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 2017 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approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the repealed Companies Ordinance, 1984 (XLVII of 1984).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a) in our opinion, proper books of account have been kept by the Bank as required by the repealed Companies Ordinance, 1984 (XLVII of 1984);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the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the repealed Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the repealed 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 2017 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: 29 March 2018

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 2017

	Note	2017	2016
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	*6*	**5,907,205**	5,480,867
Balances with other banks	*7*	**1,091,101**	1,542,895
Lendings to financial institutions	*8*	**23,930,516**	13,325,003
Investments - net	*9*	**57,091,381**	66,676,243
Advances - net	*10*	**24,483,524**	21,421,510
Fixed assets	*11*	**541,286**	579,296
Deferred tax assets - net	*12*	**62,145**	133,999
Other assets	*13*	**4,068,828**	2,890,571
		117,175,986	112,050,384
LIABILITIES			
Bills payable	*15*	**1,836,429**	2,524,303
Borrowings from financial institutions	*16*	**15,460,370**	18,394,904
Deposits and other accounts	*17*	**78,817,906**	75,076,382
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	*18*	**11,858,203**	5,834,617
		107,972,908	101,830,206
NET ASSETS		**9,203,078**	10,220,178
REPRESENTED BY			
Head office capital account	*19*	**6,812,671**	6,812,671
Reserves		**163,039**	168,704
Unremitted profit		**2,232,629**	3,174,345
		9,208,339	10,155,720
(Deficit) / surplus on revaluation of assets - net of tax	*20*	**(5,261)**	64,458
		9,203,078	10,220,178
CONTINGENCIES AND COMMITMENTS	*21*		

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

NADEEM LODHI
Managing Director and
Citi Country Officer

GULZEB KHAN
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 2017

	Note	2017	2016
		(Rupees in '000)	
Mark-up / return / interest earned	23	**6,146,996**	5,696,189
Mark-up / return / interest expensed	24	**3,206,755**	2,894,239
Net mark-up / return / interest income		**2,940,241**	2,801,950
Reversal against loans and advances - net	10.3	**(68,067)**	(84,686)
Bad debts (recovered) / written off directly	10.4	**-**	-
Provision against off-balance sheet obligations - net		**-**	-
		(68,067)	(84,686)
Net mark-up / interest income after provisions		**3,008,308**	2,886,636
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**826,229**	816,831
Income from dealing in foreign currencies	25	**1,859,978**	1,837,474
Gain on sale of securities	26	**76,856**	1,528,416
Unrealised gain on revaluation of investments classified as held for trading		**5,495**	15,700
Other income	27	**70,746**	182,310
Total non mark-up / interest income - net		**2,839,304**	4,380,731
		5,847,612	7,267,367
NON MARK-UP / INTEREST EXPENSE			
Administrative expenses	28	**2,032,316**	1,979,939
Reversal of provision against appreciation / diminution in the value of non-banking assets - net	13.3	**-**	-
Operating fixed assets written off		**-**	-
Other charges	29	**60,643**	95,999
Total non mark-up / interest expenses - net		**2,092,959**	2,075,938
PROFIT BEFORE TAXATION		**3,754,653**	5,191,429
Taxation	30		
- Current		**1,217,112**	1,685,316
- Prior years		**190,482**	160,000
- Deferred		**113,139**	145,008
		1,520,733	1,990,324
PROFIT AFTER TAXATION		**2,233,920**	3,201,105

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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Managing Director and
Citi Country Officer

GULZEB KHAN
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 2017

	2017	2016
	(Rupees in '000)	
Profit after taxation for the year	**2,233,920**	3,201,105
Items that will not be reclassified to profit and loss		
Components of comprehensive income reflected in equity		
- Remeasurements of defined benefit plan	**(1,986)**	(41,169)
- Deferred tax asset on remeasurements of defined benefit plan	**695**	14,409
	(1,291)	(26,760)
Comprehensive income transferred to equity	**2,232,629**	3,174,345
Items that may be reclassified subsequently to profit and loss		
Components of comprehensive income not reflected in equity		
- Deficit on revaluation of available for sale securities	**(107,259)**	(187,477)
- Deferred tax asset on revaluation of available for sale securities	**37,541**	65,617
	(69,718)	(121,860)
	2,162,911	3,052,485

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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Managing Director and
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GULZEB KHAN
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 2017

	Note	2017	2016
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**3,754,653**	5,191,429
Adjustments for non cash and other items:			
Depreciation		**128,162**	128,142
Amortisation		-	-
Reversal of provision against loans and advances		**(68,067)**	(84,686)
Unrealised gain on revaluation of investments classified as held for trading		**(5,495)**	(15,700)
Bad debts written off directly		-	-
Gain on disposal of operating fixed assets		**(3,592)**	(2,370)
Charge for defined benefit plan		**40,539**	38,504
Reversal of provision against diminution in the value of non-banking assets		-	-
Provision against off-balance sheet obligations		-	-
Operating fixed assets written off		-	-
		91,547	63,890
		3,846,200	5,255,319
(Increase) / decrease in operating assets			
Lendings to financial institutions		**(10,605,513)**	(4,860,946)
Investments - Held for trading securities		**15,191,975**	(15,081,822)
Advances		**(2,993,947)**	52,773
Other assets		**(1,114,268)**	517,432
		478,247	(19,372,563)
Increase / (decrease) in operating liabilities			
Bills payable		**(687,874)**	758,046
Borrowings from financial institutions		**(2,846,330)**	11,301,259
Deposits and other accounts		**3,741,524**	13,333,699
Other liabilities		**6,481,798**	(1,477,022)
		6,689,118	23,915,982
		11,013,565	9,798,738
Contribution to gratuity fund		**(43,043)**	(46,735)
Income tax paid		**(1,471,584)**	(1,104,594)
Remittances made during the year on account of head office expenses		**(466,408)**	(197,427)
Net cash generated from operating activities		**9,032,530**	8,449,982
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		**(5,708,877)**	(3,181,081)
Investments in operating fixed assets		**(90,347)**	(250,277)
Sale proceeds from disposal of property and equipment		**3,787**	3,540
Net cash used in investing activities		**(5,795,437)**	(3,427,818)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit repatriated to head office during the year		**(3,174,345)**	(3,602,788)
Net cash used in financing activities		**(3,174,345)**	(3,602,788)
Decrease in cash and cash equivalents		**62,748**	1,419,376
Cash and cash equivalents at the beginning of the year		**6,933,596**	5,514,220
Cash and cash equivalents at the end of the year	*31*	**6,996,344**	6,933,596

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

NADEEM LODHI	**GULZEB KHAN**
Managing Director and	**Chief Financial Officer**
Citi Country 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 2017

	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, 2016	6,812,671	3,602,788	164,791	10,580,250
Profit for the year ended December 31, 2016	-	3,201,105	-	3,201,105
Other comprehensive income for the year				
Remeasurements of defined benefit plan	-	(41,169)	-	(41,169)
Tax on remeasurements of defined benefit plan	-	14,409	-	14,409
	-	(26,760)	-	(26,760)
Transactions with owners				
Contribution by the head office in respect of share based payments	-	-	13,483	13,483
Recharged balance payable to the head office for share based payments	-	-	(13,483)	(13,483)
Effect of re-measurement of cost under share based payment - net of tax	-	-	3,913	3,913
	-	-	3,913	3,913
Profit remittance made to head office	-	(3,602,788)	-	(3,602,788)
Balance as at December 31, 2016	6,812,671	3,174,345	168,704	10,155,720
Profit for the year ended December 31, 2017	-	2,233,920	-	2,233,920
Other comprehensive income for the year				
Remeasurements of defined benefit plan	-	(1,986)	-	(1,986)
Tax on remeasurements of defined benefit plan	-	695	-	695
	-	(1,291)	-	(1,291)
Transactions with owners				
Contribution by the head office in respect of share based payments	-	-	8,334	8,334
Recharged balance payable to the head office for share based payments	-	-	(8,334)	(8,334)
Effect of re-measurement of cost under share based payment - net of tax	-	-	(5,665)	(5,665)
	-	-	(5,665)	(5,665)
Profit remittance made to head office	-	(3,174,345)	-	(3,174,345)
Balance as at December 31, 2017	**6,812,671**	**2,232,629**	**163,039**	**9,208,339**

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

NADEEM LODHI
Managing Director and
Citi Country Officer

GULZEB KHAN
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 31 December 2017, the Bank operated through 3 branches (31 December 2016: 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 repealed Companies Ordinance, 1984, the requirements of the repealed 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 repealed 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 repealed 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 01 January 2017 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 2018:

3.5.1 Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Bank’s financial statements.

3.5.2 Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 ‘Investments in Associates and Joint Ventures’] (effective for annual periods beginning on or after January 1, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Bank’s financial statements.

3.5.3 IFRIC 22 ‘Foreign Currency Transactions and Advance Consideration’ (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Bank’s financial statements.

3.5.4 IFRIC 23 ‘Uncertainty over Income Tax Treatments’ (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Bank’s financial statements.

3.5.5 IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Bank is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

3.5.6 IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further instructions.

3.5.7 Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Bank's financial statements.

3.5.8 Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

3.5.9 In addition, the Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23/2017 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. SBP has also notified a new format of financial statements which would be effective from the accounting year ending 31 December 2018. The Companies Act, 2017 and the revised format would result in additional disclosures and certain changes in the financial statements presentation.

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.

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 statement of financial position 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 statement of financial position 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 statement of financial position 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 statement of financial position 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). The Bank's Chief operating decision maker reviews the results and assesses performance of these segments separately. The operations of the Bank are based in Pakistan, therefore geographical segment is not

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	2017	2016
6	**CASH AND BALANCES WITH TREASURY BANKS**		**(Rupees in '000)**	
	In hand			
	Local currency		**145,966**	127,342
	Foreign currencies		**341,065**	270,033
	With State Bank of Pakistan in			
	Local currency current account	*6.1*	**4,522,747**	4,154,022
	Foreign currency current account		**13,474**	9,003
	Foreign currency deposit accounts			
	- Cash reserve account	*6.2*	**220,834**	230,117
	- Special cash reserve account	*6.3*	**662,503**	690,350
	With National Bank of Pakistan in			
	Local currency current account		**616**	-
			5,907,205	5,480,867

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. These carry mark-up rates from 0.06% to 0.37% (2016: Nil).

		Note	2017	2016
7	**BALANCES WITH OTHER BANKS**		**(Rupees in '000)**	
	In Pakistan			
	In current account		**48,308**	38,825
	Outside Pakistan			
	In current account	*7.1*	**1,042,793**	1,504,070
	In deposit account		**-**	-
			1,091,101	1,542,895

7.1 This includes balance of Rs. 1,040.846 million (2016: Rs. 1,474.013 million) held with branches of Citibank N.A. outside Pakistan.

		Note	2017	2015
8	**LENDINGS TO FINANCIAL INSTITUTIONS**		**(Rupees in '000)**	
	Repurchase agreement lendings (Reverse Repo)	*8.1, 8.2 & 8.3*	**23,930,516**	13,325,003
			23,930,516	13,325,003

8.1 These represent short term lendings to financial institutions against government securities. These carry mark-up at rates ranging from 5.75% to 5.85% (2016: 5.93% to 8.82%) per annum and have a maturity period of upto January 2018 (2016: January 2017).

