 | As at January 01, 2013 | Amortisation for the year / (amortisation on deletions) / adjustment* | As at December 31, 2013 | As at December 31, 2013 | Rate of amortisation |
| | ------(Rupees in '000)----- | | | | | | | % |
| Computer software | 291,312 | - | 12,372 | 224,474 | 45,222 (278,940) | 8,756 | 3,616 | 20 - 33.33 |
| | <u>(278,940)</u> | | | | <u>18,000*</u> | | | |
| | | | | | 2012 | | | |
| | COST | | ACCUMULATED AMORTISATION | | | BOOK VALUE | | |
| | As at January 01, 2011 | Additions / (deletions) | As at December 31, 2011 | As at January 01, 2011 | Amortisation for the year / (amortisation on deletions) / adjustment | As at December 31, 2011 | As at December 31, 2011 | Rate of amortisation |
| | ------(Rupees in '000)----- | | | | | | | % |
| Computer software | 290,132 | 1,180 | 291,312 | 175,631 | 48,843 | 224,474 | 66,838 | 20 - 33.33 |
| | | | | | - | | | |
| | | | | | - | | | |

* Represents amount recovered from a commercial bank for use of bank's assets.

11.3.1 The cost of fully amortised assets still in use is Rs. Nil (2012: Rs 68.147 million).

11.4 Disposals of fixed assets during the year

Details of disposals of fixed assets having cost of more than Rs. 1,000,000 or net book value of Rs. 250,000 or more are given in Annexure-II and is an integral part of these financial statements.

| | Note | 2013 | 2012 Restated | 2011 Restated |
|--|------|------------------|------------------|------------------|
| | | (Rupees in '000) | | |
| 12 DEFERRED TAX ASSETS - net | | | | |
| Deferred tax assets - net | 12.1 | 685,858 | 3,247,843 | 3,655,526 |
| 12.1 Deferred debits arising due to: | | | | |
| - deficit on revaluation of available for sale investments | 20 | 36,223 | - | 82,459 |
| - provision against off balance sheet items and corporate and consumer financing | | 593,844 | 3,074,670 | 3,385,487 |
| - accelerated tax depreciation | | 39,239 | 42,905 | 44,809 |
| - other deductible temporary differences | | 61,163 | 169,153 | 182,051 |
| - effect of restatement relating to defined benefit plan | | 42,412 | 53,431 | 41,105 |
| Deferred credit arising due to: | | | | |
| - effect of re-measurement of cost under share based payment | | (87,023) | (83,425) | (80,385) |
| - surplus on revaluation of available for sale investments | | - | (8,891) | - |
| | | 685,858 | 3,247,843 | 3,655,526 |
| | Note | 2013 | 2012 Restated | 2011 |
| | | (Rupees in '000) | | |
| 13 OTHER ASSETS | | | | |
| Income / Mark-up accrued in local currency | | 803,423 | 799,235 | 1,359,553 |
| Income / Mark-up accrued in foreign currency | | 24,406 | 11,401 | 13,989 |
| Advances, deposits, prepayments and other receivables | | 210,517 | 387,416 | 368,383 |
| Advance taxation (payments less provisions) | | 3,526,620 | 1,988,269 | - |
| Non-banking assets acquired in satisfaction of claims | 13.1 | 8,941 | 10,857 | 18,158 |
| Unrealised gain on forward foreign exchange contracts, foreign currency options and derivative contracts | | 1,889,188 | 1,028,542 | 2,164,818 |
| Receivable from the State Bank of Pakistan - customer encashed USD Bonds / SSCs & DSCs | | - | 34,188 | 1,805 |
| Others | | 171 | 18,114 | 45,748 |
| | | 6,463,266 | 4,278,022 | 3,972,454 |
| Less: Provision held against non-banking assets acquired in satisfaction of claims | 13.2 | 8,941 | 10,658 | 17,593 |
| Other assets - net of provision | | 6,454,325 | 4,267,364 | 3,954,861 |

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

| | 2013 | 2012 |
|--|------------------------------|---------------|
| | ----- (Rupees in '000) ----- | |
| 13.2 Provision against other assets | | |
| Opening balance | 10,658 | 17,593 |
| Reversal during the year | (1,717) | (6,935) |
| Closing balance | <u>8,941</u> | <u>10,658</u> |

14 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2013 (2012: Nil).

| | Note | 2013 | 2012 |
|-------------------------|------|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 15 BILLS PAYABLE | | | |
| In Pakistan | | <u>1,284,956</u> | <u>2,185,724</u> |

16 BORROWINGS FROM FINANCIAL INSTITUTIONS

| | | |
|------------------|----------------|----------------|
| In Pakistan | 900,000 | 141,666 |
| Outside Pakistan | 9,854 | - |
| | <u>909,854</u> | <u>141,666</u> |

16.1 Particulars of borrowings with respect to currencies

| | | |
|-----------------------|----------------|----------------|
| In local currency | 900,000 | 141,666 |
| In foreign currencies | 9,854 | - |
| | <u>909,854</u> | <u>141,666</u> |

16.2 Details of borrowings Secured / Unsecured

Secured

| | | |
|---|---|--------|
| Borrowings from the State Bank of Pakistan | | |
| Under export refinance scheme | - | - |
| Under Long Term Financing-Export Oriented Projects scheme (LTF-EOP) | - | 25,245 |
| Repurchase agreement borrowings | - | - |
| | - | 25,245 |

Unsecured

| | | | |
|--------------------|--------|----------------|----------------|
| Call borrowings | 16.2.1 | 900,000 | 100,000 |
| Overdrawn accounts | | 9,854 | 16,421 |
| | | <u>909,854</u> | <u>116,421</u> |
| | | <u>909,854</u> | <u>141,666</u> |

- 16.2.1** This represents unsecured borrowing that carries mark-up at the rate of 10.25% (2012: 9.75%) per annum and is due to mature in January 2014 (2012: April 2013).

| 17 | DEPOSITS AND OTHER ACCOUNTS | 2013 | 2012 |
|----|-------------------------------------|------------------------------|-------------------|
| | | ----- (Rupees in '000) ----- | |
| | Customers | | |
| | Fixed deposits | 14,245,554 | 16,089,264 |
| | Savings deposits | 14,517,387 | 21,680,362 |
| | Current accounts - non-remunerative | 10,870,501 | 24,564,881 |
| | Other deposits | 161,135 | 73,541 |
| | | 39,794,577 | 62,408,048 |
| | Financial institutions | | |
| | Remunerative deposits | - | 260,930 |
| | Non-remunerative deposits | 1,141,919 | 1,624,587 |
| | | 1,141,919 | 1,885,517 |
| | | <u>40,936,496</u> | <u>64,293,565</u> |

17.1 Particulars of deposits

| | | |
|-----------------------|-------------------|-------------------|
| In local currency | 37,166,184 | 55,474,777 |
| In foreign currencies | 3,770,312 | 8,818,788 |
| | <u>40,936,496</u> | <u>64,293,565</u> |

17.2 Includes deposits of Citigroup companies amounting to Rs. 524.941 million (2012: Rs. 662.044 million).

| | Note | 2013 | 2012 Restated | 2011 Restated |
|----|---|------------------------------|------------------|------------------|
| | | ----- (Rupees in '000) ----- | | |
| 18 | OTHER LIABILITIES | | | |
| | Mark-up / return / interest payable in local currency | 269,518 | 370,227 | 634,408 |
| | Mark-up / return / interest payable in foreign currencies | - | 385 | 329 |
| | Unearned commission and income on bills discounted | 18,050 | 60,032 | 63,530 |
| | Accrued expenses | 18.1 | 581,000 | 1,196,613 |
| | Current taxation (provision less payments) | - | - | 784,254 |
| | Unrealised loss on forward foreign exchange contracts, foreign currency options and derivative contracts | 4,842,587 | 5,398,490 | 323,843 |
| | Unremitted head office expenses | 852,468 | 798,012 | 7,719,976 |
| | Payable to regional offices for support services | 139,338 | 113,630 | 773,734 |
| | Payable to defined benefit plan | 33.2 | 85,849 | 123,548 |
| | Provision against off-balance sheet obligations | 18.2 | 9,034 | 313,924 |
| | Advances from customers | - | 20,471 | 216,687 |
| | Others | 1,399,855 | 1,302,858 | 21,713 |
| | | 8,197,699 | 9,583,676 | 11,315,633 |

18.1 This includes the Bank's obligation to the ultimate holding company under the stock award and stock option programmes. As of December 31, 2013 recognised liability for share based incentive plans was Rs. 140.841 million (2012: Rs. 116.130 million).

| 18.2 | Provision against off-balance sheet obligations | Note | 2013 | 2012 |
|------|---|------|------------------------------|--------------|
| | | | ----- (Rupees in '000) ----- | |
| | Opening balance | | 9,034 | 21,713 |
| | Charge for the year | | - | 3,321 |
| | Reversal during the year | | - | (16,000) |
| | Closing balance | | <u>9,034</u> | <u>9,034</u> |

19 HEAD OFFICE CAPITAL ACCOUNT

Capital held as:

| | | | |
|--|------|------------------|------------------|
| Deposit of un-encumbered approved securities | 19.1 | 6,812,671 | 6,812,671 |
| | | <u>6,812,671</u> | <u>6,812,671</u> |

19.1 This represents Market Treasury Bills having face value of Rs. 4,450 million (2012: Rs. 5,175 million) and Pakistan Investment Bonds having face value of Rs. 3,265 million (2012: Rs. 2,540 million). The market value of Market Treasury Bills and Pakistan Investment Bonds as at December 31, 2013 amounts to Rs. 4,174.973 million and Rs. 3,199.994 million (2012: Rs. 5,062.974 million and Rs. 2,445.878 million) and these have maturities of up to June 2014 and June 2024 respectively (2012: October 2013 and June 2024).

19.2 Capital has been deposited with the State Bank of Pakistan in compliance with section 13 of the Banking Companies Ordinance, 1962.

| | Note | 2013 ------(Rupees in '000)----- | 2012 ------(Rupees in '000)----- |
|--|------|-------------------------------------|-------------------------------------|
| 20 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - net | | | |
| Federal and Provincial Government Securities | | | |
| - Market Treasury Bills | | (31,950) | 28,023 |
| - Pakistan Investment Bonds | | (71,547) | (2,620) |
| | | (103,497) | 25,403 |
| Less: Related deferred tax asset | 12.1 | 36,223 | (8,891) |
| | | <u>(67,274)</u> | <u>16,512</u> |

21 CONTINGENCIES AND COMMITMENTS

21.1 Direct credit substitutes

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

| | 2013 ------(Rupees in '000)----- | 2012 ------(Rupees in '000)----- |
|----------------------------|-------------------------------------|-------------------------------------|
| (i) Government of Pakistan | 202 | 69,173 |
| (ii) Others | 6,001,860 | 72,821 |
| | <u>6,002,062</u> | <u>141,994</u> |

21.2 Transaction-related contingent liabilities

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

| | 2013 ------(Rupees in '000)----- | 2012 ------(Rupees in '000)----- |
|---|-------------------------------------|-------------------------------------|
| (i) Government of Pakistan | 678,567 | 820,758 |
| (ii) Banking companies and other financial institutions | 87,875 | 67,670 |
| (iii) Others | 2,623,885 | 5,727,832 |
| | <u>3,390,327</u> | <u>6,616,260</u> |

21.3 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 | 2013 ------(Rupees in '000)----- | 2012 ------(Rupees in '000)----- |
|---------------------------------|------|-------------------------------------|-------------------------------------|
| Letters of credit / acceptances | | <u>6,154,814</u> | <u>10,187,301</u> |

21.4 Other contingencies

| | | | |
|---------------------------------|--------|----------------|----------------|
| Indemnity issued | | - | 15,484 |
| Claims not acknowledged as debt | | 147,792 | 136,321 |
| | 21.4.1 | <u>147,792</u> | <u>151,805</u> |

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

21.4.2 The State Bank of Pakistan (SBP) by its letter dated March 25, 2011 asked the Bank to take measures to fully comply with the SBP's guidelines relating to 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 has also taken up the matter with the SBP. Management is confident that this matter will be resolved in the Bank's favour. The possible financial impact, if any, has not been determined as it involves data relating to past several years.

| | 2013 | 2012 |
|--|-----------------------------|-----------------------------|
| | ------(Rupees in '000)----- | ------(Rupees in '000)----- |
| 21.5 Commitments in respect of forward transactions | | |
| Forward repurchase agreement lendings (reverse repos) | 9,215,819 | 14,927,891 |
| Forward purchase contracts of government securities | 489,805 | - |
| Uncancellable commitments to extend credit | 3,262,011 | 1,716,579 |

21.6 Commitments in respect of forward exchange contracts

| | | |
|----------|-------------|------------|
| Purchase | 119,788,695 | 58,284,081 |
| Sale | 107,166,379 | 36,487,833 |

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.

| | Note | 2013 | 2012 |
|---|------|-----------------------------|-----------------------------|
| | | ------(Rupees in '000)----- | ------(Rupees in '000)----- |
| 21.7 Other commitments | | | |
| Cross currency and interest rate derivative contracts (notional amount) | 22.1 | 16,423,814 | 31,228,364 |
| Foreign currency options | 22.1 | - | 7,223,828 |
| 21.8 Commitments in respect of capital expenditure | | 33,933 | - |

22 DERIVATIVE INSTRUMENTS

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

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

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

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

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

The risk embedded in derivatives transactions are discussed in note 41.

