



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

Independent Auditors' Report to the Directors

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Citibank N.A., Pakistan Branches** ("the Bank"), which comprise the statement of financial position as at December 31, 2021, and profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

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 the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flow statement for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG



KPMG Taseer Hadi & Co.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Banking Companies Ordinance, 1962 and Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the

K. Taseer



KPMG Taseer Hadi & Co.

purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the object and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and

KPMG



KPMG Taseer Hadi & Co.

- d) 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.

We confirm that for the purpose of our audit we have covered more than sixty percent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is Ameen Malik.

Date: 30 March 2022

Karachi

UDIN: AR202110096sfX5r72HU

KPMG Taseer Hadi & Co.
Chartered Accountants

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 2021

	Note	2021 (Rupees in '000)	2020
ASSETS			
Cash and balances with treasury banks	5	19,817,760	11,342,260
Balances with other banks	6	1,104,681	21,386,856
Lendings to financial institutions	7	8,178,322	639,581
Investments	8	134,784,771	87,892,745
Advances	9	36,788,242	36,438,869
Fixed assets	10	486,650	530,957
Intangible assets		-	-
Deferred tax assets	11	531,546	-
Other assets	12	9,473,700	3,748,789
		211,165,672	161,980,057
LIABILITIES			
Bills payable	14	855,130	1,475,556
Borrowings	15	15,302,778	18,848,733
Deposits and other accounts	16	172,542,423	118,238,891
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	11	-	50,871
Other liabilities	17	12,588,419	9,542,612
		201,288,750	148,156,663
NET ASSETS		9,876,922	13,823,394
REPRESENTED BY			
Head office capital account	18	6,812,671	6,812,671
Reserve		163,719	161,550
(Deficit) / surplus on revaluation of assets	19	(825,068)	102,841
Unremitted profit		3,725,600	6,746,332
		9,876,922	13,823,394
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 41 and annexure I form an integral part of these financial statements.

AHMED BOZAI
Managing Director and
Citi Country Officer

IMAD HASSAN KHAN
Country Finance 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 2021

	Note	2021 (Rupees in '000)	2020
Mark-up / return / interest earned	21	12,137,905	14,723,442
Mark-up / return / interest expensed	22	6,978,017	7,494,965
Net mark-up / interest income		5,159,888	7,228,477
NON MARK-UP / INTEREST INCOME			
Fee and commission income	23	673,700	690,120
Foreign exchange income		3,324,243	3,639,668
Income / (loss) from derivatives		-	-
Gain on securities	24	91,402	1,053,501
Other income / (loss)	25	2,410	(2,410)
Total non-markup / interest income		4,091,755	5,380,879
Total income		9,251,643	12,609,356
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	26	2,268,079	1,465,034
Workers Welfare Fund		133,500	216,542
Other charges		-	-
Total non-markup / interest expenses		2,401,579	1,681,576
Profit before provisions		6,850,064	10,927,780
(Reversals) / provisions and write offs - net	27	(37,756)	1,947
PROFIT BEFORE TAXATION		6,887,820	10,925,833
Taxation	28	3,163,574	4,169,405
PROFIT AFTER TAXATION		3,724,246	6,756,428

The annexed notes 1 to 41 and annexure I form an integral part of these financial statements.

AHMED BOZAI
Managing Director and
Citi Country Officer

IMAD HASSAN KHAN
Country Finance 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 2021

	2021	2020
	(Rupees in '000)	
Profit after taxation for the year	3,724,246	6,756,428
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in (deficit) / surplus on revaluation of investments - net of tax	(927,909)	(1,461)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	1,354	(10,096)
Total comprehensive income	<u>2,797,691</u>	<u>6,744,871</u>

The annexed notes 1 to 41 and annexure I form an integral part of these financial statements.

