KPMG

KPMG Taseer Hadi & Co.
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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 2015 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, except for the change in accounting policies as stated in note 5 to the financial statements with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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 2015 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.

KPMG Taseer Hadi & Co.

Date: 2 March 2016

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 2015

	Note	2015	2014
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	*6*	**4,809,308**	4,267,790
Balances with other banks	*7*	**704,912**	170,697
Lendings to financial institutions	*8*	**8,464,057**	2,826,481
Investments - net	*9*	**48,585,117**	39,326,537
Advances - net	*10*	**21,389,597**	28,195,590
Fixed assets	*11*	**458,331**	355,154
Deferred tax assets - net	*12*	**201,088**	233,885
Other assets	*13*	**4,031,075**	5,877,838
		88,643,485	81,253,972
LIABILITIES			
Bills payable	*15*	**1,766,257**	1,564,744
Borrowings from financial institutions	*16*	**7,003,479**	14,012,805
Deposits and other accounts	*17*	**61,742,683**	48,143,989
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	*18*	**7,364,498**	6,998,405
		77,876,917	70,719,943
NET ASSETS		**10,766,568**	10,534,029
REPRESENTED BY			
Head office capital account	*19*	**6,812,671**	6,812,671
Reserves		**164,791**	156,327
Unremitted profit		**3,602,788**	3,056,648
		10,580,250	10,025,646
Surplus on revaluation of assets - net of tax	*20*	**186,318**	508,383
		10,766,568	10,534,029
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 2015

	Note	2015	2014
		(Rupees in '000)	
Mark-up / return / interest earned	23	**6,205,665**	6,921,301
Mark-up / return / interest expensed	24	**2,347,225**	2,866,462
Net mark-up / return / interest income		**3,858,440**	4,054,839
(Reversal) / provision against loans and advances - net	10.3	**(175,184)**	(100,939)
Bad debts (recovered) / written off directly	10.4	**-**	(27,983)
Provision against off-balance sheet obligations - net	18.2	**652**	-
		(174,532)	(128,922)
Net mark-up / interest income after provisions		**4,032,972**	4,183,761
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**471,785**	430,401
Income from dealing in foreign currencies	25	**1,156,910**	1,891,047
Gain on sale of securities	26	**2,119,939**	212,410
Unrealised (loss) / gain on revaluation of investments classified as held for trading		**(357,666)**	353,568
Other income / (loss)	27	**227,884**	(646,184)
Total non mark-up / interest income - net		**3,618,852**	2,241,242
		7,651,824	6,425,003
NON MARK-UP / INTEREST EXPENSE			
Administrative expenses	28	**1,930,627**	1,750,685
Reversal of provision against diminution in the value of non-banking assets - net	13.2	**(987)**	-
Operating fixed assets written off		**-**	346
Other charges	29	**63,077**	71,324
Total non mark-up / interest expenses - net		**1,992,717**	1,822,355
PROFIT BEFORE TAXATION		**5,659,107**	4,602,648
Taxation	30		
- Current		**1,764,758**	1,348,974
- Prior years		**80,000**	-
- Deferred		**205,125**	163,113
		2,049,883	1,512,087
PROFIT AFTER TAXATION		**3,609,224**	3,090,561

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

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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 2015

	2015	2014
	(Rupees in '000)	
Profit after taxation for the year	**3,609,224**	3,090,561
Items that will not be reclassified to profit and loss		
Components of comprehensive income reflected in equity		
- Remeasurements of defined benefit plan	**(9,902)**	(52,174)
- Deferred tax asset / (liability) on remeasurements of defined benefit plan	**3,466**	18,261
	(6,436)	(33,913)
Comprehensive income transferred to equity	**3,602,788**	3,056,648
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	**(495,484)**	885,624
- Deferred tax (liability) / asset on revaluation of available for sale securities	**173,419**	(309,968)
	(322,065)	575,656
	3,280,723	3,632,304

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

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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 2015

	Note	**2015**	2014
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**5,659,107**	4,602,648
Adjustments for non cash and other items:			
Depreciation		**71,782**	73,857
Amortisation		**165**	3,372
Reversal of provision against loans and advances		**(175,184)**	(100,939)
Unrealised (gain) / loss on revaluation of investments classified as held for trading		**357,666**	(353,568)
Bad debts written off directly		**-**	(27,983)
Gain on disposal of operating fixed assets		**(3,726)**	(16,832)
Charge for defined benefit plan		**47,908**	33,422
Reversal of provision against diminution in the value of non-banking assets		**(987)**	-
Provision against off-balance sheet obligations		**652**	-
Operating fixed assets written off		**-**	346
		298,276	(388,325)
		5,957,383	4,214,323
(Increase) / decrease in operating assets			
Lendings to financial institutions		**(5,637,576)**	6,375,863
Investments - Held for trading securities		**3,503,576**	(6,652,895)
Advances		**6,981,177**	(14,510,081)
Other assets		**786,831**	(508,246)
		5,634,008	(15,295,359)
Increase / (decrease) in operating liabilities			
Bills payable		**201,513**	279,788
Borrowings from financial institutions		**(6,532,655)**	12,636,134
Deposits and other accounts		**13,598,694**	7,207,493
Other liabilities		**360,661**	(964,151)
		7,628,213	19,159,264
		19,219,604	8,078,228
Contribution to gratuity fund		**(65,326)**	(19,870)
Income tax paid		**(758,522)**	(237,472)
Net cash (used in) / generated from operating activities		**18,395,756**	7,820,886
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		**(13,615,306)**	(6,194,605)
Investments in operating fixed assets		**(181,573)**	(292,804)
Sale proceeds from disposal of property and equipment		**10,175**	30,753
Net cash generated from investing activities		**(13,786,704)**	(6,456,656)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit repatriated to head office during the year		**(3,056,648)**	(1,650,374)
Remittances made during the year on account of head office expenses		**-**	(335,770)
Net cash used in financing activities		**(3,056,648)**	(1,986,144)
Decrease in cash and cash equivalents		**1,552,404**	(621,914)
Cash and cash equivalents at the beginning of the year		**3,961,816**	4,583,730
Cash and cash equivalents at the end of the year	*31*	**5,514,220**	3,961,816

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 2015

	Head office capital account	Unremitted profit	Share based payment contribution reserve by the ultimate holding company	Total
	-------------------------------(Rupees in '000)			-------------------------------
Balance as at January 1, 2014	**6,812,671**	**1,650,374**	**161,613**	**8,624,658**
Profit for the year ended December 31, 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 December 31, 2014	**6,812,671**	**3,056,648**	**156,327**	**10,025,646**
Profit for the year ended December 31, 2015	-	3,609,224	-	3,609,224
Other comprehensive income for the year				
Remeasurements of defined benefit plan	-	(9,902)	-	(9,902)
Tax on remeasurements of defined benefit plan	-	3,466	-	3,466
	-	(6,436)	-	(6,436)
Transactions with owners				
Contribution / (reversal) by the head office in respect of share based payments	-	-	25,418	25,418
Recharged balance (payable) / receivable to the head office for share based payments	-	-	(25,418)	(25,418)
Effect of re-measurement of cost under share based payment - net of tax	-	-	8,464	8,464
	-	-	8,464	8,464
Profit remittance made to head office	-	(3,056,648)	-	(3,056,648)
Balance as at December 31, 2015	**6,812,671**	**3,602,788**	**164,791**	**10,580,250**

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, 2015, the Bank operated through 3 branches (December 31, 2014: 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.	Baa1	P-2
Citibank, N.A.	A1	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, 2015 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 2016:

3.5.1 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 amortization 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 Company’s financial statements.

3.5.2 Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company’s financial statements.

3.5.3 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 ‘Joint Arrangements’ (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company’s financial statements.

3.5.4 Amendment to IAS 27 ‘Separate Financial Statement’ (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company’s financial statements.

3.5.5 Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

3.5.6 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:

- 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.

- 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.

- 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.

- 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.

The above amendments are not likely to have an impact on the Bank's financial statements.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that held for trading and available for sale investments and derivative financial instruments have been marked to market and are carried at fair value. In addition, obligation in respect of staff retirement benefit is carried at present value 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 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)
vii) recording of head office expenses for the current year (note 28)
viii) fair value of financial instruments (note 37)

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, except for the changes due to the following standard, that became effective during the year.

- IFRS 13 - Fair Value Measurement

  IFRS 13 'Fair Value Measurement' consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exact price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 does not have an impact on the financial statements of the Bank except for certain disclosures as mentioned in note 37.

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 statement of financial position 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	2015	2014
6	**CASH AND BALANCES WITH TREASURY BANKS**		**(Rupees in '000)**	
	In hand			
	Local currency		**147,520**	191,818
	Foreign currencies		**342,256**	355,156
	With State Bank of Pakistan in			
	Local currency current account	*6.1*	**3,473,070**	3,059,779
	Foreign currency current account		**23,816**	12,478
	Foreign currency deposit accounts			
	- Cash reserve account	*6.2*	**188,534**	160,773
	- Special cash reserve account	*6.3*	**565,601**	482,319
	With National Bank of Pakistan in			
	Local currency current account		**68,511**	5,467
			4,809,308	4,267,790

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 (2014: Nil).

		Note	2015	2014
7	**BALANCES WITH OTHER BANKS**		**(Rupees in '000)**	
	In Pakistan			
	In current account		**40,705**	31,965
	Outside Pakistan			
	In current account	*7.1*	**664,207**	138,732
	In deposit account		-	-
			704,912	170,697

7.1 This includes balance of Rs. 662.929 million (2014: Rs.129.698 million) held with branches of Citibank, N.A. outside

		Note	2015	2014
8	**LENDINGS TO FINANCIAL INSTITUTIONS**		**(Rupees in '000)**	
	Placements	*8.1 & 8.3*	**4,818,086**	-
	Repurchase agreement lendings (Reverse Repo)	*8.2, 8.3 & 8.4*	**3,645,971**	2,826,481
			8,464,057	2,826,481

8.1 These represent short term placement with Citibank entities. These carry mark-up at rates ranging from 0.28% (2014: Nil) per annum and have a maturity period of upto January 2016 (2014: Nil).

8.2 These represent short term lendings to financial institutions against government securities. These carry mark-up at rates ranging from 6.24% to 6.40% (2014: 9.33% to 9.47%) per annum and have a maturity period of upto January 2016 (2014: January 2015).