22.1 Product analysis

Counterparties

| | 2013 | | | |
|---------------------------|---|---|------------------------|---|
| | Interest Rate and Cross Currency Swaps | | FX Options | |
| | Number of Contracts | Notional Principal (Rupees in '000) | Number of Contracts | Notional Principal (Rupees in '000) |
| With Banks for | | | | |
| Hedging | 1 | 3,633,699 | - | - |
| Market Making | - | - | - | - |
| With FIs other than banks | | | | |
| Hedging | - | - | - | - |
| Market Making | 1 | 557,000 | - | - |
| With other entities for | | | | |
| Hedging | - | - | - | - |
| Market Making | 17 | 12,233,115 | - | - |
| Total | | | | |
| Hedging | 1 | 3,633,699 | - | - |
| Market Making | 18 | 12,790,115 | - | - |
| | 19 | 16,423,814 | - | - |

Counterparties

| | 2012 | | | |
|---------------------------|---|---|------------------------|---|
| | Interest Rate and Cross Currency Swaps | | FX Options | |
| | Number of Contracts | Notional Principal (Rupees in '000) | Number of Contracts | Notional Principal (Rupees in '000) |
| With Banks for | | | | |
| Hedging | 2 | 7,295,059 | 11 | 3,611,914 |
| Market Making | - | - | - | - |
| With FIs other than banks | | | | |
| Hedging | - | - | - | - |
| Market Making | 2 | 1,300,459 | - | - |
| With other entities for | | | | |
| Hedging | - | - | - | - |
| Market Making | 54 | 22,632,846 | 11 | 3,611,914 |
| Total | | | | |
| Hedging | 2 | 7,295,059 | 11 | 3,611,914 |
| Market Making | 56 | 23,933,305 | 11 | 3,611,914 |
| | 58 | 31,228,364 | 22 | 7,223,828 |

22.2 Maturity analysis

Interest rate and cross currency swaps

Remaining maturity

| Remaining maturity | 2013 | | | | |
|--------------------|------------------------|-----------------------|-----------------------------|-----------|-----------|
| | Number of Contracts | Notional Principal | Mark to Market | | |
| | | | Negative | Positive | Net |
| | | | ------(Rupees in '000)----- | | |
| Upto 1 month | - | - | - | - | - |
| 1 to 3 months | 9 | 193,873 | (2,854) | 202,279 | 199,425 |
| 3 to 6 months | - | - | - | - | - |
| 6 months to 1 Year | 5 | 8,268,993 | (13,203) | 1,051,937 | 1,038,734 |
| 1 to 2 Years | - | - | - | - | - |
| 2 to 3 Years | - | - | - | - | - |
| 3 to 5 Years | 5 | 7,960,948 | (100,406) | - | (100,406) |
| 5 to 10 years | - | - | - | - | - |
| Above 10 Years | - | - | - | - | - |
| | 19 | 16,423,814 | (116,463) | 1,254,216 | 1,137,753 |

Remaining maturity

| Remaining maturity | 2012 | | | | |
|--------------------|------------------------|-----------------------|---------------------------|-------------------|--------------------|
| | Number of Contracts | Notional Principal | Mark to Market | | |
| | | | Negative | Positive | Net |
| | | | ----- (Rupees in '000) | | |
| Upto 1 month | - | - | - | - | - |
| 1 to 3 months | 6 | 4,055,625 | (6,090,811) | 4,197,493 | (1,893,318) |
| 3 to 6 months | 14 | 106,115 | (123,880) | 107,355 | (16,525) |
| 6 months to 1 Year | 20 | 1,229,010 | (1,360,770) | 972,055 | (388,715) |
| 1 to 2 Years | 14 | 16,574,364 | (3,502,110) | 2,981,136 | (520,974) |
| 2 to 3 Years | - | - | - | - | - |
| 3 to 5 Years | 4 | 9,263,250 | (11,500,687) | 9,666,964 | (1,833,723) |
| 5 to 10 Years | - | - | - | - | - |
| Above 10 Years | - | - | - | - | - |
| | <u>58</u> | <u>31,228,364</u> | <u>(22,578,258)</u> | <u>17,925,003</u> | <u>(4,653,255)</u> |

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

| | | 2013 | 2012 |
|--|---|----------------------|--|
| | | (Rupees in '000) | |
| 23 | MARK-UP/ RETURN/ INTEREST EARNED | | |
| a) | On loans and advances to Customers Financial Institutions | 1,279,652 - | 2,489,312 - |
| b) | On investments in Held for trading securities Available for sale securities | 414,976 1,933,848 | 1,309,067 3,446,508 |
| c) | On deposits with financial institutions | 4,800 | 53,334 |
| d) | On securities purchased under resale agreements (reverse repo) | 1,174,835 | 964,776 |
| | | <u>4,808,111</u> | <u>8,262,997</u> |
| 24 | MARK-UP / RETURN / INTEREST EXPENSED | | |
| | Deposits | 1,838,807 | 2,833,951 |
| | Securities sold under repurchase agreements (repo) | 166,346 | 125,380 |
| | Borrowings (including LTF - EOP) | 98,655 | 70,820 |
| | | <u>2,103,808</u> | <u>3,030,151</u> |
| 25 | 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. | | | |
| 26 | GAIN / (LOSS) ON SALE OF SECURITIES | Note | 2013 2012 |
| | | | (Rupees in '000) |
| | Federal Government Securities | | |
| | - Market Treasury Bills | | 133,580 92,080 |
| | - Pakistan Investment Bonds | | (39,095) 875,477 |
| | Shares - unlisted | | - 102,248 |
| | | | <u>94,485</u> <u>1,069,805</u> |
| 27 | OTHER INCOME | | |
| | Credit losses recovered | | 5,360 98,882 |
| | Net profit on sale of property and equipment | | 34,478 38,203 |
| | Income / (loss) from derivative contracts | | (477,936) (1,340,193) |
| | Gain on sale of consumer assets portfolio | | 287,504 - |
| | Interchange and miscellaneous income | | 2,042 44,762 |
| | | | <u>(148,552)</u> <u>(1,158,346)</u> |

27.1 This includes funding cost of FX swaps amounting to Rs. 0.343 billion (2012: Rs. 1.2 billion).

27.2 During the year, the Bank sold its consumer assets portfolio comprising of Auto Loans, Personal Loans and Credit Cards to Habib Bank Limited as part of its restructuring initiatives after obtaining necessary approvals from regulatory authorities. Details of the transaction are as under:

| | 2013 | 2012 |
|-----------------------------|------------------------------|------|
| | ----- (Rupees in '000) ----- | |
| Gross advances | 3,577,266 | - |
| Specific provision | (1,801,911) | - |
| Other assets | 24,108 | - |
| Other liabilities | (126,055) | - |
| Carrying value of portfolio | 1,673,408 | - |
| Sale consideration | 1,960,912 | - |
| Gain on sale | 287,504 | - |

| | 2013 | 2012 |
|--|------------------------------|----------|
| | ----- (Rupees in '000) ----- | Restated |

28 ADMINISTRATIVE EXPENSES

| | | | |
|---|------|------------------|------------------|
| Salaries, allowances, etc. | | 707,726 | 943,725 |
| Charge for defined benefit plan | 33.5 | 74,103 | 109,946 |
| Contribution to defined contribution plan | 34 | 31,585 | 42,545 |
| Head office / Regional office expenses | | 362,998 | 320,681 |
| Rent, taxes, insurance, electricity, etc. | | 277,487 | 384,654 |
| Contract services | | 186,111 | 422,611 |
| Legal and professional charges | | 31,194 | 35,776 |
| Communications | | 107,548 | 132,113 |
| Repairs and maintenance | | 77,210 | 133,422 |
| Travelling and conveyance | | 95,296 | 94,388 |
| Stationery and printing | | 23,758 | 49,795 |
| Advertisement and publicity | | 7,440 | 20,562 |
| Support services from regional offices | | 185,983 | 402,665 |
| Donations | 28.1 | 660 | 970 |
| Auditors' remuneration | 28.2 | 4,455 | 4,161 |
| Depreciation | 11.2 | 122,058 | 293,526 |
| Amortisation | 11.3 | 45,222 | 48,843 |
| Restructuring expense | | 126,386 | 763,252 |
| Others | | 214,214 | 192,764 |
| | | <u>2,681,434</u> | <u>4,396,399</u> |

28.1 Donations

| | | |
|------------------------------------|------------|------------|
| Patients Aid Foundation | - | 100 |
| Karwan-e-Hayat | 150 | 100 |
| The Citizens Foundation | - | 120 |
| Marie Adelaide Leprosy Centre | 80 | 150 |
| The Kidney Centre | 200 | 500 |
| Old Associates of Kinnaird Society | 15 | - |
| The Embassy of USA | 195 | - |
| The American Business Council | 20 | - |
| | <u>660</u> | <u>970</u> |

28.2 Auditors' remuneration

| | | |
|---|--------------|--------------|
| Audit fee | 1,460 | 1,624 |
| Fee for the half yearly review | 455 | 504 |
| Special certifications and sundry advisory services | 2,000 | 1,740 |
| Out-of-pocket expenses | 540 | 293 |
| | <u>4,455</u> | <u>4,161</u> |

| 29 | OTHER CHARGES | 2013 ------(Rupees in '000)----- | 2012 ------(Rupees in '000)----- |
|------|---|--|---|
| | Reversal of / Charge for penalty imposed by State Bank of Pakistan | (3,595) | 7,557 |
| | Reversal of / Provision for Worker's Welfare Fund | (12,283) | 65,958 |
| | | <u>(15,878)</u> | <u>73,515</u> |
| 30 | TAXATION | 2013 ------(Rupees in '000)----- | 2012 Restated ------(Rupees in '000)----- |
| | For the year | | |
| | Current | 553,391 | 1,157,995 |
| | Deferred | 495,292 | (217,817) |
| | | <u>1,048,683</u> | <u>940,178</u> |
| | For prior years | | |
| | Current | (1,934,735) | (557,327) |
| | Deferred | 2,097,190 | 543,437 |
| | | <u>162,455</u> | <u>(13,890)</u> |
| | | <u>1,211,138</u> | <u>926,288</u> |
| | | | |
| | | Note | 2012 Restated |
| | | | ------(Rupees in '000)----- |
| 30.1 | Relationship between tax expense and accounting profit | | |
| | Profit before taxation | <u>2,886,374</u> | <u>2,403,430</u> |
| | Taxation at the applicable tax rate of 35% (2012: 35%) | 1,010,231 | 841,201 |
| | Prior year charge / reversal | 162,455 | (13,890) |
| | Taxation effect of expenses that are not deductible in determining taxable income | 48,811 | 122,267 |
| | Others | (10,359) | (23,290) |
| | | <u>1,211,138</u> | <u>926,288</u> |
| 31 | CASH AND CASH EQUIVALENTS | | |
| | Cash and balances with treasury banks | 6 3,991,465 | 6,770,561 |
| | Balances with other banks | 7 602,119 | 6,035,738 |
| | Overdrawn accounts | 16.2 (9,854) | (16,421) |
| | | <u>4,583,730</u> | <u>12,789,878</u> |
| 32 | STAFF STRENGTH | 2013 ------(Number of employees)----- | 2012 ------(Number of employees)----- |
| | Permanent | 189 | 410 |
| | Contractual basis | - | - |
| | Bank's own staff strength at the end of the year | 189 | 410 |
| | Outsourced | 41 | 267 |
| | Total staff strength at the end of the year | <u>230</u> | <u>677</u> |
| 33 | DEFINED BENEFIT PLAN | | |
| 33.1 | General description | | |

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

33.2 The amount recognised in the Statement of financial position are determined as follows:

| | 2013 | 2012 (Restated) | 2011 (Restated) |
|--|------------------------------|--------------------|--------------------|
| | ----- (Rupees in '000) ----- | | |
| Present value of defined benefit obligations | 215,011 | 369,450 | 314,062 |
| Fair value of plan assets | (129,162) | (55,526) | (97,375) |
| | <u>85,849</u> | <u>313,924</u> | <u>216,687</u> |

33.3 Plan assets consist of the following:

| | 2013 | | 2012 | | 2011 | |
|---------------------------|------------------|-------------|------------------|-------------|------------------|-------------|
| | (Rupees in '000) | % | (Rupees in '000) | % | (Rupees in '000) | % |
| Market Treasury Bills | 122,704 | 95% | 53,590 | 97% | 53,769 | 55% |
| Pakistan Investment Bonds | - | - | - | - | 35,348 | 36% |
| Cash and bank | 6,458 | 5% | 1,936 | 3% | 8,258 | 9% |
| | <u>129,162</u> | <u>100%</u> | <u>55,526</u> | <u>100%</u> | <u>97,375</u> | <u>100%</u> |

33.4 The movement in the defined benefit obligation over the year is as follows:

| | 2013 | | |
|---|------------------------------|---------------------------|-----------------|
| | Present value of obligation | Fair value of plan assets | Total |
| | ----- (Rupees in '000) ----- | | |
| At January 1 (Restated) | 369,450 | (55,526) | 313,924 |
| Current service cost | 39,793 | - | 39,793 |
| Curtailement loss | 3,058 | - | 3,058 |
| Return expense / (income) | 39,308 | (8,056) | 31,252 |
| | <u>451,609</u> | <u>(63,582)</u> | <u>388,027</u> |
| Remeasurements: | | | |
| -Return on plan assets, excluding amounts included in interest income | - | (286) | (286) |
| -(Gain) / loss from change in demographic assumptions | - | - | - |
| -(Gain) / loss from change in financial assumptions | - | - | - |
| -Experience gains | (31,198) | - | (31,198) |
| | <u>(31,198)</u> | <u>(286)</u> | <u>(31,484)</u> |
| | 420,411 | (63,868) | 356,543 |
| Contribution | - | (270,694) | (270,694) |
| Benefit payments | (205,400) | 205,400 | - |
| At December 31 | <u>215,011</u> | <u>(129,162)</u> | <u>85,849</u> |

| | 2012 - Restated | | |
|---|------------------------------|---------------------------|----------------|
| | Present value of obligation | Fair value of plan assets | Total |
| | ----- (Rupees in '000) ----- | | |
| At January 1 (Restated) | 314,062 | (97,375) | 216,687 |
| Current service cost | 34,341 | - | 34,341 |
| Curtailement loss | 49,039 | - | 49,039 |
| Return expense / (income) | 35,551 | (8,985) | 26,566 |
| | <u>432,993</u> | <u>(106,360)</u> | <u>326,633</u> |
| Remeasurements: | | | |
| -Return on plan assets, excluding amounts included in interest income | - | (1,101) | (1,101) |
| -(Gain) / loss from change in demographic assumptions | - | - | - |
| -(Gain) / loss from change in financial assumptions | - | - | - |
| -Experience losses | 36,317 | - | 36,317 |
| | <u>36,317</u> | <u>(1,101)</u> | <u>35,216</u> |
| | 469,310 | (107,461) | 361,849 |
| Contribution | - | (47,925) | (47,925) |
| Benefit payments | (99,860) | 99,860 | - |
| At December 31 (Restated) | <u>369,450</u> | <u>(55,526)</u> | <u>313,924</u> |

| | 2013 | 2012 | 2011 |
|---|-------------------------------------|----------------|---------------|
| 33.5 Charge for defined benefit plan | ----- (Rupees in '000) ----- | | |
| Current service cost | 39,793 | 34,341 | 26,430 |
| Net return cost | 31,252 | 26,566 | 16,334 |
| Net actuarial losses | - | - | 3,541 |
| Curtailment loss | 3,058 | 49,039 | 19,878 |
| | <u>74,103</u> | <u>109,946</u> | <u>66,183</u> |

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

| 33.7 Principal actuarial assumptions | 2013 | 2012 | 2011 |
|---|-------------|-------------|-------------|
| Discount rate | 13% p.a. | 11.5% p.a. | 12% p.a. |
| Expected rate of salary increase | 10.5% p.a. | 10.5% p.a. | 11% p.a. |
| Estimated service length of the employees | 9 years | 9 years | 9 years |

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

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

| | Impact on defined benefit obligation - Increase / (Decrease) | | |
|--------------------|---|---|---|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| | ----- (Rupees in '000) ----- | | |
| Discount rate | 1.0% | (17,793) | 20,572 |
| Salary growth rate | 1.0% | 21,828 | (19,105) |
| Withdrawal rate | 10.0% | 1,236 | (1,289) |
| Mortality Rate | 10.0% | 148 | 149 |
| | | Increase by 1 year in assumption | Decrease by 1 year in assumption |
| Withdrawal rate | | 304 | (317) |

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

33.10 The weighted average duration of the defined benefit obligation is 8 years.

33.11 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

| At December 31, 2013 | Less than a year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
|-----------------------------|--------------------------------|--------------------------|--------------------------|---------------------|--------------|
| | ----- Rupees '000 ----- | | | | |
| Gratuity | 37,518 | 14,390 | 49,519 | 3,261,000 | 3,362,427 |

| 33.12 Historical information | 2013 | 2012 | 2011 | 2010 | 2009 |
|-------------------------------------|--------------------------------|------------------|------------------|------------------|-----------------|
| | ----- Rupees '000 ----- | | | | |
| Defined benefit obligation | (215,011) | (369,450) | (314,062) | (221,720) | (185,911) |
| Fair value of plan assets | 129,162 | 55,526 | 97,375 | 96,350 | 108,250 |
| Deficit | <u>(85,849)</u> | <u>(313,924)</u> | <u>(216,687)</u> | <u>(125,370)</u> | <u>(77,661)</u> |
| Remeasurements of plan liabilities | 31,198 | (36,317) | (89,215) | (43,424) | 1,535 |
| Remeasurements of plan assets | 286 | 1,101 | 2,399 | (6,972) | 5,317 |

33.13 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Contribution for the next year works out to Rs. 35.328 million as per the actuarial valuation report of the Bank as of December 31, 2013.