AHMED BOZAI
Managing Director and
Citi Country Officer

IMAD HASSAN KHAN
Country Finance 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 2021

	Head office capital account	Surplus / (deficit) on revaluation of investments	Share based payment contribution reserve by the ultimate holding company	Unremitted profit	Total
	----- (Rupees in '000) -----				
Opening balance as at 1 January 2020	6,812,671	104,302	161,543	4,821,622	11,900,138
Profit after taxation for the year ended 31 December 2020	-	-	-	6,756,428	6,756,428
Other comprehensive income / (loss) - net of tax	-	(1,461)	-	(10,096)	(11,557)
Transactions with owners, recorded directly in equity					
Contribution by the head office in respect of share based payments	-	-	29,634	-	29,634
Remittances made to head office	-	-	-	(4,821,622)	(4,821,622)
Recharged balance payable to the head office for share based payments	-	-	(29,634)	-	(29,634)
Effect of re-measurement of cost under share based payment - net of tax	-	-	7	-	7
Opening balance as at 1 January 2021	6,812,671	102,841	161,550	6,746,332	13,823,394
Profit after taxation for the current year	-	-	-	3,724,246	3,724,246
Other comprehensive income / (loss) - net of tax	-	(927,909)	-	1,354	(926,555)
Transactions with owners, recorded directly in equity					
Contribution by the head office in respect of share based payments	-	-	169,790	-	169,790
Remittances made to head office	-	-	-	(6,746,332)	(6,746,332)
Recharged balance payable to the head office for share based payments	-	-	(169,790)	-	(169,790)
Effect of re-measurement of cost under share based payment - net of tax	-	-	2,169	-	2,169
Closing Balance as at 31 December 2021	6,812,671	(825,068)	163,719	3,725,600	9,876,922

The annexed notes 1 to 41 and annexure I form an integral part of these financial statements.

AHMED BOZAI
Managing Director and
Citi Country Officer

IMAD HASSAN KHAN
Country Finance 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 2021

	Note	2021 (Rupees in '000)	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		6,887,820	10,925,833
Adjustments:			
Depreciation	10.1	130,803	128,060
Depreciation on right-of-use assets	10.1	126,837	114,844
Interest expense on lease liability against right-of-use assets	26	18,053	21,146
(Reversals) / provisions and write-offs - net	27	(37,756)	1,947
(Loss) / gain on sale of fixed assets	25	(1,221)	2,965
Unrealised gain on revaluation of investments classified as held-for-trading	24	(3,948)	(25,719)
Charge for defined benefit plan	26.1	54,737	52,385
		287,505	295,628
		7,175,325	11,221,461
(Increase) / decrease in operating assets			
Lendings to financial institutions		(7,538,741)	2,311,720
Held-for-trading securities		(20,337,983)	2,200,217
Advances		(311,415)	15,427,744
Other assets (excluding advance taxation)		(5,919,950)	2,350,254
		(34,108,089)	22,289,935
Increase in operating liabilities			
Bills payable		(620,426)	(564,902)
Borrowings from financial institutions		(3,710,008)	6,928,358
Deposits		54,303,532	5,006,800
Other liabilities (excluding current taxation)		2,991,497	(925,968)
		52,964,595	10,444,288
Income tax paid		(2,959,951)	(4,448,634)
Contribution to gratuity fund		(32,193)	(22,046)
Net cash flow from operating activities		23,039,687	39,485,004
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(28,071,257)	(13,904,770)
Investments in operating fixed assets		(36,011)	(64,795)
Proceeds from sale of fixed assets		1,294	695
Net cash flow used in investing activities		(28,105,974)	(13,968,870)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(158,109)	(195,332)
Profit repatriated to head office during the year		(6,746,332)	(4,821,622)
Net cash flow used in financing activities		(6,904,441)	(5,016,954)
(Decrease) / increase in cash and cash equivalents		(11,970,728)	20,499,180
Cash and cash equivalents at the beginning of the year	29	32,498,105	11,998,925
Cash and cash equivalents at the end of the year	29	20,527,377	32,498,105

The annexed notes 1 to 41 and annexure I form an integral part of these financial statements.

AHMED BOZAI
Managing Director and
Citi Country Officer

IMAD HASSAN KHAN
Country Finance Officer

Citibank N.A., Pakistan Branches

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

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2021

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 2021, the Bank operated through 3 branches (31 December 2020: 3 branches) in Pakistan.

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

	Long-term	Short-term
Citigroup Inc.	A3	P-2
Citibank N.A.	Aa3	P-1

2. BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 02, dated January 25, 2018.

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.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan (SECP), from time to time.

2.1.1 Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of the IFRS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

2.1.1.1 The State Bank of Pakistan has deferred the applicability of International Accounting Standards 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have 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 State Bank of Pakistan through various circulars.

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – the effective date of the standard had been extended to annual periods beginning on or after 1 January 2022 vide SBP BPRD Circular Letter no. 5 dated 5 July 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The standard 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.