		2015	2014
8.3	**Particulars of lendings to financial institutions**	**(Rupees in '000)**	
	In local currency	**3,645,971**	2,826,481
	In foreign currency	**4,818,086**	-
		8,464,057	2,826,481

8.4 Securities held as collateral against lendings to financial institutions

	Note	2015 Held by Bank	2015 Further given as collateral	2015 Total	2014 Held by Bank	2014 Further given as collateral	2014 Total
		---- (Rupees in '000) ----					
Market Treasury Bills		**3,645,971**	**-**	**3,645,971**	2,826,481	-	2,826,481
		3,645,971	**-**	**3,645,971**	2,826,481	-	2,826,481

9 INVESTMENTS

9.1 Investments by types:

	Note	2015 Held by Bank	2015 Given as collateral	2015 Total	2014 Held by Bank	2014 Given as collateral	2014 Total
		---- (Rupees in '000) ----					
Held-for-trading securities							
Market Treasury Bills	*9.4*	**3,554,265**	**-**	**3,554,265**	2,044,064	-	2,044,064
Pakistan Investment Bonds	*9.5*	**4,337,297**	**-**	**4,337,297**	9,351,074	-	9,351,074
		7,891,562	**-**	**7,891,562**	11,395,138	-	11,395,138
Available-for-sale securities							
Market Treasury Bills	*9.4*	**5,374,695**	**-**	**5,374,695**	923,887	-	923,887
Pakistan Investment Bonds	*9.5*	**32,961,503**	**2,066,830**	**35,028,333**	20,410,813	5,453,022	25,863,835
Fully Paid-up Ordinary Shares	*9.6*	**2,000**	**-**	**2,000**	2,000	-	2,000
Unlisted Term Finance Certificates	*9.7*	**-**	**-**	**-**	-	-	-
		38,338,198	**2,066,830**	**40,405,028**	21,336,700	5,453,022	26,789,722
Investments at cost		**46,229,760**	**2,066,830**	**48,296,590**	32,731,838	5,453,022	38,184,860
Less: Provision for diminution in the value of Investments	*9.8*	**2,000**	**-**	**2,000**	2,000	-	2,000
Investments (net of provisions)		**46,227,760**	**2,066,830**	**48,294,590**	32,729,838	5,453,022	38,182,860
Surplus on revaluation of held-for-trading securities - net	*9.10*	**3,884**	**-**	**3,884**	361,550	-	361,550
Surplus / (Deficit) on revaluation of available-for-sale securities - net	*20*	**278,567**	**8,076**	**286,643**	595,526	186,601	782,127
Total investments at market value		**46,510,211**	**2,074,906**	**48,585,117**	33,686,914	5,639,623	39,326,537

9.2 Investments by segments:

	Note	2015	2014
		(Rupees in '000)	
Federal Government Securities:			
Market Treasury Bills	*9.3 & 9.4*	**8,928,960**	2,967,951
Pakistan Investment Bonds	*9.3 & 9.5*	**39,365,630**	35,214,909
		48,294,590	38,182,860
Fully Paid up Ordinary Shares			
Unlisted shares	*9.6*	**2,000**	2,000
Term Finance Certificates:			
Unlisted	*9.7*	**-**	-
Investments at cost		**48,296,590**	38,184,860
Less: Provision for diminution in value of investments	*9.8*	**2,000**	2,000
Investments (net of provisions)		**48,294,590**	38,182,860
Surplus on revaluation of held-for-trading securities	*9.10*	**3,884**	361,550
Surplus / (deficit) on revaluation of available-for-sale securities	*20*	**286,643**	782,127
Total investments at market value		**48,585,117**	39,326,537

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 6.25% to 8.5% (2014: 9.40% to 9.99%) per annum with maturities upto December 2016 (2014: October 2015). In addition Market Treasury Bills having face value of Rs 3,242 million (2014: Nil) 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 and fifteen years. The yield on these PIBs range from 6.70% to 12.07% (2014: 9.00% to 12.00%) per annum with maturities from May 2016 to March 2025 (2014: July 2015 to July 2024). Pakistan Investment Bonds having face value of Rs 25 million (2014: 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 4,448 million (2014: Rs. 7,690 million) have been deposited with the State Bank of Pakistan as pledged capital.

9.6 Particulars of Fully Paid-up Ordinary Shares - Unlisted companies	**2015**	2014
	(Rupees in '000)	
Arabian Sea Country Club		
200,000 (2014: 200,000) fully paid-up ordinary shares of Rs.10/- each	**2,000**	2,000
Chief Executive Officer - Mr. Arif Khan Abbasi		
	2,000	2,000

9.7 Represents term finance certificates received as partial settlement from Azgard Nine Limited against overdue suspended mark-up amounting to Rs 248.090 million and are valued at NIL value.

9.8 Particulars of provision for diminution in the value of investments	**2015**	2014
	(Rupees in '000)	
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

	2015		2014	
	Amount (Rupees'000)	**Rating (where available)**	Amount (Rupees'000)	Rating (where available)
Federal Government Securities (at market value)				
Market Treasury Bills	**5,377,383**	**N/A**	927,207	N/A
Pakistan Investment Bonds	**35,312,288**	**N/A**	26,642,641	N/A
	40,689,671		27,569,848	
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	**40,691,671**		27,571,848	

9.10 Unrealised gain / (loss) on revaluation of investments classified as held for trading	**2015**	2014
	(Rupees in '000)	
Market Treasury Bills	**(70)**	4,958
Pakistan Investments Bonds	**3,954**	356,592
	3,884	361,550

		Note	**2015**	2014
10	**ADVANCES**		**(Rupees in '000)**	
	Loans, cash credits, running finances, etc.			
	In Pakistan		**23,406,161**	30,458,361
	Bills discounted and purchased (excluding treasury bills)			
	Payable in Pakistan		**1,049,891**	1,152,954
	Payable outside Pakistan		**4,435**	9,768
			1,054,326	1,162,722
	Advances - gross	*10.1.3*	**24,460,487**	31,621,083
	Provision against advances			
	Specific - provision against non-performing advances	*10.2*	**(3,070,673)**	(3,425,347)
	General - provision against advances	*10.3.1*	**(217)**	(146)
		10.3	**(3,070,890)**	(3,425,493)
	Advances - net of provisions		**21,389,597**	28,195,590

10.1 Particulars of advances (gross)

		2015	2014
10.1.1	In local currency	**24,232,528**	31,396,878
	In foreign currencies	**227,959**	224,205
		24,460,487	31,621,083
10.1.2	Short term (for upto one year)	**22,614,997**	28,582,307
	Long term (for over one year)	**1,845,490**	3,038,776
		24,460,487	31,621,083

10.1.3 Based on classification defined in SBP Prudential Regulations, Rs 23,685.746 million (2014: Rs 30,811.595 million) advances fall under Corporate and Rs 775.730 million (2014: Rs 809.488 million) fall under Consumer and SME classification as at December 31, 2015.

10.2 Advances include Rs.3,070.673 million (2014: Rs.3,425.347 million) which have been placed under non-performing status as detailed below:

	2015			2014		
	Classified advances (Domestic)	**Provision required**	**Provision held**	Classified advances (Domestic)	Provision required	Provision held
	(Rupees in '000)					
Category of classification						
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	**3,070,673**	**3,070,673**	**3,070,673**	3,425,347	3,425,347	3,425,347
	3,070,673	**3,070,673**	**3,070,673**	3,425,347	3,425,347	3,425,347

10.3 Particulars of provision against advances

	Note	**2015**			2014		
		Specific	**General**	**Total**	Specific	General	Total
		(Rupees in '000)					
Opening balance		**3,425,347**	**146**	**3,425,493**	3,541,861	134	3,541,995
Charge for the year		**322**	**71**	**393**	6,176	12	6,188
Reversals		**(175,577)**	**-**	**(175,577)**	(107,127)	-	(107,127)
		(175,255)	**71**	**(175,184)**	(100,951)	12	(100,939)
Amounts written off	*10.4.1*	**(179,419)**	**-**	**(179,419)**	(15,563)	-	(15,563)
Closing balance		**3,070,673**	**217**	**3,070,890**	3,425,347	146	3,425,493

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

	2015			2014		
	Specific	**General**	**Total**	Specific	General	Total
	----------	----------	**(Rupees in '000)**	----------	----------	----------
In local currency	**3,070,673**	**217**	**3,070,890**	3,425,347	146	3,425,492

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.

		Note	**2015**	2014
10.4	**Particulars of write-offs**		**(Rupees in '000)**	
10.4.1	Against provisions	*10.3*	**179,419**	15,563
	Recovery taken / directly charged to profit and loss account	*10.4.1.1*	**-**	(27,983)
			179,419	(12,420)

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

		Note	**2015**	2014
			(Rupees in '000)	
10.4.2	Write offs of Rs. 500,000 and above (excluding discount on prepayment and loss on sale)	*10.5*	**179,029**	15,460
	Recovery from party written off in previous period		**-**	(27,983)
	Write offs of below Rs. 500,000		**390**	103
			179,419	(12,420)

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, 2015 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.