- 33.14** Through its defined benefit gratuity plan, the Fund is exposed to a number of risks, the most significant of which are detailed below:

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

- 33.15** The disclosure made in notes 33.1 to 33.13 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2013.

34 DEFINED CONTRIBUTION PLAN

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

During the year, the Bank contributed Rs 31.585 million (2012: Rs 42.545 million) in respect of the defined contribution plan.

35 SHARE-BASED INCENTIVE PLANS

The Bank offers a number of share based incentive plans to attract, retain and motivate employees, to compensate them for their contributions to the Bank, and to encourage employee stock ownership.

35.1 Stock option programme

Information with respect to stock option activity under the stock option programme is as follows:

| | 2013 | | 2012 | |
|---|----------------------------------|---|----------------------------------|---|
| | Options (Number of shares) | Weighted average share price \$ USD | Options (Number of shares) | Weighted average share price \$ USD |
| Outstanding at the beginning of the year | 3,978 | 40.8 | 4,844 | 47.10 |
| Granted | - | - | - | - |
| Forfeited | - | - | (726) | 40.80 |
| Exercised | (95) | 40.8 | - | - |
| Transfers | (943) | 40.8 | (59) | 40.80 |
| Expired | - | - | (81) | 421.10 |
| Outstanding at the end of the year | <u>2,940</u> | <u>40.8</u> | <u>3,978</u> | <u>40.80</u> |
| Exercisable at the end of year | <u>2,940</u> | <u>40.8</u> | <u>3,978</u> | <u>40.80</u> |

- 35.2** The following table summarises the information about stock options outstanding under the programme at December 31, 2013:

| Range of exercise prices | Shares Outstanding | Options outstanding | | Options exercisable | |
|--------------------------|-----------------------|--|---|-----------------------|---|
| | | Weighted average contractual life remaining | Weighted average exercise price \$ USD | Number Exercisable | Weighted average exercise price \$ USD |
| < \$50.00 | 2,940 | 1.83 | 40.8 | 2,940 | 40.8 |
| \$50.00 - \$399.99 | - | - | - | - | - |
| \$400.00 - \$449.99 | - | - | - | - | - |
| \$450.00 and above | - | - | - | - | - |
| | <u>2,940</u> | <u>1.83</u> | <u>40.8</u> | <u>2,940</u> | <u>40.8</u> |

The following table summarises the information about stock options outstanding under the programme at December 31, 2012:

| Range of exercise prices | Options outstanding | | | Options exercisable | |
|--------------------------|---------------------|---|--|---------------------|--|
| | Shares Outstanding | Weighted average contractual life remaining | Weighted average exercise price \$ USD | Number Exercisable | Weighted average exercise price \$ USD |
| < \$50.00 | 3,978 | 2.83 | 40.8 | 3,978 | 40.8 |
| \$50.00 - \$399.99 | - | - | - | - | - |
| \$400.00 - \$449.99 | - | - | - | - | - |
| \$450.00 and above | - | - | - | - | - |
| | <u>3,978</u> | <u>2.83</u> | <u>40.80</u> | <u>3,978</u> | <u>40.80</u> |

35.3 Stock award programme

The Bank offers a stock award programme, under which shares are awarded in the form of restricted or deferred stock to certain employees. During the applicable vesting period, the shares awarded cannot be sold or transferred by the employees, and the award is subject to cancellation if the employment is terminated. Stock awards granted generally vest over a four year period.

Information with respect to unvested stock awards is as follows:

| | 2013 | | 2012 | |
|--|--------------|-------------------------------------|--------------|-------------------------------------|
| | Shares | Weighted average share price \$ USD | Shares | Weighted average share price \$ USD |
| Unvested at the beginning of the year | 7,544 | 40.7 | 9,597 | 55.0 |
| Awards | 1,841 | 43.9 | 1,419 | 30.5 |
| Cancellations | - | - | - | - |
| Deletions | - | - | - | - |
| Vestings | (3,302) | 41.1 | (3,472) | 72.9 |
| Unvested at the end of the year | <u>6,083</u> | <u>40.70</u> | <u>7,544</u> | <u>40.7</u> |

- 35.4** Net reversal of Rs. 6.681 million (2012: Rs. 5.646 million) was recognised in equity arising mainly due to fair value adjustment as required by IFRS 2 - Share Based Payment. As of December 31, 2013 recognised liability for outstanding share based incentive plans was Rs. 140.841 million (2012: Rs. 116.130 million). Fair value of shares has been determined on the basis of market value of shares of Citigroup Inc. as at December 31, 2013. i.e. \$ USD 52.11 (2012: \$ USD 39.56) per share.

36 COMPENSATION OF CHIEF EXECUTIVE AND EXECUTIVES

| | Citi Country Officer | | Executives | |
|---|----------------------|---------------|----------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | (Rupees in '000) | | | |
| Managerial remuneration | 48,744 | 43,337 | 297,445 | 446,048 |
| Charge for defined benefit plan | 1,666 | 1,665 | 51,054 | 170,404 |
| Contribution to defined contribution plan | 2,000 | 1,387 | 23,364 | 36,232 |
| Rent and house maintenance | 8,000 | 6,658 | 93,457 | 144,930 |
| Utilities | 3,931 | 2,907 | 59,115 | 90,067 |
| Medical | 140 | 66 | 3,837 | 6,930 |
| Others | 5,821 | 8,399 | 24,636 | 27,583 |
| | <u>70,302</u> | <u>64,419</u> | <u>552,908</u> | <u>922,194</u> |
| Number of persons | <u>1</u> | <u>2</u> | <u>162</u> | <u>257</u> |

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

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of traded investments other than those classified as held to maturity is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to these financial statements.

The repricing profile, effective rates and maturity are stated in note 41 to these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

| | 2013 | | | |
|--|------------------|----------------|-------------------|------------|
| | Trading & Sales | Retail Banking | Corporate Banking | Total |
| | (Rupees in '000) | | | |
| Total Income | 2,516,824 | 619,713 | 3,832,708 | 6,969,245 |
| Total Expenses | 1,254,343 | 1,244,282 | 2,795,384 | 5,294,009 |
| Net Income / (loss) | 1,262,481 | (624,569) | 1,037,324 | 1,675,236 |
| Segment Assets (Gross) | 39,201,291 | 231,117 | 24,006,917 | 63,439,325 |
| Segment Non Performing Loans | - | 188,016 | 3,370,979 | 3,558,995 |
| Segment Provision Required * | - | 185,288 | 3,367,648 | 3,552,936 |
| Segment Liabilities | 6,326,233 | 1,026,553 | 43,976,219 | 51,329,005 |
| Segment Return on net Assets (ROA) (%)** | 3.2% | -1362.8% | 5.0% | 2.8% |
| Segment Cost of funds (%)*** | 8.8% | 2.6% | 4.4% | 4.6% |

| | 2012 - Restated | | | |
|--|-----------------|----------------|-------------------|------------|
| | Trading & Sales | Retail Banking | Corporate Banking | Total |
| | (Rupees '000) | | | |
| Total Income | 3,979,381 | 2,641,334 | 4,098,279 | 10,718,994 |
| Total Expenses | 1,879,348 | 3,658,016 | 3,704,488 | 9,241,852 |
| Net Income / (loss) | 2,100,033 | (1,016,682) | 393,791 | 1,477,142 |
| Segment Assets (Gross) | 58,918,030 | 9,070,320 | 23,406,522 | 91,394,872 |
| Segment Non Performing Loans | - | 1,983,464 | 4,224,026 | 6,207,490 |
| Segment Provision Required * | - | 2,083,881 | 4,114,774 | 6,198,655 |
| Segment Liabilities | 5,955,058 | 18,752,113 | 51,497,460 | 76,204,631 |
| Segment Return on net Assets (ROA) (%)** | 3.6% | -14.6% | 2.0% | 1.7% |
| Segment Cost of funds (%)*** | 7.7% | 3.4% | 5.3% | 4.6% |

* 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.

39 RELATED PARTY TRANSACTIONS

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

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

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

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

| | Balance as at December 31, 2012 | Net placements / disbursements / deposits / transfers | Net settlements / repayments / withdrawals / transfers | Balance as at December 31, 2013 |
|--|---------------------------------------|--|---|---------------------------------------|
| ----- (Rupees in '000) ----- | | | | |
| Loans and Advances | | | | |
| Key management personnel | 114 | 332 | (446) | - |
| Deposits | | | | |
| Associated undertakings | 662,044 | 815,397 | (952,500) | 524,941 |
| Key management personnel | 14,852 | 47,790 | (62,642) | - |
| Staff retirement benefit funds | 63,597 | 574,559 | (560,595) | 77,561 |
| | | | 2013 | 2012 |
| | | | Restated | |
| | | | ----- (Rupees '000) ----- | |
| Nostro balances / placements with Citibank Branches outside Pakistan | | | 556,003 | 5,997,220 |
| Overdrawn Nostro Accounts | | | 9,854 | - |
| Unremitted head office expenses | | | 852,468 | 798,012 |
| Interest / Fee receivable from associated undertakings | | | - | 2,001 |
| Payable for expenses and share based payment | | | 280,179 | 229,760 |
| Payable to defined benefit plan | | | 85,849 | 313,924 |
| Commitments in respect of forward exchange contracts | | | | |
| Purchase | | | 6,451,536 | 3,276,381 |
| Sale | | | 6,451,536 | 3,268,381 |
| Interest rate swap - Notional principal | | | 3,633,699 | 7,295,059 |
| Foreign currency options - Notional principal | | | - | 3,611,914 |
| Contribution to staff retirement benefit funds | | | 302,278 | 90,471 |
| Income / expense for the year | | | | |
| Mark-up / return / interest earned | | | 6,730 | 10,164 |
| Mark-up / return / interest expensed | | | 1,607 | 3,016 |
| Other income | | | 28,244 | 9,594 |
| Regional expenses for support services* | | | 185,983 | 402,665 |
| Head office expenses | | | 362,998 | 320,681 |
| Remuneration paid to key management personnel | | | 75,381 | 79,919 |
| Sale of fixed assets | | | 1,128 | 275 |

*Does not include Rs. 26.868 million (2012: Nil) recovered from a third party on behalf of support services rendered.

40 CAPITAL ASSESSMENT AND ADEQUACY BASEL SPECIFIC

The State Bank of Pakistan (SBP) has introduced new guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated February 4, 2014. These guidelines are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. The disclosures below have been prepared on the basis of these new guidelines. The comparative information is as per Basel II requirements which were applicable last year.

40.1 Capital Management

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to investors by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Statutory minimum capital requirement and management of capital

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

The Head office capital account of the Bank for the year ended December 31, 2013 stands at Rs 6.813 billion and is in compliance with the SBP requirement for the said year. In addition the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposures of the Bank. The Bank's CAR as at December 31, 2013 was 24.05% of its risk weighted exposure.

40.2 Capital Structure

Under Basel III framework, Bank's regulatory capital has been analysed into two tiers as follows:

- Tier 1 capital (going concern capital) which is sub divided into:
 - a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50%), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles.
 - b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after deduction of remaining 50% investment in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.
- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (upto a maximum of 45%).

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

The required capital adequacy ratio is achieved by the Bank through:

- a) Adequate level of paid up capital;
- b) Adequate risk profile of asset mix;
- c) Ensuring better recovery management; and
- d) Maintaining acceptable profit margins.