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.

2.2.1 There are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2021. These are considered either to not be relevant or not to have any significant impact on the Bank's financial statements.

2.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 1, 2022:

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 1, 2022 amends IAS 37 by mainly adding paragraphs which clarify what comprises the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after January 1, 2022:

- IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 1, 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after January 1, 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, Other events or conditions are themselves material to a company's financial statements.
- The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.
- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 1, 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transactions that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.
- As per State Bank of Pakistan (SBP)' BPRD circular letter no. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks/DFIs/MFBs effective January 1, 2022. The aforementioned circular letter contained instructions for quarterly parallel reporting purposes to the SBP only and it was stated that final instructions will be issued based on the results of parallel reporting. However, banks have submitted their reservations on instructions issued for parallel reporting through the Pakistan Banks Association (PBA) and requested that they are addressed in the final instructions to be issued. The reservations are pervasive and points of contention inter alia include, retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, retaining local regulatory requirements related to IFRS 9 related areas on overseas branches, impact on capital adequacy ratio, adequacy of significant increase in credit risk criteria, future tax impact of any reversals, recording of expected credit loss on local currency denominated Government securities, further clarifications required in certain areas etc.

2.4 Critical accounting estimates and judgments

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

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

- i) classification and provisioning against investments (notes 4.3 and 8);
- ii) classification and provisioning against advances (notes 4.4 and 9);
- iii) current and deferred taxation (notes 4.8, 16 and 30);
- iv) accounting for defined benefit plan (notes 4.9 and 33);
- v) depreciation and useful lives of fixed assets (notes 4.5 and 10);
- vi) fair value of financial instruments (note 4.15 and 36);
- vii) right of use assets and related lease liabilities (note 4.5.3 and 10); and
- viii) provisions and contingent liabilities (note 4.12 and 20)

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in note 9.4.1.

3. BASIS OF MEASUREMENT

3.1 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, right-of-use assets and their related lease liabilities are measured at present values adjusted for depreciation, interest cost and lease repayments respectively. In addition, obligation in respect of staff retirement benefit are measured at present value and certain financial assets are stated net of provision.

3.2 Functional and presentational currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Bank operates. These financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

4.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represents cash in hand and balances with treasury banks, balances with other banks in current and deposit accounts and overdrawn nostro accounts.

4.2 Lendings to / borrowings from financial institutions

The Bank enters into repurchase agreements (repo) and reverse repurchase agreements (reverse repo) at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreements

Securities sold to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The differential between the sale price and contracted repurchase price is amortised over the period of the contract and recorded as an expense.

(b) Purchase of securities under resale agreements

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The underlying security is not recognised as a separate asset in the financial statements. The difference between the contracted price and resale price is recognised over the period of the contract and recorded as income.

(c) Borrowings

These are recorded at the proceeds received. Mark-up on such borrowings is charged on a time proportion basis to the profit and loss account over the period of borrowings.

4.3 Investments

4.3.1 Classification

The Bank classifies its investments as follows:

(a) Held for trading

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

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturities, for which the Bank has a positive intent and ability to hold them till maturity.

(c) Available for sale

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

4.3.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at trade date, which is the date on which the Bank commits to purchase or sell the investments. Regular way purchases or sales are purchases or sales of investments that require delivery within the time frame generally established by regulation or convention in the market place.

4.3.3 Initial recognition and measurement

Investments other than those categorised as 'held for trading' are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as 'held for trading' are initially recognised at fair value while the related transaction costs are expensed out in the profit and loss account.

4.3.4 Subsequent measurement

(a) Held-for-trading

Investments classified as held-for-trading are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is taken to the profit and loss account.

(b) Available-for-sale

Quoted securities classified as available-for-sale are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is recorded in the surplus / deficit on revaluation of securities account shown as part of equity in the statement of financial position and is taken to the profit and loss account either when realised upon disposal or when the investment is considered to be impaired.

(c) Held-to-maturity

These are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amount.