		2015	2014
10.6	**Particulars of loans and advances to directors, executives associated companies, etc.**	**(Rupees in '000)**	
	Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons *		
	Balance at beginning of the year	**457,766**	435,155
	Loans granted during the year	**141,643**	175,437
	Repayments	**(166,109)**	(152,826)
	Balance at end of the year	**433,300**	457,766

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

		Note	**2015**	2014
11	**FIXED ASSETS**		**(Rupees in '000)**	
	Capital work-in-progress	*11.1*	**17,909**	57,488
	Property and equipment	*11.2*	**440,422**	297,501
	Intangible assets	*11.3*	**-**	165
			458,331	355,154

		2015	2014
11.1	**Capital work-in-progress**	**(Rupees in '000)**	
	Advances to suppliers and contractors	**17,909**	57,488

11.2 Property and equipment

2015

	Cost			Accumulated depreciation			Book value	
	As at 01 January 2015	Additions / (deletions)	As at 31 December 2015	As at 01 January 2015	Charge for the year / (on deletions) / adjustments	As at 31 December 2015	As at 31 December 2015	Rate of depreciation %
	----------(Rupees in '000)----------							
Leasehold land and buildings	**6,295**	**-** **-**	**6,295**	**3,057**	**239** **-**	**3,296**	**2,999**	**5**
Furniture and fixtures	**245,996**	**174,416** **(1,646)**	**418,766**	**117,593**	**17,060** **(1,625)**	**133,028**	**285,738**	**10 - 50**
Electrical, office and computer equipment	**718,678**	**46,736**	**765,414**	**589,592**	**42,053**	**631,645**	**133,769**	**14.3-33.33**
Vehicles	**114,626**	**-** **(27,868)**	**86,758**	**77,852**	**12,430** **(21,440)**	**68,842**	**17,916**	**20**
	1,085,595	**221,152** **(29,514)**	**1,277,233**	**788,094**	**71,782** **(23,065)**	**836,811**	**440,422**	

2014

	Cost			Accumulated depreciation			Book value	
	As at 01 January 2014	Additions / (deletions)	As at 31 December 2014	As at 01 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	

11.2.1 The cost of fully depreciated assets still in use amounts to Rs. 704.177 million (2014: Rs. 679.533 million).

11.3 Intangible assets

	2015							
	Cost			**Accumulated amortisation**			**Book value**	**Rate of amortisation**
	As at 01 January 2015	**Additions / (deletions)**	**As at 31 December 2015**	**As at 01 January 2015**	**Amortisation for the year / (amortisation on deletions) / adjustments**	**As at 31 December 2015**	**As at 31 December 2015**	
	------- (Rupees in '000) -------							**%**
Computer software	**10,945**	**-**	**10,945**	**10,780**	**165**	**10,945**	**-**	**20 - 33.33**
		-			**-**			
					-			

	2014							
	Cost			Accumulated amortisation			Book value	Rate of amortisation
	As at 01 January 2014	Additions / (deletions)	As at 31 December 2014	As at 01 January 2014	Amortisation for the year / (amortisation on deletions) / adjustments	As at 31 December 2014	As at 31 December 2014	
	------- (Rupees in '000) -------							%
Computer software	12,372	-	10,945	8,756	3,372	10,780	165	20 - 33.33
		(1,427)			(1,348)			
					-			

11.3.1 The cost of fully amortised assets still in use is Rs. 10.945 million (2014: 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.

		Note	**2015**	2014
12	**DEFERRED TAX ASSETS - net**		**(Rupees in '000)**	
	Deferred tax assets - net	*12.1*	**201,088**	233,885
12.1	Deferred debits arising due to:			
	- provision against off balance sheet items and corporate and financing		**346,820**	487,847
	- accelerated tax depreciation		**-**	-
	- other deductible temporary differences		-	61,163
	- effect of remeasurement relating to defined benefit plan		**64,139**	60,673
	Deferred credit arising due to:			
	- effect of re-measurement of cost under share based payment		**(88,733)**	(84,176)
	- accelerated tax depreciation		**(20,813)**	(17,878)
	- surplus on revaluation of available for sale investments	*20*	**(100,325)**	(273,744)
			201,088	233,885
13	**OTHER ASSETS**			
	Income / mark-up accrued in local currency		**1,551,282**	2,132,759
	Income / mark-up accrued in foreign currency		**21,415**	28,483
	Advances, deposits, prepayments and other receivables		**155,889**	278,578
	Advance taxation (payments less provisions)		**1,381,620**	2,441,887
	Non-banking assets acquired in satisfaction of claims	*13.1*	**7,954**	8,941
	Unrealised gain on forward foreign exchange contracts, foreign currency options and derivative contracts		**920,814**	985,448
	Others		**55**	10,683
			4,039,029	5,886,779
	Less: Provision held against non-banking assets acquired in satisfaction of claims	*13.2*	**7,954**	8,941
	Other assets - net of provision		**4,031,075**	5,877,838

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**	**2015**	2014
		(Rupees in '000)	
	Opening balance	**8,941**	8,941
	Reversal during the year	**(987)**	-
	Closing balance	**7,954**	8,941

14 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2015 (2014: Nil).

		Note	**2015**	2014
15	**BILLS PAYABLE**		**(Rupees in '000)**	
	In Pakistan		**1,766,257**	1,564,744
16	**BORROWINGS FROM FINANCIAL INSTITUTIONS**			
	In Pakistan		**7,003,479**	8,511,979
	Outside Pakistan		-	5,500,826
			7,003,479	14,012,805
16.1	**Particulars of borrowings with respect to currencies**			
	In local currency		**7,003,479**	8,511,979
	In foreign currencies		-	5,500,826
			7,003,479	14,012,805
16.2	**Details of borrowings Secured / Unsecured**			
	Secured			
	Repurchase agreement borrowings	*16.2.1*	**2,003,479**	5,511,979
	Unsecured			
	Call borrowings	*16.2.2*	**5,000,000**	8,024,155
	Overdrawn accounts		-	476,671
			5,000,000	8,500,826
			7,003,479	14,012,805

16.2.1 This represents secured borrowing that carries mark-up at the rate of 6.35% (2014: 9.53%) per annum and are due to mature in January 2016 (2014:January 2015).

16.2.2 This represents unsecured borrowing that carries mark-up rate 6.25% to 6.45% (2014: 0.15% to 10%) per annum and are due to mature in January 2016 (2014: January 2015).

		2015	2014
17	**DEPOSITS AND OTHER ACCOUNTS**	**(Rupees in '000)**	
	Customers		
	Fixed deposits	**16,533,913**	10,270,188
	Savings deposits	**34,407,487**	21,376,055
	Current accounts - non-remunerative	**9,166,601**	15,157,452
	Other deposits	**142,891**	58,522
		60,250,892	46,862,217
	Financial institutions		
	Non-remunerative deposits	**1,491,791**	1,281,772
		61,742,683	48,143,989

17.1 Particulars of deposits

	2015	2014
	(Rupees in '000)	
In local currency	**57,969,982**	45,939,161
In foreign currencies	**3,772,701**	2,204,828
	61,742,683	48,143,989

17.2 Includes deposits of Citigroup companies amounting to Rs. 583.903 million (2014: Rs. 367.062 million).

The State Bank of Pakistan (SBP) had previously asked the Bank to demonstrate compliance with the SBP's guidelines relating to returns on a specific portfolio of its foreign currency deposits. Following discussions with the SBP and as confirmed by the Bank's letter dated 2 December 2015 to the SBP, the matter now stands closed. This was in line with the legal advice previously obtained by the management and has no financial impact.

18 OTHER LIABILITIES

	Note	2015	2014
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		**198,015**	306,279
Unearned commission and income on bills discounted		**27,617**	45,023
Accrued expenses	*18.1*	**680,763**	682,267
Unrealised loss on forward foreign exchange contracts, foreign currency options and derivative contracts		**756,156**	2,157,127
Unremitted head office expenses		**792,257**	575,782
Payable to regional offices for support services		**34,561**	24,085
Payable to defined benefit plan	*33.2*	**144,058**	151,575
Provision against off-balance sheet obligations	*18.2*	**-**	9,034
Payable on account of sale proceeds of securities held under custody		**3,417,193**	1,739,089
Others		**1,313,878**	1,308,144
		7,364,498	6,998,405

18.1 This includes the Bank's obligation to the head office under the stock award and stock option programmes. As of December 31, 2015 recognised liability for share based incentive plans was Rs. 159.593 million (2014: Rs. 147.196 million).

18.2 Provision against off-balance sheet obligations

	Note	2015	2014
		(Rupees in '000)	
Opening balance		**9,034**	9,034
Charge for the year		**652**	-
Paid during the year		**(9,686)**	-
Closing balance		**-**	9,034

19 HEAD OFFICE CAPITAL ACCOUNT

Capital held as:

	Note	2015	2014
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 Rs 3,242 million (2014: Nil) and Pakistan Investment Bonds having face value of Rs 4,448 million (2014: Rs. 7,690 million). The market value of Market Treasury Bills and Pakistan Investment Bonds as at December 31, 2015 amounts to Rs. 3,228.048 million and Rs. 4,564.899 million (2014: Nil and Rs. 7,810.407 million) and these have maturities of up to March 2016 and January 2019 (2014: Nil 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	2015	2014
		(Rupees in '000)	
Federal and Provincial Government Securities			
- Market Treasury Bills		**2,688**	3,320
- Pakistan Investment Bonds		**283,955**	778,807
		286,643	782,127
Less: Related deferred tax asset	*12.1*	**(100,325)**	(273,744)
		186,318	508,383

21 CONTINGENCIES AND COMMITMENTS

21.1 Direct credit substitutes

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

	2015	2014
	(Rupees in '000)	
(i) Government of Pakistan	**202**	202
(ii) Banking companies and other financial institutions	**2,941,176**	-
	2,941,378	202

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.

	2015	2014
	(Rupees in '000)	
(i) Government of Pakistan	**719,628**	777,224
(ii) Banking companies and other financial institutions	**34,676**	91,526
(iii) Others	**1,499,162**	2,763,529
	2,253,466	3,632,279

21.3 Trade-related contingent liabilities

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

	Note	2015	2014
		(Rupees in '000)	
Letters of credit / acceptances		**10,036,491**	12,075,304

21.4 Other contingencies

Indemnity issued		**-**	-
Claims not acknowledged as debt		**162,457**	156,462
	21.4.1	**162,457**	156,462

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

		2015	2014
		(Rupees in '000)	
21.5	**Commitments in respect of forward transactions**		
	Forward repurchase agreement lendings (reverse repos)	**3,648,557**	2,827,949
	Forward repurchase agreement borrowing (repos)	**2,010,786**	5,525,192
	Forward borrowing	**6,284,460**	2,500,000
	Uncancellable commitments to extend credit	**1,947,363**	1,204,640
21.6	**Commitments in respect of forward exchange contracts**		
	Purchase	**99,992,028**	66,463,402
	Sale	**102,542,917**	54,211,719

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

		Note	**2015**	2014
			(Rupees in '000)	
21.7	**Other commitments**			
	Cross currency and interest rate derivative contracts (notional amount)	*22.1*	**6,083,675**	6,054,208
21.8	**Commitments in respect of capital expenditure**		**115,884**	184,516

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	**2015**			
	Interest Rate and Cross Currency Swaps		**FX Options**	
	Number of contracts	**Notional principal**	**Number of contracts**	**Notional principal**
	(Rupees in '000)			**(Rupees in '000)**
With Banks for				
Hedging	-	-	-	-
Market Making	-	-	-	-
With FIs other than banks				
Hedging	-	-	-	-
Market Making	-	-	-	-
With other entities for				
Hedging	-	-	-	-
Market Making	**2**	**6,083,675**	-	-
Total				
Hedging	-	-	-	-
Market Making	**2**	**6,083,675**	-	-
	2	**6,083,675**	-	-

Counterparties	2014			
	Interest Rate and Cross Currency Swaps		FX Options	
	Number of contracts	Notional principal	Number of contracts	Notional principal
	(Rupees in '000)			(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	-	-

22.2 Maturity analysis

Interest rate and cross currency swaps

Remaining maturity	**2015**				
	Number of contracts	**Notional principal**	**Mark to Market**		
			Negative	**Positive**	**Net**
		(Rupees in '000)			
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 Year	-	-	-	-	-
1 to 2 Years	**1**	**183,675**	**(1,486)**	**2,240**	**754**
2 to 3 Years	-	-	-	-	-
3 to 5 Years	**1**	**5,900,000**	-	**76,673**	**76,673**
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-
	2	**6,083,675**	**(1,486)**	**78,913**	**77,427**

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)

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.