40.3 Capital adequacy ratio

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

| Particulars | 2013 | | 2012 |
|--|--------------------------|-------------------------|--------------------|
| | Amount | Pre Basel III Treatment | Basel II Treatment |
| | | | Restated |
| | ------(Rupees '000)----- | | |
| Common Equity Tier 1 capital (CET1): Instruments and reserves | | | |
| Fully Paid-up Capital/ Capital deposited with SBP | 6,812,671 | - | 6,812,671 |
| Balance in Share Premium Account | - | - | - |
| Reserve for issue of Bonus Shares | - | - | - |
| General / Statutory Reserves | 161,613 | - | 154,932 |
| Gains / (Losses) on derivatives held as Cash Flow Hedge | - | - | - |
| Unappropriated / unremitted profits / (losses) | 1,650,374 | - | 2,007,471 |
| Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group) | - | - | - |
| CET 1 before Regulatory Adjustments | 8,624,658 | - | 8,975,074 |

| Particulars | 2013 | | 2012 |
|--|------------------|-------------------------|--------------------|
| | Amount | Pre Basel III Treatment | Basel II Treatment |
| | | | Restated |
| | (Rupees '000) | | |
| Common Equity Tier 1 capital: Regulatory adjustments | | | |
| Goodwill (net of related deferred tax liability) | - | - | - |
| All other intangibles (net of any associated deferred tax liability) | 3,616 | - | 66,838 |
| Shortfall of provisions against classified assets | - | - | - |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | - | - |
| Defined-benefit pension fund net assets | - | - | - |
| Reciprocal cross holdings in CET1 capital instruments | - | - | - |
| Cash flow hedge reserve | - | - | - |
| Investment in own shares/ CET1 instruments | - | - | - |
| Securitization gain on sale | - | - | - |
| Capital shortfall of regulated subsidiaries | - | - | - |
| Deficit on account of revaluation from bank's holdings of property/ AFS | 103,497 | - | - |
| Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | - | - |
| Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - | - |
| Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | - | - |
| Amount exceeding 15% threshold | - | - | - |
| of which: significant investments in the common stocks of financial entities | - | - | - |
| of which: deferred tax assets arising from temporary differences | - | - | - |
| National specific regulatory adjustments applied to CET1 capital | - | - | - |
| Investment in TFCs of other banks exceeding the prescribed limit | - | - | - |
| Any other deduction specified by SBP (mention details) | - | - | - |
| Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions | - | - | - |
| Total regulatory adjustments applied to CET1 | 107,113 | - | 66,838 |
| Common Equity Tier 1 (a) | 8,517,545 | | 8,908,236 |
| Additional Tier 1 (AT 1) Capital | | | |
| Qualifying Additional Tier-1 instruments plus any related share premium | - | - | - |
| - classified as equity | - | - | - |
| - classified as liabilities | - | - | - |
| Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties | - | - | - |
| - of which: instrument issued by subsidiaries subject to phase out | - | - | - |
| AT1 before regulatory adjustments | - | - | - |
| Additional Tier 1 Capital: regulatory adjustments | | | |
| Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment) | - | - | - |
| Investment in own AT1 capital instruments | - | - | - |
| Reciprocal cross holdings in Additional Tier 1 capital instruments | - | - | - |
| Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | - | - |
| Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | - | - |
| Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital | - | - | - |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - | - | - |
| Total of Regulatory Adjustment applied to AT1 capital | - | - | - |
| Additional Tier 1 capital | - | - | - |
| Additional Tier 1 capital recognized for capital adequacy (b) | - | - | - |
| Tier 1 Capital (CET1 + admissible AT1) (c=a+b) | 8,517,545 | - | 8,908,236 |
| Tier 2 Capital | | | |
| Qualifying Tier 2 capital instruments under Basel III | - | - | - |
| Capital instruments subject to phase out arrangement from tier 2 | - | - | - |
| Tier 2 capital instruments issued to third party by consolidated subsidiaries | - | - | - |
| - of which: instruments issued by subsidiaries subject to phase out | - | - | - |
| General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets | 134 | - | 94,511 |
| Revaluation Reserves of which | | | |
| - Revaluation reserves on Property | - | - | - |
| - of which: Unrealized Gains / Losses on AFS | - | - | 11,431 |
| Foreign Exchange Translation Reserves | - | - | - |
| Undisclosed/Other Reserves (if any) | - | - | - |
| T2 before regulatory adjustments | 134 | - | 105,942 |

| Particulars | 2013 | | 2012 |
|--|-------------------|-------------------------|--------------------|
| | Amount | Pre Basel III Treatment | Basel II Treatment |
| | | | Restated |
| | (Rupees '000) | | |
| Tier 2 Capital: regulatory adjustments | | | |
| Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital | - | - | - |
| Reciprocal cross holdings in Tier 2 instruments | - | - | - |
| Investment in own Tier 2 capital instrument | - | - | - |
| Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | - | - |
| Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | - | - |
| Amount of Regulatory Adjustment applied to T2 capital | - | - | - |
| Tier 2 capital (T2) | 134 | - | 105,942 |
| Tier 2 capital recognized for capital adequacy | 134 | - | 105,942 |
| Excess Additional Tier 1 capital recognized in Tier 2 capital | - | - | - |
| Total Tier 2 capital admissible for capital adequacy (d) | 134 | - | 105,942 |
| Total Capital (T1 + admissible T2) (e=c+d) | 8,517,679 | - | 9,014,178 |
| Total Risk Weighted Assets (i=f+g+h) | 35,416,666 | - | 43,532,312 |
| Total Credit Risk Weighted Assets (f) | | 22,292,873 | 28,002,002 |
| Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment | | 21,643,238 | 24,750,158 |
| of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity | | - | - |
| of which: deferred tax assets | | 649,635 | 3,251,844 |
| of which: Defined-benefit pension fund net assets | | - | - |
| of which: [insert name of adjustment] | | - | - |
| Total Market Risk Weighted Assets (g) | | 1,330,968 | 2,627,529 |
| Total Operational Risk Weighted Assets (h) | | 11,792,825 | 12,902,781 |
| Capital Ratios and buffers (in percentage of risk weighted assets) | | | |
| CET1 to total RWA (a/i) | | 24.05% | 20.46% |
| Tier-1 capital to total RWA (c/i) | | 24.05% | 20.46% |
| Total capital to RWA (e/i) | | 24.05% | 20.71% |
| Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which: | | - | - |
| - capital conservation buffer requirement | | 0% | 0% |
| - countercyclical buffer requirement | | 0% | 0% |
| - Domestic Systemically Important Banks (SIB) or Global SIB buffer requirement | | 0% | 0% |
| CET1 available to meet buffers (as a percentage of risk weighted assets) | | 24.05% | 20.46% |
| National minimum capital requirements prescribed by SBP | | | |
| CET1 minimum ratio | | 5% | |
| Tier 1 minimum ratio | | 6.5% | |
| Total capital minimum ratio | | 10% | |
| Amounts below the thresholds for deduction (before risk weighting) | | | |
| Non-significant investments in the capital of other financial entities | | - | - |
| Significant investments in the common stock of financial entities | | - | - |
| Deferred tax assets arising from temporary differences (net of related tax liability) | | 685,858 | - |
| Applicable caps on the inclusion of provisions in Tier 2 | | | |
| Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap) | | - | - |
| Cap on inclusion of provisions in Tier 2 under standardized approach | | - | - |
| Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | | - | - |
| Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | | - | - |

40.4 Capital Adequacy

Capital is generally generated via earnings from operating businesses. This is augmented through investment from the head office. Any excess capital is remitted back. The Capital Management process is governed by the Bank's Asset & Liability Committee (ALCO). ALCO is responsible for managing the Bank's capital position vis-à-vis internal as well as regulatory requirements.

Capital is used primarily to support asset growth in the Bank's businesses and is sufficient to absorb unexpected market, credit or operational losses.

For credit risk, the capital requirement is based on the risk assessment (hereinafter called credit rating) made by External Credit Assessment Institutions (ECAIs) recognized as eligible by SBP for capital adequacy purposes. Bank then assigns a risk weight individually to all its on-balance sheet and off-balance sheet exposures. Risk weights are based on external rating grade or a fixed weight that is broadly aligned with the likelihood of counterparty default.

For market risk, capital is allocated in respect of the exposure to risks deriving from changes in interest rates, in the Banks' trading book, and in respect of exposure to risks deriving from changes in foreign exchange rates in the overall banking activity.

On balance sheet assets held in the trading book are subject to only market risk capital requirements and are not subject to credit risk capital requirement. On balance sheet assets held outside trading book and funded by another currency and unhedged for foreign exchange risk are subject to both credit and market risk capital requirement. Derivatives, unless they are contracted to hedge positions in the banking book are considered part of trading book and are subject to both credit and market risk capital requirement.

Under the Basic Indicator Approach, the capital charge for operational risk is a fixed percentage (12.5%) of average positive annual gross income of the Bank over the past three years. Figures for any year in which annual gross income is negative or zero, is excluded from both the numerator and denominator when calculating the average.

The capital requirements for the banking group under the major risk categories is indicated below:

| | 2013 | | 2012 - Restated | |
|---|--------------------|---------------------|--------------------|---------------------|
| | Book value | Risk adjusted value | Book value | Risk adjusted value |
| ----- (Rupees in '000) ----- | | | | |
| 40.4.1 Risk-Weighted Exposures | | | | |
| Credit Risk | | | | |
| Balance Sheet Items | | | | |
| Cash and other liquid Assets | 4,593,584 | 141,411 | 12,806,299 | 1,280,627 |
| Money at call / Repurchase agreement lendings | 9,202,344 | 11,179 | 14,913,193 | 17,073 |
| Investments | 25,239,845 | - | 31,339,172 | - |
| Loans and Advances | 13,556,587 | 9,632,144 | 18,255,682 | 13,004,772 |
| Fixed Assets | 153,846 | 150,230 | 366,664 | 299,826 |
| Deferred tax assets - net | 685,858 | 649,635 | 3,247,843 | 3,251,844 |
| Other Assets | 6,454,325 | 407,236 | 4,267,364 | 729,434 |
| | 59,886,389 | 10,991,835 | 85,196,217 | 18,583,576 |
| Off Balance Sheet items: | | | | |
| Loan Repayment Guarantees | 6,002,062 | 6,002,001 | 141,994 | 124,569 |
| Purchase and Resale Agreements | 9,215,819 | 12,019 | 14,927,891 | 17,781 |
| Commitment in respect of forward purchase contract of government security | 489,805 | - | - | - |
| Performance Bonds etc | 3,390,327 | 992,780 | 6,631,744 | 3,243,670 |
| Revolving underwriting Commitments | 3,262,011 | 607,065 | 1,716,579 | 224,840 |
| Stand By Letters of Credit | 6,154,814 | 2,392,631 | 10,187,301 | 4,579,144 |
| Commitment in respect of Cross Currency and interest rate derivat | 16,423,814 | 239,065 | 31,228,364 | 536,386 |
| Commitment in respect of Foreign currency options | - | - | 7,223,828 | 312,768 |
| Outstanding Foreign Exchange Contracts | 226,955,074 | 1,055,477 | 94,771,914 | 379,268 |
| Commitments in respect of capital expenditure | 33,933 | - | - | - |
| | 271,927,659 | 11,301,038 | 166,829,615 | 9,418,426 |
| Credit risk-weighted exposures | 331,814,048 | 22,292,873 | 252,025,832 | 28,002,002 |
| Market Risk | | | | |
| General market risk | | 1,330,968 | | 2,627,529 |
| Specific market Risk | | - | | - |
| Market risk-weighted exposures | | 1,330,968 | | 2,627,529 |
| Operational Risk | | 11,792,825 | | 12,902,781 |
| Total Risk Weighted Exposures | | 35,416,666 | | 43,532,312 |

40.4.2 Risk-weighted exposures

| | Capital requirements | | Risk weighted assets | |
|--|----------------------|------------------|----------------------|-------------------|
| | 2013 | 2012 Restated | 2013 | 2012 Restated |
| ------(Rupees in '000)----- | | | | |
| Credit Risk | | | | |
| Portfolios subject to standardised approach | | | | |
| On balance sheet items | | | | |
| Cash | - | - | - | - |
| Claims on Government of Pakistan, Sovereign and State Bank of Pakistan | 1,030 | 7,148 | 10,302 | 71,479 |
| Claims on Public sector entities in Pakistan | 10,577 | 10,858 | 105,768 | 108,577 |
| Claims on Banks | 37,506 | 122,458 | 375,062 | 1,224,584 |
| Claims on Corporate | 927,404 | 1,138,338 | 9,274,042 | 11,383,382 |
| Claims categorised as retail portfolio | 9,712 | 150,983 | 97,121 | 1,509,829 |
| Claims fully secured by residential property | 11,589 | 20,115 | 115,890 | 201,147 |
| Past due loans | 310 | 9,299 | 3,098 | 92,989 |
| Operating fixed assets | 15,023 | 29,983 | 150,230 | 299,826 |
| All Other assets | 86,032 | 369,176 | 860,322 | 3,691,763 |
| | <u>1,099,183</u> | <u>1,858,358</u> | <u>10,991,835</u> | <u>18,583,576</u> |
| Off balance sheet items | | | | |
| Direct credit substitutes and other commitments | 753,758 | 408,983 | 7,537,579 | 4,089,827 |
| Performance related contingencies | 159,367 | 345,888 | 1,593,667 | 3,458,877 |
| Trade related contingencies and shipping guarantees | 87,525 | 64,130 | 875,250 | 641,300 |
| Other commitments that can be unconditionally cancelled | - | - | - | - |
| Outstanding foreign exchange contracts | 105,548 | 37,927 | 1,055,477 | 379,268 |
| Outstanding derivatives contracts | 23,907 | 84,915 | 239,065 | 849,154 |
| | <u>1,130,105</u> | <u>941,843</u> | <u>11,301,038</u> | <u>9,418,426</u> |
| Credit risk-weighted exposures | <u>2,229,288</u> | <u>2,800,201</u> | <u>22,292,873</u> | <u>28,002,002</u> |
| Market Risk | | | | |
| Capital Requirement for portfolios subject to Standardised Approach | | | | |
| Interest Risk | 82,964 | 107,030 | 829,639 | 1,070,301 |
| Foreign exchange risk | 50,133 | 155,723 | 501,329 | 1,557,228 |
| Equity position risk etc. | - | - | - | - |
| Market risk-weighted exposures | <u>133,097</u> | <u>262,753</u> | <u>1,330,968</u> | <u>2,627,529</u> |
| Operational Risk | | | | |
| Capital requirement for operational risk | <u>1,179,283</u> | <u>1,290,278</u> | <u>11,792,825</u> | <u>12,902,781</u> |
| TOTAL | <u>3,541,668</u> | <u>4,353,232</u> | <u>35,416,666</u> | <u>43,532,312</u> |
| Capital Adequacy Ratio | | | | |
| | | 2013 | 2012 | |
| Total eligible regulatory capital held | (a) | 8,517,679 | 9,014,178 | |
| Total risk weighted assets | (b) | 35,416,666 | 43,532,312 | |
| Capital adequacy ratio | (a) / (b) | 24.05% | 20.71% | |

40.5 Capital Structure Reconciliation

40.5.1 Reconciliation of each financial statement line item to item under regulatory scope of reporting

| Particulars | Balance sheet as in published financial statements | Under regulatory scope of reporting |
|---|---|--|
| ------(Rupees in '000)----- | | |
| Assets | | |
| Cash and balances with treasury banks | 3,991,465 | 3,991,465 |
| Balances with other banks | 602,119 | 602,119 |
| Lendings to financial institutions | 9,202,344 | 9,202,344 |
| Investments - net | 25,239,845 | 25,239,845 |
| Advances - net | 13,556,587 | 13,556,587 |
| Fixed assets | 153,846 | 153,846 |
| Deferred tax assets - net | 685,858 | 685,858 |
| Other assets | 6,454,325 | 6,454,325 |
| Total assets | 59,886,389 | 59,886,389 |
| Liabilities and Equity | | |
| Bills payable | 1,284,956 | 1,284,956 |
| Borrowings from financial institutions | 909,854 | 909,854 |
| Deposits and other accounts | 40,936,496 | 40,936,496 |
| Sub-ordinated loans | - | - |
| Liabilities against assets subject to finance lease | - | - |
| Deferred tax liabilities | - | - |
| Other liabilities | 8,197,699 | 8,197,699 |
| Total liabilities | 51,329,005 | 51,329,005 |
| Head office capital account | 6,812,671 | 6,812,671 |
| Reserves | 161,613 | 161,613 |
| Unremitted profit | 1,650,374 | 1,650,374 |
| Surplus on revaluation of investments - net of tax | (67,274) | (67,274) |
| Total equity | 8,557,384 | 8,557,384 |
| Total liabilities and equity | 59,886,389 | 59,886,389 |