4.3.5 Impairment

Impairment loss in respect of investments classified as 'available for sale' (except for term finance certificates) 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 these investments. Provision for diminution in the value of term finance certificates is made as per the requirements of the Prudential Regulations issued by the SBP. In the event of impairment of available for sale securities, the cumulative loss that had been recognised directly in surplus on revaluation of securities in the statement of financial position is removed thereof and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

4.3.6 Gain / loss on disposal of investments made during the year is credited / charged to the profit and loss account.

4.4 Advances

Advances are stated at cost less specific and general provisions. Specific provision for non-performing advances is determined keeping in view the Bank's policy subject to the minimum requirement set out by the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. General provision against consumer and small enterprises financing portfolio is maintained as per the requirements set out in the Prudential Regulations issued by the SBP and provision based on historical loss experience on advances. Advances are written off when there are no realistic prospects of recovery.

4.5 Fixed assets and depreciation

4.5.1 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction / development period are carried under this head. These are transferred to specific assets as and when assets become available for use.

4.5.2 Tangible Assets - owned

Fixed assets (other than land and building) are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress and freehold land.

Depreciation on all fixed assets is charged to the profit and loss account applying the straight-line method in accordance with the rates specified in note 10.1 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 reporting date. Depreciation on additions of fixed assets purchased before 15th day of the month is charged for the whole month. No depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or 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. All other repair and maintenance expenditure are charged to the profit and loss account as and when incurred.

Gains / losses on disposal of fixed assets, if any, are credited / charged to the profit and loss account in the period in which they arise.

4.5.3 Lease liability and right-of-use asset

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

The Bank acts as a lessee and applies a single recognition and measurement approach for all the leases except for short-term leases and leases of low value assets (if any). The Bank recognises lease liability to make lease payments and right-of-use assets representing the right to use the underlying assets. At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Bank recognises right-of-use asset (ROU asset) and its related lease liability at the commencement date of the lease .

Right-of-use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lessee transfers ownership of the underlying asset to the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Bank present right-of-use asset that do not meet the definition of investment property in property and equipment .

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing source and makes certain adjustments, if needed to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

4.6 Intangible assets and amortisation

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis in profit and loss account over their estimated useful life. The estimated useful life of intangible assets for the current and comparative year is specified in note 12 to these financial statements. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4.7 Impairment

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.8 Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

4.8.1 Current

The provision for current taxation is based on taxable income for the year, if any, at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses as specified under the seventh schedule to the Income Tax Ordinance, 2001. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year. Current tax assets and liabilities are offset only if certain criteria are met.

4.8.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of the deferred tax asset is reviewed at each reporting 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 deferred tax asset / liability on (deficit) / surplus on revaluation of securities which is adjusted against the related (deficit) / surplus in accordance with the requirements of the International Accounting Standard (IAS-12) "Income taxes".

4.9 Staff retirement benefits

4.9.1 Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its permanent employees having period of service with the Bank exceeding five years. The Bank's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) are recognised immediately in OCI. The Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit and loss account.

Gratuity is payable to employees on completion of the prescribed qualifying period of service under the scheme.

4.9.2 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.

4.10 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.

4.11 Borrowings / deposits

- (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.

4.12 Provisions

Provision for claims under guarantees and other off balance sheet obligations is recognised when identified and reasonable certainty exists for the Bank to settle the obligation.

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 embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.13 Revenue recognition

- Mark-up income / interest on advances and returns on investments are recognised on a time proportionate basis using the effective interest method except that mark-up / income / return on classified advances and investments is recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the SBP. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP, except where, in the opinion of the management, it would not be prudent to do so.
- Fee, commission and brokerage income are accounted for on an accrual / time proportion basis.
- 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.
- Gain / loss on sale of investments is credited / charged to profit and loss account currently.

4.14 Foreign currencies

a) Foreign currency transactions

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

b) Translation gains and losses

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

c) Contingencies and commitments

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

4.15 Financial instruments

4.15.1 Financial assets and financial liabilities

All financial assets and liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain / loss on derecognition of the financial assets and financial liabilities is taken to income directly. Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments, advances, certain other assets, bills payable, borrowings, deposits and certain other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

4.15.2 Derivatives

Derivative financial instruments are recognised at fair value. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. The resultant gains and losses are taken to the profit and loss account.

4.15.3 Off-setting of financial instruments

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

4.16 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 off within pre-determined number of days, impairment loss is recognised by the Bank against such assets.

4.17 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. As required by the State Bank of Pakistan through the amended format for financial statements for Banks, acceptances are accounted for as on-balance sheet transactions and are reported in "other assets" and "other liabilities" simultaneously.