23 MARK-UP/ RETURN/ INTEREST EARNED

	2015	2014
	(Rupees in '000)	
a) On loans and advances to		
Customers	**2,013,115**	1,678,841
Financial Institutions	-	-
b) On investments in		
Held for trading securities	**774,136**	1,357,572
Available for sale securities	**2,650,890**	3,009,247
c) On deposits with financial institutions	**3,477**	1,762
d) On securities purchased under resale agreements (reverse repo)	**764,047**	873,879
	6,205,665	6,921,301

24 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	**2,205,527**	2,627,282
Securities sold under repurchase agreements (repo)	**82,338**	207,410
Borrowings	**59,360**	31,770
	2,347,225	2,866,462

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.

26 GAIN / (LOSS) ON SALE OF SECURITIES

	Note	**2015**	2014
		(Rupees in '000)	
Federal Government Securities			
- Market Treasury Bills		**57,847**	24,936
- Pakistan Investment Bonds		**2,062,092**	187,474
Shares - unlisted		-	-
		2,119,939	212,410

27 OTHER INCOME / (LOSS)

Credit losses recovered		**583**	914
Gain on sale of property and equipment		**3,726**	16,832
Gain / (loss) from derivative contracts	*27.1*	**215,000**	(673,537)
Interchange and miscellaneous income		**8,575**	9,607
		227,884	(646,184)

27.1 This includes funding cost of FX swaps amounting to Rs. 0.244 billion (2014: Rs. 0.593 billion).

28 ADMINISTRATIVE EXPENSES	*Note*	**2015**	2014
		(Rupees in '000)	
Salaries, allowances, etc.		**563,649**	596,985
Charge for defined benefit plan	*33.5*	**47,908**	33,422
Contribution to defined contribution plan	*34*	**23,705**	23,190
Head office / Regional office expenses	*28.3*	**216,475**	59,084
Rent, taxes, insurance, electricity, etc.		**253,478**	278,309
Contract services		**172,759**	164,276
Legal and professional charges		**37,033**	102,844
Communications		**98,889**	37,854
Repairs and maintenance		**77,078**	101,052
Travelling and conveyance		**91,671**	100,490
Stationery and printing		**18,248**	15,728
Advertisement and publicity		**5,753**	3,951
Support services from regional offices		**41,657**	24,078
Donations	*28.1*	**2,227**	1,911
Auditors' remuneration	*28.2*	**2,877**	2,938
Depreciation	*11.2*	**71,782**	73,857
Amortisation	*11.3*	**165**	3,372
Restructuring expense		**32,035**	8,742
Banking Service charges		**64,618**	73,502
Others		**108,620**	45,100
		1,930,627	1,750,685

28.1 Donations

Citizens Police Liaison Committee	**-**	400
The Cardiovascular Foundation	**-**	300
The Embassy of USA	**202**	211
Karwan-e-Hayat	**200**	200
Marie Adelaide Leprosy Centre	**400**	200
The Kidney Centre	**200**	200
Old Associates of Kinnaird Society	**300**	200
The Indus Hospital	**600**	-
OGS TRUST	**125**	-
Progressive Education Network	**200**	-
Shaukat Khanum Memorial Cancer Hospital	**-**	200
	2,227	1,911

28.2 Auditors' remuneration

Audit fee	**1,460**	1,460
Fee for the half yearly review	**455**	455
Special certifications and sundry advisory services	**700**	700
Out-of-pocket expenses	**262**	323
	2,877	2,938

28.3 Head office / regional expenses are estimated based on head office certificates of prior year and are subject to true ups / actualisation.

29 OTHER CHARGES

	Note	2015	2014
		(Rupees in '000)	
Charge for / Reversal of penalty imposed by State Bank of Pakistan		**670**	1,819
Charge for / Reversal of Worker's Welfare Fund		**62,407**	69,505
		63,077	71,324

30 TAXATION

		2015	2014
For the year			
Current		**1,764,758**	1,348,974
Deferred		**205,125**	163,113
		1,969,883	1,512,087
For prior years			
Current		**80,000**	-
Deferred		**-**	-
		80,000	-
		2,049,883	1,512,087

30.1 Relationship between tax expense and accounting profit

		2015	2014
Profit before taxation		**5,659,107**	4,602,648
Taxation at the applicable tax rate of 35% (2014: 35%)		**1,980,687**	1,610,927
Prior year charge		**80,000**	-
Taxation effect of expenses that are not deductible in determining taxable income		**4,654**	4,483
Others		**(15,458)**	(103,323)
		2,049,883	1,512,087

31 CASH AND CASH EQUIVALENTS

	Note	2015	2014
Cash and balances with treasury banks	*6*	**4,809,308**	4,267,790
Balances with other banks	*7*	**704,912**	170,697
Overdrawn accounts	*16.2*	**-**	(476,671)
		5,514,220	3,961,816

32 STAFF STRENGTH

	2015	2014
	(Number of employees)	
Permanent	**156**	180
Contractual basis	**-**	-
Bank's own staff strength at the end of the year	**156**	180
Outsourced	**120**	121
Total staff strength at the end of the year	**276**	301

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:

	2015	2014
	(Rupees in '000)	
Present value of defined benefit obligations	**223,308**	238,954
Fair value of plan assets	**(79,250)**	(87,379)
	144,058	151,575

33.3 Plan assets consist of the following:

	2015		2014	
	(Rupees in '000)	**%**	(Rupees in '000)	%
Pakistan Investment Bonds	**77,687**	**98%**	18,941	22%
Cash and bank	**1,562**	**2%**	68,439	78%
	79,249	**100%**	87,380	100%

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

	2015		
	Present value of obligation	**Fair value of plan assets**	**Total**
	---------------- (Rupees in '000) ----------------		
At January 1	**238,954**	**(87,380)**	**151,574**
Current service cost	**26,713**	**-**	**26,713**
Settlement loss	**4,729**	**-**	**4,729**
Return expense / (income)	**27,538**	**(11,072)**	**16,466**
	297,934	**(98,452)**	**199,482**
Remeasurements:			
-Return on plan assets, excluding amounts included in interest income	**-**	**4,047**	**4,047**
-(Gain) / loss from change in demographic assumptions	**-**	**-**	**-**
-(Gain) / loss from change in financial assumptions	**3,947**	**-**	**3,947**
-Experience loss	**1,908**	**-**	**1,908**
	5,855	**4,047**	**9,902**
	303,789	**(94,405)**	**209,384**
Contribution	**-**	**(65,326)**	**(65,326)**
Benefit payments	**(80,481)**	**80,481**	**-**
At December 31	**223,308**	**(79,250)**	**144,058**

	2014		
	Present value of obligation	Fair value of plan assets	Total
	---------------- (Rupees in '000) ----------------		
At January 1	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 losses	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 December 31	238,954	(87,380)	151,574

33.5 Charge for defined benefit plan

	2015	2014
	(Rupees in '000)	
Current service cost	**26,713**	22,653
Net return cost	**16,466**	10,769
Settlement loss	**4,729**	-
	47,908	33,422

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

33.7 Principal actuarial assumptions

	2015	2014
Discount rate	**9.75% p.a.**	11.75% p.a.
Expected rate of salary increase	**9.25% p.a.**	11% 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%	(22,583)	26,339
Salary growth rate	1.0%	27,355	(23,798)
Withdrawal rate	10.0%	122	(126)
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Mortality Rate	1 year	29	(28)

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 11 years.

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

At December 31, 2015	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
	---------- (Rupees in '000) ----------				
Gratuity	**5,442**	**5,432**	**45,744**	**773,721**	**830,339**

33.12 Historical information	**2015**	**2014**	**2013**	**2012**	**2011**
	---------- (Rupees in '000) ----------				
Defined benefit obligation	**(223,308)**	(238,954)	(215,011)	(369,450)	(314,062)
Fair value of plan assets	**79,250**	87,380	129,162	55,526	97,375
Deficit	**(144,058)**	(151,574)	(85,849)	(313,924)	(216,687)
Remeasurements of plan liabilities	**(5,855)**	(45,426)	31,198	(36,317)	(89,215)
Remeasurements of plan assets	**(4,047)**	(6,747)	286	1,101	2,399

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. 38.504 million (2014: Rs 43.179 million) as per the actuarial valuation report of the Bank as of December 31, 2015.

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

Asset volatility The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The Fund believes that due to long-term nature of the plan liabilities and the strength of the Bank's support, current investment strategy manages this risk adequately.

Inflation risk The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. However plan assets are variable rate instruments and are re-priced at regular intervals to off set inflationary impacts.

Life expectancy / Withdrawal rate The majority of the plans' obligations are to provide benefits on severance with the Bank on achieving retirement. Any change in life expectancy / withdrawal rate would impact plan liabilities.