		2017	2016
8.2	**Particulars of lendings to financial institutions**	**(Rupees in '000)**	
	In local currency	**23,930,516**	13,325,003
		23,930,516	13,325,003

8.3 Securities held as collateral against lendings to financial institutions

	Note	2017 Held by Bank	2017 Further given as collateral	2017 Total	2016 Held by Bank	2016 Further given as collateral	2016 Total
		(Rupees in '000)					
Market Treasury Bills		**21,930,404**	**-**	**21,930,404**	7,324,675	-	7,324,675
Pakistan Investment Bond		**2,000,112**		**2,000,112**	6,000,328		6,000,328
		23,930,516	**-**	**23,930,516**	13,325,003	-	13,325,003

9 INVESTMENTS

9.1 Investments by types:

	Note	2017 Held by Bank	2017 Given as collateral	2017 Total	2016 Held by Bank	2016 Given as collateral	2016 Total
		(Rupees in '000)					
Held-for-trading securities							
Market Treasury Bills	*9.4*	**6,791,487**	**-**	**6,791,487**	23,000,963	-	23,000,963
Pakistan Investment Bonds	*9.5*	**1,017,501**	**-**	**1,017,501**	-	-	-
		7,808,988	**-**	**7,808,988**	23,000,963	-	23,000,963
Available-for-sale securities							
Market Treasury Bills	*9.4*	**46,007,977**	**-**	**46,007,977**	29,639,302	-	29,639,302
Pakistan Investment Bonds	*9.5*	**3,285,009**	**-**	**3,285,009**	13,944,807	-	13,944,807
Fully Paid-up Ordinary Shares	*9.6*	**-**	**-**	**-**	2,000	-	2,000
Unlisted Term Finance Certificates	*9.7*	**248,090**	**-**	**248,090**	248,090	-	248,090
		49,541,076	**-**	**49,541,076**	43,834,199	-	43,834,199
Investments at cost		**57,350,064**	**-**	**57,350,064**	66,835,162	-	66,835,162
Less: Provision for diminution in the value of Investments	*9.8*	**248,090**	**-**	**248,090**	250,090	-	250,090
Investments (net of provisions)		**57,101,974**	**-**	**57,101,974**	66,585,072	-	66,585,072
Deficit on revaluation of held-for-trading securities - net	*9.10*	**(2,500)**	**-**	**(2,500)**	(7,995)	-	(7,995)
(Deficit) / Surplus on revaluation of available-for-sale securities - net	*20*	**(8,093)**	**-**	**(8,093)**	99,166	-	99,166
Total investments at market value		**57,091,381**	**-**	**57,091,381**	66,676,243	-	66,676,243

9.2 Investments by segments:

	Note	2017	2016
		(Rupees in '000)	
Federal Government Securities:			
Market Treasury Bills	*9.3 & 9.4*	**52,799,464**	52,640,265
Pakistan Investment Bonds	*9.3 & 9.5*	**4,302,510**	13,944,807
		57,101,974	66,585,072
Fully Paid up Ordinary Shares			
Unlisted shares	*9.6*	**-**	2,000
Term Finance Certificates:			
Unlisted	*9.7*	**248,090**	248,090
Investments at cost		**57,350,064**	66,835,162
Less: Provision for diminution in value of investments	*9.8*	**248,090**	250,090
Investments (net of provisions)		**57,101,974**	66,585,072
Surplus on revaluation of held-for-trading securities	*9.10*	**(2,500)**	(7,995)
(Deficit) / surplus on revaluation of available-for-sale securities	*20*	**(8,093)**	99,166
Total investments at market value		**57,091,381**	66,676,243

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 5.88% to 6.01% (2016: 5.75% to 6.22%) per annum with maturities upto October 2018 (2016: October 2017). Market Treasury Bills having face value of Rs. 25 million (2016: Nil) have been deposited with the State Bank of Pakistan against telegraph transfer / discounting facility granted by them. In addition Market Treasury Bills having face value of Rs 7,384 million (2016: 2,492 million) have been deposited with the State Bank of Pakistan as pledged capital.

9.5 Pakistan Investment Bonds (PIBs) are for periods of three, five, ten and fifteen years. The yield on these PIBs range from 6.40% to 11.25% (2016: 6.00% to 11.25%) per annum with maturities from July 2018 to April 2021 (2016: July 2017 to July 2019). Pakistan Investment Bonds having face value of Nil (2016: 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. 331 million (2016: Rs. 5,198 million) have been deposited with the State Bank of Pakistan as pledged capital.

		Note	2017	2016
9.6	**Particulars of Fully Paid-up Ordinary Shares - Unlisted companies**		**(Rupees in '000)**	
	Arabian Sea Country Club			
	Nil (2016: 200,000) fully paid-up ordinary shares of Rs.10/- each		-	2,000
	Chief Executive Officer - Mr. Arif Ali Khan Abbasi			
			-	2,000
9.7	**Particulars of Term Finance Certificates - Unlisted**			
	Azgard Nine Limited			
	49,618 Term Finance certificates (2016: 49,618) of Rs. 5,000 each	*9.7.1*	**248,090**	248,090

9.7.1 Represents term finance certificates received as partial settlement from Azgard Nine Limited against overdue suspended mark-up amounting to Rs 248.090 million kept in memorandum account and are completely provided for.

			2017	2016
9.8	**Particulars of provision for diminution in the value of investments**		**(Rupees in '000)**	
	Opening balance		**250,090**	250,090
	Reversals		**(2,000)**	-
	Closing balance	*9.8.1*	**248,090**	250,090

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

	2017	2016
Unlisted shares - available-for-sale investments	-	2,000
Unlisted term finance certificates - available-for-sale investments	**248,090**	248,090
	248,090	250,090

9.9 Quality of Available for Sale Securities	**2017**		2016	
	Amount (Rupees'000)	**Rating (where available)**	Amount (Rupees'000)	Rating (where available)
Federal Government Securities (at market value)				
Market Treasury Bills	**46,006,518**	**N/A**	29,613,378	N/A
Pakistan Investment Bonds	**3,278,375**	**N/A**	14,069,897	N/A
	49,284,893		43,683,275	
Ordinary shares - unlisted (at cost)				
Arabian Sea Country Club	-		2,000	Unrated
	-		2,000	
Term Finance Certificates - unlisted (at cost)				
Azgard Nine Limited	**248,090**	**Unrated**	248,090	Unrated
	248,090		248,090	
Total	**49,532,983**		43,933,365	

		2017	2016
9.10	**Unrealised loss on revaluation of investments classified as held for trading**	**(Rupees in '000)**	
	Market Treasury Bills	**2,500**	7,995
	Pakistan Investments Bonds	-	-
		2,500	7,995

10 ADVANCES

	Note	2017	2016
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		**25,862,946**	22,930,708
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		**1,419,476**	1,357,767
Payable outside Pakistan		**-**	-
		1,419,476	1,357,767
Advances - gross	*10.1.3*	**27,282,422**	24,288,475
Provision against advances			
Specific - provision against non-performing advances	*10.2*	**(2,798,643)**	(2,866,751)
General - provision against advances	*10.3.1*	**(255)**	(214)
	10.3	**(2,798,898)**	(2,866,965)
Advances - net of provisions		**24,483,524**	21,421,510

10.1 Particulars of advances (gross)

		2017	2016
10.1.1	In local currency	**27,046,785**	24,065,255
	In foreign currencies	**235,637**	223,220
		27,282,422	24,288,475
10.1.2	Short term (for upto one year)	**26,010,349**	23,032,340
	Long term (for over one year)	**1,272,073**	1,256,135
		27,282,422	24,288,475

10.1.3 Based on classification defined in SBP Prudential Regulations, Rs. 26,661.002 million (2016: Rs. 23,541.363 million) advances fall under Corporate and Rs. 621.420 million (2016: Rs. 747.112 million) fall under Consumer and SME classification as at 31 December 2017.

10.2 Advances include Rs.2,798.643 million (2016: Rs.2,866.751 million) which have been placed under non-performing status as detailed below:

	2017			2016		
	Classified advances (Domestic)	**Provision required**	**Provision held**	Classified advances (Domestic)	Provision required	Provision held
	(Rupees in '000)					
Category of classification						
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	**2,798,643**	**2,798,643**	**2,798,643**	2,866,751	2,866,751	2,866,751
	2,798,643	**2,798,643**	**2,798,643**	2,866,751	2,866,751	2,866,751

10.3 Particulars of provision against advances

	Note	2017			2016		
		Specific	**General**	**Total**	Specific	General	Total
		(Rupees in '000)					
Opening balance		**2,866,751**	**214**	**2,866,965**	3,070,673	217	3,070,890
Charge for the year		**-**	**41**	**41**	-	-	-
Reversals		**(68,108)**	**-**	**(68,108)**	(84,683)	(3)	(84,686)
		(68,108)	**41**	**(68,067)**	(84,683)	(3)	(84,686)
Amounts written off	*10.4.1*	**-**	**-**	**-**	(119,239)	-	(119,239)
Closing balance		**2,798,643**	**255**	**2,798,898**	2,866,751	214	2,866,965

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

	2017			2016		
	Specific	**General**	**Total**	Specific	General	Total
	(Rupees in '000)					
In local currency	**2,798,643**	**255**	**2,798,898**	2,866,751	214	2,866,965

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 personal loans. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

		Note	**2017**	2016
10.4	**Particulars of write-offs**		**(Rupees in '000)**	
10.4.1	Against provisions	*10.3*	-	119,239
			-	119,239
10.4.2	Write offs of Rs. 500,000 and above (excluding discount on prepayment and loss on sale)		-	119,239
	Recovery from party written off in previous period		-	-
	Write offs of below Rs. 500,000		-	-
			-	119,239

10.5 Particulars of loans and advances to directors, executives associated companies, etc.

Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons *

	2017	2016
Balance at beginning of the year	**419,083**	433,300
Loans granted during the year	**3,024**	174,382
Repayments	**(121,455)**	(188,599)
Balance at end of the year	**300,652**	419,083

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

		Note	**2017**	2016
11	**FIXED ASSETS**		**(Rupees in '000)**	
	Capital work-in-progress	*11.1*	-	57,835
	Property and equipment	*11.2*	**541,286**	521,461
	Intangible assets	*11.3*	-	-
			541,286	579,296

		2017	2016
11.1	**Capital work-in-progress**	**(Rupees in '000)**	
	Advances to suppliers and contractors	**-**	57,835

11.2 **Property and equipment**

2017

	Cost			Accumulated depreciation			Book value	
	As at 01 January 2017	**Additions / (deletions)**	**As at 31 December 2017**	**As at 01 January 2017**	**Charge for the year / (on deletions) / adjustments**	**As at 31 December 2017**	**As at 31 December 2017**	**Rate of depreciation %**
	(Rupees in '000)							
Leasehold land and buildings	**6,295**	**-**	**6,295**	**3,535**	**219**	**3,754**	**2,541**	**5**
Furniture and fixtures	**564,856**	**127,959 (2,761)**	**690,054**	**184,032**	**71,767 (2,761)**	**253,038**	**437,016**	**10 - 50**
Electrical, office and computer equipment	**775,006**	**20,223 (250,959)**	**544,270**	**646,080**	**49,888 (250,764)**	**445,204**	**99,066**	**14.3-33.33**
Vehicles	**79,144**	**-**	**79,144**	**70,193**	**6,288**	**76,481**	**2,663**	**20**
	1,425,301	**148,182 (253,720)**	**1,319,763**	**903,840**	**128,162 (253,525)**	**778,477**	**541,286**	

2016

	Cost			Accumulated depreciation			Book value	
	As at 01 January 2016	Additions / (deletions)	As at 31 December 2016	As at 01 January 2016	Charge for the year / (on deletions) / adjustments	As at 31 December 2016	As at 31 December 2016	Rate of depreciation %
	(Rupees in '000)							
Leasehold land and buildings	6,295	-	6,295	3,296	239	3,535	2,760	5
Furniture and fixtures	418,766	154,384 (8,294)	564,856	133,028	59,288 (8,284)	184,032	380,824	10 - 50
Electrical, office and computer equipment	765,414	55,967 (46,375)	775,006	631,645	60,633 (46,198)	646,080	128,926	14.3-33.33
Vehicles	86,758	- (7,614)	79,144	68,842	7,982 (6,631)	70,193	8,951	20
	1,277,233	210,351 (62,283)	1,425,301	836,811	128,142 (61,113)	903,840	521,461	