40.5.2 Reconciliation of balance sheet to eligible regulatory capital

| Particulars | Reference | Balance sheet as in published financial statements | Under regulatory scope of reporting |
|--|-----------|---|--|
| ------(Rupees in '000)----- | | | |
| Assets | | | |
| Cash and balances with treasury banks | | 3,991,465 | 3,991,465 |
| Balances with other banks | | 602,119 | 602,119 |
| Lendings to financial institutions | | 9,202,344 | 9,202,344 |
| Investments - net | | 25,239,845 | 25,239,845 |
| of which: | | | |
| - non-significant capital investments in capital of other financial institutions exceeding 10% threshold | a | - | - |
| - significant capital investments in financial sector entities exceeding regulatory threshold | b | - | - |
| - mutual Funds exceeding regulatory threshold | c | - | - |
| - reciprocal crossholding of capital instrument | d | - | - |
| - others | e | - | - |
| Advances - net | | 13,556,453 | 13,556,453 |
| - shortfall in provisions / excess of total EL amount over eligible provisions under standardised approach | f | - | - |
| - general provisions reflected in Tier 2 capital | g | 134 | 134 |
| Fixed assets | | 150,230 | 150,230 |
| - of which: Intangibles | k | 3,616 | 3,616 |
| Deferred tax assets - net | | 685,858 | 685,858 |
| of which: | | | |
| - DTAs excluding those arising from temporary differences | h | - | - |
| - DTAs arising from temporary differences exceeding regulatory threshold | i | - | - |
| Other assets | | 6,454,325 | 6,454,325 |
| of which: | | | |
| - goodwill | j | - | - |
| - defined-benefit pension fund net assets | l | - | - |
| Total assets | | 59,886,389 | 59,886,389 |

| Particulars | Reference | Balance sheet as in published financial statements | Under regulatory scope of reporting |
|--|-----------|---|--|
| Liabilities and Equity | | | |
| Bills payable | | 1,284,956 | 1,284,956 |
| Borrowings from financial institutions | | 909,854 | 909,854 |
| Deposits and other accounts | | 40,936,496 | 40,936,496 |
| Sub-ordinated loans of which: | | - | - |
| - eligible for inclusion in AT1 | m | - | - |
| - eligible for inclusion in Tier 2 | n | - | - |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liabilities of which: | | - | - |
| - DTLs related to goodwill | o | - | - |
| - DTLs related to intangible assets | p | - | - |
| - DTLs related to defined pension fund net assets | q | - | - |
| - other deferred tax liabilities | r | - | - |
| Other liabilities | | 8,197,699 | 8,197,699 |
| Total liabilities | | 51,329,005 | 51,329,005 |
| Share capital / Head Office Capital Account | | 6,812,671 | 6,812,671 |
| - of which: amount eligible for CET1 | s | 6,812,671 | 6,812,671 |
| - of which: amount eligible for AT1 | t | - | - |
| Reserves of which: | | 161,613 | 161,613 |
| - portion eligible for inclusion in CET1 - Statutory reserve | u | 161,613 | 161,613 |
| - portion eligible for inclusion in CET1 - General reserve | v | - | - |
| - portion eligible for inclusion in Tier 2 | w | - | - |
| Unremitted profit | | 1,650,374 | 1,650,374 |
| Minority Interest of which: | | - | - |
| - portion eligible for inclusion in CET1 | x | - | - |
| - portion eligible for inclusion in AT1 | y | - | - |
| - portion eligible for inclusion in Tier 2 | z | - | - |
| Deficit on revaluation of assets of which: | | (67,274) | (67,274) |
| - Revaluation reserves on Property | | - | - |
| - Unrealized Gains/Losses on AFS | aa | - | - |
| - In case of Deficit on revaluation (deduction from CET1) | ab | (67,274) | (67,274) |
| Total liabilities and Equity | | 59,886,389 | 59,886,389 |

40.5.3 Basel III Disclosure (with added column)

| | | | |
|--|--|-------------------|------------------|
| Common Equity Tier 1 capital (CET1): Instruments and reserves | | | |
| 1 | Fully Paid-up Capital/ Capital deposited with SBP | | 6,812,671 |
| 2 | Balance in share premium account | (s) | - |
| 3 | Reserve for issue of bonus shares | | - |
| 4 | General / Statutory Reserves | | 161,613 |
| 5 | Gain / (Losses) on derivatives held as Cash Flow Hedge | (u) | - |
| 6 | Unappropriated / unremitted profits | (w) | 1,650,374 |
| 7 | Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group) | (x) | - |
| 8 | CET 1 before Regulatory Adjustments | | 8,624,658 |
| Common Equity Tier 1 capital: Regulatory adjustments | | | |
| 9 | Goodwill (net of related deferred tax liability) | (j) - (s) | - |
| 10 | All other intangibles (net of any associated deferred tax liability) | (k) - (p) | 3,616 |
| 11 | Shortfall of provisions against classified assets | (f) | - |
| 12 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | (h) - (r) * x% | - |
| 13 | Defined-benefit pension fund net assets | (l) - (q) * x% | - |
| 14 | Reciprocal cross holdings in CET1 capital instruments | (d) | - |
| 15 | Cash flow hedge reserve | | - |
| 16 | Investment in own shares / CET1 instruments | | - |
| 17 | Securitization gain on sale | | - |
| 18 | Capital shortfall of regulated subsidiaries | | - |
| 19 | Deficit on account of revaluation from bank's holdings of property / AFS | (ab) | 103,497 |
| 20 | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | (a) - (ac) - (ae) | - |
| 21 | Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | (b) - (ad) - (af) | - |
| 22 | Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | (i) | - |
| 23 | Amount exceeding 15% threshold of which: | | - |
| | - significant investments in the common stocks of financial entities | | - |
| | - deferred tax assets arising from temporary differences | | - |

| | Particulars | Reference | Balance sheet as in published financial statements ------(Rupees in '000)----- | Under regulatory scope of reporting |
|----|--|-------------|--|--|
| 24 | National specific regulatory adjustments applied to CET1 capital | | | - |
| 25 | Investment in TFCs of other banks exceeding the prescribed limit | | | - |
| 26 | Any other deduction specified by SBP (mention details) | | | - |
| 27 | Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions | | | - |
| 28 | Total regulatory adjustments applied to CET1 | | | 107,113 |
| | Common Equity Tier 1 | | | 8,517,545 |
| | Additional Tier 1 (AT 1) Capital | | | |
| 29 | Qualifying Additional Tier-1 instruments plus any related share premium of which: | | | - |
| 30 | - Classified as equity | (t) | | - |
| 31 | - Classified as liabilities | (m) | | - |
| 32 | Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties | (y) | | - |
| 33 | - of which: instrument issued by subsidiaries subject to phase out | | | - |
| 34 | AT1 before regulatory adjustments | | | - |
| | Additional Tier 1 Capital: regulatory adjustments | | | |
| 35 | Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment) | | | - |
| 36 | Investment in own AT1 capital instruments | | | - |
| 37 | Reciprocal cross holdings in Additional Tier 1 capital instruments | | | - |
| 38 | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | (ac) | | - |
| 39 | Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | (ad) | | - |
| 40 | Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital | | | - |
| 41 | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | | | - |
| 42 | Total of Regulatory Adjustment applied to AT1 capital | | | - |
| 43 | Additional Tier 1 capital | | | - |
| 44 | Additional Tier 1 capital recognised for capital adequacy | | | - |
| | Tier 1 Capital (CET1 + admissible AT1) | | | 8,517,545 |
| | Tier 2 Capital | | | |
| 45 | Qualifying Tier 2 capital instruments under Basel III | | | - |
| 46 | Capital instruments subject to phase out arrangement from Tier 2 | (n) | | - |
| 47 | Tier 2 capital instruments issued to third party by consolidated subsidiaries - of which: instruments issued by subsidiaries subject to phase out | (z) | | - |
| 48 | General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets | (g) | | 134 |
| 49 | Revaluation Reserves eligible for Tier 2 of which: | | | - |
| 50 | - portion pertaining to Property | | | - |
| 51 | - portion pertaining to AFS securities | 45% of (aa) | | - |
| 52 | Foreign Exchange Translation Reserves | (v) | | - |
| 53 | Undisclosed / Other Reserves (if any) | | | - |
| 54 | T2 before regulatory adjustments | | | 134 |
| | Tier 2 Capital: regulatory adjustments | | | |
| 55 | Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital | | | - |
| 56 | Reciprocal cross holdings in Tier 2 instruments | | | - |
| 57 | Investment in own Tier 2 capital instrument | | | - |
| 58 | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | (ae) | | - |
| 59 | Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | (af) | | - |
| 60 | Amount of Regulatory Adjustment applied to T2 capital | | | - |
| 61 | Tier 2 capital (T2) | | | 134 |
| 62 | Tier 2 capital recognised for capital adequacy | | | 134 |
| 63 | Excess Additional Tier 1 capital recognised in Tier 2 capital | | | - |
| 64 | Total Tier 2 capital admissible for capital adequacy | | | 134 |
| | TOTAL CAPITAL (T1 + admissible T2) | | | 8,517,679 |

Main features of regulatory capital instruments

| | Main Features | Common Shares |
|----|---|---------------|
| 1 | Issuer | N/A |
| 2 | Unique identifier (eg KSE Symbol or Bloomberg identifier etc.) | N/A |
| 3 | Governing law(s) of the instrument | N/A |
| | Regulatory treatment | |
| 4 | Transitional Basel III rules | N/A |
| 5 | Post-transitional Basel III rules | N/A |
| 6 | Eligible at solo/ group/ group&solo | N/A |
| 7 | Instrument type | N/A |
| 8 | Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date) | N/A |
| 9 | Par value of instrument | N/A |
| 10 | Accounting classification | N/A |
| 11 | Original date of issuance | N/A |
| 12 | Perpetual or dated | N/A |
| 13 | Original maturity date | N/A |
| 14 | Issuer call subject to prior supervisory approval | N/A |
| 15 | Optional call date, contingent call dates and redemption amount | N/A |
| 16 | Subsequent call dates, if applicable | N/A |
| | Coupons / dividends | |
| 17 | Fixed or floating dividend/ coupon | N/A |
| 18 | coupon rate and any related index/ benchmark | N/A |
| 19 | Existence of a dividend stopper | N/A |
| 20 | Fully discretionary, partially discretionary or mandatory | N/A |
| 21 | Existence of step up or other incentive to redeem | N/A |
| 22 | Noncumulative or cumulative | N/A |
| 23 | Convertible or non-convertible | N/A |
| 24 | If convertible, conversion trigger (s) | N/A |
| 25 | If convertible, fully or partially | N/A |
| 26 | If convertible, conversion rate | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A |
| 28 | If convertible, specify instrument type convertible into | N/A |
| 29 | If convertible, specify issuer of instrument it converts into | N/A |
| 30 | Write-down feature | N/A |
| 31 | If write-down, write-down trigger(s) | N/A |
| 32 | If write-down, full or partial | N/A |
| 33 | If write-down, permanent or temporary | N/A |
| 34 | If temporary write-down, description of write-up mechanism | N/A |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | N/A |
| 36 | Non-compliant transitioned features | N/A |
| 37 | If yes, specify non-compliant features | N/A |

41 RISK MANAGEMENT

The Head office capital account of the Bank for the year ended December 31, 2013 stands at Rs 6.813 billion and is in compliance with the SBP requirement for the year. In addition the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposures of the Bank. The Bank's CAR as at December 31, 2013 was 24.05% of its risk weighted exposure.

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

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

41.1 Credit risk

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

41.1.1 Corporate credit risk

This risk is managed through the following:

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

41.1.2 Consumer credit risk

Independent credit risk management is responsible for establishing the Consumer credit policy, approving specific policies and procedures, providing ongoing assessment of Consumer portfolio risk and approving new products. The Consumer Credit Cycle management entails the following:

- Product approval.
- Consistent and prudent underwriting standards.
- Robust account management policies to manage the portfolio.
- Efficient collection and recovery unit to ensure acceptable loss norms.
- Reliable and accurate Management Information System to support informed decision making.
- Effective anti-fraud controls to minimize fraud losses.

41.1.3 Credit Risk - General Disclosures

The Bank has adopted standardised approach for calculation of capital charge against credit risk in line with SBP requirement.

41.1.4 Credit Risk: Disclosures for portfolio subject to the Standardised Approach

Under standardized approach the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, Bank utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company - Vital Information System), Moody's and Standard & Poors which are also recognized by the SBP.

Types of exposures and ECAI's used:

| Exposures | JCR-VIS | PACRA | Standard & Poors | Moody's |
|-------------------------------|---------|-------|------------------|---------|
| Corporate | ✓ | ✓ | N/A | N/A |
| Banks | ✓ | ✓ | ✓ | ✓ |
| SME's | ✓ | ✓ | N/A | N/A |
| Public Sector Entities (PSEs) | ✓ | ✓ | N/A | N/A |

Use of ECAI Ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

Mapping to SBP Rating Grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

Long – Term Rating Grades Mapping

| SBP Rating grade | Fitch | Moody's | S & P | PACRA | JCR-VIS | ECA Scores |
|------------------|----------------|----------------|----------------|-------|---------|------------|
| 1 | AAA | Aaa | AAA | AAA | AAA | 0 |
| | AA+ | Aa1 | AA+ | AA+ | AA+ | 1 |
| | AA | Aa2 | AA | AA | AA | |
| | AA- | Aa3 | AA- | AA- | AA- | |
| 2 | A+ | A1 | A+ | A+ | A+ | 2 |
| | A | A2 | A | A | A | |
| | A- | A3 | A- | A- | A- | |
| 3 | BBB+ | Baa1 | BBB+ | BBB+ | BBB+ | 3 |
| | BBB | Baa2 | BBB | BBB | BBB | |
| | BBB- | Baa3 | BBB- | BBB- | BBB- | |
| 4 | BB+ | Ba1 | BB+ | BB+ | BB+ | 4 |
| | BB | Ba2 | BB | BB | BB | |
| | BB- | Ba3 | BB- | BB- | BB- | |
| 5 | B+ | B1 | B+ | B+ | B+ | 5 |
| | B | B2 | B | B | B | 6 |
| | B- | B3 | B- | B- | B- | |
| 6 | CCC+ and below | Caa1 and below | CCC+ and below | CCC | CCC | 7 |
| | | | | CC | CC | |
| | | | | C | C | |
| | | | | | D | |

Short – Term Rating Grades Mapping

| SBP Rating Grade | Fitch | Moody's | S & P | PACRA | JCR-VIS |
|------------------|--------|---------|--------|--------|---------|
| S1 | F1 | P-1 | A-1+ | A-1+ | A-1+ |
| | | | A-1 | A-1 | A-1 |
| S2 | F2 | P-2 | A-2 | A-2 | A-2 |
| S3 | F3 | P-3 | A-3 | A-3 | A-3 |
| S4 | Others | Others | Others | Others | Others |