33.15 The disclosure made in notes 33.1 to 33.13 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2015.

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 23.705 million (2014: Rs 23.190 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:

	2015		2014	
	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	**2,865**	**40.8**	2,940	40.80
Granted	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Exercised	**(976)**	**40.8**	(75)	40.80
Transfers	**-**	**-**	-	-
Expired	**(1,889)**	**40.8**	-	-
Outstanding at the end of the year	**-**	**-**	2,865	40.80
Exercisable at the end of year	**-**	**-**	2,865	40.80

35.2 The following table summarises the information about stock options outstanding under the programme at December 31, 2015:

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	**-**	**-**	**-**	**-**	**-**
$50.00 - $399.99	**-**	**-**	**-**	**-**	**-**
$400.00 - $449.99	**-**	**-**	**-**	**-**	**-**
$450.00 and above	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**-**

The following table summarises the information about stock options outstanding under the programme at December 31, 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	40.80	2,865	40.8

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:

	2015		2014	
	Shares	**Weighted average share price $ USD**	Shares	Weighted average share price $ USD
Unvested at the beginning of the year	**4,092**	**44.5**	6,083	40.7
Awards	**2,000**	**50.1**	1,097	49.7
Cancellations	**-**	**-**	-	-
Deletions	**-**	**-**	-	-
Vestings	**(1,994)**	**45.2**	(3,088)	40.3
Unvested at the end of the year	**4,098**	**46.9**	4,092	44.5

35.4 Net charge/ (reversal) of Rs. 8.464 million (2014: Rs. (5.286) million) was recognised in equity arising mainly due to fair value adjustment as required by IFRS 2 - Share Based Payment. As of December 31, 2015 recognised liability for outstanding share based incentive plans was Rs. 159.593 million (2014: Rs. 147.196 million). Fair value of shares has been determined on the basis of market value of shares of Citigroup Inc. as at December 31, 2015. i.e. $ USD 51.75 (2014: $ USD 54.11) per share.

36 COMPENSATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Citi Country Officer		**Executives**	
	2015	2014	**2015**	2014
	(Rupees in '000)			
Managerial remuneration	**50,266**	50,262	**255,522**	291,666
Charge for defined benefit plan	**1,666**	1,666	**15,969**	18,546
Contribution to defined contribution plan	**2,000**	2,000	**19,171**	22,264
Rent and house maintenance	**8,239**	8,239	**76,683**	114,225
Utilities	**4,214**	4,631	**32,344**	22,264
Medical	**-**	106	**3,010**	3,778
Others	**3,209**	5,974	**27,322**	61,067
	69,594	72,878	**430,021**	533,810
Number of persons	**1**	1	**123**	150

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in principal or, in its absence, the most advantageous market to which the Bank has access at that date.

37.1 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments — 2015

	Note	Carrying Value: Available for Sale	Held for trading	Loans and Receivables	Other financial Assets	Other financial liabilities	Total	Fair Value: Level 1	Level 2	Level 3	Total
		(Rupees in '000)						(Rupees in '000)			
Financial assets measured at fair value											
Investments											
Market Treasury Bills		5,377,383	3,554,195	-	-	-	8,931,578	-	8,931,578	-	8,931,578
Pakistan Investment Bonds		35,312,288	4,341,251	-	-	-	39,653,539	-	39,653,539	-	39,653,539
Fully Paid-up Ordinary Shares		-	-	-	-	-	-				
Financial assets not measured at fair value											
Cash and balances with treasury banks	*37.2*	-	-	-	4,809,308	-	4,809,308	-	-	-	-
Balances with other banks	*37.2*	-	-	-	704,912	-	704,912	-	-	-	-
Lendings to financial institutions	*37.2*	-	-	-	8,464,057	-	8,464,057	-	-	-	-
Advances - net	*37.2*	-	-	-	21,389,597	-	21,389,597	-	-	-	-
Other financial assets	*37.2*	-	-	-	2,493,511	-	2,493,511	-	-	-	-
		40,689,671	7,895,446	-	37,861,385	-	86,446,502	-	48,585,117	-	48,585,117
Financial liabilities not measured at fair value											
Bills payable	*37.2*	-	-	-	-	1,766,257	1,766,257				
Borrowings from financial institutions	*37.2*	-	-	-	-	7,003,479	7,003,479				
Deposits and other accounts	*37.2*	-	-	-	-	61,742,683	61,742,683				
Other financial liabilities	*37.2*	-	-	-	-	7,336,881	7,336,881				
		-	-	-	-	77,849,300	77,849,300				

Off balance sheet financial instruments — 2015

	Carrying Value	Fair Value: Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Forward foreign exchange purchase contracts	99,992,028	-	99,971,466	-	99,971,466
Forward foreign exchange sale contracts	102,542,917	-	102,650,710	-	102,650,710
Cross currency and interest rate derivative contracts	6,083,675	-	77,427	-	77,427

On balance sheet financial instruments — 2014

	Note	Carrying Value: Available for Sale	Held for trading	Loans and Receivables	Other financial Assets	Other financial liabilities	Total	Fair Value: Level 1	Level 2	Level 3	Total
		(Rupees in '000)						(Rupees in '000)			
Financial assets measured at fair value											
Investments											
Market Treasury Bills		927,207	2,049,022	-	-	-	2,976,229	-	2,976,229	-	2,976,229
Pakistan Investment Bonds		26,642,641	9,707,666	-	-	-	36,350,307	-	36,350,307	-	36,350,307
Fully Paid-up Ordinary Shares							-				
Financial assets not measured at fair value											
Cash and balances with treasury banks	*37.2*	-	-	-	4,267,790	-	4,267,790	-	-	-	-
Balances with other banks	*37.2*	-	-	-	170,697	-	170,697	-	-	-	-
Lendings to financial institutions	*37.2*	-	-	-	2,826,481	-	2,826,481	-	-	-	-
Advances - net	*37.2*	-	-	-	28,195,590	-	28,195,590	-	-	-	-
Other financial assets	*37.2*	-	-	-	3,146,689	-	3,146,689	-	-	-	-
		27,569,848	11,756,688	-	38,607,247	-	77,933,783	-	39,326,536	-	39,326,536
Financial liabilities not measured at fair value											
Bills payable	*37.2*	-	-	-	-	1,564,744	1,564,744				
Borrowings from financial institutions	*37.2*	-	-	-	-	14,012,805	14,012,805				
Deposits and other accounts	*37.2*	-	-	-	-	48,143,989	48,143,989				
Other financial liabilities	*37.2*	-	-	-	-	6,944,346	6,944,346				
		-	-	-	-	70,665,884	70,665,884				

Off balance sheet financial instruments — 2014

	Carrying Value	Fair Value: Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Forward foreign exchange contracts - purchase	66,463,402	-	65,683,133	-	65,683,133
Forward foreign exchange contracts - sale	54,211,719	-	55,142,655	-	55,142,655
Cross currency and interest rate derivative contracts	6,054,208	-	(1,322,346)	-	(1,322,346)

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

37.2 The Bank has not disclosed the fair values for these financial assets and liabilities, as these are short term or reprice over short term. Therefore their carrying amounts are reasonable approximation of fair value.

37.3 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 41.2.3 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:

	2015		
	Trading & Sales	**Corporate Banking**	**Total**
	(Rupees in '000)		
Total Income	**4,537,194**	**5,287,323**	**9,824,517**
Total Expenses	**2,011,039**	**4,204,254**	**6,215,293**
Net Income / (loss)	**2,526,155**	**1,083,069**	**3,609,224**
Segment Assets (Gross)	**63,344,640**	**28,379,688**	**91,724,328**
Segment Non Performing Loans	**-**	**3,070,673**	**3,070,673**
Segment Provision Required *	**-**	**3,080,843**	**3,080,843**
Segment Liabilities	**7,267,320**	**70,609,597**	**77,876,917**
Segment Return on net Assets (ROA) (%)**	**4.0%**	**4.3%**	**4.1%**
Segment Cost of funds (%)***	**2.4%**	**3.9%**	**3.7%**

	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%

* 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 December 31, 2014	Net placements / disbursements / deposits / transfers	Net settlements / repayments / withdrawals / transfers	Balance as at December 31, 2015
	---------------------	---------(Rupees in '000)	---------------------	
Deposits				
Associated undertakings	367,063	645,139	(428,299)	**583,903**
Staff retirement benefit funds	140,415	212,054	(342,897)	**9,572**

	2015	2014
	(Rupees '000)	
Nostro balances / placements with Citibank Branches outside Pakistan	**5,481,015**	129,698
Overdrawn Nostro Accounts	**-**	476,671
Unremitted head office expenses	**792,257**	575,782
Markup / return / interest receivable	**4,171**	2,477
Markup / return / interest payable	**78**	3,346
Payable for expenses and share based payment	**194,154**	171,281
Payable to defined benefit plan	**144,058**	151,574
Commitments in respect of forward exchange contracts		
Purchase	**28,761,393**	15,394,583
Sale	**28,918,895**	16,226,525
Unrealised (loss) on forward foreign exchange contracts - purchase	**(99,573)**	(182,681)
Unrealised (loss) / gain on forward foreign exchange contracts - sale	**(86,438)**	102,146
Contribution to staff retirement benefit funds	**89,031**	43,060
Call borrowings	**-**	5,024,155
Counter guarantees to branches	**4,189,848**	2,348,587
Income / expense for the year		
Mark-up / return / interest earned	**4,508**	2,783
Mark-up / return / interest expensed	**8,363**	8,351
Fee, commission and brokerage income	**41,272**	-
Other income	**22,093**	37,466
Regional expenses for support services	**41,657**	24,078
Head office expenses	**216,475**	59,084
Remuneration of key management personnel	**69,594**	72,877
Gain on sale of securities	**3,219**	-

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 April 15, 2009 has prescribed the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions to be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs. 10 billion capital (net of losses) 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 December 31, 2015 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, 2015 was 31.62% 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.