4.18 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 relevant. Segments are reported as per the Bank's functional structure and are as follows:

4.18.1 Business segments

(a) Markets

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

(b) Corporate Banking & Securities Services

Corporate banking includes project finance, export finance, trade finance, short-term lending, long-term lending, bill discounting and negotiation, letter of credit, acceptances, guarantees, deposits, custody, agency and trust and commercial cards.

5. CASH AND BALANCES WITH TREASURY BANKS	Note	2021 (Rupees in '000)	2020
In hand			
Local currency		68,406	102,004
Foreign currency		107,029	110,044
		175,435	212,048
With State Bank of Pakistan in			
Local currency current account	5.1	18,414,017	9,681,690
Foreign currency current account			
- Cash reserve account	5.2	405,981	479,503
- US Dollar clearing account		8,344	7,992
Foreign currency deposit account			
- Special cash reserve account	5.3	811,962	959,006
		19,640,304	11,128,191
With National Bank of Pakistan in			
Local currency current account		2,021	2,021
		19,817,760	11,342,260

- 5.1** 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.
- 5.2** This represents cash reserve of 5% which is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).
- 5.3** This represents special cash reserve of 10% which is required to be maintained with the 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 rate of 0% (2020: 0% to 0.76%).

6. BALANCES WITH OTHER BANKS	<i>Note</i>	2021	2020
		(Rupees in '000)	
In Pakistan			
In current account		27,636	9,886
Outside Pakistan			
In current account	6.1	1,077,045	21,376,970
		<u>1,104,681</u>	<u>21,386,856</u>

- 6.1** This includes balance of Rs. 1,076.925 million (2020: Rs. 21,376.72 million) held with branches of Citibank, N.A. outside Pakistan.

7. LENDINGS TO FINANCIAL INSTITUTIONS	<i>Note</i>	2021	2020
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	7.1 & 7.3	8,178,322	639,581
		<u>8,178,322</u>	<u>639,581</u>
Less: provision held against Lendings to Financial Institutions		-	-
Lending to Financial Institutions - net of provision		<u>8,178,322</u>	<u>639,581</u>

- 7.1** These represent short term lendings to financial institutions against government securities. These carry mark-up rates from 10.00% to 10.70% (2020: 6.05%) per annum and have a maturity period of upto February 2022 (2020: January 2021).

7.2 Particulars of lending	2021	2020
	(Rupees in '000)	
In local currency	8,178,322	639,581
In foreign currencies	-	-
	<u>8,178,322</u>	<u>639,581</u>

7.3 Securities held as collateral against Lending to financial institutions

	2021			2020		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	8,178,293	-	8,178,293	639,579	-	639,579
Total	8,178,293	-	8,178,293	639,579	-	639,579

8. INVESTMENTS

8.1 Investments by type:

	2021				2020			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)								
Held-for-trading securities								
Federal Government Securities	32,124,599	-	24,578	32,149,177	11,786,616	-	20,630	11,807,246
	32,124,599	-	24,578	32,149,177	11,786,616	-	20,630	11,807,246
Available-for-sale securities								
Federal Government Securities	103,988,163	-	(1,352,569)	102,635,594	75,916,906	-	168,593	76,085,499
Non Government Debt Securities	-	-	-	-	248,090	(248,090)	-	-
	103,988,163	-	(1,352,569)	102,635,594	76,164,996	(248,090)	168,593	76,085,499
Total Investments	136,112,762	-	(1,327,991)	134,784,771	87,951,612	(248,090)	189,223	87,892,745

8.2 Investments by segments:

		2021				2020			
	Note	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Investments by segments:									
----- (Rupees in '000) -----									
Federal Government Securities									
Market Treasury Bills	8.3 & 8.4	64,538,573	-	26,035	64,564,608	61,429,047	-	160,342	61,589,389
Pakistan Investment Bonds	8.3 & 8.5	71,574,189	-	(1,354,026)	70,220,163	26,274,475	-	28,881	26,303,356
		136,112,762	-	(1,327,991)	134,784,771	87,703,522	-	189,223	87,892,745
Non Government Debt Securities									
Unlisted		-	-	-	-	248,090	(248,090)	-	-
		-	-	-	-	248,090	(248,090)	-	-
Total Investments		136,112,762	-	(1,327,991)	134,784,771	87,951,612	(248,090)	189,223	87,892,745

8.2.1 Investments given as collateral

	2021	2020
	(Rupees in '000)	
Market Treasury Bills	7,845,024	18,614,390

8.3 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.