11.2.1 The cost of fully depreciated assets still in use amounts to Rs. 516.730 million (2016: Rs. 659.290 million).

11.3 Intangible assets

	2017							
	Cost			**Accumulated amortisation**			**Book value**	**Rate of amortisation**
	As at 01 January 2017	**Additions / (deletions)**	**As at 31 December 2017**	**As at 01 January 2017**	**Amortisation for the year / (amortisation on deletions) / adjustments**	**As at 31 December 2017**	**As at 31 December 2017**	
	(Rupees in '000)							**%**
Computer software	**10,945**	**-**	**10,945**	**10,945**	**-**	**10,945**	**-**	**20 - 33.33**

	2016							
	Cost			Accumulated amortisation			Book value	Rate of amortisation
	As at 01 January 2016	Additions / (deletions)	As at 31 December 2016	As at 01 January 2016	Amortisation for the year / (amortisation on deletions) / adjustments	As at 31 December 2016	As at 31 December 2016	
	(Rupees in '000)							%
Computer software	10,945	-	10,945	10,945	-	10,945	-	20 - 33.33

11.3.1 The cost of fully amortised assets still in use is Rs. 10.945 million (2016: Rs. 10.945 million).

11.4 Disposals of fixed assets during the year

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

12 DEFERRED TAX ASSETS

	2017			
	At January 1, 2017	**Recognised in P&L**	**Recgonised in OCI / Equity**	**At December 31, 2017**
	(Rupees in '000)			
Deductible temporary differences on:				
Provision against non performing advances	**193,988**	**(111,924)**	**-**	**82,064**
(Surplus) / Deficit on revaluation of investments	**(34,708)**	**-**	**37,540**	**2,832**
Deficit on defined benefit plan	**78,548**	**-**	**695**	**79,243**
	237,828	**(111,924)**	**38,235**	**164,139**
Taxable temporary differences on:				
Accelerated tax depreciation	**(12,989)**	**(1,215)**	**-**	**(14,204)**
Effect of re-measurement of cost under share based payment	**(90,840)**	**-**	**3,050**	**(87,790)**
	133,999	**(113,139)**	**41,285**	**62,145**

	2016			
	At January 1, 2016	Recognised in P&L	Recgonised in OCI / Equity	At December 31, 2016
	(Rupees in '000)			
Deductible temporary differences on				
Provision against non performing advances	346,820	(152,832)	-	193,988
Deficit on defined benefit plan	64,139	-	14,409	78,548
	410,959	(152,832)	14,409	272,536
Taxable temporary differences on				
Accelerated tax depreciation	(20,813)	7,824	-	(12,989)
Effect of re-measurement of cost under share based payment	(88,733)	-	(2,107)	(90,840)
Surplus on revaluation of investments	(100,325)	-	65,617	(34,708)
	(209,871)	7,824	63,510	(138,537)
	201,088	(145,008)	77,919	133,999

13 OTHER ASSETS

	Note	**2017**	2016
		(Rupees in '000)	
Income / mark-up accrued in local currency		**396,229**	719,051
Income / mark-up accrued in foreign currency		**33,531**	29,519
Advances, deposits, prepayments and other receivables		**114,305**	156,801
Advance taxation (payments less provisions)	*13.1*	**822,537**	758,548
Non-banking assets acquired in satisfaction of claims	*13.2*	**7,954**	7,954
Unrealised gain on forward foreign exchange contracts, foreign currency options and derivative contracts		**2,697,417**	1,226,119
Others		**4,809**	533
		4,076,782	2,898,525
Less: Provision held against non-banking assets acquired in satisfaction of claims	*13.3*	**7,954**	7,954
Other assets - net of provision		**4,068,828**	2,890,571

13.1 The Income Tax returns of the Bank have been filed up to the tax year 2017 (accounting year ended December 31, 2016) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The income tax authorities have issued amended assessment orders for the tax years 2012, 2014, 2015 and 2016, and created additional tax demands (including disallowances of reversal of provisions made prior to Seventh Schedule and charging of Minimum Tax) of Rs.837 million (2016: Rs.704 million), which have been fully paid as required under the law. The Bank has filed appeals before the appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favour of the Bank.

13.2 The management has made provision against the amount of non-banking assets acquired in satisfaction of claims. Therefore, the management has not disclosed the market value of these assets.

	Note	**2017**	2016
13.3 Provision against non banking assets acquired in satisfaction of claims		**(Rupees in '000)**	
Opening balance		**7,954**	7,954
Reversal during the year		**-**	-
Closing balance		**7,954**	7,954

14 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2017 (2016: Nil).

15 BILLS PAYABLE

In Pakistan		**1,836,429**	2,524,303

16 BORROWINGS FROM FINANCIAL INSTITUTIONS

In Pakistan		**3**	2,481
Outside Pakistan		**15,460,367**	18,392,423
		15,460,370	18,394,904

16.1 Particulars of borrowings with respect to currencies

In local currency		**3**	2,481
In foreign currencies		**15,460,367**	18,392,423
		15,460,370	18,394,904

16.2 Details of borrowings Secured / Unsecured

Unsecured			
Call borrowings	*16.2.1*	**15,458,408**	18,304,738
Overdrawn accounts		**1,962**	90,166
		15,460,370	18,394,904
		15,460,370	18,394,904

16.2.1 This represents unsecured borrowing that carries mark-up rate 1.44% to 1.45% (2016: 0.70%) per annum and are due to mature in January 2018 (2016: January 2017).

17 DEPOSITS AND OTHER ACCOUNTS

	2017	2016
	(Rupees in '000)	
Customers		
Fixed deposits	**11,102,097**	19,457,869
Savings deposits	**45,306,553**	43,463,616
Current accounts - non-remunerative	**17,398,456**	10,774,265
Other deposits	**3,369,429**	108,556
	77,176,535	73,804,306
Financial institutions		
Non-remunerative deposits	**1,641,371**	1,272,076
	78,817,906	75,076,382

17.1 Particulars of deposits

	2017	2016
In local currency	**74,893,155**	72,455,030
In foreign currencies	**3,924,751**	2,621,352
	78,817,906	75,076,382

17.2 Includes deposits of Citigroup companies amounting to Rs. 328,864 million (2016: Rs. 602,549 million).

18 OTHER LIABILITIES

	Note	2017	2016
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		**233,761**	216,709
Mark-up / return / interest payable in foreign currencies		**1,857**	712
Unearned commission and income on bills discounted		**29,558**	16,443
Accrued expenses	*18.1&18.2*	**758,333**	638,593
Unrealised loss on forward foreign exchange contracts, foreign currency options and derivative contracts		**2,778,681**	735,440
Unremitted head office expenses		**755,690**	882,605
Payable to regional offices for support services		**7,826**	47,460
Payable to defined benefit plan	*33.2*	**176,478**	176,996
Payable on account of sale proceeds of securities held under custody		**3,845,061**	1,500,428
Payable on account of sale proceeds of shares sold by an associated undertaking		**420,887**	372,828
Payable on account of securities fund services		**-**	-
Securities sold but not yet purchased		**1,607,376**	209,761
Others		**1,242,695**	1,036,642
		11,858,203	5,834,617

18.1 This includes the Bank's obligation to the head office under the stock award and stock option programmes. As of 31 December 2017 recognised liability for share based incentive plans was Rs. 198.016 million (2016: Rs. 167.056 million).

18.2 The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful as this is not in the nature of tax and therefore could not have been introduced through the money bill. The Federal Board of Revenue has filed review petitions against the above judgment. These petitions are currently pending with the Supreme Court of Pakistan.

A legal advice has been obtained by the Pakistan Banks Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive or final till the review petitions are decided. Accordingly, the Bank maintains full provision of Rs. 252.638 million in respect of federal WWF law from the date of its levy till December 2013. Further the Bank maintains a provision of Rs. 296.013 million against provincial WWF law from the date of its levy till December 31, 2017.

19 HEAD OFFICE CAPITAL ACCOUNT

	Note	2017	2016
		(Rupees in '000)	
Capital held as:			
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 7,384 million (2016: 2,517 million) and Pakistan Investment Bonds having face value of Rs 331 million (2016: Rs. 5,198 million). The market value of Market Treasury Bills and Pakistan Investment Bonds as at December 31, 2017 amounts to Rs. 7,335.079 million and Rs. 363.537 million (2016: 2,440.127 million and Rs. 5,384.855 million) and these have maturities of up to January 2018 and July 2019 (2016: July 2017 and July 2019).

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	2017	2016
		(Rupees in '000)	
Federal and Provincial Government Securities			
- Market Treasury Bills		**(1,459)**	(25,924)
- Pakistan Investment Bonds		**(6,634)**	125,090
		(8,093)	99,166
Less: Related deferred tax asset	*12*	**2,832**	(34,708)
		(5,261)	64,458

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.

	2017	2016
	(Rupees in '000)	
(i) Government	**202**	202
(ii) Banking companies and other financial institutions	**-**	-
	202	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.

	2017	2016
	(Rupees in '000)	
(i) Government	**959,479**	544,938
(ii) Banking companies and other financial institutions	**11,042**	34,004
(iii) Others	**1,299,681**	1,473,843
	2,270,202	2,052,785

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	2017	2016
		(Rupees in '000)	
Letters of credit / acceptances		**14,765,357**	9,175,389

21.4 Other contingencies

	Note	2017	2016
Claims not acknowledged as debt	*21.4.1*	**170,422**	162,257
		170,422	162,257

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

		2017	2016
		(Rupees in '000)	
21.5	**Commitments in respect of forward transactions**		
	Forward repurchase agreement lendings (reverse repos)	**23,964,259**	13,386,447
	Forward borrowing	**8,833,376**	13,074,813
	Forward purchase contracts of government securities	**1,609,683**	210,813
	Forward sale contracts of government securities	**7,717,243**	-
	Uncancellable commitments to extend credit	**1,362,871**	3,930,698
	Forward placement	**662,503**	-
21.6	**Commitments in respect of forward exchange contracts**		
	Purchase	**94,204,250**	121,436,578
	Sale	**77,215,996**	103,510,839

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	**2017**	2016
			(Rupees in '000)	
21.7	**Other commitments**			
	Cross currency and interest rate derivative contracts (notional amount)	*22.1*	**3,933,333**	5,961,225
21.8	**Commitments in respect of capital expenditure**		**1,451**	53,192

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	2017 Interest Rate Swaps Number of contracts		2017 FX Options Number of contracts	Notional principal
	Number of contracts	Notional principal	Number of contracts	Notional principal
	(Rupees in '000)			
With other entities for				
Hedging	**-**	**-**	**-**	**-**
Market Making	**1**	**3,933,333**	**-**	**-**
Total				
Hedging	**-**	**-**	**-**	**-**
Market Making	**1**	**3,933,333**	**-**	**-**
	1	**3,933,333**	**-**	**-**

Counterparties	2016 Interest Rate and Cross Currency Swaps		2016 FX Options	
	Number of contracts	Notional principal	Number of contracts	Notional principal
	(Rupees in '000)			
With other entities for				
Hedging	-	-	-	-
Market Making	2	5,961,225	-	-
Total				
Hedging	-	-	-	-
Market Making	2	5,961,225	-	-
	2	5,961,225	-	-

22.2 Maturity analysis

Interest rate and cross currency swaps

Remaining maturity	2017 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**	**3,933,333**	-	**57,998**	**57,998**
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-
	1	**3,933,333**	**-**	**57,998**	**57,998**

Remaining maturity	2016 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	1	61,225	(419)	419	-
6 months to 1 Year	-	-	-	-	-
1 to 2 Years	-	-	-	-	-
2 to 3 Years	1	5,900,000	-	129,853	129,853
3 to 5 Years	-	-	-	-	-
5 to 10 Years	-	-	-	-	-
Above 10 Years	-	-	-	-	-
	2	5,961,225	(419)	130,272	129,853

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

		Note	**2017**	2016
			(Rupees in '000)	
a)	On loans and advances to			
	Customers		**1,319,480**	1,526,079
	Financial Institutions		**-**	-
b)	On investments in			
	Held for trading securities		**1,478,207**	958,074
	Available for sale securities	*23.1*	**1,622,547**	2,130,723
c)	On deposits with financial institutions		**41,306**	13,288
d)	On securities purchased under resale agreements (reverse repo)		**1,685,456**	1,068,025
			6,146,996	5,696,189

23.1 This includes Funding Cost of Rs. 1,082 million (2016: Rs. 578 million) on Available for Sale Government Securities.