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	2015 Amount (Rupees in '000)	2014 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	**164,791**	156,327
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	**3,602,788**	3,056,648
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**	**10,580,250**	10,025,646
10	Total regulatory adjustments applied to CET1 **(Note 40.5)**		165
11	**Common Equity Tier 1**	**10,580,250**	10,025,481
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	**AT1 before regulatory adjustments**	-	-
18	Total regulatory adjustment applied to AT1 capital **(Note 40.6)**	-	-
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	**Additional Tier 1 capital recognized for capital adequacy**	-	-
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**	**10,580,250**	10,025,481
	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 2)	-	
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	**217**	146
27	Revaluation Reserves (net of taxes)	-	
28	of which: Revaluation reserves on fixed assets	-	
29	of which: Unrealized gains/losses on AFS	**186,318**	508,383
30	Foreign Exchange Translation Reserves	-	
31	Undisclosed/Other Reserves (if any)	-	
32	**T2 before regulatory adjustments**	**186,535**	508,529
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**	**186,535**	508,529
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	**10,766,785**	10,534,010
39	**Total Risk Weighted Assets (RWA) {for details refer Note 40.11}**	**34,049,239**	36,439,252
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	**31.07%**	27.51%
41	**Tier-1 capital to total RWA**	**31.07%**	27.51%
42	**Total capital to total RWA**	**31.62%**	28.91%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	**6.25%**	0.00%
44	of which: capital conservation buffer requirement	**0.25%**	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)	**31.07%**	27.51%
	National minimum capital requirements prescribed by SBP		
48	**CET1 minimum ratio**	**6.00%**	5.50%
49	**Tier 1 minimum ratio**	**7.50%**	7.00%
50	**Total capital minimum ratio**	**10.00%**	10.00%

Regulatory Adjustments and Additional Information		2015 (Rupees in '000) Amount	2015 Amounts subject to Pre-Basel III treatment*	2014 Amount
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	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			
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

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**	**2015 (Rupees in '000) Amount**	2014 Amount
	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 December 31, 2015**	**As at December 31, 2015**
Assets (1)	**(2)**	**(3)**
Cash and balances with treasury banks	4,809,308	4,809,308
Balanced with other banks	704,912	704,912
Lending to financial institutions	8,464,057	8,464,057
Investments - net	48,585,117	48,585,117
Advances - net	21,389,597	21,389,597
Operating fixed assets	458,331	458,331
Deferred tax assets - net	201,088	201,088
Other assets	4,031,075	4,031,075
Total assets	**88,643,485**	**88,643,485**
Liabilities & Equity		
Bills payable	1,766,257	1,766,257
Borrowings	7,003,479	7,003,479
Deposits and other accounts	61,742,683	61,742,683
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	7,364,498	7,364,498
Total liabilities	**77,876,917**	**77,876,917**
Share capital/ Head office capital account	6,812,671	6,812,671
Reserves	164,791	164,791
Unappropriated/ Unremitted profit/ (losses)	3,602,788	3,602,788
Minority Interest	-	-
Surplus on revaluation of assets	186,318	186,318
Total liabilities & equity	**88,643,485**	**88,643,485**

Table: 40.9.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at December 31, 2015	As at December 31, 2015	
Assets (1)	**(2)**	**(3)**	**(4)**
Cash and balances with treasury banks	4,809,308	4,809,308	
Balanced with other banks	704,912	704,912	
Lending to financial institutions	8,464,057	8,464,057	
Investments - net	48,585,117	48,585,117	
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	21,389,380	21,389,380	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	217	217	g
Fixed Assets	458,331	458,331	
Deferred Tax Assets - net	201,088	201,088	
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	4,031,075	4,031,075	
of which: Goodwill	-	-	j
of which: Intangibles	-	-	k
of which: Defined-benefit pension fund net assets		-	l
Total assets	**88,643,268**	**88,643,268**	

Liabilities & Equity			
Bills payable	1,766,257	1,766,257	
Borrowings	7,003,479	7,003,479	
Deposits and other accounts	61,742,683	61,742,683	
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	7,364,498	7,364,498	
Total liabilities	**77,876,917**	**77,876,917**	

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)	164,791	164,791	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	3,602,788	3,602,788	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	186,318	186,318	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	**88,643,485**	**88,643,485**	

	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	164,791	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	3,602,788	(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**	**10,580,250**	
	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)	-	(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%		(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		
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**	**10,580,250**	

	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**	-	

	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**
	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%		(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)**	**10,580,250**	
	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	217	(g)
54	Revaluation Reserves		
55	of which: Revaluation reserves on fixed assets		portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	186,318	
57	Foreign Exchange Translation Reserves		(v)
58	Undisclosed/Other Reserves (if any)		
59	**T2 before regulatory adjustments**	**186,535**	
	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)	186,535	
67	Tier 2 capital recognized for capital adequacy	186,535	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital		
69	Total Tier 2 capital admissible for capital adequacy	186,535	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	**10,766,785**	

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 Account
11	Original date of issuance	Various
12	Perpetual or dated	Dated
13	Original maturity date	Various
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	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	
	2015	2014	**2015**	2014
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash and other liquid Assets	**17,850**	4,771	**178,501**	47,710
Money at call / Repurchase agreement lendings	**98,476**	324	**984,759**	3,244
Investments	**-**	-	**-**	-
Loans and Advances	**1,204,021**	1,582,920	**12,040,207**	15,829,200
Fixed Assets	**45,833**	35,499	**458,331**	354,991
Deferred tax assets - net	**50,272**	58,471	**502,718**	584,713
Other Assets	**15,594**	54,293	**155,944**	542,931
	1,432,046	1,736,278	**14,320,460**	17,362,789
Portfolios subject to Internal Rating Based (IRB) Approach				
e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.				
Off-Balance sheet				
Loan Repayment Guarantees	**-**	-	**-**	-
Purchase and Resale Agreements	**1,420**	339	**14,196**	3,390
Commitment in respect of forward purchase contract of government security	**-**	-	**-**	-
Performance Bonds etc	**54,192**	91,085	**541,920**	910,849
Shipping	**68**	-	**684**	-
Revolving underwriting Commitments	**38,687**	52,532	**386,867**	525,324
Stand By Letters of Credit	**576,779**	298,730	**5,767,793**	2,987,297
Commitment in respect of Cross Currency and interest rate derivative contracts	**2,322**	14,742	**23,222**	147,423
Commitment in respect of Foreign currency options	**-**	-	**-**	-
Outstanding Foreign Exchange Contracts	**87,049**	80,153	**870,490**	801,529
Commitments in respect of capital expenditure	**11,588**	18,452	**115,884**	184,516
	772,105	556,033	**7,721,056**	5,560,328
Credit Risk-weighted Exposures	**2,204,151**	2,292,311	**22,041,516**	22,923,117
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	**67,611**	63,997	**845,151**	799,963
Equity position risk	**-**	-	**-**	-
Foreign Exchange risk	**88,330**	134,678	**1,104,127**	1,683,475
Capital Requirement for portfolios subject to Internal Models Approach				
Operational Risk				
Capital Requirement for operational risks	**804,676**	882,616	**10,058,445**	11,032,697
TOTAL	**3,164,768**	3,373,602	**34,049,239**	36,439,252

Capital Adequacy Ratios	**2015**		2014	
	Required	**Actual**	Required	Actual
CET1 to total RWA	**6.00%**	**31.07%**	5.50%	27.51%
Tier-1 capital to total RWA	**7.50%**	**31.07%**	7.00%	27.51%
Total capital to total RWA	**10.00%**	**31.62%**	10.00%	28.91%

41 RISK MANAGEMENT

The Head office capital account of the Bank for the year ended December 31, 2015 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, 2015 was 31.62% 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 mitigates.
- 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 CC C	CCC CC C D	7

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:

		2015			2014		
Exposures	**Rating Category**	**Amount Outstanding**	**Deduction CRM**	**Net amount**	Amount Outstanding	Deduction CRM	Net amount
		---------- (Rupees '000) ----------					
Corporate	1	**5,364,494**	**(35,969)**	**5,328,525**	6,470,862	(202)	6,470,660
	2	**332,369**	**-**	**332,369**	1,598,367	-	1,598,367
	3,4	**-**	**-**	**-**	-	-	-
	Unrated	**63,362,155**	**(4,128,898)**	**59,233,257**	51,825,249	(48,132)	51,777,117
Banks	1	**9,346,667**	**(9,129,268)**	**217,399**	5,822,087	(5,621,993)	200,094
	2	**-**	**-**	**-**	26,543,754	-	26,543,754
	3	**-**	**-**	**-**	-	-	-
	5	**-**	**-**	**-**	-	-	-
	Unrated	**31,250,021**	**(3,961,049)**	**27,288,972**	702,350	-	702,350
Sovereigns etc		**47,491,444**	**-**	**47,491,444**	35,468,903	-	35,468,903
	4,5	**23,816**	**-**	**23,816**	12,478	-	12,478
Public sector entities	1	**4,784,231**	**(500)**	**4,783,731**	6,716,112	-	6,716,112
	2,3	**-**	**-**	**-**	-	-	-
	Unrated	**-**	**-**	**-**	-	-	-
Retail	Unrated	**225,714**	**-**	**225,714**	241,160	-	241,160
Mortgage	Unrated	**329,558**	**-**	**329,558**	327,747	-	327,747
Others	Unrated	**-**	**-**	**-**	-	-	-

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 Leverage ratio

The State Bank of Pakistan (SBP) through its BPRD Circular No. 06 of 2013 has issued instructions regarding implementation of parallel run of leverage ratio reporting and its components from December 31, 2013 to December 31, 2017. During this period the final calibration, and any further adjustments to the definition, will be completed with a view to set the leverage ratio as a seperate capital standard on December 31, 2018. Banks are required to disclosed the leverage ratio from December 31, 2015:

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

$$\textbf{Leverage Ratio} = \frac{\textbf{Tier 1 capital (after related deductions)}}{\textbf{Total Exposure}}$$

As at December 31, 2015 the Bank's Leverage ratio stood at 8.42% which is well above the minimum requirement of 3.0%

	2015	2014
	---------(Rupees in 000)-------	
On Balance Sheet Assets		
Cash and balances with treasury banks	**4,809,308**	4,267,790
Balances with other banks	**704,912**	170,697
Lendings to financial institutions	**8,464,057**	2,826,481
Investments	**48,585,117**	39,326,537
Advances	**21,389,597**	28,195,590
Operating fixed assets	**458,331**	355,154
Deferred tax assets	**201,088**	233,885
Financial Derivatives (A.1)	**920,814**	985,448
Other assets	**3,110,261**	4,892,390
Total Assets (A)	**88,643,485**	81,253,972
Derivatives (On-Balance Sheet)		
Interest Rate	**76,673**	-
Equity	-	-
Foreign Exchange & gold	**844,141**	985,448
Precious Metals (except gold)	-	-
Commodities	-	-
Credit Derivatives (protection brought & sold)	-	-
Any other derivatives	-	-
Total Derivatives (A.1)	**920,814**	985,448
Off-Balance Sheet items excluding derivatives		
Direct Credit Substitutes (i.e. Acceptances, general guarantees for indebtness etc.)	**6,521,122**	2,115,236
Performance-related Contingent Liabilities (i.e. Guarantees)	**2,253,467**	3,632,279
Trade-related Contingent Liabilities (i.e. Letter of Credits)	**6,456,746**	9,960,270
Lending of securities or posting of securties as collaterals	**5,659,343**	2,827,949
Undrawn committed facilities (which are not cancellable)	**1,947,363**	1,204,640
Unconditionally cancellable commitments (which can be cancelled at any time without notice)	**6,115,012**	4,889,131
Commitments in respect of operating leases	-	-
Commitments for the acquisition of operating fixed assets	**115,884**	184,516
Other commitments	**6,284,460**	-
Total Off-balance sheet items excluding derivatives (B)	**35,353,397**	24,814,022
C) Commitments in respect of Derivatives - Off Balance Sheet Items		
(Derivatives having negative fair value are also included)		
Interest Rate	**29,500**	-
Equity	-	-
Foreign Exchange & gold	**1,628,534**	1,362,566
Precious Metals (except gold)	-	-
Commodities	-	-
Credit Derivatives (protection sold and bought)	-	-
Other derivatives	-	-
Total Derivatives (c)	**1,658,034**	1,362,566
Tier-1 Capital	**10,580,250**	10,025,481
Total Exposure (sum of A, B and C)	**125,654,916**	107,430,560
Leverage Ratio	**8.42%**	9.33%

