KPMG Taseer Hadi & Co.
Chartered Accountants
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Auditors' Report to the Directors

We have audited the annexed statement of financial position of **Citibank N.A. – Pakistan Branches** ("the Bank") as at 31 December 2014 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 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 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 amounts and disclosures in the financial statements. An audit also includes assessing 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 the case of loans and advances covered more than 60% of the total loans and advances of the bank, we report that:

a) in our opinion, proper books of account 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;

   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 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 31 December 2014 and its true balance of profit, 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.

Other matter

The financial statements of the Bank for the year ended 31 December 2013 were audited by A.F. Ferguson & Co. Chartered Accountants, who had expressed an unqualified opinion thereon vide their report dated 12 March 2014.

Date: 04 March 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

Citibank, N.A. - Pakistan Branches
(Incorporated In The U.S.A. The Liability of Members Being Limited)

Statement of Financial Position
As at 31 December 2014

	Note	2014	2013
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	6	**4,267,790**	3,991,465
Balances with other banks	7	**170,697**	602,119
Lendings to financial institutions	8	**2,826,481**	9,202,344
Investments - net	9	**39,326,537**	25,239,845
Advances - net	10	**28,195,590**	13,556,587
Fixed assets	11	**355,154**	153,846
Deferred tax assets - net	12	**233,885**	685,858
Other assets	13	**5,877,838**	6,454,325
		81,253,972	59,886,389
LIABILITIES			
Bills payable	15	**1,564,744**	1,284,956
Borrowings from financial institutions	16	**14,012,805**	909,854
Deposits and other accounts	17	**48,143,989**	40,936,496
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	18	**6,998,405**	8,197,699
		70,719,943	51,329,005
NET ASSETS		**10,534,029**	8,557,384
REPRESENTED BY			
Head office capital account	19	**6,812,671**	6,812,671
Reserves		**156,327**	161,613
Unremitted profit		**3,056,648**	1,650,374
		10,025,646	8,624,658
Surplus / (deficit) on revaluation of assets - net of tax	20	**508,383**	(67,274)
		10,534,029	8,557,384
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 31 December 2014

	Note	2014	2013
		(Rupees in '000)	
Mark-up / return / interest earned	23	**6,921,301**	4,808,111
Mark-up / return / interest expensed	24	**2,866,462**	2,103,808
Net mark-up / return / interest income		**4,054,839**	2,704,303
(Reversal) / provision against loans and advances - net	10.3	**(100,939)**	(703,946)
Bad debts (recovered) / written off directly	10.4	**(27,983)**	18,509
Reversal of provision against off-balance sheet obligations - net	18.2	**-**	-
		(128,922)	(685,437)
Net mark-up / interest income after provisions		**4,183,761**	3,389,740
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**430,401**	499,040
Income from dealing in foreign currencies	25	**1,891,047**	1,717,527
Gain on sale of securities	26	**212,410**	94,485
Unrealised (loss) / gain on revaluation of investments classified as held for trading		**353,568**	(1,366)
Other income	27	**(646,184)**	(148,552)
Total non mark-up / interest income - net		**2,241,242**	2,161,134
		6,425,003	5,550,874
NON MARK-UP / INTEREST EXPENSE			
Administrative expenses	28	**1,750,685**	2,681,434
Reversal of provision against diminution in the value of non-banking assets - net	13.2	**-**	(1,717)
Operating fixed assets written off		**346**	661
Other charges	29	**71,324**	(15,878)
Total non mark-up / interest expenses - net		**1,822,355**	2,664,500
PROFIT BEFORE TAXATION		**4,602,648**	2,886,374
Taxation	30		
- Current		**1,348,974**	553,391
- Prior years		**-**	(1,934,735)
- Deferred		**163,113**	2,592,482
		1,512,087	1,211,138
PROFIT AFTER TAXATION		**3,090,561**	1,675,236

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 31 December 2014

	2014	2013
	(Rupees in '000)	
Profit after taxation for the year	**3,090,561**	1,675,236
Items that will not be reclassified to profit and loss		
Components of comprehensive income reflected in equity		
- Remeasurements of defined benefit plan	**(52,174)**	31,484
- Deferred tax asset / (liability) on remeasurements of defined benefit plan	**18,261**	(11,019)
	(33,913)	20,465
Comprehensive income transferred to equity	**3,056,648**	1,695,701
Items that may be reclassified subsequently to profit and loss		
Components of comprehensive income not reflected in equity		
- Surplus / (deficit) on revaluation of available for sale securities	**885,624**	(128,900)
- Deferred tax (liability) / asset on revaluation of available for sale securities	**(309,968)**	45,114
	575,656	(83,786)
	3,632,304	1,611,915

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 31 December 2014

	Note	2014	2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**4,602,648**	2,886,374
Adjustments for non cash and other items:			
Depreciation		**73,857**	122,058
Amortisation		**3,372**	45,222
Reversal of provision against loans and advances		**(100,939)**	(703,946)
Unrealised (gain) / loss on revaluation of investments classified as held for trading		**(353,568)**	1,366
Bad debts written off directly		**(27,983)**	18,509
Gain on disposal of operating fixed assets		**(16,832)**	(34,478)
Charge for defined benefit plan		**33,422**	74,103
Reversal of provision against diminution in the value of non-banking assets		**-**	(1,717)
Reversal of provision against off-balance sheet obligations		**-**	-
Operating fixed assets written off		**346**	661
		(388,325)	(478,222)
		4,214,323	2,408,152
(Increase) / decrease in operating assets			
Lendings to financial institutions		**6,375,863**	5,710,849
Investments - Held for trading securities		**(6,652,895)**	(1,044,903)
Advances		**(14,510,081)**	5,384,532
Other assets		**(508,246)**	(4,173,513)
		(15,295,359)	5,876,965
Increase / (decrease) in operating liabilities			
Bills payable		**279,788**	(900,768)
Borrowings from financial institutions		**12,636,134**	774,755
Deposits and other accounts		**7,207,493**	(23,357,069)
Other liabilities		**(964,151)**	2,687,539
		19,159,264	(20,795,543)
		8,078,228	(12,510,426)
Contribution to gratuity fund		**(19,870)**	(270,694)
Income tax paid		**(237,472)**	(157,007)
Net cash (used in) / generated from operating activities		**7,820,886**	(12,938,127)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		**(6,194,605)**	7,013,964
Investments in operating fixed assets		**(292,804)**	7,547
Sale proceeds from disposal of property and equipment		**30,753**	71,808
Net cash generated from investing activities		**(6,456,656)**	7,093,319
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit repatriated to head office during the year		**(1,650,374)**	(2,052,798)
Remittances made during the year on account of head office expenses		**(335,770)**	(308,542)
Net cash used in financing activities		**(1,986,144)**	(2,361,340)
Decrease in cash and cash equivalents		**(621,914)**	(8,206,148)
Cash and cash equivalents at the beginning of the year		**4,583,730**	12,789,878
Cash and cash equivalents at the end of the year	*31*	**3,961,816**	4,583,730

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 Changes in Equity

For the year ended 31 December 2014

	Head office capital account	Unremitted profit	Share based payment contribution reserve by the ultimate holding company	Total
	-----------------------------	--------(Rupees in '000)--------	-----------------------------	
Balance as at 1 January 2013	**6,812,671**	**2,007,471**	**154,932**	**8,975,074**
Profit for the year ended 31 December 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 head office in respect of share based payments	-	-	34,990	34,990
Recharged balance payable to the head office 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 31 December 2013	**6,812,671**	**1,650,374**	**161,613**	**8,624,658**
Profit for the year ended 31 December 2014	-	3,090,561	-	3,090,561
Other comprehensive income for the year				
Remeasurements of defined benefit plan	-	(52,174)	-	(52,174)
Tax on remeasurements of defined benefit plan	-	18,261	-	18,261
	-	(33,913)	-	(33,913)
Transactions with owners				
Contribution by the head office in respect of share based payments	-	-	15,792	15,792
Recharged balance payable to the head office for share based payments	-	-	(15,792)	(15,792)
Effect of re-measurement of cost under share based payment - net of tax	-	-	(5,286)	(5,286)
	-	-	(5,286)	(5,286)
Profit remittance made to head office	-	(1,650,374)	-	(1,650,374)
Balance as at 31 December 2014	**6,812,671**	**3,056,648**	**156,327**	**10,025,646**

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

1 STATUS AND NATURE OF BUSINESS

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

The Bank is engaged in banking business as described in the Banking Companies Ordinance, 1962. Its principal office is at AWT Plaza, I. I. Chundrigar Road, Karachi. At December 31, 2014, the Bank operated through 3 branches (December 31, 2013: 3 branches) in Pakistan.

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

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

2 BASIS OF PRESENTATION

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

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 applicability of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan. 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 these standards and their relevant interpretation (issued by the standard interpretation committee-IFRICs) 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 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.

3.4 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, 2014 but are considered not be to relevant or to have any significant effect on the Bank's operations and are, therefore, not disclosed in these financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

3.5.1 Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

3.5.2 Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Bank’s financial statements.

3.5.3 IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016.

3.5.4 IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not like to have an impact on Bank's financial statements.

3.5.5 IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not like to have an impact on Bank's financial statements.

3.5.6 IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not like to have an impact on Bank's financial statements.

3.5.7 Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements..

3.5.8 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

3.5.9 IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

3.5.10 IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

3.5.11 IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

3.5.12 IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

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 and certain financial asset's are stated net of provision .

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 the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of asset and liabilities that are not readily apparent from other sources. Actual result may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

i) classification and provisioning against investments (notes 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 periods presented in these financial statements.

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 recognised in the profit and loss account over the period on an accrual basis.

5.3 Investments

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

(a) Held for trading

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

(b) Held to maturity

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

(c) Available for sale

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

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

In accordance with the requirements of the State Bank of Pakistan, quoted securities other than those classified as 'held to maturity' are subsequently remeasured to market value. Surplus / (deficit) arising on revaluation of securities 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 specific and general provision against loan losses. Specific and general provisions are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted-off against advances. Advances are written off when there is no realistic prospect of recovery.

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 as 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 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

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

Deferred

Deferred tax is recognised using balance sheet liability method on all material temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to 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 Projected Unit Cost method. All actuarial gains and losses are recognized in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

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

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

Defined contribution plan

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

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, taking into account effective yield on the instrument, except in case of non-performing advances where income is recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

- Fee and commission are recognised as and when services are performed.

- Gains and losses on sale of investments and operating fixed assets are recognised in the profit and loss account when the risks and rewards of ownership are transferred.