24 MARK-UP / RETURN / INTEREST EXPENSED

	2017	2016
Deposits	**2,928,152**	2,727,461
Securities sold under repurchase agreements (repo)	**38,383**	107,304
Borrowings	**240,220**	59,474
	3,206,755	2,894,239

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 ON SALE OF SECURITIES

	Note	**2017**	2016
		(Rupees in '000)	
Federal Government Securities			
- Market Treasury Bills		**(1,947)**	8,666
- Pakistan Investment Bonds		**78,803**	1,519,750
		76,856	1,528,416

27 OTHER INCOME

	2017	2016
Gain on sale of property and equipment	**3,592**	2,370
Gain from derivative contracts	**63,880**	177,810
Miscellaneous income	**3,274**	2,130
	70,746	182,310

28 ADMINISTRATIVE EXPENSES

	Note	2017	2016
		(Rupees in '000)	
Salaries, allowances, etc.		**615,048**	576,104
Charge for defined benefit plan	*33.5*	**40,539**	38,504
Contribution to defined contribution plan	*34*	**24,226**	24,025
Head office expenses	*28.3*	**339,493**	287,775
Rent, taxes, insurance, electricity, etc.		**208,181**	217,059
Contract services		**162,282**	179,787
Legal and professional charges		**38,867**	23,166
Communications		**92,362**	102,188
Repairs and maintenance		**72,486**	79,920
Travelling and conveyance		**98,829**	72,516
Stationery and printing		**29,457**	26,666
Advertisement and publicity		**6,199**	14,146
Support services from regional offices		**35,209**	11,237
Donations	*28.1*	**3,620**	2,105
Auditors' remuneration	*28.2*	**4,921**	4,032
Depreciation	*11.2*	**128,162**	128,142
Amortisation	*11.3*	**-**	-
Restructuring expense		**2,928**	41,485
Banking Service charges		**63,115**	58,497
Others		**66,392**	92,585
		2,032,316	1,979,939

28.1 Donations

	2017	2016
The Cardiovascular Foundation	**-**	100
Karwan-e-Hayat	**-**	400
Marie Adelaide Leprosy Centre	**2,500**	225
The Kidney Centre	**300**	600
OGS TRUST	**-**	180
Progressive Education Network	**300**	-
Patients Aid Foundation	**-**	600
Alleviate Addiction Suffering Trust	**100**	-
Family Education Service Organization	**420**	-
	3,620	2,105

28.2 Auditors' remuneration

	2017	2016
Audit fee	**1,460**	1,460
Fee for the half yearly review	**455**	455
Special certifications and other services	**2,694**	1,750
Out-of-pocket expenses	**312**	367
	4,921	4,032

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	2017	2016
		(Rupees in '000)	
Charge for / Reversal of penalty imposed by State Bank of Pakistan		**21**	15,330
Charge for / Reversal of Worker's Welfare Fund		**60,622**	80,669
		60,643	95,999

30 TAXATION

	2017	2016
For the year		
Current	**1,217,112**	1,685,316
Deferred	**113,139**	145,008
	1,330,251	1,830,324
For prior years		
Current	**190,482**	160,000
Deferred	**-**	-
	190,482	160,000
	1,520,733	1,990,324

30.1 Relationship between tax expense and accounting profit

	2017	2016
Profit before taxation	**3,754,653**	5,191,429
Taxation at the applicable tax rate of 35% (2016: 35%)	**1,314,129**	1,817,000
Prior year charge	**190,482**	160,000
Taxation effect of expenses that are not deductible in determining taxable income	**5,066**	8,736
Others	**11,056**	4,588
	1,520,733	1,990,324

31 CASH AND CASH EQUIVALENTS

	Note	2017	2016
Cash and balances with treasury banks	*6*	**5,907,205**	5,480,867
Balances with other banks	*7*	**1,091,101**	1,542,895
Overdrawn accounts	*16.2*	**(1,962)**	(90,166)
		6,996,344	6,933,596

31.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities				Equity		
	Bills payable	**Borrowings**	**Deposits and other accounts**	**Other liabilities**	**Head office capital account**	**Reserves**	**Unremitted profit**
	----- (Rupees in '000) -----						
Balance as at 01 January 2017	**2,524,303**	**18,304,738**	**75,076,382**	**5,834,617**	**6,812,671**	**168,704**	**3,174,345**
Changes from financing cash flows							
Proceeds from sub-ordinated debt	-	-	-	-	-	-	-
Profit repatriated to head office during the year	-	-	-	-	-	-	**(3,174,345)**
Total changes from financing cash flows	**2,524,303**	**18,304,738**	**75,076,382**	**5,834,617**	**6,812,671**	**168,704**	**-**
Other changes							
Liability-related							
Changes in bills payable	(687,874)	-	-	-	-	-	-
Changes in borrowings	-	(2,846,330)	-	-	-	-	-
Changes in deposits and other accounts	-	-	3,741,524	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-
- Cash based	-	-	-	6,015,390	-	-	-
- Non-cash based	-	-	-	8,196	-	(5,665)	(1,291)
Profit for the year	-	-	-	-	-	-	2,233,920
Balance as at 31 December 2017	**1,836,429**	**15,458,408**	**78,817,906**	**11,858,203**	**6,812,671**	**163,039**	**2,232,629**

32 STAFF STRENGTH

	2017	2016
	(Number of employees)	
Permanent	**139**	137
Contractual basis	**-**	-
Bank's own staff strength at the end of the year	**139**	137
Outsourced	**112**	109
Total staff strength at the end of the year	**251**	246

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:

	2017	2016
	(Rupees in '000)	
Present value of defined benefit obligations	**260,384**	259,479
Fair value of plan assets	**(83,906)**	(82,483)
	176,478	176,996

33.3 Plan assets consist of the following:

	2017		2016	
	(Rupees in '000)	**%**	(Rupees in '000)	%
Market Treasury Bills	**54,075**	**65%**	-	-
Pakistan Investment Bonds	**21,340**	**25%**	78,142	95%
Cash and bank	**8,491**	**10%**	4,341	5%
	83,906	**100%**	82,483	100%

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

	2017		
	Present value of obligation	**Fair value of plan assets**	**Total**
	---------------- (Rupees in '000) ----------------		
At 01 January	**259,479**	**(82,483)**	**176,996**
Current service cost	**26,400**	**-**	**26,400**
Settlement loss	**-**	**-**	**-**
Return expense / (income)	**21,020**	**(6,881)**	**14,139**
	306,899	**(89,364)**	**217,535**
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	**-**	**(3,764)**	**(3,764)**
- (Gain) / loss from change in demographic assumptions	**-**	**-**	**-**
- (Gain) / loss from change in financial assumptions	**5,750**	**-**	**5,750**
- Experience loss	**-**	**-**	**-**
	5,750	**(3,764)**	**1,986**
	312,649	**(93,128)**	**219,521**
Contribution	**-**	**(43,043)**	**(43,043)**
Benefit payments	**(52,265)**	**52,265**	**-**
At 31 December	**260,384**	**(83,906)**	**176,478**

	2016		
	Present value of obligation	Fair value of plan assets	Total
	---------------- (Rupees in '000) ----------------		
At 01 January	223,308	(79,250)	144,058
Current service cost	25,460	-	25,460
Settlement loss	-	-	-
Return expense / (income)	21,476	(8,432)	13,044
	270,244	(87,682)	182,562
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	-	2,809	2,809
- (Gain) / loss from change in demographic assumptions	-	-	-
- (Gain) / loss from change in financial assumptions	10,131	-	10,131
- Experience losses	28,229	-	28,229
	38,360	2,809	41,169
	308,604	(84,873)	223,731
Contribution	-	(46,735)	(46,735)
Benefit payments	(49,125)	49,125	-
At 31 December	259,479	(82,483)	176,996

33.5 Charge for defined benefit plan

	2017	2016
	(Rupees in '000)	
Current service cost	**26,399**	25,460
Net return cost	**14,140**	13,044
Settlement loss	-	-
	40,539	38,504

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

33.7 Principal actuarial assumptions

	2017	2016
Discount rate	**8.0% p.a.**	8.5% p.a.
Expected rate of salary increase	**8.0% p.a.**	8.5% p.a.
Estimated service length of the employees	**8.59 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 State Life Insurance Corporation 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%	(19,561)	22,258
Salary growth rate	1.0%	23,327	(20,832)
Withdrawal rate	10.0%	(282)	290
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Mortality Rate	1 year	(5)	5

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

33.10 The weighted average duration of the defined benefit obligation is 8.03 years (2016: 9 years).

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

At 31 December 2017	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
	----------------	----------------	(Rupees in '000)	----------------	----------------
Gratuity	**18,767**	**13,061**	**67,936**	**471,286**	**571,050**

	2017	2016	2015	2014	2013
33.12 Historical information	----------------	----------------	(Rupees in '000)	----------------	----------------
Defined benefit obligation	**(260,384)**	(259,479)	(223,308)	(238,954)	(215,011)
Fair value of plan assets	**83,906**	82,483	79,250	87,380	129,162
Deficit	**(176,478)**	(176,996)	(144,058)	(151,574)	(85,849)
Remeasurements of plan liabilities	**(5,750)**	(38,360)	(5,855)	(45,426)	31,198
Remeasurements of plan assets	**3,764**	(2,809)	(4,047)	(6,747)	286

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. 21.621 million (2016: Rs 40.539 million) as per the actuarial valuation report of the Bank as of 31 December 2017.

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, 2017.

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. 24.226 million (2016: Rs. 24.025 million) in respect of the defined contribution plan.

35 SHARE-BASED INCENTIVE PLANS

The Bank offers 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 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.

35.2 Net charge / (reversal) of Rs. 5.665 million (2016: Rs. (3.912) million) was recognised in equity arising mainly due to fair value adjustment as required by IFRS 2 - Share Based Payment. As of 31 December 2017 recognised liability for outstanding share based incentive plans was Rs. 198.016 million (2016: Rs. 167.056 million). Fair value of shares has been determined on the basis of market value of shares of Citigroup Inc. as at 31 December 2017. i.e. $ USD 74.41 (2016: $ USD 59.43) per share. The unvested shares outstanding at 31 December 2017, were 3,596 (2016: 3,514).