41.1.9 Segmental information

41.1.9.1 Segments by class of business

	2015					
	Advances (Gross)		**Deposits**		**Contingent liabilities***	
	(Rupees in '000)	**Percent**	**(Rupees in '000)**	**Percent**	**(Rupees in '000)**	**Percent**
Food manufacturing	**2,739,007**	**11.20%**	**4,343,935**	**7.04%**	**1,482,300**	**9.73%**
Textile	**2,137,077**	**8.74%**	**56,183**	**0.09%**	**141**	**0.00%**
Chemical and pharmaceuticals	**5,471,026**	**22.37%**	**7,915,475**	**12.82%**	**2,259,158**	**14.83%**
Cement	**-**	**0.00%**	**1,364**	**0.00%**	**-**	**0.00%**
Footwear and Leather garments	**73,174**	**0.30%**	**-**	**0.00%**	**-**	**0.00%**
Automobile and transportation equipment	**567,482**	**2.30%**	**221,976**	**0.36%**	**186,043**	**1.22%**
Electronics and electrical appliances	**-**	**0.00%**	**14,805,424**	**23.98%**	**145,961**	**0.96%**
Tobacco	**1,001,779**	**4.10%**	**28,770**	**0.05%**	**13,618**	**0.09%**
Power (electricity), Gas, Water, Sanitary	**1,119,270**	**4.58%**	**4,029,207**	**6.53%**	**199,569**	**1.31%**
Wholesale and Retail Trade	**9,026**	**0.04%**	**355,069**	**0.58%**	**200**	**0.00%**
Transport, Storage and Communication	**9,499,116**	**38.83%**	**10,458,778**	**16.94%**	**1,573,410**	**10.33%**
Financial	**-**	**0.00%**	**1,852,780**	**3.00%**	**4,520,528**	**29.68%**
Individuals	**620,416**	**2.54%**	**376,176**	**0.61%**	**-**	**0.00%**
Others	**1,223,114**	**5.00%**	**17,297,546**	**28.00%**	**4,850,408**	**31.85%**
	24,460,487	**100.0%**	**61,742,683**	**100.0%**	**15,231,336**	**100.0%**

	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	5.40%	271,582	1.73%
Textile	1,568,990	4.96%	60,899	0.10%	141	0.00%
Chemical and pharmaceuticals	6,872,629	21.73%	5,056,760	10.50%	4,376,385	27.86%
Cement	-	0.00%	2,634	0.00%	-	0.00%
Footwear and leather garments	77,234	0.24%	-	0.00%	-	0.00%
Automobile and transportation equipment	126,167	0.40%	188,177	0.40%	3,176,666	20.22%
Electronics and electrical appliances	-	0.00%	12,224,160	25.40%	196,330	1.25%
Tobacco	2,899	0.01%	732	0.00%	1,350	0.01%
Power (electricity), Gas, Water, Sanitary	1,726,660	5.46%	2,843,193	5.90%	144,791	0.92%
Wholesale and Retail Trade	-	0.00%	108,808	0.20%	-	0.00%
Transport, storage and communication	11,764,684	37.21%	9,272,453	19.30%	134,111	0.85%
Financial	-	0.00%	1,696,253	3.50%	3,041,747	19.36%
Individuals	647,927	2.05%	432,524	0.90%	-	0.00%
Others	1,616,990	5.11%	13,652,807	28.40%	4,364,683	27.79%
	31,621,083	100.0%	48,143,989	100.0%	15,707,786	100.0%

41.1.9.2 Segment by sector

	2015					
	Advances (Gross)		**Deposits**		**Contingent liabilities***	
	(Rupees in '000)	**Percent**	**(Rupees in '000)**	**Percent**	**(Rupees in '000)**	**Percent**
Public / Government	**10,581**	**0.04%**	**476,027**	**0.77%**	**1,000**	**0.01%**
Private	**24,449,906**	**99.96%**	**61,266,656**	**99.23%**	**15,230,336**	**99.99%**
	24,460,487	**100.00%**	**61,742,683**	**100.0%**	**15,231,336**	**100.00%**

	2014					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	479,963	1.50%	384,633	0.80%	259,935	1.70%
Private	31,141,120	98.50%	47,759,356	99.20%	15,447,851	98.30%
	31,621,083	100.0%	48,143,989	100.0%	15,707,786	100.0%

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

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

	2015		2014	
	Classified advances	**Specific provisions held**	Classified advances	Specific provisions held
	(Rupees in '000)			
Textile	**1,818,915**	**1,818,915**	2,045,111	2,045,111
Chemicals and pharmaceuticals	**61,343**	**61,343**	61,343	61,343
Individuals	**165,236**	**165,236**	168,806	168,806
Others	**1,025,179**	**1,025,179**	1,150,087	1,150,087
	3,070,673	**3,070,673**	3,425,347	3,425,347

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

Public / Government	-	-	-	-
Private	**3,070,673**	**3,070,673**	3,425,347	3,425,347
	3,070,673	**3,070,673**	3,425,347	3,425,347

41.1.9.5 Geographical segment analysis

	2015			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingent liabilities***
	(Rupees in '000)			
Pakistan	5,659,107	88,643,485	10,766,568	15,231,336

	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

*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. 5,481.015 million (2014: Rs.129.698 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.

	2015			
	Assets	**Liabilities ***	**Off-balance sheet items**	**Net foreign currency exposure**
	(Rupees in '000)			
United States dollar	**9,474,075**	**6,839,047**	**(1,653,267)**	**981,761**
Great Britain pound	**177,411**	**9,168**	**(165,360)**	**2,883**
Japanese yen	**90,755**	**1**	**(82,679)**	**8,075**
Euro	**144,271**	**148,908**	**5,321**	**684**
Swiss Francs	**14,723**	**-**	**(1,965)**	**12,758**
Other currencies	**488,631**	**328,639**	**(497,114)**	**(337,122)**
Foreign currency exposure	**10,389,866**	**7,325,763**	**(2,395,064)**	**669,039**
Pakistan rupee	**78,253,619**	**70,551,154**	**2,395,064**	**(669,039)**
Total currency exposure	**88,643,485**	**77,876,917**	**-**	**-**

	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	-	-

* 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.

2015

	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	-	4,809,308	754,135	-	-	-	-	-	-	-	-	4,055,172
Balances with other banks	0.18%	704,912	-	-	-	-	-	-	-	-	-	704,912
Lending to financial institutions	6.92%	8,464,057	8,464,057	-	-	-	-	-	-	-	-	-
Investments	8.22%	48,585,117	3,347,646	8,975,105	795,729	8,992,210	2,265,680	18,240,740	5,968,007	-	-	-
Advances	8.74%	21,389,597	15,099,787	479,528	5,377,267	13,577	26,110	20,952	28,495	59,333	241,060	43,488
Other assets	-	2,493,511	-	-	-	-	-	-	-	-	-	2,493,511
		86,446,502	27,665,625	9,454,633	6,172,996	9,005,787	2,291,790	18,261,692	5,996,502	59,333	241,060	7,297,083
Liabilities												
Bills payable	-	1,766,257	-	-	-	-	-	-	-	-	-	1,766,257
Borrowings from financial institutions	2.36%	7,003,479	7,003,479	-	-	-	-	-	-	-	-	-
Deposits and other accounts	3.88%	61,742,683	45,126,462	5,493,439	308,500	5,000	-	-	8,000	-	-	10,801,282
Other liabilities	-	7,336,881	-	-	-	-	-	-	-	-	-	7,336,881
		77,849,300	52,129,941	5,493,439	308,500	5,000	-	-	8,000	-	-	19,904,420
On-balance sheet gap		8,597,202	(24,464,316)	3,961,194	5,864,496	9,000,787	2,291,790	18,261,692	5,988,502	59,333	241,060	(12,607,337)
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		99,992,028	64,713,272	31,802,311	3,476,445	-	-	-	-	-	-	-
Forward exchange contracts - sale		(102,542,917)	(55,768,602)	(37,532,496)	(6,880,559)	(2,361,260)	-	-	-	-	-	-
Interest rate swaps - long position		6,083,675	-	-	-	-	183,675	-	5,900,000	-	-	-
Interest rate swaps - short position		(6,083,675)	-	-	-	-	(183,675)	-	(5,900,000)	-	-	-
Forward currency options - long position		-	-	-	-	-	-	-	-	-	-	-
Forward currency options - short position		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(2,550,889)	8,944,670	(5,730,185)	(3,404,114)	(2,361,260)	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		6,046,313	(15,519,646)	(1,768,991)	2,460,382	6,639,527	2,291,790	18,261,692	5,988,502	59,333	241,060	(12,607,337)
Cumulative Yield / Interest Risk Sensitivity Gap			(15,519,646)	(17,288,637)	(14,828,255)	(8,188,728)	(5,896,938)	12,364,754	18,353,256	18,412,589	18,653,649	6,046,312

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

41.2.4 Reconciliation of assets and liabilities exposed to Yield / Interest Rate risk with total assets and liabilities

	2015	2014
	(Rupees in '000)	
Total financial assets as per note 41.2.3	**86,446,502**	77,933,784
Add: Non financial assets		
Operating fixed assets	**458,331**	355,154
Deferred tax asset	**201,088**	233,885
Other assets	**1,537,564**	2,731,149
Total assets as per statement of financial position	**88,643,485**	81,253,972
Total liabilities as per note 41.2.3	**77,849,300**	70,665,885
Add: Non financial liabilities		
Other liabilities	**27,617**	54,058
Total liabilities as per statement of financial position	**77,876,917**	70,719,943