41.1.5 Credit Exposures subject to Standardised approach

For exposure amounts after risk mitigation subject to the standardized approach, amount of bank's / DFI's outstanding (rated & unrated) in each risk bucket as well as those that are deducted are as follows:

| | | 2013 | | | 2012 | | |
|-----------------------------|-----------------|--------------------------|---------------|------------|--------------------|---------------|------------|
| Exposures | Rating Category | Amount Outstanding | Deduction CRM | Net amount | Amount Outstanding | Deduction CRM | Net amount |
| | | ------(Rupees '000)----- | | | | | |
| Corporate | 1 | 10,329,194 | - | 10,329,194 | 10,615,663 | - | 10,615,663 |
| | 2 | 5,422,655 | - | 5,422,655 | 4,567,271 | - | 4,567,271 |
| | 3,4 | - | - | - | - | - | - |
| | Unrated | 68,856,504 | (39,800) | 68,816,704 | 58,241,220 | (28,990) | 58,212,230 |
| Banks | 1 | 19,200,708 | (18,311,452) | 889,256 | 35,884,649 | (29,677,968) | 6,206,681 |
| | 2 | - | - | - | - | - | - |
| | 3 | - | - | - | - | - | - |
| | 5 | - | - | - | - | - | - |
| | Unrated | 3,263,309 | - | 3,263,309 | 287,324 | - | 287,324 |
| Sovereigns etc | | 24,887,551 | - | 24,887,551 | 33,330,604 | - | 33,330,604 |
| | 4,5 | 10,302 | - | 10,302 | 71,479 | - | 71,479 |
| Public sector entities | 1 | 21,620,212 | - | 21,620,212 | 23,390,077 | - | 23,390,077 |
| | 2,3 | - | - | - | - | - | - |
| | Unrated | 138,299 | (61) | 138,238 | 153,740 | (30) | 153,710 |
| Retail | Unrated | 432,305 | - | 432,305 | 6,757,438 | (16,686) | 6,740,752 |
| Mortgage | Unrated | 331,113 | - | 331,113 | 574,707 | - | 574,707 |
| Others | Unrated | 33,933 | - | 33,933 | - | - | - |
| CRM= Credit Risk Mitigation | | | | | | | |

CRM= Credit Risk Mitigation

41.1.6 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardised Approach

The Bank has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms to the eligibility criteria under the Comprehensive Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities under the Comprehensive Approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

Counterparty ratings are obtained through the two local SBP authorized External Credit Rating Agencies; JCR VIS and PACRA and other international sources such as Standard and Poor's and Moody's. Credit risk assessment and the continuous monitoring of counterparty and portfolio credit exposures is carried out by the Credit Risk Management function.

The wholesale portfolio, which includes corporate and commercial are ideally collateralized by cash equivalents, fixed and current assets including property plant and equipment and land. Loans to individuals are typically secured by autos for car loans and private or income producing real estate is secured by a mortgage over the relevant property.

41.1.7 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrowers and group borrowers.

41.1.8 Segmental information

41.1.8.1 Segments by class of business

| | 2013 | | | | | |
|---|------------------|---------|------------------|---------|-------------------------|---------|
| | Advances (Gross) | | Deposits | | Contingent liabilities* | |
| | (Rupees in '000) | Percent | (Rupees in '000) | Percent | (Rupees in '000) | Percent |
| Food manufacturing | 2,810,192 | 16.44% | 1,636,616 | 4.00% | 2,680,001 | 17.24% |
| Textile | 3,149,218 | 18.42% | 67,064 | 0.16% | 141 | 0.00% |
| Chemical and pharmaceuticals | 4,079,469 | 23.86% | 5,796,425 | 14.16% | 1,088,756 | 7.00% |
| Cement | - | 0.00% | 425 | 0.00% | - | 0.00% |
| Footwear and Leather garments | 81,294 | 0.48% | 250 | 0.00% | - | 0.00% |
| Automobile and transportation equipment | 143,035 | 0.84% | 29,356 | 0.07% | 650,897 | 4.19% |
| Electronics and electrical appliances | - | 0.00% | 7,759,578 | 18.96% | 214,605 | 1.38% |
| Tobacco | 1,335 | 0.01% | 40,677 | 0.10% | 374,291 | 2.41% |
| Power (electricity), Gas, Water, Sanitary | 582,963 | 3.41% | 5,391,858 | 13.17% | - | 0.00% |
| Wholesale and Retail Trade | 120,824 | 0.71% | 75,444 | 0.19% | - | 0.00% |
| Transport, Storage and Communication | 1,846,592 | 10.80% | 12,153,751 | 29.69% | 2,181 | 0.01% |
| Financial | - | 0.00% | 2,187,589 | 5.34% | 626,512 | 4.03% |
| Individuals | 638,950 | 3.71% | 717,911 | 1.75% | - | 0.00% |
| Others | 3,644,710 | 21.32% | 5,079,552 | 12.41% | 9,909,819 | 63.74% |
| | 17,098,582 | 100.0% | 40,936,496 | 100.0% | 15,547,203 | 100.0% |

| | 2012 | | | | | |
|---|------------------|---------|------------------|---------|-------------------------|---------|
| | Advances (Gross) | | Deposits | | Contingent liabilities* | |
| | (Rupees in '000) | Percent | (Rupees in '000) | Percent | (Rupees in '000) | Percent |
| Food manufacturing | 2,550,877 | 10.44% | 2,333,164 | 3.63% | 324,176 | 2.00% |
| Textile | 4,052,630 | 16.58% | 76,640 | 0.12% | 130,299 | 1.00% |
| Chemical and pharmaceuticals | 3,573,525 | 14.62% | 17,637,361 | 27.43% | 2,912,965 | 17.00% |
| Cement | - | 0.00% | 1,948 | 0.00% | - | 0.00% |
| Footwear and leather garments | 88,179 | 0.36% | 609 | 0.00% | - | 0.00% |
| Automobile and transportation equipment | 1,417,735 | 5.80% | 10,392 | 0.02% | 489,655 | 3.00% |
| Electronics and electrical appliances | - | 0.00% | 4,523,469 | 7.04% | 19,720 | 0.00% |
| Tobacco | 107 | 0.00% | 3,007 | 0.00% | 33,295 | 0.00% |
| Power (electricity), Gas, Water, Sanitary | 1,249,790 | 5.11% | - | 0.00% | - | 0.00% |
| Wholesale and Retail Trade | 35,598 | 0.15% | 156,590 | 0.24% | - | 0.00% |
| Transport, storage and communication | 2,327,195 | 9.52% | 9,345,653 | 14.54% | 2,314,391 | 14.00% |
| Financial | - | 0.00% | 1,588,573 | 2.47% | - | 0.00% |
| Individuals | 4,571,905 | 18.71% | 16,527,401 | 25.71% | - | 0.00% |
| Others | 4,574,139 | 18.71% | 12,088,758 | 18.80% | 10,721,054 | 63.00% |
| | 24,441,680 | 100.0% | 64,293,565 | 100.0% | 16,945,555 | 100.0% |

41.1.8.2 Segment by sector

| | 2013 | | | | | |
|---------------------|------------------|---------|------------------|---------|-------------------------|---------|
| | Advances (Gross) | | Deposits | | Contingent liabilities* | |
| | (Rupees in '000) | Percent | (Rupees in '000) | Percent | (Rupees in '000) | Percent |
| Public / Government | 262,008 | 1.5% | 24,343 | 0.1% | 678,769 | 4.4% |
| Private | 16,836,574 | 98.5% | 40,912,153 | 99.9% | 14,868,434 | 95.6% |
| | 17,098,582 | 100.0% | 40,936,496 | 100.0% | 15,547,203 | 100.00% |

| | 2012 | | | | | |
|---------------------|------------------|---------|------------------|---------|-------------------------|---------|
| | Advances (Gross) | | Deposits | | Contingent liabilities* | |
| | (Rupees in '000) | Percent | (Rupees in '000) | Percent | (Rupees in '000) | Percent |
| Public / Government | 311,901 | 1.80% | 139,546 | 0.30% | 4,485,531 | 26.50% |
| Private | 24,129,779 | 98.20% | 64,154,019 | 99.70% | 12,460,024 | 73.50% |
| | 24,441,680 | 100.0% | 64,293,565 | 100.0% | 16,945,555 | 100.0% |

* Contingent liabilities for the purpose of this note includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

41.1.8.3 Details of non-performing advances and specific provisions by class of business segment

| | 2013 | | 2012 | |
|-------------------------------|---------------------|--------------------------|---------------------|--------------------------|
| | Classified Advances | Specific Provisions Held | Classified Advances | Specific Provisions Held |
| | (Rupees in '000) | | | |
| Textile | 2,198,720 | 2,198,720 | 1,635,413 | 1,387,271 |
| Chemicals and pharmaceuticals | 129,425 | 129,425 | 92,262 | 390,944 |
| Individuals | 179,075 | 174,213 | 1,983,464 | 1,976,712 |
| Others | 1,040,834 | 1,039,503 | 2,496,351 | 2,336,560 |
| | <u>3,548,054</u> | <u>3,541,861</u> | <u>6,207,490</u> | <u>6,091,487</u> |

41.1.8.4 Details of non-performing advances and specific provisions by sector

| | | | | |
|---------------------|------------------|------------------|------------------|------------------|
| Public / Government | - | - | - | - |
| Private | 3,548,054 | 3,541,861 | 6,207,490 | 6,091,487 |
| | <u>3,548,054</u> | <u>3,541,861</u> | <u>6,207,490</u> | <u>6,091,487</u> |

41.1.8.5 Geographical segment analysis

| | 2013 | | | |
|----------|------------------------|-----------------------|---------------------|-------------------------|
| | Profit before taxation | Total assets employed | Net assets employed | Contingent liabilities* |
| | (Rupees in '000) | | | |
| Pakistan | <u>2,886,374</u> | <u>59,886,389</u> | <u>8,557,384</u> | <u>15,547,203</u> |
| | 2012 - Restated | | | |
| | Profit before taxation | Total assets employed | Net assets employed | Contingent liabilities* |
| | (Rupees in '000) | | | |
| Pakistan | <u>2,403,430</u> | <u>85,196,217</u> | <u>8,991,586</u> | <u>16,945,555</u> |

*Contingent liabilities for the purpose of this note includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

Total assets employed include intra group items of Rs.556.003 million (2012: Rs.5,997.220 million).

41.2 Market risk

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

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

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

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

41.2.1 Foreign exchange risk

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

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

| ----- 2013 ----- | | | | |
|-----------------------------|------------------------------|---------------|-------------------------|-------------------------------|
| | Assets | Liabilities * | Off-balance sheet items | Net foreign currency exposure |
| | ----- (Rupees in '000) ----- | | | |
| United States dollar | 5,428,641 | 4,133,184 | (1,039,401) | 256,056 |
| Great Britain pound | 267,244 | 33,321 | (221,252) | 12,671 |
| Japanese yen | 560,695 | 524,550 | 7,280 | 43,425 |
| Euro | 164,034 | 115,586 | (50,247) | (1,799) |
| Swiss Francs | 3,660 | - | (478) | 3,182 |
| Other currencies | 196,601 | 375,732 | (225,659) | (404,790) |
| Foreign currency exposure | 6,620,875 | 5,182,373 | (1,529,757) | (91,255) |
| Pakistan rupee | 53,265,514 | 54,704,016 | 1,529,757 | 91,255 |
| Total currency exposure | 59,886,389 | 59,886,389 | - | - |
| ----- 2012 - Restated ----- | | | | |
| | Assets | Liabilities * | Off-balance sheet items | Net foreign currency exposure |
| | ----- (Rupees in '000) ----- | | | |
| United States dollar | 7,629,128 | 11,763,054 | 5,024,204 | 890,278 |
| Great Britain pound | 851,056 | 781,994 | (155) | 68,907 |
| Japanese yen | 54,420 | 5,671 | (49) | 48,700 |
| Euro | 1,450,538 | 728,237 | (725,033) | (2,732) |
| Swiss francs | 7,125 | - | (15) | 7,110 |
| Other currencies | 156,761 | 307,846 | (31,324) | (182,409) |
| Foreign currency exposure | 10,149,028 | 13,586,802 | 4,267,628 | 829,854 |
| Pakistan rupee | 75,047,189 | 71,609,415 | (4,267,628) | (829,854) |
| Total currency exposure | 85,196,217 | 85,196,217 | - | - |

* Includes head office capital account, unremitted profit and deficit on revaluation of assets in Pakistan Rupees.

41.2.2 Equity position risk

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

41.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to the interest rate risk arises from mismatches of financial assets and liabilities and off-balance sheet financial instruments that mature or reprice in a given period. The Bank manages these mismatches through risk management strategies where significant changes in gap positions can be adjusted.

The position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date. The position for off-balance sheet financial instruments is based on settlement dates.

| 2013 | | | | | | | | | | | |
|--|----------------------------------|---------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|--|
| Effective Yield / Interest rate % | Exposed to Yield / Interest risk | | | | | | | | | | Non-interest bearing financial instruments |
| | Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years | |
| (Rupees in '000) | | | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | | | |
| Assets | | | | | | | | | | | |
| Cash and balances with treasury banks | - | 3,991,465 | 1,421,882 | - | - | - | - | - | - | - | 2,569,583 |
| Balances with other banks | 0.14 | 602,119 | 584,851 | - | - | - | - | - | - | - | 17,268 |
| Lending to financial institutions | 8.90 | 9,202,344 | 9,202,344 | - | - | - | - | - | - | - | - |
| Investments | 9.22 | 25,239,845 | 2,484,030 | 8,695,477 | 5,788,065 | 59,063 | 1,191,817 | 6,760,598 | 469 | 97,545 | 162,781 |
| Advances | 11.43 | 13,556,587 | 1,438,171 | 7,722,262 | 8,407 | 110,387 | 31,571 | 63,879 | 1,042,539 | 2,895,987 | 237,325 |
| Other assets | - | 2,717,188 | - | - | - | - | - | - | - | - | 2,717,188 |
| | | 55,309,548 | 15,131,278 | 16,417,739 | 5,796,472 | 169,450 | 1,223,388 | 6,824,477 | 1,043,008 | 2,993,532 | 400,106 |
| | | | | | | | | | | | 5,310,098 |
| Liabilities | | | | | | | | | | | |
| Bills payable | - | 1,284,956 | - | - | - | - | - | - | - | - | 1,284,956 |
| Borrowings from financial institutions | 8.21 | 909,854 | 900,000 | - | - | - | - | - | - | - | 9,854 |
| Deposits and other accounts | 6.03 | 40,936,496 | 25,972,848 | 2,693,713 | 60,599 | 35,780 | - | - | - | - | 12,173,556 |
| Other liabilities | - | 8,170,615 | - | - | - | - | - | - | - | - | 8,170,615 |
| | | 51,301,921 | 26,872,848 | 2,693,713 | 60,599 | 35,780 | - | - | - | - | 21,638,981 |
| | | | | | | | | | | | |
| On-balance sheet gap | | 4,007,627 | (11,741,570) | 13,724,026 | 5,735,873 | 133,670 | 1,223,388 | 6,824,477 | 1,043,008 | 2,993,532 | 400,106 |
| | | | | | | | | | | | (16,328,883) |
| Off-balance sheet financial instruments | | | | | | | | | | | |
| Forward exchange contracts - purchase | | 119,788,695 | 31,784,608 | 50,077,202 | 37,926,885 | - | - | - | - | - | - |
| Forward exchange contracts - sale | | (107,166,379) | (30,154,872) | (34,406,781) | (39,104,656) | (3,500,070) | - | - | - | - | - |
| Interest rate swaps - long position | | 16,423,814 | - | 12,361,540 | 428,575 | 3,633,699 | - | - | - | - | - |
| Interest rate swaps - short position | | (16,423,814) | - | (12,361,540) | (428,575) | (3,633,699) | - | - | - | - | - |
| Forward currency options - long position | | - | - | - | - | - | - | - | - | - | - |
| Forward currency options - short position | | - | - | - | - | - | - | - | - | - | - |
| Off-balance sheet gap | | 12,622,316 | 1,629,736 | 15,670,421 | (1,177,771) | (3,500,070) | - | - | - | - | - |
| | | | | | | | | | | | |
| Total Yield / Interest Risk Sensitivity Gap | | 16,629,943 | (10,111,834) | 29,394,447 | 4,558,102 | (3,366,400) | 1,223,388 | 6,824,477 | 1,043,008 | 2,993,532 | 400,106 |
| | | | | | | | | | | | (16,328,883) |
| | | | | | | | | | | | |
| Cumulative Yield / Interest Risk Sensitivity Gap | | (10,111,834) | 19,282,613 | 23,840,715 | 20,474,315 | 21,697,703 | 28,522,180 | 29,565,188 | 32,558,720 | 32,958,826 | 16,629,943 |