- Dividend income is recognised when the Bank's right to receive the dividend has been established.

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 forward rates applicable to their respective maturities.

(c) Translation gains and losses

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

(d) Contingencies and commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates with the fair value adjustment disclosed in other assets/ other liabilities as case may be. 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.

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	2014	2013
6	**CASH AND BALANCES WITH TREASURY BANKS**		**(Rupees in '000)**	
	In hand			
	Local currency		**191,818**	260,733
	Foreign currencies		**355,156**	332,970
	With State Bank of Pakistan in			
	Local currency current account	*6.1*	**3,059,779**	1,438,190
	Foreign currency current account		**12,478**	10,302
	Foreign currency deposit accounts			
	- Cash reserve account	*6.2*	**160,773**	473,961
	- Special cash reserve account	*6.3*	**482,319**	1,421,882
	With National Bank of Pakistan in			
	Local currency current account		**5,467**	53,427
			4,267,790	3,991,465

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

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 (2013: Nil).

7	**BALANCES WITH OTHER BANKS**			
	In Pakistan			
	In current account		**31,965**	17,268
	Outside Pakistan			
	In current account	*7.1*	**138,732**	584,851
	In deposit account		-	-
			170,697	602,119

7.1 This includes balance of Rs.129.698 million (2013: Rs.556.003 million) held with branches of Citibank, N.A. outside Pakistan.

8	**LENDINGS TO FINANCIAL INSTITUTIONS**			
	Repurchase agreement lendings (Reverse Repo)	*8.1, 8.2 & 8.3*	**2,826,481**	9,202,344

8.1 These represent short term lendings to financial institutions against government securities. These carry mark-up at rates ranging from 9.33% to 9.47% (2013: 9.8% to 10.33%) per annum and have a maturity period of upto January 2015 (2013: January 2014).

8.2	**Particulars of lendings to financial institutions**			
	In local currency		**2,826,481**	9,202,344

8.3 Securities held as collateral against lendings to financial institutions

	Note	2014			2013		
		Held by Bank	**Further given as collateral**	**Total**	Held by Bank	Further given as collateral	Total
		(Rupees in '000)					
Market Treasury Bills		**2,826,481**	**-**	**2,826,481**	9,202,344	-	9,202,344
		2,826,481	**-**	**2,826,481**	9,202,344	-	9,202,344

9 INVESTMENTS

9.1 Investments by types

	Note	2014			2013		
		Held by Bank	**Given as collateral**	**Total**	Held by Bank	Given as collateral	Total
		(Rupees in '000)					
Held-for-trading securities							
Market Treasury Bills	*9.4*	**2,044,064**	**-**	**2,044,064**	502,123	-	502,123
Pakistan Investment Bonds	*9.5*	**9,351,074**	**-**	**9,351,074**	4,240,120	-	4,240,120
		11,395,138	**-**	**11,395,138**	4,742,243	-	4,742,243
Available-for-sale securities							
Market Treasury Bills	*9.4*	**923,887**	**-**	**923,887**	12,205,710	-	12,205,710
Pakistan Investment Bonds	*9.5*	**20,410,813**	**5,453,022**	**25,863,835**	8,387,407	-	8,387,407
Fully Paid-up Ordinary Shares	*9.6*	**2,000**	**-**	**2,000**	2,000	-	2,000
Unlisted Term Finance Certificates	*9.7*	**-**	**-**	**-**	-	-	-
		21,336,700	**5,453,022**	**26,789,722**	20,595,117	-	20,595,117
Investments at cost		**32,731,838**	**5,453,022**	**38,184,860**	25,337,360	-	25,337,360
Less: Provision for diminution in the value of Investments	*9.8*	**2,000**	**-**	**2,000**	2,000	-	2,000
Investments (net of provisions)		**32,729,838**	**5,453,022**	**38,182,860**	25,335,360	-	25,335,360
Surplus on revaluation of held-for-trading securities - net	*9.10*	**361,550**	**-**	**361,550**	7,982	-	7,982
Surplus / (deficit) on revaluation of available-for-sale securities - net	*20*	**595,526**	**186,601**	**782,127**	(103,497)	-	(103,497)
Total investments at market value		**33,686,914**	**5,639,623**	**39,326,537**	25,239,845	-	25,239,845

9.2 Investments by segments

	Note	2014	2013
		(Rupees in '000)	
Federal Government Securities			
Market Treasury Bills	*9.3 & 9.4*	**2,967,951**	12,707,833
Pakistan Investment Bonds	*9.3 & 9.5*	**35,214,909**	12,627,527
		38,182,860	25,335,360
Fully Paid up Ordinary Shares			
Unlisted shares	*9.6*	**2,000**	2,000
Term Finance Certificates			
Unlisted	*9.7*	**-**	-
Investments at cost		**38,184,860**	25,337,360
Less: Provision for diminution in value of investments	*9.8*	**2,000**	2,000
Investments (net of provisions)		**38,182,860**	25,335,360
Surplus on revaluation of held-for-trading securities	*9.10*	**361,550**	7,982
Surplus / (deficit) on revaluation of available-for-sale securities	*20*	**782,127**	(103,497)
Total investments at market value		**39,326,537**	25,239,845

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 9.40% to 9.99% (2013: 8.95% to 10.48%) per annum with maturities upto October 2015 (2013: June 2014). In addition Market Treasury Bills having face value of Nil (2013: Rs. 4,450 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 9.00% to 12.00% (2013: 8.00% to 11.50%) per annum with maturities from July 2015 to July 2024 (2013: April 2014 to June 2024). Pakistan Investment Bonds having face value of Rs 25 million (2013: 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 7,690 million (2013: 3,265 million) have been deposited with the State Bank of Pakistan as pledged capital.

	2014	2013
9.6 Particulars of Fully Paid-up Ordinary Shares - Unlisted companies	**(Rupees in '000)**	
Arabian Sea Country Club		
200,000 (2013: 200,000) fully paid-up ordinary shares of Rs.10/- each		
Chief Executive Officer - Mr. Arif Khan Abbasi	**2,000**	2,000
	2,000	2,000

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

9.8 Particulars of provision for diminution in the value of investments

Opening balance	**2,000**	2,000
Reversals	**-**	-
Closing balance	**2,000**	2,000

9.8.1 Particulars of provision for diminution in the value of investments by type and segment

Unlisted shares - available-for-sale investments	**2,000**	2,000

9.9 Quality of Available for Sale Securities

	2014		2013	
	Amount (Rupees'000)	**Rating (where available)**	Amount (Rupees'000)	Rating (where available)
Federal Government Securities (at market value)				
Market Treasury Bills	**927,207**	**N/A**	12,173,760	N/A
Pakistan Investment Bonds	**26,642,641**	**N/A**	8,315,860	N/A
	27,569,848		20,489,620	
Ordinary shares - unlisted (at cost)				
Arabian Sea Country Club	**2,000**	**Unrated**	2,000	Unrated
	2,000		2,000	
Term Finance Certificates - unlisted (at cost)				
Azgard Nine Limited	**-**	**Unrated**	-	Unrated
	-		-	
Total	**27,571,848**		**20,491,620**	

	2014	2013
9.10 Unrealised gain on revaluation of investments classified as held for trading	**(Rupees in '000)**	
Market Treasury Bills	**4,958**	(5,482)
Pakistan Investments Bonds	**356,592**	13,464
	361,550	7,982

		Note	2014	2013
10	**ADVANCES**		**(Rupees in '000)**	
	Loans, cash credits, running finances, etc.			
	In Pakistan		**30,458,361**	15,900,839
	Bills discounted and purchased (excluding treasury bills)			
	Payable in Pakistan		**1,152,954**	696,603
	Payable outside Pakistan		**9,768**	501,140
			1,162,722	1,197,743
	Advances - gross	*10.1.3*	**31,621,083**	17,098,582
	Provision against advances			
	Specific - provision against non-performing advances	*10.2*	**(3,425,347)**	(3,541,861)
	General - provision against advances	*10.3.1*	**(146)**	(134)
		10.3	**(3,425,493)**	(3,541,995)
	Advances - net of provisions		**28,195,590**	13,556,587

10.1 Particulars of advances (gross)

		2014	2013
10.1.1	In local currency	**31,396,878**	16,597,442
	In foreign currencies	**224,205**	501,140
		31,621,083	17,098,582
10.1.2	Short term (for upto one year)	**28,582,307**	9,285,616
	Long term (for over one year)	**3,038,776**	7,812,966
		31,621,083	17,098,582

10.1.3 Based on classification defined in SBP Prudential Regulations, Rs 30,811.595 million (2013: Rs 16,286.248 million) advances fall under Corporate and Rs 809.488 million (2013: Rs 812.334 million) fall under Consumer and SME classification as at 31 December 2014.

10.2 Advances include Rs. 3,425.347 million (2013: Rs.3,548.054 million) which have been placed under non-performing status as detailed below:

	2014			2013		
	Classified advances (Domestic)	**Provision required**	**Provision held**	Classified advances (Domestic)	Provision required	Provision held
	(Rupees in '000)					
<u>Category of classification</u>						
Substandard	**-**	**-**	**-**	2,389	597	597
Doubtful	**-**	**-**	**-**	21,567	17,166	17,166
Loss	**3,425,347**	**3,425,347**	**3,425,347**	3,524,098	3,524,098	3,524,098
	3,425,347	**3,425,347**	**3,425,347**	3,548,054	3,541,861	3,541,861

10.3 Particulars of provision against advances

	Note	**2014**			2013		
		Specific	**General**	**Total**	Specific	General	Total
		(Rupees in '000)					
Opening balance		**3,541,861**	**134**	**3,541,995**	6,091,487	94,511	6,185,998
Charge for the year		**6,176**	**12**	**6,188**	32,707	-	32,707
Reversals		**(107,127)**	**-**	**(107,127)**	(642,276)	(94,377)	(736,653)
		(100,951)	**12**	**(100,939)**	(609,569)	(94,377)	(703,946)
Amounts written off	*10.4.1*	**(15,563)**	**-**	**(15,563)**	(138,146)	-	(138,146)
Sale of consumer portfolio		**-**	**-**	**-**	(1,801,911)	-	(1,801,911)
Closing balance		**3,425,347**	**146**	**3,425,493**	3,541,861	134	3,541,995

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.

10.3.2 Particulars of provision against advances

	2014			2013		
	Specific	**General**	**Total**	Specific	General	Total
	-----(Rupees in '000)-----					
In local currency	**3,425,346**	**146**	**3,425,492**	3,541,861	134	3,541,995

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.