8.4 Market Treasury Bills are for a period of three months and six months. The effective rates of profit on Market Treasury Bills range from 7.50% to 11.40% (2020: 7.06% to 13%) per annum with maturities upto June 2022 (2020: November 2021). Market Treasury Bills having face value of Rs. 25 million (2020: Rs. 25 million) and market value Rs. 25 million (2020: Rs. 24 million) 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. 7,684 million (2020: Rs. 7,684 million) and having market value of Rs. 7,540 million (2020: Rs. 7,282 million) have been deposited with the State Bank of Pakistan as pledged capital.

8.5 Pakistan Investment Bonds (PIBs) are for periods of three years and ten years. The yield on these PIBs range from 7.61% to 9.00% (2020: 7.42% to 8.40%) per annum with maturities from July 2022 to August 2024 (2020: September 2022 to October 2023).

8.6 Provision for diminution in value of investments	<i>Note</i>	2021	2020
		(Rupees in '000)	
8.6.1 Opening balance		(248,090)	(248,090)
Exchange adjustments		-	-
Charge / reversals for the year		-	-
Amounts written off	8.7.1	248,090	-
Closing Balance		-	(248,090)

8.6.2 Particulars of provision against debt securities

Category of classification

	2021		2020	
	NPL	Provision	NPL	Provision
	(Rupees in '000)			
Domestic				
Loss	-	-	248,090	248,090
	-	-	248,090	248,090

8.7 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

		Cost / amortised Cost	
		2021	2020
		(Rupees in '000)	
Federal Government Securities - Government guaranteed			
Market Treasury Bills		32,413,974	51,801,443
Pakistan Investment Bonds		71,574,189	24,115,463
		103,988,163	75,916,906
Non Government Debt Securities			
	<i>Note</i>	2021	2020
		(Rupees in '000)	
Unlisted			
Azgard Nine Limited - Unrated			
Nil Term Finance Certificates (2020: 49,618) of Rs. 5,000 each	8.7.1	-	248,090

8.7.1 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 fully provided. This amount was written-off during the year 2021. Accordingly, provision for diminution in value of investments against the same has been adjusted.

9. ADVANCES

Note	Performing		Non Performing		Total	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Loans, cash credits, running finances, etc.	33,623,528	33,348,186	1,740,576	2,381,081	35,364,104	35,729,267
Bills discounted and purchased	3,164,829	3,090,889	-	-	3,164,829	3,090,889
Advances - gross	36,788,357	36,439,075	1,740,576	2,381,081	38,528,933	38,820,156
Provision against advances						
- Specific	-	-	(1,740,576)	(2,381,081)	(1,740,576)	(2,381,081)
- General	(115)	(206)	-	-	(115)	(206)
	(115)	(206)	(1,740,576)	(2,381,081)	(1,740,691)	(2,381,287)
Advances - net of provision	36,788,242	36,438,869	-	-	36,788,242	36,438,869

9.1 Particulars of advances (Gross)

	2021	2020
	(Rupees in '000)	
In local currency	38,323,351	38,633,999
In foreign currencies	205,582	186,157
	38,528,933	38,820,156

9.2 Based on classification defined in SBP Prudential Regulations, Rs. 38,150.910 million (2020: Rs. 38,382.827 million) advances fall under Corporate and Rs. 378.023 million (2020: 437.329 million) fall under Consumer and SME classification as at 31 December 2021.

9.3 Advances include Rs. 1,740.576 million (2020: Rs. 2,381.081 million) which have been placed under non-performing status as detailed below:

Category of Classification

	2021		2020	
	Non performing loans	Provision	Non performing loans	Provision
(Rupees in '000)				
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,740,576	1,740,576	2,381,081	2,381,081
Total	1,740,576	1,740,576	2,381,081	2,381,081

9.4 Particulars of provision against advances

Note	2021			2020		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	2,381,081	206	2,381,287	2,673,071	215	2,673,286
Exchange adjustments	19,426		19,426	11,353		11,353
Charge for the year	-	-	-	1,956	-	1,956
Reversals	(37,867)	(91)	(37,958)	-	(9)	(9)
	(37,867)	(91)	(37,958)	1,956	(9)	1,947
Amounts written off	(622,064)	-	(622,064)	(305,299)	-	(305,299)
Closing balance	1,740,576	115	1,740,691	2,381,081	206	2,381,287

9.4.1 The Bank maintains general provision in accordance with the applicable requirements of the Prudential Regulations for Housing Finance issued by the SBP. The provision ranges between 0.5% to 1.5% based on the classified housing finance to total housing finance ratio present in the portfolio.