36 COMPENSATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Citi Country Officer		Executives	
	2017	2016	**2017**	2016
	(Rupees in '000)			
Managerial remuneration	**57,232**	48,721	**294,669**	297,538
Charge for defined benefit plan	**1,999**	1,999	**18,302**	18,345
Contribution to defined contribution plan	**2,400**	2,400	**21,971**	22,023
Rent and house maintenance	**9,779**	9,719	**87,883**	88,091
Utilities	**5,106**	4,592	**21,971**	22,023
Medical	**182**	1,034	**3,050**	3,357
Others	**3,010**	2,987	**26,337**	18,775
	79,708	71,452	**474,183**	470,152
Number of persons	**1**	1	**125**	134

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

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 — **2017**

		Carrying Value						**Fair Value**			
	Note	**Available for Sale**	**Held for trading**	**Loans and Receivables**	**Other financial Assets**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
		(Rupees in '000)						**(Rupees in '000)**			
Financial assets measured at fair value											
Investments											
Market Treasury Bills		**46,006,518**	**6,788,987**	**-**	**-**	**-**	**52,795,505**	**-**	**52,795,505**	**-**	**52,795,505**
Pakistan Investment Bonds		**3,278,375**	**1,017,501**	**-**	**-**	**-**	**4,295,876**	**-**	**4,295,876**	**-**	**4,295,876**
Fully Paid-up Ordinary Shares		**-**	**-**	**-**	**-**	**-**	**-**				
Financial assets not measured at fair value											
Cash and balances with treasury banks	*37.2*	**-**	**-**	**-**	**5,907,205**	**-**	**5,907,205**	**-**	**-**	**-**	**-**
Balances with other banks	*37.2*	**-**	**-**	**-**	**1,091,101**	**-**	**1,091,101**	**-**	**-**	**-**	**-**
Lendings to financial institutions	*37.2*	**-**	**-**	**23,930,516**	**-**	**-**	**23,930,516**	**-**	**-**	**-**	**-**
Advances - net	*37.2*	**-**	**-**	**24,483,524**	**-**	**-**	**24,483,524**	**-**	**-**	**-**	**-**
Other financial assets	*37.2*	**-**	**-**	**-**	**3,127,177**	**-**	**3,127,177**	**-**	**-**	**-**	**-**
		49,284,893	**7,806,488**	**48,414,040**	**10,125,483**	**-**	**115,630,904**				
Financial liabilities not measured at fair value											
Bills payable	*37.2*	**-**	**-**	**-**	**-**	**1,836,429**	**1,836,429**				
Borrowings from financial institutions	*37.2*	**-**	**-**	**-**	**-**	**15,460,370**	**15,460,370**				
Deposits and other accounts	*37.2*	**-**	**-**	**-**	**-**	**78,817,906**	**78,817,906**				
Other financial liabilities	*37.2*	**-**	**-**	**-**	**-**	**11,755,390**	**11,755,390**				
		-	**-**	**-**	**-**	**107,870,095**	**107,870,095**				

Off balance sheet financial instruments — **2017**

	Carrying Value	**Fair Value**			
		Level 1	**Level 2**	**Level 3**	**Total**
	(Rupees in '000)				
Forward foreign exchange purchase contracts	**94,204,250**	**-**	**96,841,760**	**-**	**96,841,760**
Forward foreign exchange sale contracts	**77,215,996**	**-**	**74,448,477**	**-**	**74,448,477**
Forward repurchase agreement lendings (reverse repos)	**23,964,259**	**-**	**23,964,259**	**-**	**23,964,259**
Forward purchase contracts of government securities	**1,609,683**	**-**	**1,613,172**	**-**	**1,613,172**
Forward Borrowing	**8,833,376**	**-**	**8,833,376**	**-**	**8,833,376**
Forward sale contracts of government securities	**7,717,243**	**-**	**7,717,243**	**-**	**7,717,243**
Forward placement	**662,503**	**-**	**662,503**	**-**	**662,503**
Cross currency and interest rate derivative contracts	**3,933,333**	**-**	**3,991,331**	**-**	**3,991,331**

On balance sheet financial instruments — 2016

		Carrying Value						Fair Value			
	Note	Available for Sale	Held for trading	Loans and Receivables	Other financial Assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)						(Rupees in '000)			
Financial assets measured at fair value											
Investments											
Market Treasury Bills		29,613,378	22,992,968	-	-	-	52,606,346	-	52,606,346	-	52,606,346
Pakistan Investment Bonds		14,069,897	-	-	-	-	14,069,897	-	14,069,897	-	14,069,897
Fully Paid-up Ordinary Shares		-	-	-	-		-				
Financial assets not measured at fair value											
Cash and balances with treasury banks	*37.2*	-	-	-	5,480,867	-	5,480,867	-	-	-	-
Balances with other banks	*37.2*	-	-	-	1,542,895	-	1,542,895	-	-	-	-
Lendings to financial institutions	*37.2*	-	-	13,325,003	-	-	13,325,003	-	-	-	-
Advances - net	*37.2*	-	-	21,421,510	-	-	21,421,510	-	-	-	-
Other financial assets	*37.2*	-	-	-	1,974,689	-	1,974,689	-	-	-	-
		43,683,275	22,992,968	34,746,513	8,998,451	-	110,421,207				
Financial liabilities not measured at fair value											
Bills payable	*37.2*	-	-	-	-	2,524,303	2,524,303				
Borrowings from financial institutions	*37.2*	-	-	-	-	18,394,904	18,394,904				
Deposits and other accounts	*37.2*	-	-	-	-	75,076,382	75,076,382				
Other financial liabilities	*37.2*	-	-	-	-	5,805,541	5,805,541				
		-	-	-	-	101,801,130	101,801,130				

Off balance sheet financial instruments — 2016

	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Forward foreign exchange contracts - purchase	121,436,578	-	120,989,943	-	120,989,943
Forward foreign exchange contracts - sale	103,510,839	-	104,343,718	-	104,343,718
Forward repurchase agreements lendings (reverse repos)	13,386,447	-	13,386,447	-	13,386,447
Forward purchase of trading securities	210,813	-	209,761	-	209,761
Forward Borrowing	13,074,813	-	13,074,813	-	13,074,813
Cross currency and interest rate derivative contracts	5,961,225	-	6,061,660	-	6,061,660

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:

	2017		
	Corporate Banking	**Trading & Sales**	**Total**
	---------------------- (Rupees in '000)	----------------------	
External revenue			
Mark-up / return / interest earned	**1,319,480**	**4,827,516**	**6,146,996**
Fee, commission and brokerage	**826,229**	**-**	**826,229**
Trading income	-	-	-
Other income	**3,433**	**2,009,641**	**2,013,074**
Intersegment revenue	**2,072,910**	**(2,072,910)**	**-**
Total revenue	**4,222,052**	**4,764,247**	**8,986,299**
Depreciation and amortisation	**(26,914)**	**(101,248)**	**(128,162)**
Impairment of assets	-	-	-
Other immaterial non cash items	-	-	-
Other expenses	**(3,213,543)**	**(3,410,674)**	**(6,624,217)**
Total expenses	**(3,240,457)**	**(3,511,922)**	**(6,752,379)**
Reportable segment profit	**981,595**	**1,252,325**	**2,233,920**
Segment assets	**26,868,141**	**90,307,845**	**117,175,986**
Segment liabilities	**88,010,159**	**19,962,749**	**107,972,908**
Segment return on net assets*	**3.82%**	**1.4%**	**1.9%**
Segment cost of funds**	**3.0%**	**1.4%**	**2.7%**

	2016		
	Corporate Banking	Trading & Sales	Total
	----------------------- (Rupees in '000) -----------------------		
External revenue			
Mark-up / return / interest earned	1,526,937	4,169,252	5,696,189
Fee, commission and brokerage	816,831	-	816,831
Trading income	-	-	-
Other income	2,250	3,561,650	3,563,900
Intersegment revenue	3,154,666	(3,154,666)	-
Total revenue	5,500,684	4,576,236	10,076,920
Depreciation and amortisation	(64,071)	(64,071)	(128,142)
Impairment of assets	-	-	-
Other immaterial non cash items	-	-	-
Other expenses	(4,550,136)	(2,197,537)	(6,747,673)
Total expenses	(4,614,207)	(2,261,608)	(6,875,815)
Reportable segment profit	886,477	2,314,628	3,201,105
Segment assets	24,581,622	87,468,762	112,050,384
Segment liabilities	82,878,589	18,951,617	101,830,206
Segment return on net assets*	3.6%	3.1%	3.20%
Segment cost of funds**	3.4%	1.3%	3.1%

* Segment return of net assets = Net income / Average (Segment Assets - Segment Provisions)

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

39 RELATED PARTY TRANSACTIONS

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

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

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

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

	Balance as at 31 December 2016	Net placements / disbursements / deposits / transfers	Net settlements / repayments / withdrawals / transfers	Balance as at 31 December 2017
	--(Rupees in '000)			-------------------------------------
Deposits				
Associated undertakings	602,549	2,136,818	(2,410,503)	**328,864**
Staff retirement benefit funds	12,223	1,051,339	(790,466)	**273,096**

	2017	2016
	(Rupees '000)	
Nostro balances / placements with Citibank Branches outside Pakistan	**1,040,846**	1,474,013
Overdrawn Nostro Accounts	**1,959**	87,685
Unremitted head office expenses	**755,690**	882,605
Income / Markup / return / interest receivable	**4,685**	6,374
Markup / return / interest payable	**1,857**	1,177
Payable for expenses and share based payment	**205,842**	214,516
Payable to defined benefit plan	**176,478**	176,996
Commitments in respect of forward exchange contracts		
Purchase	**18,777,952**	22,437,431
Sale	**18,776,061**	22,428,603
Unrealised gain / (loss) on forward foreign exchange contracts - purchase	**773,715**	(120,488)
Unrealised (loss) / gain on forward foreign exchange contracts - sale	**(681,413)**	108,913
Contribution to staff retirement benefit funds	**67,269**	70,760
Call borrowings	**15,458,408**	18,304,738
Counter guarantees to branches	**884,286**	916,657
Payable to associated undertakings	**4,265,948**	1,873,256
Income / expense for the year		
Mark-up / return / interest earned	**40,400**	13,534
Mark-up / return / interest expensed	**217,813**	51,645
Fee, commission and brokerage income	**54,947**	56,578
Regional expenses for support services	**35,209**	11,237
Head office expenses	**339,493**	287,775
Remuneration of key management personnel	**79,708**	71,452
Gain on sale of securities	**3**	402

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, 2017 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 11.275% of the risk weighted exposures of the Bank as of December 31, 2017. The Bank's CAR as at December 31, 2017 was 27.77% 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 2.50% 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 #		2017 Amount (Rupees in '000)	2016 Amount (Rupees in '000)
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
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	**163,039**	168,704
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	**2,232,629**	3,174,345
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**	**9,208,339**	10,155,720
10	Total regulatory adjustments applied to CET1 **(Note 40.5)**	**(5,261)**	
11	**Common Equity Tier 1**	**9,203,079**	10,155,720
	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)**	**9,203,079**	10,155,720
	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	**255**	214
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on fixed assets	-	-
29	of which: Unrealized gains/losses on AFS	-	64,458
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	**T2 before regulatory adjustments**	**255**	64,672
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**	**255**	64,672
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	**9,203,334**	10,220,392
39	**Total Risk Weighted Assets (RWA) {for details refer Note 40.11}**	**33,143,347**	33,961,701
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	**27.77%**	29.90%
41	**Tier-1 capital to total RWA**	**27.77%**	29.90%
42	**Total capital to total RWA**	**27.77%**	30.09%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	**7.275%**	6.65%
44	of which: capital conservation buffer requirement	**1.275%**	0.65%
45	of which: countercyclical buffer requirement	**0.00%**	0.00%
46	of which: D-SIB or G-SIB buffer requirement	**0.00%**	0.00%
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	**27.77%**	29.90%
	National minimum capital requirements prescribed by SBP		
48	**CET1 minimum ratio**	**6.00%**	6.00%
49	**Tier 1 minimum ratio**	**7.50%**	7.50%
50	**Total capital minimum ratio**	**11.275%**	10.65%