10.4 Particulars of write-offs

		Note	**2014**	2013
			(Rupees in '000)	
10.4.1	Against provisions	*10.3*	**15,563**	138,146
	Recovery taken / directly charged to profit and loss account	*10.4.1.1*	**(27,983)**	18,509
			(12,420)	156,655

10.4.1.1 It represents the amount recovered against customer that was previously written off.

		Note	**2014**	2013
10.4.2	Write offs of Rs. 500,000 and above (excluding discount on prepayment and loss on sale)	*10.5*	**15,460**	56,321
	Recovery from party written off in previous period		**(27,983)**	-
	Write offs of Rs. 500,000 and above		**-**	97,345
	Write offs of below Rs. 500,000		**103**	2,989
			(12,420)	156,655

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, 2014 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.

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 *

	2014	2013
Balance at beginning of the year	**435,155**	648,796
Loans granted during the year	**175,437**	206,256
Repayments	**(152,826)**	(419,897)
Balance at end of the year	**457,766**	435,155

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

11 FIXED ASSETS

	Note	**2014**	2013
Capital work-in-progress	*11.1*	**57,488**	500
Property and equipment	*11.2*	**297,501**	149,730
Intangible assets	*11.3*	**165**	3,616
		355,154	153,846

11.1 Capital work-in-progress

	2014	2013
	(Rupees in '000)	
Advances to suppliers and contractors	**57,488**	500
Others	**-**	-
	57,488	500

11.2 Property and equipment

2014

	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	
	As at 1 January 2014	Additions / (deletions)	As at 31 December 2014	As at 1 January 2014	Charge for the year / (on deletions) / adjustments	As at 31 December 2014	As at 31 December 2014	Rate of depreciation %
	(Rupees in '000)							
Leasehold land and buildings	**6,295**	**-** **-**	**6,295**	**2,818**	**239** **-**	**3,057**	**3,238**	**5**
Furniture and fixtures	**259,867**	**125,322** **(139,193)**	**245,996**	**230,997**	**25,358** **(138,762)**	**117,593**	**128,403**	**10 - 50**
Electrical, office and computer equipment	**1,064,612**	**110,494** **(456,428)**	**718,678**	**1,018,392**	**27,615** **(456,415)**	**589,592**	**129,086**	**14.3-33.33**
Vehicles	**168,954**	**-** **(54,328)**	**114,626**	**97,791**	**20,645** **(40,584)**	**77,852**	**36,774**	**20**
	1,499,728	**235,816** **(649,949)** **-**	**1,085,595**	**1,349,998**	**73,857** **(635,761)** **-**	**788,094**	**297,501**	

2013

	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	
	As at 1 January 2013	Additions / (deletions)	As at 31 December 2013	As at 1 January 2013	Charge for the year / (on deletions) / adjustments	As at 31 December 2013	As at 31 December 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
	1,870,870	43,576 (414,718)	1,499,728	1,583,427	122,058 (376,727) 21,240 *	1,349,998	149,730	

* 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. 679.533 million (2013: Rs. 1,146.286 million).

11.3 Intangible assets

	2014								
	COST			**ACCUMULATED AMORTISATION**			**BOOK VALUE**	**Rate of**
	As at 1 January 2014	**Additions / (deletions)**	**As at 31 December 2014**	**As at 1 January 2014**	**Amortisation for the year / (amortisation on deletions) / adjustments**	**As at 31 December 2014**	**As at 31 December 2014**	**amortisation %**
	--------(Rupees in '000)--------							
Computer software	**12,372**	**-**	**10,945**	**8,756**	**3,372**	**10,780**	**165**	**20 - 33.33**
		(1,427)			**(1,348)**			
					-			

	2013							
	COST			ACCUMULATED AMORTISATION			BOOK VALUE	Rate of
	As at 1 January 2013	Additions / (deletions)	As at 31 December 2013	As at 1 January 2013	Amortisation for the year / (amortisation on deletions) / adjustments	As at 31 December 2013	As at 31 December 2013	amortisation %
	--------(Rupees in '000)--------							
Computer software	291,312	-	12,372	224,474	45,222	8,756	3,616	20 - 33.33
		(278,940)			(278,940)			
					18,000 *			

* 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 (2013: Rs Nil).

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.

12 DEFERRED TAX ASSETS - net

	Note	**2015**	20134
		(Rupees in '000)	
Deferred tax assets - net	*12.1*	**233,885**	685,858

12.1 Deferred debits arising due to:

- deficit on revaluation of available for sale investments	*20*	**-**	36,223
- provision against off balance sheet items and corporate and financing		**487,847**	593,844
- accelerated tax depreciation		**-**	39,239
- other deductible temporary differences		**61,163**	61,163
- remeasurments of defined benefit plan		**60,673**	42,412
Deferred credit arising due to:			
- effect of re-measurement of cost under share based payment		**(84,176)**	(87,023)
- accelerated tax depreciation		**(17,878)**	-
- surplus on revaluation of available for sale investments	*20*	**(273,744)**	-
		233,885	685,858

13 OTHER ASSETS

	Note	2014	2013
		(Rupees in '000)	
Income / mark-up accrued in local currency		**2,132,759**	803,423
Income / mark-up accrued in foreign currency		**28,483**	24,406
Advances, deposits, prepayments and other receivables		**278,578**	210,517
Advance taxation (payments less provisions)		**2,441,887**	3,526,620
Non-banking assets acquired in satisfaction of claims	*13.1*	**8,941**	8,941
Unrealised gain on forward foreign exchange contracts, foreign currency options and derivative contracts		**985,448**	1,889,188
Receivable from the State Bank of Pakistan - customer encashed USD Bonds / SSCs & DSCs		**-**	-
Others		**10,683**	171
		5,886,779	6,463,266
Less: Provision held against non-banking assets acquired in satisfaction of claims	*13.2*	**8,941**	8,941
Other assets - net of provision		**5,877,838**	6,454,325

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.

13.2 Provision against non banking assets acquired in satisfaction of claims

	2014	2013
Opening balance	**8,941**	10,658
Reversal during the year	**-**	(1,717)
Closing balance	**8,941**	8,941

14 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2014 (2013: Nil).

15 BILLS PAYABLE

	2014	2013
In Pakistan	**1,564,744**	1,284,956

16 BORROWINGS FROM FINANCIAL INSTITUTIONS

	2014	2013
In Pakistan	**8,511,979**	900,000
Outside Pakistan	**5,500,826**	9,854
	14,012,805	909,854

16.1 Particulars of borrowings with respect to currencies

	2014	2013
In local currency	**8,511,979**	900,000
In foreign currencies	**5,500,826**	9,854
	14,012,805	909,854

		Note	2014	2013
16.2	**Details of borrowings Secured / Unsecured**		**(Rupees in '000)**	
	Secured			
	Borrowings from the State Bank of Pakistan			
	Under export refinance scheme		**-**	-
	Under Long Term Financing-Export Oriented Projects scheme (LTF-EOP)		**-**	-
	Repurchase agreement borrowings	*16.2.1*	**5,511,979**	-
			5,511,979	-
	Unsecured			
	Call borrowings	*16.2.2*	**8,024,155**	900,000
	Overdrawn accounts		**476,671**	9,854
			8,500,826	909,854
			14,012,805	909,854

16.2.1 This represents secured borrowing that carries mark-up at the rate of 9.53% (2013: Nil) per annum and are due to mature in January 2015 (2013: Nil).

16.2.2 This represents unsecured borrowing that carries mark-up rate 0.15% to 10% (2013: 10.25%) per annum and are due to mature in January 2015 (2013: January 2014).

17 DEPOSITS AND OTHER ACCOUNTS

	2014	2013
Customers		
Fixed deposits	**10,270,188**	14,245,554
Savings deposits	**21,376,055**	14,517,387
Current accounts - non-remunerative	**15,157,452**	10,870,501
Other deposits	**58,522**	161,135
	46,862,217	39,794,577
Financial institutions		
Remunerative deposits	**-**	-
Non-remunerative deposits	**1,281,772**	1,141,919
	1,281,772	1,141,919
	48,143,989	40,936,496

17.1 Particulars of deposits

	2014	2013
In local currency	**45,939,161**	37,166,184
In foreign currencies	**2,204,828**	3,770,312
	48,143,989	40,936,496

17.2 The above deposits include deposits of Citigroup companies amounting to Rs. 367.062 million (2013: Rs 524.941 million).

		Note	2014	2013
18	**OTHER LIABILITIES**		**(Rupees in '000)**	
	Mark-up / return / interest payable in local currency		**306,279**	269,518
	Unearned commission and income on bills discounted		**45,023**	18,050
	Accrued expenses	*18.1*	**682,267**	581,000
	Unrealised loss on forward foreign exchange contracts, foreign currency options and derivative contracts		**2,157,127**	4,842,587
	Unremitted head office expenses		**575,782**	852,468
	Payable to regional offices for support services		**24,085**	139,338
	Payable to defined benefit plan	*33.2*	**151,575**	85,849
	Provision against off-balance sheet obligations	*18.2*	**9,034**	9,034
	Payable for sale proceeds of securities held under custody		**1,739,089**	-
	Others		**1,308,144**	1,399,855
			6,998,405	8,197,699

18.1 This includes the Bank's obligation to the head office under the stock award and stock option programmes. As of December 31, 2014 recognised liability for share based incentive plans was Rs. 147.196 million (2013: Rs. 140.841 million).

18.2 Provision against off-balance sheet obligations

	2014	2013
Opening balance	**9,034**	9,034
Charge for the year	**-**	-
Reversal during the year	**-**	-
Closing balance	**9,034**	9,034

19 HEAD OFFICE CAPITAL ACCOUNT

Capital held as:

	Note	2014	2013
Deposit of un-encumbered approved securities	*19.1*	**6,812,671**	6,812,671
		6,812,671	6,812,671

19.1 This represents Market Treasury Bills having face value of Nil (2013: Rs. 4,450 million) and Pakistan Investment Bonds having face value of Rs. 7,690 million (2013: Rs. 3,265 million). The market value of Market Treasury Bills and Pakistan Investment Bonds as at December 31, 2014 amounts to Nil and Rs. 7,810.407 million (2013: Rs. 4,174.973 million and Rs. 3,199.994 million) and these have maturities of up to June 2024 (2013: June 2014 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.