9.4.2 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	1,740,576	115	1,740,691	2,381,081	206	2,381,287
	1,740,576	115	1,740,691	2,381,081	206	2,381,287

9.4.3 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.

9.4.4 During 2017, the Bank entered into an agreement with a third party to settle outstanding dues of Azgard Nine Limited as full and final settlement for an amount of Rs. 160 million. Full payment was received in 2019 as per agreement and addendum thereto. The principal and mark-up were written-off during the year December 2021.

9.5 PARTICULARS OF WRITE OFFS:

	Note	2021	2020
		(Rupees in '000)	
9.5.1 Against Provisions	9.4.4	622,064	305,299
Directly charged to Profit & Loss account		-	-
		622,064	305,299
9.5.2 Write Offs of Rs. 500,000 and above			
- Domestic		622,064	305,299
- Overseas		-	-
Write Offs of Below Rs. 500,000		-	-
		622,064	305,299

9.6 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended 31 December 2021 is given in Annexure-1.(except where such disclosure is restricted by overseas regulatory authorities).

10. FIXED ASSETS

Note

2021

2020

(Rupees in '000)

Property and equipment

10.1

486,650

530,957

486,650

530,957

10.1 Property and Equipment

2021

Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right-of-use assets	Total
----------------------------	-----------------------	---	----------	---------------------	-------

(Rupees in '000)

At 1 January 2021

Cost	4,863	610,673	424,147	71,827	362,582	1,474,092
Accumulated depreciation	(3,039)	(383,605)	(333,926)	(49,103)	(173,462)	(943,135)
Net book value	1,824	227,068	90,221	22,724	189,120	530,957

Year ended December 2021

Opening net book value	1,824	227,068	90,221	22,724	189,120	530,957
Additions	-	14,063	21,176	-	-	35,239
Disposals	-	-	(73)	-	-	(73)
Depreciation charge	(239)	(79,618)	(43,383)	(7,563)	(126,837)	(257,640)
Other adjustments / transfers	-	-	772	-	177,395	178,167
Closing net book value	1,585	161,513	68,713	15,161	239,678	486,650

At 31 December 2021

Cost	4,863	624,737	434,782	69,181	539,977	1,673,540
Accumulated depreciation	(3,278)	(463,224)	(366,069)	(54,020)	(300,299)	(1,186,890)
Net book value	1,585	161,513	68,713	15,161	239,678	486,650

Rate of depreciation (percentage)

5	10-50	14.3-33.33	20	33-39
---	-------	------------	----	-------

2020

Building on Lease hold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right-of-use assets	Total
-----------------------------	-----------------------	---	----------	---------------------	-------

(Rupees in '000)

At 1 January 2020

Cost	6,295	606,873	557,595	72,746	122,699	1,366,208
Accumulated depreciation	(4,232)	(316,471)	(471,586)	(42,458)	(58,618)	(893,365)
Net book value	2,063	290,402	86,009	30,288	64,081	472,843

Year ended December 2020

Opening net book value	2,063	290,402	86,009	30,288	64,081	472,843
Additions	-	11,463	53,216	-	134,499	199,178
Disposals	-	(3,453)	(207)	-	-	(3,660)
Depreciation charge	(239)	(71,460)	(48,797)	(7,564)	(114,844)	(242,904)
Other adjustments / transfers	-	116	-	-	105,384	105,500
Closing net book value	1,824	227,068	90,221	22,724	189,120	530,957

At 31 December 2020

Cost	4,863	610,673	424,147	71,827	362,582	1,474,092
Accumulated depreciation	(3,039)	(383,605)	(333,926)	(49,103)	(173,462)	(943,135)
Net book value	1,824	227,068	90,221	22,724	189,120	530,957

Rate of depreciation (percentage)