Regulatory Adjustments and Additional Information		2017 Amount (Rupees in '000)	2017 Amounts subject to Pre-Basel III treatment*	2016 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)	-		-
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	(5,261)		-
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)	**(5,261)**		-
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	2017 Amount (Rupees in '000)	2016 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, 2017**	**As at December 31, 2017**
Assets **(1)**	**(2)**	**(3)**
Cash and balances with treasury banks	5,907,205	5,907,205
Balanced with other banks	1,091,101	1,091,101
Lending to financial institutions	23,930,516	23,930,516
Investments - net	57,091,381	57,091,381
Advances - net	24,483,524	24,483,524
Operating fixed assets	541,286	541,286
Deferred tax assets - net	62,145	62,145
Other assets	4,068,828	4,068,828
Total assets	**117,175,986**	**117,175,986**
Liabilities & Equity		
Bills payable	1,836,429	1,836,429
Borrowings	15,460,370	15,460,370
Deposits and other accounts	78,817,906	78,817,906
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	11,858,203	11,858,203
Total liabilities	**107,972,908**	**107,972,908**
Share capital/ Head office capital account	6,812,671	6,812,671
Reserves	163,039	163,039
Unappropriated/ Unremitted profit/ (losses)	2,232,629	2,232,629
Minority Interest	-	-
Surplus on revaluation of assets	(5,261)	(5,261)
Total liabilities & equity	**117,175,986**	**117,175,986**

Table: 40.9.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at December 31, 2017	As at December 31, 2017	
Assets (1)	(2)	(3)	(4)
Cash and balances with treasury banks	5,907,205	5,907,205	
Balanced with other banks	1,091,101	1,091,101	
Lending to financial institutions	23,930,516	23,930,516	
Investments - net	57,091,381	57,091,381	
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	24,483,779	24,483,779	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	255	255	g
Fixed Assets	541,286	541,286	
Deferred Tax Assets - net	62,145	62,145	
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	4,068,828	4,068,828	
of which: Goodwill	-	-	j
of which: Intangibles	-	-	k
of which: Defined-benefit pension fund net assets		-	l
Total assets	**117,175,986**	**117,175,986**	

Liabilities & Equity			
Bills payable	1,836,429	1,836,429	
Borrowings	15,460,370	15,460,370	
Deposits and other accounts	78,817,906	78,817,906	
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	11,858,203	11,858,203	
Total liabilities	**107,972,908**	**107,972,908**	

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)	163,039	163,039	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	2,232,629	2,232,629	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	(5,261)	(5,261)	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	**117,175,986**	**117,175,986**	

	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	163,039	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	2,232,629	(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**	**9,208,339**	
	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	5,261	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		(i)
23	Amount exceeding 15% threshold		
24	of which: significant investments in the common stocks of financial entities		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments applied to CET1 capital		
27	of which: Investment in TFCs of other banks exceeding the prescribed limit		
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**	**9,203,078**	

	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% threshold)		(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(ad)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)		
46	Additional Tier 1 capital		
47	**Additional Tier 1 capital recognized for capital adequacy**		
48	**Tier 1 Capital (CET1 + admissible AT1) (31+47)**	**9,203,078**	
	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	255	(g)
54	Revaluation Reserves		
55	of which: Revaluation reserves on fixed assets		portion of (aa)
56	of which: Unrealized Gains/Losses on AFS		
57	Foreign Exchange Translation Reserves		(v)
58	Undisclosed/Other Reserves (if any)		
59	**T2 before regulatory adjustments**	**255**	
	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)	255	
67	Tier 2 capital recognized for capital adequacy	255	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital		
69	Total Tier 2 capital admissible for capital adequacy	255	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	**9,203,333**	

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	
	2017	2016	**2017**	2016
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash and other liquid Assets	**26,137**	33,822	**231,817**	317,582
Money at call / Repurchase agreement lendings	**6,528**	13,813	**57,894**	129,696
Investments	-	-	-	-
Loans and Advances	**1,505,776**	1,213,089	**13,354,999**	11,390,510
Fixed Assets	**61,030**	61,695	**541,286**	579,296
Deferred tax assets - net	**17,517**	35,677	**155,364**	334,995
Other Assets	**13,430**	16,756	**119,115**	157,334
	1,630,418	1,374,852	**14,460,475**	12,909,413
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	**6,833**	13,993	**60,601**	131,393
Commitment in respect of forward purchase contract of government security	-	-	-	-
Performance Bonds etc	**53,635**	52,902	**475,696**	496,733
Shipping	**526**	73	**4,666**	683
Commitments to extend to credit	**23,576**	60,934	**209,101**	572,147
Stand By Letters of Credit	**449,215**	442,934	**3,984,170**	4,159,005
Commitment in respect of Cross Currency and interest rate derivative contracts	**1,751**	3,416	**15,533**	32,077
Commitment in respect of Foreign currency options	-	-	-	-
Outstanding Foreign Exchange Contracts	**119,988**	83,196	**1,064,197**	781,184
Commitments in respect of capital expenditure	**164**	5,665	**1,451**	53,192
	655,688	663,113	**5,815,415**	6,226,414
Credit Risk-weighted Exposures	**2,286,106**	2,037,965	**20,275,890**	19,135,827
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	**120,109**	210,457	**1,501,357**	2,630,711
Equity position risk	-	-	-	-
Foreign Exchange risk	**18,678**	55,776	**233,472**	697,196
Capital Requirement for portfolios subject to Internal Models Approach				
Operational Risk				
Capital Requirement for operational risks	**890,610**	919,837	**11,132,628**	11,497,967
TOTAL	**3,315,503**	3,224,035	**33,143,347**	33,961,701

Capital Adequacy Ratios	**2017**		2016	
	Required	**Actual**	Required	Actual
CET1 to total RWA	**6.00%**	**27.77%**	6.00%	29.90%
Tier-1 capital to total RWA	**7.50%**	**27.77%**	7.50%	29.90%
Total capital to total RWA	**11.275%**	**27.77%**	10.65%	30.09%

41 RISK MANAGEMENT

The Head office capital account of the Bank for the year ended December 31, 2017 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 11.275% of the risk weighted exposures of the Bank. The Bank's CAR as at December 31, 2017 was 27.77% 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+
S1	F1	P-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:

Exposures	Rating Category	2017 Amount Outstanding	2017 Deduction CRM	2017 Net amount	2016 Amount Outstanding	2016 Deduction CRM	2016 Net amount
		---- (Rupees '000) ----					
Corporate	1	**2,294,868**	**-**	**2,294,868**	5,887,647	-	5,887,647
	2	**41,300**	**-**	**41,300**	152,230	-	152,230
	3,4	**-**	**-**	**-**	-	-	-
	Unrated	**63,466,176**	**(3,320,065)**	**60,146,111**	64,298,267	(166,307)	64,131,960
Banks	1	**49,006,702**	**(47,322,509)**	**1,684,193**	28,307,269	(25,458,959)	2,848,310
	2	**33,566,261**	**-**	**33,566,261**	23,186,599	-	23,186,599
	3	**-**	**-**	**-**	-	-	-
	5	**-**	**-**	**-**	-	-	-
	Unrated	**360,112**	**-**	**360,112**	130,343	-	130,343
Sovereigns etc		**55,571,905**	**-**	**55,571,905**	49,859,185	-	49,859,185
	4,5	**13,474**	**-**	**13,474**	9,003	-	9,003
Public sector entities	1	**966,265**	**-**	**966,265**	945,545	-	945,545
	2,3	**-**	**-**	**-**	-	-	-
	Unrated	**-**	**-**	**-**	-	-	-
Retail	Unrated	**72,320**	**-**	**72,320**	118,903	-	118,903
Mortgage	Unrated	**245,823**	**-**	**245,823**	314,836	-	314,836
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 31 December 2013 to 31 December 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 disclose the leverage ratio from 31 December 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 31 December 2017 the Bank's Leverage ratio stood at 6.45% which is well above the minimum requirement of 3.0%.

	2017	2016
	(Rupees in 000)	
On Balance Sheet Assets		
Cash and balances with treasury banks	**5,907,205**	5,480,867
Balances with other banks	**1,091,101**	1,542,895
Lendings to financial institutions	**23,930,516**	13,325,003
Investments	**57,091,381**	66,676,243
Advances	**24,483,524**	21,421,510
Operating fixed assets	**541,286**	579,296
Deferred tax assets	**62,145**	133,999
Financial Derivatives (A.1)	**2,697,417**	1,226,119
Other assets	**1,371,411**	1,664,452
Total Assets (A)	**117,175,986**	112,050,384
Derivatives (On-Balance Sheet)		
Interest Rate	**57,998**	130,272
Foreign Exchange & gold	**2,639,419**	1,095,847
Total Derivatives (A.1)	**2,697,417**	1,226,119
Off-Balance Sheet items excluding derivatives		
Direct Credit Substitutes (i.e. Acceptances, general guarantees for indebtness etc.)	**3,043,987**	3,159,757
Performance-related Contingent Liabilities (i.e. Guarantees)	**2,270,202**	2,050,055
Trade-related Contingent Liabilities (i.e. Letter of Credits)	**11,721,571**	6,018,564
Undrawn committed facilities (which are not cancellable)	**1,362,871**	3,930,698
Unconditionally cancellable commitments (which can be cancelled at any time without notice)	**5,778,009**	5,810,080
Commitments for the acquisition of operating fixed assets	**1,451**	53,192
Total Off-balance sheet items excluding derivatives (B)	**24,178,091**	21,022,346
C) Commitments in respect of Derivatives - Off Balance Sheet Items (Derivatives having negative fair value are also included)		
Interest Rate	**19,667**	29,500
Foreign Exchange & gold	**1,289,994**	1,417,216
Total Derivatives (c)	**1,309,661**	1,446,716
Tier-1 Capital	**9,203,079**	10,155,720
Total Exposure (sum of A, B and C)	**142,663,738**	134,519,446
Leverage Ratio	**6.45%**	7.55%

41.1.9 Segmental information

41.1.9.1 Segments by class of business

2017

	Advances (Gross)		Deposits		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Food manufacturing	**1,945,307**	**7.13%**	**3,651,638**	**4.63%**	**3,318,570**	**19.49%**
Textile	**1,680,124**	**6.16%**	**39,510**	**0.05%**	**141**	**0.00%**
Chemical and pharmaceuticals	**8,672,959**	**31.79%**	**5,201,161**	**6.60%**	**5,284,138**	**31.02%**
Cement	**-**	**0.00%**	**50**	**0.00%**	**-**	**0.00%**
Footwear and Leather garments	**73,174**	**0.27%**	**-**	**0.00%**	**-**	**0.00%**
Automobile and transportation equipment	**3,952,925**	**14.49%**	**2,022,745**	**2.57%**	**5,699**	**0.03%**
Electronics and electrical appliances	**2,952,354**	**10.82%**	**17,033,939**	**21.61%**	**539,760**	**3.17%**
Tobacco	**5,857**	**0.02%**	**7,058**	**0.01%**	**-**	**0.00%**
Power (electricity), Gas, Water, Sanitary	**1,109,995**	**4.07%**	**6,166,470**	**7.82%**	**379,602**	**2.23%**
Wholesale and Retail Trade	**11,102**	**0.04%**	**1,282,140**	**1.63%**	**-**	**0.00%**
Transport, Storage and Communication	**3,897,566**	**14.29%**	**17,292,325**	**21.94%**	**1,413,078**	**8.29%**
Financial	**-**	**0.00%**	**2,523,645**	**3.20%**	**1,244,238**	**7.30%**
Individuals	**464,976**	**1.70%**	**315,287**	**0.40%**	**-**	**0.00%**
Others	**2,516,083**	**9.22%**	**23,281,938**	**29.54%**	**4,850,536**	**28.47%**
	27,282,422	**100.00%**	**78,817,906**	**100.00%**	**17,035,762**	**100.00%**