20 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - net

	Note	2014	2013
Federal and Provincial Government Securities			
- Market Treasury Bills		**3,320**	(31,950)
- Pakistan Investment Bonds		**778,807**	(71,547)
		782,127	(103,497)
Less: Related deferred tax asset	*12.1*	**(273,744)**	36,223
		508,383	(67,274)

	Note	2014	2013
21 CONTINGENCIES AND COMMITMENTS		**(Rupees in '000)**	

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.

		2014	2013
(i) Government of Pakistan		**202**	202
(ii) Others		**-**	6,001,860
		202	6,002,062

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.

		2014	2013
(i) Government of Pakistan		**777,224**	678,567
(ii) Banking companies and other financial institutions		**91,526**	87,875
(iii) Others		**2,763,529**	2,623,885
		3,632,279	3,390,327

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.

		2014	2013
Letters of credit / acceptances		**12,075,304**	6,154,814

21.4 Other contingencies

	Note	2014	2013
Indemnity issued		**-**	-
Claims not acknowledged as debt		**156,462**	147,792
	21.4.1	**156,462**	147,792

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.

		Note	2014	2013
21.5	**Commitments in respect of forward transactions**		**(Rupees in '000)**	
	Forward repurchase agreement lendings (reverse repos)		**2,827,949**	9,215,819
	Forward repurchase agreement borrowing (repos)		**5,525,192**	-
	Forward borrowing		**2,500,000**	-
	Forward purchase contracts of government securities		**-**	489,805
	Uncancellable commitments to extend credit		**1,204,640**	3,262,011
21.6	**Commitments in respect of forward exchange contracts**			
	Purchase		**66,463,402**	119,788,695
	Sale		**54,211,719**	107,166,379

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.

21.7	**Other commitments**			
	Cross currency and interest rate derivative contracts (notional amount)	*22.1*	6,054,208	16,423,814
21.8	**Commitments in respect of capital expenditure**		184,516	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	**2014**			
	Interest Rate and Cross Currency Swaps		**FX Options**	
	Number of contracts	**Notional principal**	**Number of contracts**	**Notional principal**
	(Rupees in '000)			
With Banks for				
Hedging	**-**	**-**	**-**	**-**
Market Making	**-**	**-**	**-**	**-**
With FIs other than banks				
Hedging	**-**	**-**	**-**	**-**
Market Making	**-**	**-**	**-**	**-**
With other entities for				
Hedging	**-**	**-**	**-**	**-**
Market Making	**5**	**6,054,208**	**-**	**-**
Total				
Hedging	**-**	**-**	**-**	**-**
Market Making	**5**	**6,054,208**	**-**	**-**
	5	**6,054,208**	**-**	**-**

Counterparties	2013			
	Interest Rate and Cross Currency Swaps		FX Options	
	Number of contracts	Notional principal	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	-	-

22.2 Maturity analysis

Interest rate and cross currency swaps

Remaining maturity	**2014**				
	Number of contracts	**Notional principal**	**Mark to Market**		
			Negative	**Positive**	**Net**
		------------------------------(Rupees in '000)------------------------------			
Upto 1 month	-	-	-	-	-
1 to 3 months	**4**	**5,748,083 ***	**(1,325,646)**	-	**(1,325,646)**
3 to 6 months	-	-	-	-	-
6 months to 1 Year	-	-	-	-	-
1 to 2 Years	-	-	-	-	-
2 to 3 Years	**1**	**306,125**	-	**3,300**	**3,300**
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-
	5	**6,054,208**	**(1,325,646)**	**3,300**	**(1,322,346)**

* This represents deals unwinded subsequent to year end.

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

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.

			2014	2013
23	**MARK-UP / RETURN / INTEREST EARNED**		**(Rupees in '000)**	
	a) On loans and advances to			
	Customers		**1,678,841**	1,279,652
	Financial Institutions		**-**	-
	b) On investments in			
	Held for trading securities		**1,357,572**	414,976
	Available for sale securities		**3,009,247**	1,933,848
	c) On deposits with financial institutions		**1,762**	4,800
	d) On securities purchased under resale agreements (reverse repo)		**873,879**	1,174,835
			6,921,301	4,808,111
24	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**2,627,282**	1,838,807
	Securities sold under repurchase agreements (repo)		**207,410**	166,346
	Borrowings (including LTF - EOP)		**31,770**	98,655
			2,866,462	2,103,808

25 INCOME FROM DEALING IN FOREIGN CURRENCIES

This 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.

			2014	2013
26	**GAIN / (LOSS) ON SALE OF SECURITIES**			
	Federal Government Securities			
	- Market Treasury Bills		**24,936**	133,580
	- Pakistan Investment Bonds		**187,474**	(39,095)
	Shares - unlisted		**-**	-
			212,410	94,485
27	**OTHER INCOME**			
	Credit losses recovered		**914**	5,360
	Gain on sale of property and equipment		**16,832**	34,478
	Loss from derivative contracts	*27.1*	**(673,537)**	(477,936)
	Gain on sale of consumer assets portfolio	*27.2*	**-**	287,504
	Interchange and miscellaneous income		**9,607**	2,042
			(646,184)	(148,552)

27.1 This includes funding cost of FX swaps amounting to Rs. 0.593 billion (2013: Rs. 0.343 billion).

27.2 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:

	Note	2014	2013
		(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

28 ADMINISTRATIVE EXPENSES

	Note	2014	2013
Salaries, allowances, etc.		**596,985**	707,726
Charge for defined benefit plan	*33.5*	**33,422**	74,103
Contribution to defined contribution plan	*34*	**23,190**	31,585
Head office / Regional office expenses		**59,084**	362,998
Rent, taxes, insurance, electricity, etc.		**278,309**	277,487
Contract services		**164,276**	186,111
Legal and professional charges		**102,844**	31,194
Communications		**37,854**	107,548
Repairs and maintenance		**101,052**	77,210
Travelling and conveyance		**100,490**	95,296
Stationery and printing		**15,728**	23,758
Advertisement and publicity		**3,951**	7,440
Support services from regional offices		**24,078**	185,983
Donations	*28.1*	**1,911**	660
Auditors' remuneration	*28.2*	**2,938**	4,455
Depreciation	*11.2*	**73,857**	122,058
Amortisation	*11.3*	**3,372**	45,222
Restructuring expense		**8,742**	126,386
Others		**118,602**	214,214
		1,750,685	2,681,434

28.1 Donations

	2014	2013
Citizens Police Liaison Committee	**400**	-
The Cardiovascular Foundation	**300**	-
The Embassy of USA	**211**	195
Karwan-e-Hayat	**200**	150
Marie Adelaide Leprosy Centre	**200**	80
The Kidney Centre	**200**	200
Old Associates of Kinnaird Society	**200**	15
Shaukat Khanum Memorial Cancer Hospital	**200**	-
The American Business Council	**-**	20
	1,911	660

	Note	2014	2013
28.2 Auditors' remuneration		**(Rupees in '000)**	
Audit fee		**1,460**	1,460
Fee for the half yearly review		**455**	455
Special certifications and sundry advisory services		**700**	2,000
Out-of-pocket expenses		**323**	540
		2,938	4,455

29 OTHER CHARGES

Charge for / reversal of penalty imposed by State Bank of Pakistan		**1,819**	(3,595)
Charge for / reversal of Worker's Welfare Fund		**69,505**	(12,283)
		71,324	(15,878)

30 TAXATION

For the year			
Current		**1,348,974**	553,391
Deferred		**163,113**	495,292
		1,512,087	1,048,683
For prior years			
Current		**-**	(1,934,735)
Deferred		**-**	2,097,190
		-	162,455
		1,512,087	1,211,138

30.1 Relationship between tax expense and accounting profit

Profit before taxation		**4,602,648**	2,886,374
Taxation at the applicable tax rate of 35% (2013: 35%)		**1,610,927**	1,010,231
Prior year reversal		**-**	162,455
Taxation effect of expenses that are not deductible in determining taxable income		**4,483**	48,811
Others		**(103,323)**	(10,359)
		1,512,087	1,211,138

		Note	2014	2013
31	**CASH AND CASH EQUIVALENTS**		**(Rupees in '000)**	
	Cash and balances with treasury banks	*6*	**4,267,790**	3,991,465
	Balances with other banks	*7*	**170,697**	602,119
	Overdrawn accounts	*16.2*	**(476,671)**	(9,854)
			3,961,816	4,583,730

		2014	2013
32	**STAFF STRENGTH**	**(Number of employees)**	
	Permanent	**180**	189
	Contractual basis	**-**	-
	Bank's own staff strength at the end of the year	**180**	189
	Outsourced	**121**	181
	Total staff strength at the end of the year	**301**	370

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:

	2014	2013
	(Rupees in '000)	
Present value of defined benefit obligations	**238,954**	215,011
Fair value of plan assets	**(87,379)**	(129,162)
	151,575	85,849

33.3 Plan assets consist of the following:

	2014		2013	
	(Rupees in '000)	**%**	(Rupees in '000)	%
Market Treasury Bills	**-**	**-**	122,704	95%
Pakistan Investment Bonds	**18,941**	**22%**	-	-
Cash and bank	**68,439**	**78%**	6,458	5%
	87,380	**100%**	129,162	100%

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

	2014		
	Present value of obligation	**Fair value of plan assets**	**Total**
	--------------------(Rupees in '000)--------------------		
At 1 January	**215,011**	**(129,162)**	**85,849**
Current service cost	**22,653**	**-**	**22,653**
Return expense / (income)	**25,513**	**(14,744)**	**10,769**
	263,177	**(143,906)**	**119,271**
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	**-**	**6,747**	**6,747**
- (Gain) / loss from change in demographic assumptions	**-**	**-**	**-**
- (Gain) / loss from change in financial assumptions	**34,012**	**-**	**34,012**
- Experience loss	**11,414**	**-**	**11,414**
	45,426	**6,747**	**52,173**
	308,603	**(137,159)**	**171,444**
Contribution	**-**	**(19,870)**	**(19,870)**
Benefit payments	**(69,649)**	**69,649**	**-**
At 31 December	**238,954**	**(87,380)**	**151,574**

	2013		
	Present value of obligation	Fair value of plan assets	Total
	--------------------(Rupees in '000)--------------------		
At 1 January	369,450	(55,526)	313,924
Current service cost	39,793	-	39,793
Curtailment loss	3,058	-	3,058
Return expense / (income)	39,308	(8,056)	31,252
	451,609	(63,582)	388,027
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 losses	(31,198)	-	(31,198)
	(31,198)	(286)	(31,484)
	420,411	(63,868)	356,543
Contribution	-	(270,694)	(270,694)
Benefit payments	(205,400)	205,400	-
At 31 December	215,011	(129,162)	85,849

		2014	2013
33.5	**Charge for defined benefit plan**	**(Rupees in '000)**	
	Current service cost	**22,653**	39,793
	Net return cost	**10,769**	31,252
	Curtailment loss	**-**	3,058
		33,422	74,103

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

		2014	2013
33.7	**Principal actuarial assumptions**		
	Discount rate	**11.75% p.a.**	13% p.a.
	Expected rate of salary increase	**11% p.a.**	10.5% p.a.
	Estimated service length of the employees	**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%	(25,644)	30,000
Salary growth rate	1.0%	30,268	(26,317)
Withdrawal rate	10.0%	282	(291)
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Mortality rate	1 year	52	(52)

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 31 December 2014	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
	---------------------------------(Rupees in '000)---------------------------------				
Gratuity	8,461	8,417	25,801	1,316,665	1,359,344

		2014	2013	2012	2011	2010
33.12	**Historical information**	---------------------------------(Rupees in '000)---------------------------------				
	Defined benefit obligation	**(238,954)**	(215,011)	(369,450)	(314,062)	(221,720)
	Fair value of plan assets	**87,379**	129,162	55,526	97,375	96,350
	Deficit	**(151,575)**	(85,849)	(313,924)	(216,687)	(125,370)
	Remeasurements of plan liabilities	**(45,426)**	31,198	(36,317)	(89,215)	(43,424)
	Remeasurements of plan assets	**(6,747)**	286	1,101	2,399	(6,972)

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. 43.179 million (2013: Rs 35.328 million) as per the actuarial valuation report of the Bank as of 31 December 2014.