| 2012 - Restated | | | | | | | | | | | |
|--|----------------------------------|-----------------|-----------------------|-----------------------|-------------------------------|----------------------|----------------------|----------------------|-----------------------|-------------------|---|
| Effective Yield / Interest rate % | Exposed to Yield / Interest risk | | | | | | | | | | Non-interest bearing financial instruments |
| | Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years | |
| (Rupees in '000) | | | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | | | |
| Assets | | | | | | | | | | | |
| Cash and balances with treasury banks | - | 6,770,561 | 1,748,695 | - | - | - | - | - | - | - | 5,021,866 |
| Balances with other banks | 1.73 | 6,035,738 | 4,318,952 | - | - | - | - | - | - | - | 1,716,786 |
| Lending to financial institutions | 8.70 | 14,913,193 | 14,913,193 | - | - | - | - | - | - | - | - |
| Investments | 11.33 | 31,339,172 | 6,219,812 | 7,461,777 | 571,082 | 8,715,799 | 3,658,168 | 2,038,866 | 2,397,496 | 102,554 | 173,618 |
| Advances | 12.76 | 18,255,682 | 1,389,342 | 11,361,916 | 3,969,750 | 901,695 | 47,358 | 42,496 | 73,472 | 269,048 | 21,492 |
| Other assets | - | 1,891,480 | - | - | - | - | - | - | - | - | 1,891,480 |
| | | 79,205,826 | 28,589,994 | 18,823,693 | 4,540,832 | 9,617,494 | 3,705,526 | 2,081,362 | 2,470,968 | 371,602 | 8,651,624 |
| Liabilities | | | | | | | | | | | |
| Bills payable | - | 2,185,724 | - | - | - | - | - | - | - | - | 2,185,724 |
| Borrowings from financial institutions | 9.2 | 141,666 | 16,421 | 2,525 | 102,525 | 5,050 | 10,100 | 5,045 | - | - | - |
| Deposits and other accounts | 5.8 | 64,293,565 | 18,520,096 | 7,428,680 | 11,314,660 | 561,644 | 189,376 | - | 16,100 | - | 26,263,009 |
| Other liabilities | - | 9,494,139 | - | - | - | - | - | - | - | - | 9,494,139 |
| | | 76,115,094 | 18,536,517 | 7,431,205 | 11,417,185 | 566,694 | 199,476 | 5,045 | 16,100 | - | 37,942,872 |
| On-balance sheet gap | | 3,090,732 | 10,053,477 | 11,392,488 | (6,876,353) | 9,050,800 | 3,506,050 | 2,076,317 | 2,454,868 | 371,602 | (29,291,248) |
| Off-balance sheet financial instruments | | | | | | | | | | | |
| Forward exchange contracts - purchase | | 58,284,081 | 26,914,972 | 28,615,800 | 2,753,309 | - | - | - | - | - | - |
| Forward exchange contracts - sale | | (36,487,833) | (13,944,149) | (4,678,653) | (16,828,031) | (1,037,000) | - | - | - | - | - |
| Interest rate swaps - long position | | 31,228,364 | 186,459 | 23,292,411 | 454,435 | 300,281 | 6,994,778 | - | - | - | - |
| Interest rate swaps - short position | | (31,228,364) | (486,740) | (23,292,411) | (454,435) | - | (6,994,778) | - | - | - | - |
| Forward currency options - long position | | 3,611,914 | 171,502 | 3,295,990 | 144,422 | - | - | - | - | - | - |
| Forward currency options - short position | | (3,611,914) | (171,502) | (3,295,990) | (144,422) | - | - | - | - | - | - |
| Off-balance sheet gap | | 21,796,248 | 12,670,542 | 23,937,147 | (14,074,722) | (736,719) | - | - | - | - | - |
| Total Yield / Interest Risk Sensitivity Gap | | 24,886,980 | 22,724,019 | 35,329,635 | (20,951,075) | 8,314,081 | 3,506,050 | 2,076,317 | 2,454,868 | 371,602 | (29,291,248) |
| Cumulative Yield / Interest Risk Sensitivity Gap | | | 22,724,019 | 58,053,654 | 37,102,579 | 45,416,660 | 48,922,710 | 50,999,027 | 53,453,895 | 53,825,497 | 24,886,980 |

| | | |
|---|-------------------|-------------------|
| Total financial assets as per note 41.2.3 | 55,309,548 | 79,205,826 |
| Add: Non financial assets | | |
| Operating fixed assets | 153,846 | 366,664 |
| Deferred tax asset | 685,858 | 3,247,843 |
| Other assets | 3,737,137 | 2,375,884 |
| Total assets as per balance sheet | <u>59,886,389</u> | <u>85,196,217</u> |
| Total liabilities as per note 41.2.3 | 51,301,921 | 76,115,094 |
| Add: Non financial liabilities | | |
| Other liabilities | 27,084 | 89,537 |
| Total liabilities as per balance sheet | <u>51,329,005</u> | <u>76,204,631</u> |

An annual funding and liquidity plan is approved by ALCO and independent risk management team. The plan includes analysis of the balance sheet, as well as the economic and business conditions impacting the liquidity of the bank. As part of the plan, liquidity limits, ratios and triggers are established and approved.

| 2013 | | | | | | | | | |
|------------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
| (Rupees in '000) | | | | | | | | | |

| | | | | | | | | | | |
|---------------------------------------|------------|------------|------------|-----------|---------|-----------|-----------|-----------|-----------|---------|
| Cash and balances with treasury banks | 3,991,465 | 3,991,465 | - | - | - | - | - | - | - | - |
| Balances with other banks | 602,119 | 602,119 | - | - | - | - | - | - | - | - |
| Lendings to financial institutions | 9,202,344 | 9,202,344 | - | - | - | - | - | - | - | - |
| Investments | 25,239,845 | 2,484,030 | 8,695,477 | 5,788,065 | 59,063 | 1,191,817 | 6,760,598 | 469 | 97,545 | 162,781 |
| Advances | 13,556,587 | 7,840,078 | 1,232,308 | 102,843 | 110,387 | 31,571 | 63,878 | 1,042,539 | 2,895,658 | 237,325 |
| Operating fixed assets | 153,846 | 5,573 | 9,929 | 14,163 | 26,011 | 39,435 | 37,222 | 16,735 | 3,684 | 1,094 |
| Deferred tax assets | 685,858 | 36,223 | - | - | - | - | - | 649,635 | - | - |
| Other assets | 6,454,325 | 825,769 | 1,239,565 | 617,522 | 244,848 | 3,526,621 | - | - | - | - |
| | 59,886,389 | 24,987,601 | 11,177,279 | 6,522,593 | 440,309 | 4,789,444 | 6,861,698 | 1,709,378 | 2,996,887 | 401,200 |

| | | | | | | | | | |
|--|------------|------------|-----------|-----------|---------|---------|---|-----------|---|
| Bills payable | 1,284,956 | 1,284,956 | - | - | - | - | - | - | - |
| Borrowings from financial institutions | 909,854 | 909,854 | - | - | - | - | - | - | - |
| Deposits and other accounts * | 40,936,496 | 38,146,404 | 2,693,713 | 60,599 | 35,780 | - | - | - | - |
| Other liabilities | 8,197,699 | 1,986,998 | 1,510,483 | 1,067,301 | 810,621 | 516,698 | - | 2,305,598 | - |
| | 51,329,005 | 42,328,212 | 4,204,196 | 1,127,900 | 846,401 | 516,698 | - | 2,305,598 | - |

| | | | | | | | | | | |
|-------------------|-----------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|
| Net assets | 8,557,384 | (17,340,611) | 6,973,083 | 5,394,693 | (406,092) | 4,272,746 | 6,861,698 | (596,220) | 2,996,887 | 401,200 |
|-------------------|-----------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|

| | |
|--|-----------------|
| Head office capital account | 6,812,671 |
| Reserves | 161,613 |
| Unremitted profit | 1,650,374 |
| Deficit on revaluation of securities - net | <u>(67,274)</u> |
| | 8,557,384 |

| 2012 - Restated | | | | | | | | | |
|--|------------------|---------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|------------------|
| Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
| ----- (Rupees in '000) ----- | | | | | | | | | |
| Assets | | | | | | | | | |
| Cash and balances with treasury banks | 6,770,561 | 6,770,561 | - | - | - | - | - | - | - |
| Balances with other banks | 6,035,738 | 6,035,738 | - | - | - | - | - | - | - |
| Lendings to financial institutions | 14,913,193 | 14,913,193 | - | - | - | - | - | - | - |
| Investments | 31,339,172 | 6,219,813 | 4,348,941 | 571,082 | 9,062,083 | 4,561,412 | 3,756,350 | 2,466,910 | 173,617 |
| Advances | 18,255,682 | 10,649,819 | 2,538,594 | 364,448 | 482,858 | 928,673 | 784,446 | 1,432,345 | 47,838 |
| Operating fixed assets | 366,664 | 126,418 | 11,920 | 17,880 | 35,761 | 71,521 | 55,965 | 44,597 | 1,672 |
| Deferred tax assets | 3,247,843 | - | - | - | - | - | 3,247,843 | - | - |
| Other assets | 4,267,364 | 424,692 | 1,259,936 | 846,175 | 1,465,982 | 270,579 | - | - | - |
| | 85,196,217 | 45,140,234 | 8,159,391 | 1,799,585 | 11,046,684 | 5,832,185 | 4,596,761 | 7,191,695 | 1,206,555 |
| | | | | | | | | | 223,127 |
| Liabilities | | | | | | | | | |
| Bills payable | 2,185,724 | 2,185,724 | - | - | - | - | - | - | - |
| Borrowings from financial institutions | 141,666 | 16,421 | 2,525 | 102,525 | 5,050 | 10,100 | 5,045 | - | - |
| Deposits and other accounts * | 64,293,565 | 58,803,990 | 4,060,374 | 545,766 | 561,448 | 189,376 | 116,511 | 16,100 | - |
| Other liabilities | 9,583,676 | 1,959,142 | 2,607,539 | 506,037 | 1,947,936 | 727,103 | - | 1,835,919 | - |
| | 76,204,631 | 62,965,277 | 6,670,438 | 1,154,328 | 2,514,434 | 926,579 | 121,556 | 1,852,019 | - |
| | | | | | | | | | - |
| Net assets | 8,991,586 | (17,825,043) | 1,488,953 | 645,257 | 8,532,250 | 4,905,606 | 4,475,205 | 5,339,676 | 1,206,555 |
| | | | | | | | | | 223,127 |
| Represented by: | | | | | | | | | |
| Head office capital account | 6,812,671 | | | | | | | | |
| Reserves | 154,932 | | | | | | | | |
| Unremitted profit - Restated | 2,007,471 | | | | | | | | |
| Deficit on revaluation of securities - net | 16,512 | | | | | | | | |
| | <u>8,991,586</u> | | | | | | | | |

* Includes saving deposits which have been classified as maturing up to one month. However they are not expected to fall materially below their current level.

41.3.2 Maturities of Assets and Liabilities - Based on expected maturity of the assets and liabilities of the Bank

| 2013 | | | | | | | | | |
|--|------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
| Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
| ----- (Rupees in '000) ----- | | | | | | | | | |
| Assets | | | | | | | | | |
| Cash and balances with treasury banks | 3,991,465 | 647,131 | - | - | - | - | 3,344,334 | - | - |
| Balances with other banks | 602,119 | 602,119 | - | - | - | - | - | - | - |
| Lendings to financial institutions | 9,202,344 | 9,202,344 | - | - | - | - | - | - | - |
| Investments | 25,239,845 | 2,484,030 | 8,695,477 | 5,788,065 | 59,063 | 1,191,817 | 6,760,598 | 469 | 97,545 |
| Advances | 13,556,587 | 3,726,574 | 1,232,308 | 102,843 | 110,387 | 31,571 | 63,878 | 5,156,043 | 2,895,658 |
| Operating fixed assets | 153,846 | 5,573 | 9,929 | 14,163 | 26,011 | 39,435 | 37,222 | 16,735 | 3,684 |
| Deferred tax assets | 685,858 | - | - | - | - | - | 685,858 | - | - |
| Other assets | 6,454,325 | 549,785 | 1,515,425 | 617,397 | 245,098 | 3,526,620 | - | - | - |
| | 59,886,389 | 17,217,556 | 11,453,139 | 6,522,468 | 440,559 | 4,789,443 | 6,861,698 | 9,203,439 | 2,996,887 |
| | | | | | | | | | 401,200 |
| Liabilities | | | | | | | | | |
| Bills payable | 1,284,956 | - | 1,284,956 | - | - | - | - | - | - |
| Borrowings from financial institutions | 909,854 | 909,854 | - | - | - | - | - | - | - |
| Deposits and other accounts | 40,936,496 | 13,603,163 | 2,693,713 | 60,599 | 35,780 | - | 24,543,241 | - | - |
| Other liabilities | 8,197,699 | 1,990,103 | 2,145,273 | 854,671 | 385,362 | 516,698 | 2,305,592 | - | - |
| | 51,329,005 | 16,503,120 | 6,123,942 | 915,270 | 421,142 | 516,698 | 26,848,833 | - | - |
| Net assets | 8,557,384 | 714,436 | 5,329,197 | 5,607,198 | 19,417 | 4,272,745 | 6,861,698 | (17,645,394) | 2,996,887 |
| | | | | | | | | | 401,200 |
| Represented by: | | | | | | | | | |
| Head office capital account | 6,812,671 | | | | | | | | |
| Reserves | 161,613 | | | | | | | | |
| Unremitted profit | 1,650,374 | | | | | | | | |
| Deficit on revaluation of securities - net | (67,274) | | | | | | | | |
| | <u>8,557,384</u> | | | | | | | | |