2016

	Advances (Gross)		Deposits		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Food manufacturing	944,270	3.89%	2,378,944	3.17%	2,349,436	20.93%
Textile	1,827,663	7.52%	36,910	0.05%	141	0.00%
Chemical and pharmaceuticals	6,251,545	25.74%	8,912,722	11.87%	2,083,681	18.56%
Cement	-	0.00%	50	0.00%	-	0.00%
Footwear and leather garments	73,174	0.30%	-	0.00%	-	0.00%
Automobile and transportation equipment	3,289,508	13.54%	909,633	1.21%	848,916	7.56%
Electronics and electrical appliances	-	0.00%	19,310,123	25.73%	348,529	3.10%
Tobacco	2,653	0.01%	337	0.00%	-	0.00%
Power (electricity), Gas, Water, Sanitary	957,194	3.94%	4,010,661	5.34%	475,225	4.23%
Wholesale and Retail Trade	9,026	0.04%	481,891	0.64%	-	0.00%
Transport, storage and communication	6,853,060	28.22%	14,274,951	19.01%	1,042,420	9.28%
Financial	-	0.00%	2,094,639	2.79%	1,043,666	9.30%
Individuals	589,798	2.43%	318,139	0.42%	-	0.00%
Others	3,490,584	14.37%	22,347,382	29.77%	3,036,362	27.04%
	24,288,475	100.00%	75,076,382	100.00%	11,228,376	100.00%

41.1.9.2 Segment by sector

2017

	Advances (Gross)		Deposits		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	**-**	**0.00%**	**7,049**	**0.01%**	**26,559**	**0.16%**
Private	**27,282,422**	**100.00%**	**78,810,857**	**99.99%**	**17,009,203**	**99.84%**
	27,282,422	**100.00%**	**78,817,906**	**100.00%**	**17,035,762**	**100.00%**

2016

	Advances (Gross)		Deposits		Contingent liabilities*	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	-	0.00%	18,371	0.02%	1,000	0.01%
Private	24,288,475	100.00%	75,058,011	99.98%	11,227,376	99.99%
	24,288,475	100.00%	75,076,382	100.00%	11,228,376	100.00%

* 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

	2017		2016	
	Classified advances	**Specific provisions held**	Classified advances	Specific provisions held
	---------- (Rupees in '000) ----------			
Textile	**1,676,621**	**1,676,621**	1,714,054	1,714,054
Chemicals and pharmaceuticals	**55,468**	**55,468**	61,343	61,343
Individuals	**142,863**	**142,863**	152,828	152,828
Others	**923,691**	**923,691**	938,526	938,526
	2,798,643	**2,798,643**	2,866,751	2,866,751

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

Public / Government	**-**	**-**	-	-
Private	**2,798,643**	**2,798,643**	2,866,751	2,866,751
	2,798,643	**2,798,643**	2,866,751	2,866,751

41.1.9.5 Geographical segment analysis

	2017			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingent liabilities***
	---------- (Rupees in '000) ----------			
Pakistan	**3,754,653**	**117,175,986**	**9,203,078**	**17,035,762**

	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
	---------- (Rupees in '000) ----------			
Pakistan	5,191,429	112,050,384	10,220,178	11,228,376

*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. 1,819.246 million (2016: Rs. 1,589.301 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.

	2017			
	Assets	**Liabilities ***	**Off-balance sheet items**	**Net foreign currency exposure**
	(Rupees in '000)			
United States dollar	**5,296,463**	**22,524,765**	**17,377,318**	**149,016**
Great Britain pound	**173,668**	**1,382**	**(171,455)**	**831**
Japanese yen	**50,068**	**1**	**(34,328)**	**15,739**
Euro	**47,409**	**51,905**	**-**	**(4,496)**
Swiss Francs	**540**	**-**	**1,194**	**1,734**
Other currencies	**415,602**	**250,500**	**(303,909)**	**(138,807)**
Foreign currency exposure	**5,983,750**	**22,828,553**	**16,868,820**	**24,017**
Pakistan rupee	**111,192,236**	**85,144,355**	**(16,868,820)**	**(24,017)**
Total currency exposure	**117,175,986**	**107,972,908**	**-**	**-**

	2016			
	Assets	Liabilities *	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
United States dollar	4,466,863	22,982,001	19,010,693	495,555
Great Britain pound	148,269	1,337	(96,429)	50,503
Japanese yen	407,957	454,587	58,678	12,048
Euro	338,285	314,445	3,145	26,985
Swiss francs	12,860	-	-	12,860
Other currencies	512,944	202,546	(727,780)	(417,382)
Foreign currency exposure	5,887,178	23,954,916	18,248,307	180,569
Pakistan rupee	106,163,206	77,875,290	(18,248,307)	(180,569)
Total currency exposure	112,050,384	101,830,206	-	-

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

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.

2017

	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	0.10%	5,907,205	883,337	-	-	-	-	-	-	-	-	5,023,868
Balances with other banks	-	1,091,101	-	-	-	-	-	-	-	-	-	1,091,101
Lending to financial institutions	5.89%	23,930,516	23,930,516	-	-	-	-	-	-	-	-	-
Investments	4.42%	57,091,381	25,954,822	27,858,184	-	411,574	2,866,801	-	-	-	-	-
Advances	6.92%	24,483,524	19,337,885	1,328,076	618,608	1,918,193	29,285	1,025,177	42,213	85,613	76,427	22,047
Other assets	-	3,127,177	-	-	-	-	-	-	-	-	-	3,127,177
		115,630,904	70,106,560	29,186,260	618,608	2,329,767	2,896,086	1,025,177	42,213	85,613	76,427	9,264,193
Liabilities												
Bills payable	-	1,836,429	-	-	-	-	-	-	-	-	-	1,836,429
Borrowings from financial institutions	1.47%	15,460,370	15,460,370	-	-	-	-	-	-	-	-	-
Deposits and other accounts	3.29%	78,817,906	48,382,843	7,855,821	119,985	5,000	-	25,000	20,000	-	-	22,409,257
Other liabilities	-	11,755,390	-	-	-	-	-	-	-	-	-	11,755,390
		107,870,095	63,843,213	7,855,821	119,985	5,000	-	25,000	20,000	-	-	36,001,076
On-balance sheet gap		7,760,809	6,263,347	21,330,439	498,623	2,324,767	2,896,086	1,000,177	22,213	85,613	76,427	(26,736,883)
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		94,204,250	52,964,804	36,156,188	5,083,258	-	-	-	-	-	-	-
Forward exchange contracts - sale		77,215,996	45,362,476	15,380,962	16,472,558	-	-	-	-	-	-	-
Interest rate swaps - long position		3,933,333	-	-	-	-	3,933,333	-	-	-	-	-
Interest rate swaps - short position		(3,933,333)	-	-	-	-	(3,933,333)	-	-	-	-	-
Off-balance sheet gap		171,420,246	98,327,280	51,537,150	21,555,816	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		179,181,055	104,590,627	72,867,589	22,054,439	2,324,767	2,896,086	1,000,177	22,213	85,613	76,427	(26,736,883)
Cumulative Yield / Interest Risk Sensitivity Gap			104,590,627	177,458,216	199,512,655	201,837,422	204,733,508	205,733,685	205,755,898	205,841,511	205,917,938	179,181,055

2016

	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	-	5,480,867	920,466	-	-	-	-	-	-	-	-	4,560,401
Balances with other banks	0.00%	1,542,895	-	-	-	-	-	-	-	-	-	1,542,895
Lending to financial institutions	5.83%	13,325,003	13,325,003	-	-	-	-	-	-	-	-	-
Investments	6.69%	66,676,243	8,068,010	16,163,332	1,947,058	26,531,203	13,598,410	368,230	-	-	-	-
Advances	7.44%	21,421,510	18,094,200	1,421,247	337,118	301,802	603,439	308,685	25,343	57,353	235,572	36,751
Other assets	-	1,974,689	-	-	-	-	-	-	-	-	-	1,974,689
		110,421,207	40,407,679	17,584,579	2,284,176	26,833,005	14,201,849	676,915	25,343	57,353	235,572	8,114,736
Liabilities												
Bills payable	-	2,524,303	-	-	-	-	-	-	-	-	-	2,524,303
Borrowings from financial institutions	1.52%	18,394,904	18,304,738	-	-	-	-	-	-	-	-	90,166
Deposits and other accounts	3.73%	75,076,382	56,493,652	2,172,832	4,242,000	5,000	-	-	8,000	-	-	12,154,898
Other liabilities	-	5,805,541	-	-	-	-	-	-	-	-	-	5,805,541
		101,801,130	74,798,390	2,172,832	4,242,000	5,000	-	-	8,000	-	-	20,574,908
On-balance sheet gap		8,620,077	(34,390,711)	15,411,747	(1,957,824)	26,828,005	14,201,849	676,915	17,343	57,353	235,572	(12,460,172)
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		121,436,578	61,475,297	40,755,556	19,205,725	-	-	-	-	-	-	-
Forward exchange contracts - sale		103,510,839	56,839,234	31,360,608	15,194,199	116,798	-	-	-	-	-	-
Interest rate swaps - long position		5,961,225	-	-	61,225	-	-	5,900,000	-	-	-	-
Interest rate swaps - short position		(5,961,225)	-	-	(61,225)	-	-	(5,900,000)	-	-	-	-
Off-balance sheet gap		224,947,417	118,314,531	72,116,164	34,399,924	116,798	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		233,567,494	83,923,820	87,527,911	32,442,100	26,944,803	14,201,849	676,915	17,343	57,353	235,572	(12,460,172)
Cumulative Yield / Interest Risk Sensitivity Gap			83,923,820	171,451,731	203,893,831	230,838,634	245,040,483	245,717,398	245,734,741	245,792,094	246,027,666	233,567,494

		2017	2016
41.2.4	**Reconciliation of assets and liabilities exposed to Yield / Interest Rate risk with total assets and liabilities**	**(Rupees in '000)**	
	Total financial assets as per note 41.2.3	**115,630,904**	110,421,207
	Add: Non financial assets	**-**	
	Operating fixed assets	**541,286**	579,296
	Deferred tax asset	**62,145**	133,999
	Other assets	**941,651**	915,882
	Total assets as per statement of financial position	**117,175,986**	112,050,384
	Total liabilities as per note 41.2.3	**107,870,095**	101,801,130
	Add: Non financial liabilities		
	Other liabilities	**102,813**	29,076
	Total liabilities as per statement of financial position	**107,972,908**	101,830,206

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

	2017									
	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	**5,907,205**	**5,506,915**	**392,791**	**5,999**	**250**	**-**	**1,250**	**-**	**-**	**-**
Balances with other banks	**1,091,101**	**1,091,101**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Lendings to financial institutions	**23,930,516**	**23,930,516**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**57,091,381**	**25,954,822**	**27,858,184**	**-**	**411,574**	**2,866,801**	**-**	**-**	**-**	**-**
Advances	**24,483,524**	**19,338,660**	**1,329,622**	**620,928**	**1,922,241**	**35,921**	**1,030,036**	**44,076**	**85,613**	**76,427**
Operating fixed assets	**541,286**	**8,862**	**17,708**	**26,529**	**49,593**	**88,558**	**74,802**	**131,672**	**111,304**	**32,258**
Deferred tax assets	**62,145**	**1,035**	**2,072**	**3,107**	**6,215**	**12,429**	**12,429**	**24,858**	**-**	**-**
Other assets	**4,068,828**	**1,229,333**	**1,861,197**	**451,878**	**468,422**	**57,998**	**-**	**-**	**-**	**-**
	117,175,986	**77,061,244**	**31,461,574**	**1,108,441**	**2,858,295**	**3,061,707**	**1,118,517**	**200,606**	**196,917**	**108,685**
Liabilities										
Bills payable	**1,836,429**	**1,836,429**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings from financial institutions	**15,460,370**	**15,460,370**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits and other accounts *	**78,817,906**	**70,792,098**	**7,855,823**	**119,985**	**5,000**	**-**	**25,000**	**20,000**	**-**	**-**
Other liabilities	**11,858,203**	**8,752,866**	**776,936**	**895,344**	**1,256,578**	**17,648**	**17,648**	**35,296**	**88,239**	**17,648**
	107,972,908	**96,841,763**	**8,632,759**	**1,015,329**	**1,261,578**	**17,648**	**42,648**	**55,296**	**88,239**	**17,648**
Net assets	**9,203,078**	**(19,780,519)**	**22,828,815**	**93,112**	**1,596,717**	**3,044,059**	**1,075,869**	**145,310**	**108,678**	**91,037**
Represented by:										
Head office capital account	**6,812,671**									
Reserves	**163,039**									
Unremitted profit	**2,232,629**									
Deficit on revaluation of securities - net	**(5,261)**									
	9,203,078									