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 31 December 2014.

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 23.190 million (2013: Rs 31.585 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:

	2014		2013	
	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	**2,940**	**40.8**	3,978	40.80
	-	**-**		
Granted	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Exercised	**(75)**	**40.8**	(95)	40.80
Transfers	**-**	**-**	(943)	40.80
Expired	**-**	**-**	-	-
Outstanding at the end of the year	**2,865**	**40.8**	2,940	40.80
Exercisable at the end of year	**2,865**	**40.8**	2,940	40.80

35.2 The following table summarises the information about stock options outstanding under the programme at 31 December 2014:

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	**2,865**	**0.83**	**40.8**	**2,865**	**40.8**
$50.00 - $399.99	**-**	**-**	**-**	**-**	**-**
$400.00 - $449.99	**-**	**-**	**-**	**-**	**-**
$450.00 and above	**-**	**-**	**-**	**-**	**-**
	2,865	**0.83**	**40.8**	**2,865**	**40.8**

The following table summarises the information about stock options outstanding under the programme at 31 December 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	-	-	-	-	-
	2,940	1.83	40.80	2,940	40.80

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:

	2014		2013	
	Shares	**Weighted average share price $ USD**	Shares	Weighted average share price $ USD
Unvested at the beginning of the year	**6,083**	**40.7**	7,544	40.7
Awards	**1,097**	**49.7**	1,841	43.9
Cancellations	**-**	**-**	-	-
Deletions	**-**	**-**	-	-
Vestings	**(3,088)**	**40.3**	(3,302)	41.1
Unvested at the end of the year	**4,092**	**44.5**	6,083	40.7

35.4 Net (reversal) / charge of Rs. 5.286 million (2013: Rs. 6.681 million) was recognised in equity arising mainly due to fair value adjustment as required by IFRS 2 - Share Based Payment. As of 31 December 2014 recognised liability for outstanding share based incentive plans was Rs. 147.196 million (2013: Rs. 140.841 million). Fair value of shares has been determined on the basis of market value of shares of Citigroup Inc. as at 31 December 2014. i.e. $ USD 54.11 (2013: $ USD 52.11) per share.

36 COMPENSATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Citi Country Officer		Executives	
	2014	2013	**2014**	2013
	-----------------------------(Rupees in '000)-----------------------------			
Managerial remuneration	**50,262**	48,744	**291,666**	297,445
Charge for defined benefit plan	**1,666**	1,666	**18,546**	51,054
Contribution to defined contribution plan	**2,000**	2,000	**22,264**	23,364
Rent and house maintenance	**8,239**	8,000	**114,225**	93,457
Utilities	**4,631**	3,931	**22,264**	59,115
Medical	**106**	140	**3,778**	3,837
Others	**5,974**	5,821	**61,067**	24,636
	72,878	70,302	**533,810**	552,908
Number of persons	**1**	1	**150**	162

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:

	2014		
	Trading & Sales	**Corporate Banking**	**Total**
	(Rupees in '000)		
Total income	**4,163,298**	**4,999,245**	**9,162,543**
Total expenses	**1,878,732**	**4,193,250**	**6,071,982**
Net income / (loss)	**2,284,565**	**805,996**	**3,090,561**
Segment assets (gross)	**48,771,496**	**35,918,910**	**84,690,406**
Segment non performing loans	**-**	**3,425,347**	**3,425,347**
Segment provision required *	**-**	**3,436,434**	**3,436,434**
Segment liabilities	**16,582,920**	**54,137,023**	**70,719,943**
Segment Return on net Assets (ROA) (%)**	**4.7%**	**2.5%**	**3.8%**
Segment cost of funds (%)***	**5.1%**	**5.2%**	**5.2%**

	2013		
	Trading & Sales	Corporate Banking	Total
	(Rupees in '000)		
Total income	2,516,824	4,452,421	6,969,245
Total expenses	1,254,343	4,039,666	5,294,009
Net income / (loss)	1,262,481	412,755	1,675,236
Segment assets (gross)	39,201,291	24,238,034	63,439,325
Segment non performing loans	-	3,558,995	3,558,995
Segment provision required *	-	3,552,936	3,552,936
Segment liabilities	6,326,233	45,002,772	51,329,005
Segment Return on net Assets (ROA) (%)**	3.2%	2.0%	2.8%
Segment cost of funds (%)***	8.8%	4.3%	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.

**** Comparative information has been restated in line with the reportable segments in the current period.

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 31 December 2013	Net placements / disbursements / deposits / transfers	Net settlements / repayments / withdrawals / transfers	Balance as at 31 December 2014
	--------------------	--------------------(Rupees in '000)	--------------------	--------------------
Deposits				
Associated undertakings	524,941	588,017	(745,895)	**367,063**
Staff retirement benefit funds	77,561	638,304	(575,450)	**140,415**

	2014	2013
	(Rupees '000)	
Nostro balances / placements with Citibank Branches outside Pakistan	**129,698**	556,003
Overdrawn Nostro Accounts	**476,671**	9,854
Unremitted head office expenses	**575,782**	852,468
Markup return interest payable	**3,346**	651
Payable for expenses and share based payment	**171,281**	280,179
Payable to defined benefit plan	**151,574**	85,849
Commitments in respect of forward exchange contracts		
Purchase	**15,394,583**	6,451,536
Sale	**16,226,525**	6,451,536
Interest rate swap - Notional principal	-	3,633,699
Foreign currency options - Notional principal	-	-
Contribution to staff retirement benefit funds	**43,060**	302,279
Call borrowings	**5,024,155**	-
Income / expense for the year		
Mark-up / return / interest earned	**2,783**	6,730
Mark-up / return / interest expensed	**8,351**	1,607
Other income	**37,466**	28,244
Regional expenses for support services *	**24,078**	185,983
Head office expenses	**59,084**	362,998
Remuneration of key management personnel	**72,877**	75,381
Sale of fixed assets	-	1,128

* Does not include Nil (2013: 26.868) recovered from a third party on behalf of support services rendered.

40 CAPITAL ASSESSMENT AND ADEQUACY BASEL SPECIFIC

40.1 The State Bank of Pakistan (SBP) through BPRD circular No. 6 dated 15 August 2013 has issued Basel III capital instruction for Bank's / DFI's. The reviews to the previously applicable capital adequacy regulation pertain to components of eligible capital and related disclosures. Further SBP has introduced new guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated November 5, 2014. 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.

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 15 April 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 31 December 2013. The raise is to be achieved in a phased manner requiring Rs. 10 billion capital (net of losses) from the end of the financial year 2013 onwards. However, branches of foreign banks operating in Pakistan whose head office holds paid-up capital (free of losses) of atleast US$ 300 million, have a CAR of 8% or minimum prescribed by the home regulator and have prescribed number of branches, are allowed to maintain lower amount with prior approval of SBP. In this regard the Bank is maintaining higher capital to support business requirements.

The Head office capital account of the Bank for the year ended 31 December 2014 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 31 December 2014 was 28.91% 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:

40.4 Capital Adequacy Ratio (CAR) disclosure template

Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves	2014 Amount (Rupees in '000)	2013 Amount (Rupees in '000)
1	Fully Paid-up Capital/ Capital deposited with SBP	**6,812,671**	6,812,671
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves	**156,327**	161,613
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	**3,056,648**	1,650,374
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		
9	**CET 1 before Regulatory Adjustments**	**10,025,646**	8,624,658
10	Total regulatory adjustments applied to CET1 **(Note 40.5)**	**165**	107,113
11	**Common Equity Tier 1**	**10,025,481**	8,517,545
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium	**0**	
13	of which: Classified as equity	**0**	
14	of which: Classified as liabilities	**0**	
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	**0**	
16	of which: instrument issued by subsidiaries subject to phase out	**0**	
17	**AT1 before regulatory adjustments**	**0**	
18	Total regulatory adjustment applied to AT1 capital **(Note 44.2.2)**	**0**	
19	Additional Tier 1 capital after regulatory adjustments	**0**	
20	**Additional Tier 1 capital recognized for capital adequacy**	**0**	
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**	**10,025,481**	8,517,545
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier		
25	of which: instruments issued by subsidiaries subject to phase out		
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	**146**	134
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on fixed assets		
29	of which: Unrealized gains/losses on AFS	**508,383**	
30	Foreign Exchange Translation Reserves		
31	Undisclosed/Other Reserves (if any)		
32	**T2 before regulatory adjustments**	**508,529**	134
33	Total regulatory adjustment applied to T2 capital **(Note 40.7)**		
34	Tier 2 capital (T2) after regulatory adjustments		
35	Tier 2 capital recognized for capital adequacy		
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		
37	**Total Tier 2 capital admissible for capital adequacy**	**508,529**	134
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	**10,534,010**	8,517,679
39	**Total Risk Weighted Assets (RWA) {for details refer Note 44.5}**	**36,439,252**	35,416,666
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	**27.51%**	24.05%
41	**Tier-1 capital to total RWA**	**27.51%**	24.05%
42	**Total capital to total RWA**	**28.91%**	24.05%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	**0.00%**	0.00%
44	of which: capital conservation buffer requirement	**0.00%**	0.00%
45	of which: countercyclical buffer requirement	**0.00%**	0.00%
46	of which: D-SIB or G-SIB buffer requirement	**0.00%**	0.00%
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	**27.51%**	24.05%
	National minimum capital requirements prescribed by SBP		
48	**CET1 minimum ratio**	**5.50%**	5.00%
49	**Tier 1 minimum ratio**	**7.00%**	6.50%
50	**Total capital minimum ratio**	**10.00%**	10.00%