| 2012 - Restated | | | | | | | | | |
|--|------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|------------------|
| Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
| ------(Rupees in '000)----- | | | | | | | | | |
| Assets | | | | | | | | | |
| Cash and balances with treasury banks | 6,770,561 | 1,520,195 | - | - | - | - | 5,250,366 | - | - |
| Balances with other banks | 6,035,738 | 6,035,738 | - | - | - | - | - | - | - |
| Lendings to financial institutions | 14,913,193 | 14,913,193 | - | - | - | - | - | - | - |
| Investments | 31,339,172 | 6,219,813 | 7,461,777 | 571,082 | 8,715,799 | 3,658,168 | 2,397,496 | 102,554 | 173,617 |
| Advances | 18,255,682 | 6,392,985 | 2,538,594 | 364,448 | 482,858 | 928,673 | 5,689,179 | 1,026,661 | 47,838 |
| Operating fixed assets | 366,664 | 126,418 | 11,920 | 17,880 | 35,761 | 71,521 | 55,965 | 44,597 | 1,672 |
| Deferred tax assets | 3,247,843 | - | - | - | - | - | 3,247,843 | - | - |
| Other assets | 4,267,364 | 342,240 | 1,095,033 | 598,820 | 971,272 | 1,259,999 | - | - | - |
| | 85,196,217 | 35,550,582 | 11,107,324 | 1,552,230 | 10,205,690 | 5,918,361 | 2,879,277 | 16,629,481 | 1,130,145 |
| | | | | | | | | | 223,127 |
| Liabilities | | | | | | | | | |
| Bills payable | 2,185,724 | 138,728 | 166,247 | - | - | - | 1,880,749 | - | - |
| Borrowings from financial institutions | 141,666 | 16,421 | 2,525 | 102,525 | 5,050 | 10,100 | 5,045 | - | - |
| Deposits and other accounts | 64,293,565 | 32,567,865 | 8,910,374 | 545,766 | 561,448 | 189,376 | 116,511 | 21,402,225 | - |
| Other liabilities | 9,583,676 | 1,758,186 | 2,940,541 | 705,540 | 1,798,930 | 727,103 | - | 1,653,376 | - |
| | 76,204,631 | 34,481,200 | 12,019,687 | 1,353,831 | 2,365,428 | 926,579 | 121,556 | 24,936,350 | - |
| | | | | | | | | | - |
| Net assets | 8,991,586 | 1,069,382 | (912,363) | 198,399 | 7,840,262 | 4,991,782 | 2,757,721 | (8,306,869) | 1,130,145 |
| | | | | | | | | | 223,127 |
| Represented by: | | | | | | | | | |
| Head office capital account | 6,812,671 | | | | | | | | |
| Reserves | 154,932 | | | | | | | | |
| Unremitted profit - Restated | 2,007,471 | | | | | | | | |
| Deficit on revaluation of securities - net | 16,512 | | | | | | | | |
| | <u>8,991,586</u> | | | | | | | | |

41.3.3 The Bank has assets and liabilities that have contractual and non-contractual maturities. The Bank conducts statistical studies to assess the expected maturity of assets and liabilities with non-contractual maturities. The Bank uses this methodology on such assets and liabilities to determine the core portion which is stable and constantly appears on the balance sheet and the non-core portion that is relatively volatile. The behavioral maturities of demand deposits, bills payable and running finance is determined on such basis based on the past three years data. Consumer assets categorised as held for sale has been classified in short term buckets. The maturity buckets have been adjusted accordingly where the non-contractual assets and liabilities are highly probable to deviate from its maturities worked out based on statistical models.

41.4 Operational Risk

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

The operational risk policy and its requirements facilitate the effective communication of operational risks both within and across businesses. Information about the businesses' operational risk, historical losses and the control environment is reported by each major business segment and functional area and summarised for senior management.

The Bank has created a strategic framework for information security technology initiatives and has implemented enhancements to various Information Security programs across its business covering Risk Management, Security Incident Response and Electronic Transportable Media. The Bank also implemented tools to increase the effectiveness of its data protection and entitlement management programs.

The business continuity program provides risk analysis and robust support for business resiliency. The office of Business Continuity, with the support of the senior management continued to coordinate preparedness and mitigate business continuity risks by reviewing and testing recovery procedures.

42 DATE OF AUTHORISATION

These financial statements were authorised for issue on March 12, 2014 by the management of the Bank.

43 GENERAL

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

43.2 Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant reclassifications were made except as explained in note 3.5.

NADEEM LODHI
Managing Director and Citi Country Officer

ADAMJEE YAKOOB
Chief Financial Officer

| S. No. | Name and address of the borrower | | Name of individuals/ partners/ directors (with NIC No.) | Father's / Husband's name | Outstanding Liabilities at beginning of year | | | | Principal written-off | Interest/ Mark-up written-off | Other financial relief provided | Total |
|--------|----------------------------------|---|--|--|--|----------------------|--------|---------|--------------------------|-------------------------------------|--|--------|
| | | | | | Principal | Interest/ Mark-up | Others | Total | | | | |
| 1 | 2 | | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | |
| 1 | ABU BAKAR TEXTILE MILLS | MULTAN ROAD BHAI PHERU LAHORE | QASIM ALI/ 36502-5331088-1 CH ABDUL JABBAR/36502-5924066-1 RAI MASOOD AHMED KHAN/36502-1328768-7 SHAHRUKH MASOOD KHAN/36502-1328827-3 | GHULAM RASOOL GHULAM RASOOL RAI MUHAMMED ALI KHAN RAI MASOOD AHMED KHAN | 11,996 | 19,387 | - | 31,383 | 11,996 | - | - | 11,996 |
| 2 | 2 F PETROLEUM SERVICES | 24 JAHANGIR ROAD KARACHI | NASIR AHMED SIDDIQ/42301-1345419-3 | KAMAL AHMED SIDDIQUI | 1,486 | 982 | - | 2,468 | 1,486 | - | - | 1,486 |
| 3 | BALUCHISTAN GLASS LIMITED | CHAUDHRY KHALIQ UZZAMAN ROAD CLIFTON | JAWAID AZIZ PERACAH/42301-4541997-9 NASIR MALIK/35202-2594695-9 MUHAMMAD ISHAQ KHOKAR/35202-3276809-3 MIAN NAZIR PERACHA/35201-1702968-9 MUHAMMAD TAUSEEF PERACHA/35202-1524979-9 MR.TARIQ SIDDIQ PERACHA/42301-4898864-7 | MUHAMMAD SIDDIQ PARACHA FAQEER M. MALIK MUHAMMAD RIAZ PERACHA MUHAMMAD SALEEM KHOKAR AZIZ-UDIN-PERCAHA MUHAMMAD SIDDIQ PERACHA MUHAMMAD SIDDIQ PERACHA | 63,009 | 103,599 | - | 166,608 | 8,009 | - | - | 8,009 |
| 4 | PAK HY OILS LIMITED | BLOCK 4 DIME CENTRE 3RD FLOOR BLOCK 9 CLIFTON KARACHI | MOHAMMAD ALI BABAR/42101-1908448-5 ABDUL MALEEN FAROOQUI/42101-3871391-1 MUHAMMAD TOUSIF PARACHA/35202-1524979-9 MS TALAT SULTANA/42301-8275277-6 TABASSUM TOUSIF PARACHA/35202-0709533-6 | MIRZA M. SARFRAZ FAROUGH A. FAROOQUI M. SIDDIQ PARACHA D/O MUHAMMAD SIDDIQ PARACHA M. TOUSIF PARACHA M. SIDDIQ PARACHA TARIQ SIDDIQ PARACHA | 33,628 | 22,813 | - | 56,441 | 13,628 | - | - | 13,628 |
| 5 | INTERNATIONAL FABRICS LTD. | PLOT NO. 253 SECTOR 24 KORANGI INDUSTRIAL AREA KARACHI | MANSOOR ZAFAR/42301-7482687-7 MISS HUMA QURESHI/135-93-391435 DR. N.M. QURESHI/135-29-391432 DR. RUBY QURESHI/135-34-391433 SHIREEN ZAFAR/42301-3298236-6 SHAHNAZ SAEED/502-45-013758 ATIF SAEED/502-93-816973 | MIAN ZAFAR ABDULLAH DR. N.M. QURESHI NIAZ MUHAMMED QURESHI DR. N.M. QURESHI MANSOOR ZAFAR ABDUL SAEED ABDUL SAEED | 34,818 | 35,658 | - | 70,476 | 16,666 | 36,900 | - | 53,566 |
| 6 | MASTER ENGINEERING CO | CHUNGI AMERSADHU KOT LAKHPAT LAHORE | SALIM ULLAH SHEIKH/35202-1639127-1 SALMAN SALIM/35202-1724627-1 MRS SAIRA SALIM/35202-7298784-2 | SHAIKH ABAID ULLAH SALIM ULLAH SHEIKH W/O SALIM ULLAH SHEIKH | 10,002 | 452 | - | 10,454 | - | 556 | - | 556 |
| 7 | NADEEM ABBAS KHAN | HOUSE # 292/C KAUSAR COLONY, MODEL TOWN BLOCK-Q LAHORE | 3520218813621 | MUHAMMAD ABBAS KHAN | 2,163 | 263 | - | 2,426 | 1,081 | 263 | - | 1,344 |
| 8 | IMRAN KHAN | House # 4/A-1, North Cicular Avenue, DHA Phase I, Karachi | 4230109098811 | LAL KHAN | 1,071 | 395 | - | 1,466 | 375 | 395 | - | 770 |
| 9 | IMRAN KHAN BALOCH | Falt # 607-608, Diamond Tower, Shobhraj Cheetunal Road, Near Garden Medical Center, Karachi | 5150307483247 | MUHAMMAD KHAN BULOCH | 2,927 | 1,413 | - | 4,340 | 727 | 1,413 | - | 2,140 |
| 10 | FARHAN WAHEED | House # 35-B/II, Street Q, DHA Phase VI, Karachi | 51776430587 | SYED WAHEED UDDIN | 4,864 | 2,405 | - | 7,269 | 2,353 | 2,405 | - | 4,758 |
| 11 | UMAR IQBAL | House # 13/2, Street # 31, Khy-e-Shamsheer, DHA Phase V, Karachi | 42000-5966888-3 | IQBAL HUSSAIN | 5,090 | 841 | - | 5,931 | - | 841 | - | 841 |
| | | | | | 171,054 | 188,208 | - | 359,262 | 56,321 | 42,773 | - | 99,094 |

CITIBANK, N.A. - PAKISTAN BRANCHES

DISPOSAL OF FIXED ASSETS DURING THE YEAR ENDED DECEMBER 31, 2013

Details of disposal of fixed assets having cost of more than Rs. 1,000,000 or net book value of Rs. 250,000 or above

| Description | Cost | Book value | Sale proceeds | Mode of disposal | Particulars of purchasers |
|---|----------------|---------------|---------------|--------------------|---------------------------|
| ----- (Rupees in '000) ----- | | | | | |
| Furniture and fixture | | | | | |
| | 2,007 | 483 | 266 | Open Bid | Trade Lock Establishment |
| | 2,007 | 483 | 266 | | |
| Electrical, office and computer equipment | | | | | |
| | 1,077 | 700 | 450 | Open Bid | Wahaj Associates |
| | 1,077 | 700 | 450 | | |
| Vehicles | | | | | |
| | 5,804 | 4,488 | 4,723 | Term of Employment | Anjum Hai |
| | 1,946 | 1,395 | 1,427 | Term of Employment | Huma Gailani |
| | 1,947 | 1,330 | 1,363 | Term of Employment | Anil Charakla |
| | 1,946 | 1,297 | 1,362 | Term of Employment | Amir Ali Mehdi |
| | 1,946 | 1,297 | 1,362 | Term of Employment | Shahzad Saeed |
| | 1,950 | 1,203 | 1,443 | Term of Employment | Khalid Anvery |
| | 1,686 | 1,124 | 1,208 | Term of Employment | Syed Ali Haider Gardezi |
| | 1,899 | 1,108 | 1,332 | Term of Employment | Tariq Korejo |
| | 1,880 | 1,097 | 1,128 | Term of Employment | Aluddin Ahmed |
| | 1,930 | 1,062 | 1,372 | Term of Employment | Zermesh Gati |
| | 1,686 | 1,040 | 1,068 | Term of Employment | Nadeem Ahmed |
| | 1,649 | 1,017 | 1,017 | Term of Employment | Sharif Yousaf |
| | 1,717 | 1,002 | 1,030 | Term of Employment | Imran Ashraf |
| | 1,667 | 1,000 | 1,028 | Term of Employment | Noreen Imran |
| | 1,663 | 998 | 998 | Term of Employment | Zeeshan Hashmi |
| | 1,880 | 971 | 1,301 | Term of Employment | Khalid Anvery |
| | 1,645 | 905 | 932 | Term of Employment | Munim Ghaffar |
| | 1,671 | 891 | 947 | Term of Employment | Hurmazd Muncherji |
| | 1,869 | 841 | 872 | Term of Employment | Rashid Bhatii |
| | 1,649 | 825 | 852 | Term of Employment | Lubna Shahid |
| | 1,649 | 770 | 852 | Term of Employment | Muhammad Fazil |
| | 1,619 | 756 | 783 | Term of Employment | Abbas Afridi |
| | 1,843 | 707 | 1,065 | Term of Employment | Hashim Jawan Bakht |
| | 1,619 | 702 | 702 | Term of Employment | Muhammad Imran |
| | 1,619 | 702 | 729 | Term of Employment | Azima Khan |
| | 1,669 | 668 | 695 | Term of Employment | Omer Ahmed |
| | 1,869 | 623 | 685 | Term of Employment | Muhammad Kashif |
| | 1,619 | 621 | 729 | Term of Employment | Usman Ghani |
| | 1,669 | 584 | 695 | Insurance Claim | New Hampshire Ins. Co |
| | 1,619 | 513 | 540 | Term of Employment | M Arsalan Siddiqui |
| | 1,839 | 490 | 521 | Term of Employment | Tariq Ahmed |
| | 1,828 | 427 | 427 | Term of Employment | Imran Cheema |
| | 1,641 | 383 | 410 | Term of Employment | Salman Yousaf |
| | 1,828 | 366 | 396 | Term of Employment | Adeel Alam |
| | 1,641 | 356 | 383 | Term of Employment | Aneeqa Kayani |
| | 1,643 | 329 | 356 | Term of Employment | Mian Shahbaz Naveed |
| | 1,643 | 301 | 329 | Term of Employment | Imran Cheema |
| | 68,888 | 34,189 | 37,062 | | |
| Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000 | 342,746 | 1,958 | 34,030 | | |
| | 414,718 | 37,330 | 71,808 | | |