	2016									
	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	5,480,867	5,159,875	108,642	212,100	250	-	-	-	-	-
Balances with other banks	1,542,895	1,542,895	-	-	-	-	-	-	-	-
Lendings to financial institutions	13,325,003	13,325,003	-	-	-	-	-	-	-	-
Investments	66,676,243	8,068,010	16,163,332	1,947,058	26,531,203	13,598,410	368,230	-	-	-
Advances	21,421,510	18,095,118	1,423,080	339,870	307,307	613,801	316,721	32,688	57,353	235,572
Operating fixed assets	579,296	12,558	77,980	39,176	61,848	111,037	86,660	102,037	76,032	11,968
Deferred tax assets	133,999	2,233	4,467	6,700	13,400	26,800	26,800	53,599	-	-
Other assets	2,890,571	906,761	981,941	410,951	461,065	-	129,853	-	-	-
	112,050,384	47,112,453	18,759,442	2,955,855	27,375,073	14,350,048	928,264	188,324	133,385	247,540
Liabilities										
Bills payable	2,524,303	2,524,303	-	-	-	-	-	-	-	-
Borrowings from financial institutions	18,394,904	18,394,904	-	-	-	-	-	-	-	-
Deposits and other accounts *	75,076,382	68,648,548	2,172,834	4,242,000	5,000	-	-	8,000	-	-
Other liabilities	5,834,617	3,623,552	421,287	366,938	1,422,840	-	-	-	-	-
	101,830,206	93,191,307	2,594,121	4,608,938	1,427,840	-	-	8,000	-	-
Net assets	10,220,178	(46,078,854)	16,165,321	(1,653,083)	25,947,233	14,350,048	928,264	180,324	133,385	247,540
Represented by:										
Head office capital account	6,812,671									
Reserves	168,704									
Unremitted profit	3,174,345									
Surplus on revaluation of securities - net	64,458									
	10,220,178									

* 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

	2017									
	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	**5,907,205**	**5,506,915**	**392,791**	**5,999**	**250**	**-**	**1,250**	**-**	**-**	**-**
Balances with other banks	**1,091,101**	**1,091,101**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Lendings to financial institutions	**23,930,516**	**23,930,516**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**57,091,381**	**25,954,822**	**27,858,184**	**-**	**411,574**	**2,866,801**	**-**	**-**	**-**	**-**
Advances	**24,483,524**	**6,643,005**	**1,329,622**	**620,928**	**1,922,241**	**35,921**	**1,030,036**	**12,739,730**	**85,613**	**76,428**
Operating fixed assets	**541,286**	**8,862**	**17,708**	**26,529**	**49,593**	**88,558**	**74,802**	**131,672**	**111,304**	**32,258**
Deferred tax assets	**62,145**	**1,035**	**2,072**	**3,107**	**6,215**	**12,429**	**12,429**	**24,858**	**-**	**-**
Other assets	**4,068,828**	**1,229,333**	**1,861,197**	**451,878**	**468,422**	**57,998**	**-**	**-**	**-**	**-**
	117,175,986	**64,365,589**	**31,461,574**	**1,108,441**	**2,858,295**	**3,061,707**	**1,118,517**	**12,896,260**	**196,917**	**108,686**
Liabilities										
Bills payable	**1,836,429**	**1,836,429**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings from financial institutions	**15,460,370**	**15,460,370**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits and other accounts	**78,817,906**	**6,558,397**	**7,855,823**	**119,985**	**5,000**	**-**	**25,000**	**64,253,701**	**-**	**-**
Other liabilities	**11,858,203**	**8,752,864**	**776,938**	**895,344**	**1,256,578**	**17,648**	**17,648**	**35,296**	**88,239**	**17,648**
	107,972,908	**32,608,060**	**8,632,761**	**1,015,329**	**1,261,578**	**17,648**	**42,648**	**64,288,997**	**88,239**	**17,648**
Net assets	**9,203,078**	**31,757,529**	**22,828,813**	**93,112**	**1,596,717**	**3,044,059**	**1,075,869**	**(51,392,737)**	**108,678**	**91,038**
Represented by:										
Head office capital account	**6,812,671**									
Reserves	**163,039**									
Unremitted profit	**2,232,629**									
Deficit on revaluation of securities - net	**(5,261)**									
	9,203,078									

	2016									
	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	5,480,867	5,159,875	108,642	212,100	250	-	-	-	-	-
Balances with other banks	1,542,895	1,542,895	-	-	-	-	-	-	-	-
Lendings to financial institutions	13,325,003	13,325,003	-	-	-	-	-	-	-	-
Investments	66,676,243	8,068,010	16,163,332	1,947,058	26,531,203	13,598,410	368,230	-	-	-
Advances	21,421,510	18,095,116	1,423,081	339,870	307,307	613,801	316,721	32,688	57,353	235,573
Operating fixed assets	579,296	12,558	77,980	39,176	61,848	111,037	86,660	102,037	76,032	11,968
Deferred tax assets	133,999	2,233	4,467	6,700	13,400	26,800	26,800	53,599	-	-
Other assets	2,890,571	906,761	981,941	410,951	461,065	-	129,853	-	-	-
	112,050,384	47,112,451	18,759,443	2,955,855	27,375,073	14,350,048	928,264	188,324	133,385	247,541
Liabilities										
Bills payable	2,524,303	2,524,303	-	-	-	-	-	-	-	-
Borrowings from financial institutions	18,394,904	18,394,904	-	-	-	-	-	-	-	-
Deposits and other accounts	75,076,382	15,184,171	2,172,834	4,242,000	5,000	-	-	53,472,377	-	-
Other liabilities	5,834,617	3,623,550	421,289	366,938	1,422,840	-	-	-	-	-
	101,830,206	39,726,928	2,594,123	4,608,938	1,427,840	-	-	53,472,377	-	-
Net assets	10,220,178	7,385,523	16,165,320	(1,653,083)	25,947,233	14,350,048	928,264	(53,284,053)	133,385	247,541
Represented by:										
Head office capital account	6,812,671									
Reserves	168,704									
Unremitted profit	3,174,345									
Deficit on revaluation of securities - net	64,458									
	10,220,178									

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.

41.3.4 Liquidity Coverage Ratio (LCR)

Liquidity Risk is quantified by Liquidity coverage ratio and Net Stable funding ratio as communicated by the Regulator. Liquidity Coverage Ratio (LCR) refers to the highly liquid assets held by the bank to meet its short term obligations. LCR is used as a tool to manage liquidity risk. LCR has two components: High Quality Liquid Asset (HQLA) and total net cash outflows. HQLA comprises of those assets that can be readily sold or employed as collateral for obtaining fund. HQLA structure has been divided into 1) cash and treasury balance, 2) marketable securities, 3) corporate debt securities with credit rating, 4) non-financial equity shares.

(Amount in PKR in thousands)	**TOTAL UNWEIGHTED VALUE (average)**	**TOTAL WEIGHTED VALUE (average)**
HIGH QUALITY LIQUID ASSETS		
Total high quality liquid assets (HQLA)	88,102,934	88,102,934
CASH OUTLFLOWS		
Retail deposits and deposits from small business cusmtomers of which:	-	-
stable deposit	-	-
Less stable deposit	-	-
Unsecured wholesale funding of which:	36,376,397.00	26,110,588.00
Operational deposits (all counterparties)	-	-
Non-operational deposits (all counterparties)	17,109,682	6,843,873
Unsecured debt	19,266,715	19,266,715
Secured wholesale funding	-	-
Additional requirements of which:	73,303,024	72,986,149
Outflows related to derivative exposures and other collateral requirements	72,950,941	72,950,941
Outflows related to loss of funding on debt products	-	-
Credit and Liquidity facilities	352,083	35,208
Other contractual funding obligations	11,977,133	11,977,133
Other contingent funding obligations	2,381,366	119,068
TOTAL CASH OUTFLOWS		**111,192,938**
CASH INFLOWS		
Secured lending	3,936	1,968
Inflows from fully performing exposures	2,088,948	1,044,474
Other Cash inflows	74,317,055	73,444,062
TOTAL CASH INLFOWS		**74,490,504**
TOTAL HIGH QUALITY LIQUID ASSETS (HQLA)		88,102,934
TOTAL NET CASH OUTFLOWS		36,702,434
LIQUIDITY COVERAGE RATIO		**240.05%**

1 Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and

2 Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outlfow rates (for inflows and outflows)

3 Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on level 2B and level 2 assets for HQLA abd cap on inflows

41.3.5 Net Stable Funding Ratio (NSFR)

Net Stable Funding Ratio (NSFR) is used to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on and off balance sheet items and promotes funding stability. The ratio is defined as the amount of Available Stable Funding (ASF), relative to the amount of Required Stable Funding (RSF).

	unweighted value by residual maturity				weighted value
	No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
ASF Item					
Capital:					
Regulatory capital	9,203,333	-	-	-	9,203,333
Wholesale funding:					
Other wholesale funding	-	29,994,575	5,000	64,278,701	79,278,489
Other liabilities:					
All other liabilities and equity not included in	-	10,425,147	1,256,578	176,478	804,767
Total ASF					**89,286,589**
RSF item					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	366,754
Deposits held at other financial institutions for operational purposes	-	1,091,101	-	-	545,552
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	8,593,557	1,922,241	13,718,340	20,599,017
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	249,387	162,102
All other assets not included in the above categories	-	-	-	966,969	966,969
Off-balance sheet items	-	227,794,167	3,149,907	5,767,074	11,835,557
Total RSF					**34,475,951**
Net Stable Funding Ratio (%)					**259%**

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 MATERIAL OUTSOURCING ACTIVITIES

S.No.	Name of Service Provider	Nature of Service	Estimated Cost Amount in '000
1	Citigroup Services and Technology (China) Limited	Preparation of Nostro reconciliation	503
2	Citibank Europe Plc	Processing and generating electronic e-statement, e-swift and e-advise	954
		Product reconciliation, verification and reporting	3,816
		Human resource management rewards and mobility	1,378
		Supplier engagement process	3,710
		Wholesale card Back office operation activities	6,360
3	Citibank International Limited Hungry	Vendor management and fixed asset register	9,942
		Centralization of Citi System ID administration	1,272
4	Citi Handlowy	Risk Reporting process	1,974
5	Citibank N.A Dubai UAE	Printing and personalizing Commercial card and Courier Services	2,120
6	Citibank Anomin Sirketi	Product Setup Maintenance	3,180
	Total		**35,209**

43 DATE OF AUTHORISATION

These financial statements were authorised for issue on March 29, 2018 by the management of the Bank.

44 GENERAL

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

44.2 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

GULZEB KHAN
Chief Financial Officer

ANNEXURE I

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 2017

Description	Cost	Book value	Sale proceeds	Mode of disposal	Particulars of purchasers
	------------ (Rupees in '000) ------------				
Details of disposal of fixed assets having cost of more than Rs. 1,000,000 or net book value of Rs. 250,000 or above					
Furniture and fixture					
	1,175	-	34	AUCTION	M.AHSAN & BROTHERS
	1,175	**-**	**34**		
Electrical, office and computer equipment					
	1,131	-	5	AUCTION	M.AHSAN & BROTHERS
	166,104	-	906	AUCTION	S.S ENTERPRISES
	3,141		1,620	AUCTION	SIDDIQUI & COMPANY
	170,376	**-**	**2,531**		
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000	82,169	195	1,222		
	253,720	**195**	**3,787**		