Regulatory Adjustments and Additional Information		2014 Amount	2014 Amounts subject to Pre- Basel III treatment*	2013 Amount
		(Rupees in '000)		
40.5	**Common Equity Tier 1 capital: Regulatory adjustments**			
1	Goodwill (net of related deferred tax liability)			
2	All other intangibles (net of any associated deferred tax liability)	**165**		3,616
3	Shortfall in provisions against classified assets			
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)			
5	Defined-benefit pension fund net assets			
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities			
7	Cash flow hedge reserve			
8	Investment in own shares/ CET1 instruments			
9	Securitization gain on sale			
10	Capital shortfall of regulated subsidiaries			
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS			103,497
12	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)			
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)			
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)			
15	Amount exceeding 15% threshold			
16	of which: significant investments in the common stocks of financial entities			
17	of which: deferred tax assets arising from temporary differences			
18	National specific regulatory adjustments applied to CET1 capital			
19	Investments in TFCs of other banks exceeding the prescribed limit			
20	Any other deduction specified by SBP (mention details)			
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions			
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	**165**		107,113
40.6	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]			
24	Investment in own AT1 capital instruments			
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities			
26	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)			
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation			
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital			
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions			
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)			
40.7	**Tier 2 Capital: regulatory adjustments**			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital			
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities			
33	Investment in own Tier 2 capital instrument			
34	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)			
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation			
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)			

40.8	Additional Information	2014 Amount	2013 Amount
		(Rupees in '000)	
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	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	-	-
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

40.9 Capital Structure Reconciliation

Table: 40.9.1	**Balance sheet of the published financial statements**	**Under regulatory scope of consolidation**
(in thousand PKR)	**As at 31 December 2014**	**As at 31 December 2014**
Assets (1)	**(2)**	**(3)**
Cash and balances with treasury banks	4,267,790	4,267,790
Balanced with other banks	170,697	170,697
Lending to financial institutions	2,826,481	2,826,481
Investments - net	39,326,537	39,326,537
Advances - net	28,195,590	28,195,590
Operating fixed assets	355,154	355,154
Deferred tax assets - net	233,885	233,885
Other assets	5,877,838	5,877,838
Total assets	**81,253,972**	**81,253,972**
Liabilities & Equity		
Bills payable	1,564,744	1,564,744
Borrowings	14,012,805	14,012,805
Deposits and other accounts	48,143,989	48,143,989
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	6,998,405	6,998,405
Total liabilities	**70,719,943**	**70,719,943**
Share capital/ Head office capital account	6,812,671	6,812,671
Reserves	156,327	156,327
Unappropriated/ Unremitted profit/ (losses)	3,056,648	3,056,648
Minority Interest	-	-
Surplus on revaluation of assets	508,383	508,383
Total liabilities & equity	**81,253,972**	**81,253,972**

Table: 40.9.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at 31 December 2014	As at 31 December 2014	
Assets (1)	(2)	(3)	(4)
Cash and balances with treasury banks	4,267,790	4,267,790	
Balanced with other banks	170,697	170,697	
Lending to financial institutions	2,826,481	2,826,481	
Investments - net	39,326,537	39,326,537	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others (mention details)	-	-	e
Advances - net	28,195,444	28,195,444	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	146	146	g
Fixed Assets	354,989	354,989	
Deferred Tax Assets - net	233,885	233,885	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	5,877,838	5,877,838	
of which: Goodwill	-	-	j
of which: Intangibles	165	165	k
of which: Defined-benefit pension fund net assets		-	l
Total assets	**81,253,972**	**81,253,972**	
Liabilities & Equity			
Bills payable	1,564,744	1,564,744	
Borrowings	14,012,805	14,012,805	
Deposits and other accounts	48,143,989	48,143,989	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease		-	
Deferred tax liabilities		-	
of which: DTLs related to goodwill		-	o
of which: DTLs related to intangible assets		-	p
of which: DTLs related to defined pension fund net assets		-	q
of which: other deferred tax liabilities		-	r
Other liabilities	6,998,405	6,998,405	
Total liabilities	**70,719,943**	**70,719,943**	
Share capital			
of which: amount eligible for CET1	6,812,671	6,812,671	s
of which: amount eligible for AT1	-	-	t
Reserves		-	
of which: portion eligible for inclusion in CET1(provide breakup)	156,327	156,327	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	3,056,648	3,056,648	w
Minority Interest		-	
of which: portion eligible for inclusion in CET1		-	x
of which: portion eligible for inclusion in AT1		-	y
of which: portion eligible for inclusion in Tier 2		-	z
Surplus on revaluation of assets		-	
of which: Revaluation reserves on Fixed Assets		-	aa
of which: Unrealized Gains/Losses on AFS	508,383	508,383	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	**81,253,972**	**81,253,972**	

	Basel III Disclosure Template (with added column)		
	Table: 40.9.3	**Component of regulatory capital reported by bank**	**Source based on reference number from step 2**
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,812,671	(s)
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	156,327	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	3,056,648	(w)
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**	**10,025,646**	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)		(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	165	(k) - (p)
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 fixed assets/ AFS		(ab)
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		
24	of which: significant investments in the common stocks of financial entities		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments applied to CET1 capital		
27	of which: Investment in TFCs of other banks exceeding the prescribed limit		

	Basel III Disclosure Template (with added column)		
	Table: 40.9.3	**Component of regulatory capital reported by bank**	**Source based on reference number from step 2**
28	of which: Any other deduction specified by SBP (mention details)		
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)		
31	**Common Equity Tier 1**	10,025,481	
	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out		
37	**AT1 before regulatory adjustments**	-	
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		
39	Investment in own AT1 capital instruments		
40	Reciprocal cross holdings in Additional Tier 1 capital instruments		
41	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)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(ad)
43	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		
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)		
46	Additional Tier 1 capital		
47	**Additional Tier 1 capital recognized for capital adequacy**		
48	**Tier 1 Capital (CET1 + admissible AT1) (31+47)**	10,025,481	

	Basel III Disclosure Template (with added column)		
	Table: 40.9.3	**Component of regulatory capital reported by bank**	**Source based on reference number from step 2**
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		(n)
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		(z)
52	of which: instruments issued by subsidiaries subject to phase out		
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	146	(g)
54	Revaluation Reserves		
55	of which: Revaluation reserves on fixed assets		portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	508,383	
57	Foreign Exchange Translation Reserves		(v)
58	Undisclosed/Other Reserves (if any)		
59	**T2 before regulatory adjustments**	508,529	
	Tier 2 Capital: regulatory adjustments		
60	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		
61	Reciprocal cross holdings in Tier 2 instruments		
62	Investment in own Tier 2 capital instrument		
63	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)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)		
66	Tier 2 capital (T2)	508,529	
67	Tier 2 capital recognized for capital adequacy	508,529	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital		
69	Total Tier 2 capital admissible for capital adequacy	508,529	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	10,534,010	

Note 40.10 Main Features Template of Regulatory Capital Instruments

	Disclosure template for main features of regulatory capital instruments	
	Main Features	**Government Securities**
1	Issuer	Government of Pakistan
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	N/A
3	Governing law(s) of the instrument	State Bank of Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Government Securities
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	6,812,671
9	Par value of instrument	N/A
10	Accounting classification	Head Office Capital
11	Original date of issuance	April 2004
12	Perpetual or dated	Dated
13	Original maturity date	June 2024
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

40.11 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2014	2013	**2014**	2013
	Rs in '000			
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash and other liquid Assets	**4,771**	14,141	**47,710**	141,411
Money at call / Repurchase agreement lendings	**324**	1,118	**3,244**	11,179
Investments	**-**	-	**-**	-
Loans and Advances	**1,582,920**	963,214	**15,829,200**	9,632,144
Fixed Assets	**35,499**	15,023	**354,991**	150,230
Deferred tax assets - net	**58,471**	64,964	**584,713**	649,635
Other Assets	**54,293**	40,724	**542,931**	407,236
	1,736,278	1,099,184	**17,362,789**	10,991,835
Portfolios subject to Internal Rating Based (IRB) Approach				
e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.				
Off-Balance sheet				
Loan Repayment Guarantees	**-**	600,200	**-**	6,002,001
Purchase and Resale Agreements	**339**	1,202	**3,390**	12,019
Commitment in respect of forward purchase contract of government security	**-**	-	**-**	-
Performance Bonds etc	**91,085**	99,278	**910,849**	992,780
Revolving underwriting Commitments	**52,532**	60,707	**525,324**	607,065
Stand By Letters of Credit	**298,730**	239,263	**2,987,297**	2,392,631
Commitment in respect of Cross Currency and interest rate	**-**			
derivative contracts	**14,742**	23,907	**147,423**	239,065
Commitment in respect of Foreign currency options	**-**	-	**-**	-
Outstanding Foreign Exchange Contracts	**80,153**	105,548	**801,529**	1,055,477
Commitments in respect of capital expenditure	**18,452**	-	**184,516**	-
	556,033	1,130,105	**5,560,328**	11,301,038
Credit Risk-weighted Exposures	**2,292,311**	2,229,289	**22,923,117**	22,292,873
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
e.g. Listed, Unlisted	**-**	-	**-**	-
Under Internal models approach	**-**	-	**-**	-
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**63,997**	66,371	**799,963**	829,639
Equity position risk	**-**	-	**-**	-
Foreign Exchange risk	**134,678**	40,106	**1,683,475**	501,329
Capital Requirement for portfolios subject to Internal Models Approach				
Operational Risk				
Capital Requirement for operational risks	**882,616**	943,426	**11,032,697**	11,792,825
TOTAL	**3,373,602**	3,279,192	**36,439,252**	35,416,666

Capital Adequacy Ratios	**2014**		2013	
	Required	**Actual**	Required	Actual
CET1 to total RWA	**5.50%**	**27.51%**	5.00%	24.05%
Tier-1 capital to total RWA	**7.00%**	**27.51%**	6.50%	24.05%
Total capital to total RWA	**10.00%**	**28.91%**	10.00%	24.05%