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

	2015									
	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	4,809,308	4,518,961	274,672	15,425	250	-	-	-	-	-
Balances with other banks	704,912	704,912	-	-	-	-	-	-	-	-
Lendings to financial institutions	8,464,057	8,464,057	-	-	-	-	-	-	-	-
Investments	48,585,117	3,347,646	8,975,105	795,729	8,992,210	2,265,680	18,240,740	5,968,007	-	-
Advances	21,389,597	18,064,193	856,033	316,673	307,209	613,374	606,910	324,812	59,333	241,061
Operating fixed assets	458,331	21,959	15,247	22,367	44,507	55,171	43,089	48,697	41,974	165,320
Deferred tax assets	201,088	-	-	-	-	-	-	201,087	-	-
Other assets	4,031,075	1,074,144	1,577,207	337,344	581,847	383,860	-	76,673	-	-
	88,643,485	36,195,872	11,698,264	1,487,538	9,926,023	3,318,085	18,890,739	6,619,276	101,307	406,381
Liabilities										
Bills payable	1,766,257	1,766,257	-	-	-	-	-	-	-	-
Borrowings from financial institutions	7,003,479	7,003,479	-	-	-	-	-	-	-	-
Deposits and other accounts *	61,742,683	55,927,744	5,493,439	308,500	5,000	-	-	8,000	-	-
Other liabilities	7,364,498	5,310,979	414,065	314,011	1,323,957	1,486	-	-	-	-
	77,876,917	70,008,459	5,907,504	622,511	1,328,957	1,486	-	8,000	-	-
Net assets	10,766,568	(33,812,587)	5,790,760	865,027	8,597,066	3,316,599	18,890,739	6,611,276	101,307	406,381
Represented by:										
Head office capital account	6,812,671									
Reserves	164,791									
Unremitted profit	3,602,788									
Deficit on revaluation of securities - net	186,318									
	10,766,568									

	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									

* 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

2015

	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	**4,809,308**	**4,518,961**	**274,672**	**15,425**	**250**	**-**	**-**	**-**	**-**	**-**
Balances with other banks	**704,912**	**704,912**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Lendings to financial institutions	**8,464,057**	**8,464,057**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**48,585,117**	**3,347,646**	**8,975,105**	**795,729**	**8,992,210**	**2,265,680**	**18,240,740**	**5,968,007**	**-**	**-**
Advances	**21,389,597**	**5,030,281**	**856,033**	**316,673**	**307,209**	**613,374**	**606,910**	**13,358,724**	**59,333**	**241,061**
Operating fixed assets	**458,331**	**21,959**	**15,247**	**22,367**	**44,507**	**55,171**	**43,089**	**48,697**	**41,974**	**165,320**
Deferred tax assets	**201,088**	**-**	**-**	**-**	**-**	**-**	**-**	**201,087**	**-**	**-**
Other assets	**4,031,075**	**1,074,144**	**1,577,207**	**337,344**	**581,847**	**383,860**	**-**	**76,673**	**-**	**-**
	88,643,485	**23,161,960**	**11,698,264**	**1,487,538**	**9,926,023**	**3,318,085**	**18,890,739**	**19,653,188**	**101,307**	**406,381**
Liabilities										
Bills payable	**1,766,257**	**1,766,257**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings from financial institutions	**7,003,479**	**7,003,479**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits and other accounts	**61,742,683**	**23,483,247**	**5,493,439**	**308,500**	**5,000**	**-**	**-**	**32,452,497**	**-**	**-**
Other liabilities	**7,364,498**	**5,310,979**	**414,065**	**314,011**	**1,323,957**	**1,486**	**-**	**-**	**-**	**-**
	77,876,917	**37,563,962**	**5,907,504**	**622,511**	**1,328,957**	**1,486**	**-**	**32,452,497**	**-**	**-**
Net assets	**10,766,568**	**(14,402,002)**	**5,790,760**	**865,027**	**8,597,066**	**3,316,599**	**18,890,739**	**(12,799,309)**	**101,307**	**406,381**
Represented by:										
Head office capital account	**6,812,671**									
Reserves	**164,791**									
Unremitted profit	**3,602,788**									
Deficit on revaluation of securities - net	**186,318**									
	10,766,568									

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									

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 02, 2016 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

(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 2015

ANNEXURE I

Rs. In '000

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	NATIONAL GASES LTD. *	F-74/A S.I.T.E Karachi	MUHAMMAD AADIL KHAN 42401-4229617-9 ISMAT AADIL 42401-8807261-6 SHERAZ KHAN 42401-2451658-7	MUHAMMAD AADIL KHAN MUHAMMAD AADIL KHAN MUHAMMAD FAZAL KHAN	26,944	37,046	-	63,990	6,944	40,962	-	47,906
2	M.R. TRADERS	ROOM NO 7 MEZININE FLOOR CUSTOM HOUSE KARACHI	MUHAMMED RAFIQUE- 42301-2373386-7	MUHAMMED IBRAHIM	2,650	5,575	-	8,225	2,650	5,708	-	8,358
3	ZAMINDARA PAPER BOARD MILLS LTD	241 BLOCK N MODEL TOWN EXTENSION LAHORE	SHAMIM AHMED MALIK- 35202-2357273-1 FUAD AHMED MALIK- 35202-2268229-3 FAHIM AHMED MALIK- 35202-2357273-3	MALIK ABDUL WAHID SHAMIM AHMED MALIK SHAMIM AHMED MALIK	70,822	97,992	-	168,814	50,822	103,174	-	153,996
4	UNIVERSAL TRACTORS PAKISTAN (PVT) LTD	172-G TARIQ ROAD P.E.C.H.S, BLOCK II KARACHI	MUHAMMAD IQBAL- 42201-0362176-3 MUHAMMAD JAFFAR- 42000-0422308-7 MUHAMMAD MUNAWAR- 42201-0331241-9 MUHAMMAD YASIN- 42201-0318757-1 ABDUL WAHAB- 42201-0369197-9	GUL MUHAMMAD GUL MUHAMMAD ISAA GUL MUHAMMAD GUL MUHAMMAD ISAA GUL MUHAMMAD ISAA	23,970	26,991	-	50,961	8,970	28,372	-	37,342
5	ABDULLAH APPARELS (PVT) LTD.	D156 BLOCK 14 F.B AREA KARACHI	MUSHTAQ ABDULLAH- 42301-1422651-1 RAFAT M ABDULLAH - 42301-7489430-2	ABDULLAH NOOR MOHAMMAD MUSHTAQ ABDULLAH	57,933	93,259	-	151,192	55,358	99,489	-	154,847
6	MUSTAFA INDUSTRIES	55 LUXMI BUILDING M.A. JINNAH ROAD KARACHI	NISAR ALI BHAGAT- 42201-0655748-5 MOHSIN AHMED BHAGAT- 42301-0800019-1 MUHAMMAD AHMED BHAGAT 42301-0302913-1	AHMED BHAGAT AHMED BHAGAT AHMED BHAGAT	4,082	5,479	-	9,561	4,082	5,997	-	10,079
7	MUSLIM COTTON MILLS LTD	A/1 A-1 OFF TEXTILE AVENUE S.I.T.E KARACHI	MUNIR ABDUL RAZZAK TEHLI-42201-0588126-3 MAROOF MUNIR TEHLI- 42201-0588131-3 MOBIN MUNIR TEHLI- 42201-3230237-9	ABDUL RAZAK TEHLI MUNIR ABDUL RAZZAK TEHLI MUNIR ABDUL RAZZAK TEHLI	19,474	27,650	-	47,124	19,474	29,804		49,278
8	RAKSONS ENGINEERS	KATAR BUND ROAD THOKAR NIAZ BAIG	AZHAR ALI- 35202-8139054-7	MIAN MUHAMMED ALI	31,832	34,400	-	66,232	15,832	37,836	-	53,668
9	THE CHANNELS	F53-1 BLK F NORTH NAZIMABAD KARACHI	FAUZIA MINHAJ- 42201-0911495-8	SYED MINHAJ UD DIN ZAFAR	7,758	3,804	-	11,562	7,758	6,754	-	14,512
10	KHAYABAN GHEE MILLS (PVT) LTD	11-AURANGZEB BLOCK NEW GARDEN TOWN LAHORE	CH. SAJJAD HUSSAIN- 35202-8042329-9 CH FALAK SHER- 35202-2688190-3	CH.MUHAMMED DIN CH.MUHAMMED DIN	26,139	42,772	-	68,911	7,139	45,109	-	52,248
11	CONSUMER MARKETING	D-28- BLOCK 1 KAECHS KARACHI	MUHAMMED AKHTAR- 42101-0575391-7 NOMAN AKHTAR- 42101-0670296-7 REHAN AKHTAR- 42101-0670391-7 SALMAN AKHTAR- 42101-3702803-5	FATEH ULLAH MUHAMMED AKHTAR MUHAMMED AKHTAR MUHAMMED AKHTAR	-	385	-	385	-	24	-	24
					271,604	375,353	-	646,957	179,029	403,229	-	582,258

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 2015

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					
	1,402	-	94	AUCTION	FAHEEM ENTERPRISES
	1,402	**-**	**94**		
Vehicles					
	1,885	283	377	Term of Employment	SALMAN MOEED MIAN
	1,899	380	948	Term of Employment	UZZAM SOHAIL
	1,649	330	330	Term of Employment	ASAD SARFARAZ
	6,128	2,653	2,755	Term of Employment	SHYAM SHAHANI
	1,649	302	330	Term of Employment	NADEEM ASLAM
	1,902	317	740	Term of Employment	HAMID TUFAIL KHAN
	1,902	317	885	Term of Employment	DANIAL MERCHANT
	1,899	317	865	Term of Employment	SULEMAN JAFRANI
	1,673	307	755	Term of Employment	AMIN ISMAIL
	1,640	164	383	Term of Employment	AMBREEN ALVI
	1,767	471	560	Term of Employment	SAMEER MUHAMMAD KHAN
	1,717	229	691	Term of Employment	AFSHEEN KHAN
	1,946	357	389	Term of Employment	CH MUHAMMAD SABAHUDDIN
	27,656	**6,427**	**10,008**		
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	456	22	73		
	29,514	**6,449**	**10,175**		