41 RISK MANAGEMENT

The Head office capital account of the Bank for the year ended December 31, 2014 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, 2014 was 28.91% 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:

		2014			2013		
Exposures	**Rating category**	**Amount outstanding**	**Deduction CRM**	**Net amount**	Amount outstanding	Deduction CRM	Net amount
		--------(Rupees in '000)--------					
Corporate	**1**	**6,470,862**	**(202)**	**6,470,660**	10,329,194	-	10,329,194
	2	**1,598,367**	**-**	**1,598,367**	5,422,655	-	5,422,655
	3,4	**-**	**-**	**-**	-	-	-
	Unrated	**51,825,249**	**(48,132)**	**51,777,117**	68,856,504	(39,800)	68,816,704
Banks	**1**	**5,822,087**	**(5,621,993)**	**200,094**	19,200,708	(18,311,452)	889,256
	2	**26,543,754**	**-**	**26,543,754**	-	-	-
	3	**-**	**-**	**-**	-	-	-
	5	**-**	**-**	**-**	-	-	-
	Unrated	**702,350**	**-**	**702,350**	3,263,309	-	3,263,309
Sovereigns etc		**35,468,903**	**-**	**35,468,903**	24,887,551	-	24,887,551
	4,5	**12,478**	**-**	**12,478**	10,302	-	10,302
Public sector entities	**1**	**6,716,112**	**-**	**6,716,112**	21,620,212	-	21,620,212
	2,3	**-**	**-**	**-**	-	-	-
	Unrated	**-**	**-**	**-**	138,299	(61)	138,238
Retail	**Unrated**	**241,160**	**-**	**241,160**	432,305	-	432,305
Mortgage	**Unrated**	**327,747**	**-**	**327,747**	331,113	-	331,113
Others	**Unrated**	**-**	**-**	**-**	33,933	-	33,933

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

	2014					
	Advances (gross)		**Deposits**		**Contingent liabilities***	
	(Rupees in '000)	**Percent**	**(Rupees in '000)**	**Percent**	**(Rupees in '000)**	**Percent**
Food manufacturing	**7,216,903**	**22.82%**	**2,604,589**	**5.4%**	**271,582**	**1.73%**
Textile	**1,568,990**	**4.96%**	**60,899**	**0.1%**	**141**	**0.00%**
Chemical and pharmaceuticals	**6,872,629**	**21.73%**	**5,056,760**	**10.5%**	**4,376,385**	**27.86%**
Cement	**-**	**0.00%**	**2,634**	**0.0%**	**-**	**0.00%**
Footwear and Leather garments	**77,234**	**0.24%**	**-**	**0.0%**	**-**	**0.00%**
Automobile and transportation equipment	**126,167**	**0.40%**	**188,177**	**0.4%**	**3,176,666**	**20.22%**
Electronics and electrical appliances	**-**	**0.00%**	**12,224,160**	**25.4%**	**196,330**	**1.25%**
Tobacco	**2,899**	**0.01%**	**732**	**0.0%**	**1,350**	**0.01%**
Power (electricity), Gas, Water, Sanitary	**1,726,660**	**5.46%**	**2,843,193**	**5.9%**	**144,791**	**0.92%**
Wholesale and Retail Trade	**-**	**0.00%**	**108,808**	**0.2%**	**-**	**0.00%**
Transport, Storage and Communication	**11,764,684**	**37.21%**	**9,272,453**	**19.3%**	**134,111**	**0.85%**
Financial	**-**	**0.00%**	**1,696,253**	**3.5%**	**3,041,747**	**19.36%**
Individuals	**647,927**	**2.05%**	**432,524**	**0.9%**	**-**	**0.00%**
Others	**1,616,990**	**5.11%**	**13,652,807**	**28.4%**	**4,364,683**	**27.79%**
	31,621,083	**100.0%**	**48,143,989**	**100.0%**	**15,707,786**	**100.0%**

	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%

41.1.8.2 Segment by sector

	2014					
	Advances (gross)		**Deposits**		**Contingent liabilities***	
	(Rupees in '000)	**Percent**	**(Rupees in '000)**	**Percent**	**(Rupees in '000)**	**Percent**
Public / Government	**479,962**	**1.5%**	**384,633**	**0.8%**	**259,935**	**1.7%**
Private	**31,141,121**	**98.5%**	**47,759,356**	**99.2%**	**15,447,851**	**98.3%**
	31,621,083	**100.0%**	**48,143,989**	**100.0%**	**15,707,786**	**100.00%**

	2013					
	Advances (gross)		Deposits		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	262,008	1.50%	24,343	0.10%	678,769	4.40%
Private	16,836,574	98.50%	40,912,153	99.90%	14,868,434	95.60%
	17,098,582	100.0%	40,936,496	100.0%	15,547,203	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

	2014		2013	
	Classified advances	**Specific provisions held**	Classified advances	Specific provisions held
	-----(Rupees in '000)-----			
Textile	**2,045,111**	**2,045,111**	2,198,720	2,198,720
Chemicals and pharmaceuticals	**61,343**	**61,343**	129,425	129,425
Individuals	**168,806**	**168,806**	179,075	174,213
Others	**1,150,087**	**1,150,087**	1,040,834	1,039,503
	3,425,347	**3,425,347**	3,548,054	3,541,861

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

Public / Government	-	-	-	-
Private	**3,425,347**	**3,425,347**	3,548,054	3,541,861
	3,425,347	**3,425,347**	3,548,054	3,541,861

41.1.8.5 Geographical segment analysis

	2014			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingent liabilities***
	-----(Rupees in '000)-----			
Pakistan	**4,602,648**	**81,253,972**	**10,534,029**	**15,707,786**

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
	-----(Rupees in '000)-----			
Pakistan	2,886,374	59,886,389	8,557,384	15,547,203

*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. 129.698 million (2013: Rs.556.003 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 conducts, cross currency swaps and options. Non traded foreign exchange risk arises through the provision of banking products and services in foreign currency. The objectives of foreign exchange risk management function is to minimise the adverse impact of foreign exchange assets and liabilities mismatch and maximise the earnings observing the limits set by the Bank. Exchange position arising from trading activities are monitored through foreign exchange limits on aggregate and individual basis. Hedging strategies and mark to market valuations are used to mitigate exchange risk resulting from open positions. Overall exchange position risk is maintained in accordance with the regulatory requirements prescribed by the State Bank of Pakistan.

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

	2014			
	Assets	**Liabilities ***	**Off-balance sheet items**	**Net foreign currency exposure**
	--------------------------------(Rupees in '000)--------------------------------			
United States dollar	**1,890,428**	**8,386,129**	**5,212,819**	**(1,282,882)**
Great Britain pound	**197,589**	**5,368**	**(163,368)**	**28,853**
Japanese yen	**317,939**	**277,896**	**(35,318)**	**4,725**
Euro	**54,829**	**42,723**	**(11,231)**	**875**
Swiss Francs	**15,560**	**1,150**	**(1,150)**	**13,260**
Other currencies	**183,831**	**250,512**	**(268,635)**	**(335,316)**
Foreign currency exposure	**2,660,176**	**8,963,778**	**4,733,117**	**(1,570,485)**
Pakistan rupee	**78,593,796**	**61,756,165**	**(4,733,117)**	**1,570,485**
Total currency exposure	**81,253,972**	**70,719,943**	**-**	**-**

	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	-	-

* 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.

2014

	Effective Yield / Interest rate %	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
			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	-	4,267,790	643,091	-	-	-	-	-	-	-	-	3,624,699
Balances with other banks	0.15%	170,697	-	-	-	-	-	-	-	-	-	170,697
Lending to financial institutions	9.50%	2,826,481	2,826,481	-	-	-	-	-	-	-	-	-
Investments	11.40%	39,326,537	11,756,689	-	-	2,119,633	23,381,567	1,400,608	377,177	290,863	-	-
Advances	11.20%	28,195,590	736,941	8,039,598	1,912,033	14,459,398	56,165	22,472	2,621,611	817	313,529	33,026
Other assets	-	3,146,689	-	-	-	-	-	-	-	-	-	3,146,689
		77,933,784	15,963,202	8,039,598	1,912,033	16,579,031	23,437,732	1,423,080	2,998,788	291,680	313,529	6,975,111
Liabilities												
Bills payable	-	1,564,744	-	-	-	-	-	-	-	-	-	1,564,744
Borrowings from financial institutions	7.69%	14,012,805	13,536,134	-	-	-	-	-	-	-	-	476,671
Deposits and other accounts	7.38%	48,143,990	29,780,870	1,810,689	3,814	50,871	-	-	-	-	-	16,497,746
Other liabilities	-	6,944,346	-	-	-	-	-	-	-	-	-	6,944,346
		70,665,885	43,317,004	1,810,689	3,814	50,871	-	-	-	-	-	25,483,507
On-balance sheet gap		7,267,899	(27,353,802)	6,228,909	1,908,219	16,528,160	23,437,732	1,423,080	2,998,788	291,680	313,529	(18,508,396)
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		66,463,402	35,308,224	14,084,897	17,070,281	-	-	-	-	-	-	-
Forward exchange contracts - sale		(54,211,719)	(26,263,296)	(17,362,387)	(4,738,286)	(5,847,750)	-	-	-	-	-	-
Interest rate swaps - long position		6,054,208	-	5,748,083	-	-	-	306,125	-	-	-	-
Interest rate swaps - short position		(6,054,208)	-	(5,748,083)	-	-	-	(306,125)	-	-	-	-
Forward currency options - long position		-	-	-	-	-	-	-	-	-	-	-
Forward currency options - short position		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		12,251,683	9,044,928	(3,277,490)	12,331,995	(5,847,750)	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		19,519,582	(18,308,874)	2,951,419	14,240,214	10,680,410	23,437,732	1,423,080	2,998,788	291,680	313,529	(18,508,396)
Cumulative Yield / Interest Risk Sensitivity Gap			(18,308,874)	(15,357,455)	(1,117,241)	9,563,169	33,000,901	34,423,981	37,422,769	37,714,449	38,027,978	19,519,582

2013

	Effective Yield / Interest rate %	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
			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	6,059
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

		2014	2013
41.2.4	**Reconciliation of assets and liabilities exposed to Yield / Interest Rate risk with total assets and liabilities**	**(Rupees in '000)**	
	Total financial assets as per note 41.2.3	**77,933,784**	55,309,548
	Add: Non financial assets		
	Operating fixed assets	**355,154**	153,846
	Deferred tax asset	**233,885**	685,858
	Other assets	**2,731,149**	3,737,137
	Total assets as per balance sheet	**81,253,972**	59,886,389
	Total liabilities as per note 41.2.3	**70,665,885**	51,301,921
	Add: Non financial liabilities		
	Other liabilities	**54,058**	27,084
	Total liabilities as per balance sheet	**70,719,943**	51,329,005

41.3 Liquidity Risk

Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring any un acceptable losses.

A uniform liquidity risk management policy exists for the Bank, under which there is a single set of standards for the measurement of liquidity risk. Management of liquidity is performed on a daily basis by the Treasurer and is monitored by independent risk management with oversight by Country Asset and Liability Committee (ALCO). The objective of ALCO is to monitor and review the overall liquidity and balance sheet positions of the bank.

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.

41.3.1 Maturities of Assets and Liabilities - Based on contractual maturity of the assets and liabilities of the Bank

	2014									
	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	4,267,790	4,267,790	-	-	-	-	-	-	-	-
Balances with other banks	170,697	170,697	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,826,481	2,826,481	-	-	-	-	-	-	-	-
Investments	39,326,537	11,756,689	-	-	2,119,633	23,381,567	1,400,608	377,177	290,863	-
Advances	28,195,590	22,661,768	1,550,600	924,673	19,773	64,464	30,771	2,629,195	817	313,529
Operating fixed assets	355,154	6,330	12,076	75,194	34,548	63,212	44,456	60,956	57,336	1,046
Deferred tax assets	233,885	-	-	-	-	-	-	233,885	-	-
Other assets	5,877,838	1,157,292	1,995,303	448,893	831,163	1,441,887	3,300	-	-	-
	81,253,972	42,847,047	3,557,979	1,448,760	3,005,117	24,951,130	1,479,135	3,301,213	349,016	314,575
Liabilities										
Bills payable	1,564,744	1,564,744	-	-	-	-	-	-	-	-
Borrowings from financial institutions	14,012,805	14,012,805	-	-	-	-	-	-	-	-
Deposits and other accounts *	48,143,989	46,278,615	1,810,689	3,814	50,871	-	-	-	-	-
Other liabilities	6,998,405	3,641,241	1,733,460	1,053,644	570,060	-	-	-	-	-
	70,719,943	65,497,405	3,544,149	1,057,458	620,931	-	-	-	-	-
Net assets	10,534,029	(22,650,358)	13,830	391,302	2,384,186	24,951,130	1,479,135	3,301,213	349,016	314,575
Represented by:										
Head office capital account	6,812,671									
Reserves	156,327									
Unremitted profit	3,056,648									
Deficit on revaluation of securities - net	508,383									
	10,534,029									

	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	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
Liabilities										
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
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)									
	8,557,384									

* 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

	2014									
	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	**4,267,790**	**552,441**	**-**	**-**	**-**	**-**	**-**	**3,715,349**	**-**	**-**
Balances with other banks	**170,697**	**170,697**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Lendings to financial institutions	**2,826,481**	**2,826,481**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**39,326,537**	**11,756,689**	**-**	**-**	**2,119,633**	**23,381,567**	**1,400,608**	**377,177**	**290,863**	**-**
Advances	**28,195,590**	**15,252,918**	**1,550,600**	**32,735**	**19,773**	**64,464**	**922,709**	**10,038,045**	**817**	**313,529**
Operating fixed assets	**355,154**	**6,330**	**12,076**	**75,194**	**34,548**	**63,212**	**44,456**	**60,956**	**57,336**	**1,046**
Deferred tax assets	**233,885**	**-**	**-**	**-**	**-**	**-**	**-**	**233,885**	**-**	**-**
Other assets	**5,877,838**	**1,157,292**	**1,995,303**	**448,893**	**831,163**	**1,441,887**	**3,300**	**-**	**-**	**-**
	81,253,972	**31,722,848**	**3,557,979**	**556,822**	**3,005,117**	**24,951,130**	**2,371,073**	**14,425,412**	**349,016**	**314,575**
Liabilities										
Bills payable	**1,564,744**	**1,564,744**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings from financial institutions	**14,012,805**	**14,012,805**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits and other accounts	**48,143,989**	**14,739,534**	**1,810,689**	**3,814**	**50,871**	**-**	**-**	**31,539,081**	**-**	**-**
Other liabilities	**6,998,405**	**3,641,241**	**1,733,460**	**1,053,644**	**570,060**	**-**	**-**	**-**	**-**	**-**
	70,719,943	**33,958,324**	**3,544,149**	**1,057,458**	**620,931**	**-**	**-**	**31,539,081**	**-**	**-**
Net assets	**10,534,029**	**(2,235,476)**	**13,830**	**(500,636)**	**2,384,186**	**24,951,130**	**2,371,073**	**(17,113,669)**	**349,016**	**314,575**
Represented by:										
Head office capital account	**6,812,671**									
Reserves	**156,327**									
Unremitted profit	**3,056,648**									
Deficit on revaluation of securities - net	**508,383**									
	10,534,029									

	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	162,781
Advances	13,556,587	3,726,574	1,232,308	102,843	110,387	31,571	63,878	5,156,043	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	-	-	-	-	-	-	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)
	8,557,384

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 it 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 04, 2015 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.

NADEEM LODHI
Managing Director and
Citi Country Officer

ADAMJEE YAKOOB
Chief Financial Officer

Citibank, N.A. - Pakistan Branches

ANNEXURE I

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

Statement Showing Written Off Loans Or Any Other Financial Relief Of Five Hundred Thousand Rupees Or Above Provided During The Year 2014

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	MGA INDUSTRIES (PVT) LTD	161-162 S S.I.E TOWN SHIP KOTLAKHPAT LAHORE	MALIK MUHAMMAD ASLAM (35202-0419653-5) TAHIR JAVED MALIK (35202-7926036-9) KHALID JAVED MALIK (35202-7915586-9)	MALIK SULTAN AHMED MALIK SULTAN AHMED MALIK SULTAN AHMED	7,544	30,134		37,678	7,544	30,240		37,784
2	SHAN TRADERS	OPPOSITE GHALLAH MANDI GHAKKAR	ZIA ULLAH (34104-3485261-1)	MUHAMMED IBRAHIM		821		821		821		821
3	PLASTICON INDUSTRIES (PVT) LTD.	14-KM MULTAN ROAD LAHORE	MUHAMMED ALI MIAN(35202-8494170-9) SADAQAT ALI (35202-9264776-5) MUHAMMED SALEEM MIAN (35202-2559409-3)	MIAN MUHAMMED YUSUF MIAN MUHAMMED YUSUF MIAN MUHAMMED YUSUF	4,246	15,529		19,775	3,176	15,746		18,922
4	FINE PACKAGES - FAISALABAD	22-C PUNJAB SMALL INDUSTRIAL ESTATE, NALKA KOHALA, SARGODHA RD FAISALABAD	AHMED FAWAD RASHID (42201-2883985-1) AHMED HAMAD RASHID (35201-7192328-1) AHMED JAWAD RASHID (33100-6337472-9)	MOHAMMED SADIQ MOHAMMED SADIQ MOHAMMED SADIQ	3,296	30,523		33,819	3,246	30,866		34,112
5	AH INTERNATIONAL (PVT) LTD	D-6/1BLOCK-4KDA SCHEME NO.5, CLIFTONKARACHI	ADNAN SHERAZEE (514-61-040678) SEEMA SHERAZEE (42301-6550746-4) MALIK ALI ZAIN (42301-3375828-9) K. AHSAN ELAHI (517-61-181987)	MOHSIN SHERAZEE ADNAN SHERAZEE MALIK NASEEM AKHTAR K. MUSHTAQ ELAHI		4,911		4,911		4,911		4,911
6	SNOWHITE DRYCLEANING INDUSTRIES	99/5DEH DHI TAPOIBRAHIM HYDERI KORANGI KARACHI	SHAKEEL UR REHMAN (42201-5446123-1) TANZIL UR REHMAN (42201-3666422-3) SAMI UR REHMAN (42201-3760377-3)	SHEIKH FAZAL UR REHMAN SHAKEEL UR REHMAN SHAKEEL UR REHMAN		1,157		1,157		1,157		1,157
7	SHERAZ NASEEM BUTT	HOUSE # H-171 STREET # 9 PHASE V DHA LAHORE	CO-BORROWERS MRS. NIGHAT AFZA CNIC # 42301-8891535-6 HOUSE # 171 BOCK H., PHASE V DHA LAHORE	MUHAMMAD NASEEM BUTT	8,994	789	-	9,783	1,494	789	-	2,283
					24,080	83,864	-	107,944	15,460	84,530	-	99,990

ANNEXURE II

Citibank, N.A. - Pakistan Branches

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

Disposal Of Fixed Assets

During The Year Ended 31 December 2014

Details of disposal of fixed assets having cost of more than Rs. 1,000,000 and 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					
	-	-	-		
	-	**-**	**-**		
Electrical, office and computer equipment					
	-	-	-		
	-	**-**	**-**		
Vehicles					
	1,623	298	325	Term of Employment	Sohail Akber
	1,844	339	930	Term of Employment	Sanam Kohati
	5,725	2,671	2,767	Term of Employment	Zarir Doctor
	1,623	298	325	Term of Employment	M Khurram Shehzad
	1,669	306	529	Term of Employment	Haseeb Umer
	1,685	787	1,127	Term of Employment	Shahid Ahmed Siddiqui
	1,623	271	325	Term of Employment	Lubna Naseem
	1,623	271	325	Term of Employment	Elvis Smith
	1,623	271	325	Term of Employment	Anita Iqbal Panjwani
	5,725	2,576	3,733	Term of Employment	Salman Hussain
	1,839	276	368	Term of Employment	Sikandar Zulqernain
	1,669	250	362	Term of Employment	Rahat Iqbal
	1,843	277	901	Term of Employment	Azad Siddiqui
	1,885	377	864	Term of Employment	Muhammad Shafique
	1,673	586	613	Term of Employment	Ahmed Ali
	1,619	271	297	Term of Employment	Shakir Saeed
	1,649	550	577	Term of Employment	Muhammad Amir Khan
	1,649	412	412	Term of Employment	Basit Humayun
	1,635	301	327	Term of Employment	Danish Bin Inbsat
	5,725	1,903	3,395	Term of Employment	Asif Meenai
	45,949	**13,291**	**18,827**		
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	434,393	630	11,926		
	480,342	**13,921**	**30,753**		