5	10-50	14.3-33.33	20	39-41
---	-------	------------	----	-------

10.2 The cost of fully depreciated assets still in use amounts to Rs. 342.091 million (2020: Rs. 333.974 million).

11. DEFERRED TAX ASSETS / (LIABILITIES)

2021			
At 1 January 2021	Recognised in Profit and Loss Account	Recognised in OCI	At 31 December 2021
----- Rupees in 000-----			
Deductible Temporary Differences on			
- Post retirement employee benefits	85,660	-	84,795
- Deficit on revaluation of investments	(65,752)	-	527,502
- Accelerated tax depreciation	22,415	(12,335)	10,080
	42,323	(12,335)	622,377
Taxable Temporary Differences on			
- Effect of re-measurement of cost under share based payment	(86,988)	-	(88,374)
- Unrealized gain on derivatives	(6,206)	3,749	(2,457)
	(93,194)	3,749	(90,831)
	(50,871)	(8,586)	531,546

2020			
At 1 January 2020	Recognised in Profit and Loss Account	Recognised in OCI	At 31 December 2020
----- Rupees in 000-----			
Deductible Temporary Differences on			
- Post retirement employee benefits	79,205	-	85,660
- Accelerated tax depreciation	4,586	17,829	22,415
- Provision against advances, off balance sheet etc.	-	-	-
	83,791	17,829	108,075
Taxable Temporary Differences on			
- Surplus on revaluation of investments	(56,164)	-	(65,752)
- Effect of re-measurement of cost under share based payment	(86,985)	-	(86,988)
- Unrealized gain on derivatives	183,507	(189,713)	(6,206)
	40,358	(189,713)	(158,946)
	124,149	(3,136)	(50,871)

12 OTHER ASSETS

	Note	2021 (Rupees in '000)	2020
Income / Mark-up accrued in local currency		2,155,554	1,116,092
Income / Mark-up accrued in foreign currency		20,336	31,696
Advances, deposits, advance rent and other prepayments		76,122	78,909
Advance taxation (payments less provisions)		80,465	275,504
Non-banking assets acquired in satisfaction of claims	12.2	7,954	7,954
Branch adjustment account		2,727	1,247
Mark to market gain on forward foreign exchange contracts		932,576	1,033,201
Acceptances		6,203,981	1,199,226
Others		1,939	12,914
		9,481,654	3,756,743
Less: Provision held against other assets	12.1 & 12.3	7,954	7,954
Other Assets (Net of Provision)		9,473,700	3,748,789
Other Assets - total		9,473,700	3,748,789

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

12.2 Non-banking assets acquired in satisfaction of claims	2021	2020
	(Rupees in '000)	
Opening Balance	7,954	7,954
Additions	-	-
Revaluation	-	-
Disposals	-	-
Depreciation	-	-
Impairment	-	-
Closing Balance	7,954	7,954

12.1.2 Gain/Loss on Disposal of Non-banking assets acquired in satisfaction of cla	2021	2020
Disposal Proceeds	-	-
less		
- Cost	-	-
- Impairment / Depreciation	-	-
Gain/Loss	-	-

12.3 Provision held against other assets

Advances, deposits, advance rent & other prepayments	-	-
	7,954	7,954
Others (to be specified if material)		
Non banking assets acquired in satisfaction of claims	7,954	7,954

12.3.1 Movement in provision held against other assets

Opening balance	7,954	7,954
Charge for the year	-	-
Reversals	-	-
Amount Written off	-	-
Closing balance	7,954	7,954

13. CONTINGENT ASSETS

There were no contingent assets of the Bank as at 31 December 2021 (2020: Nil).

14	BILLS PAYABLE	Note	2021 (Rupees in '000)	2020
	In Pakistan		<u>855,130</u>	<u>1,475,556</u>
			<u>855,130</u>	<u>1,475,556</u>

15 BORROWINGS

Secured

Repurchase agreement borrowings

Total secured

15.1	<u>7,847,174</u>	<u>18,617,722</u>
	<u>7,847,174</u>	<u>18,617,722</u>

Unsecured

Call borrowings

Overdrawn nostro accounts

Total unsecured

15.2	<u>7,060,540</u>	<u>-</u>
	<u>395,064</u>	<u>231,011</u>
	<u>7,455,604</u>	<u>231,011</u>

<u>15,302,778</u>	<u>18,848,733</u>
-------------------	-------------------

15.1 This represents secured borrowing that carries mark-up rate of 10% (2020: 6.40% to 7.00%) per annum and are due to mature in January 2022 (2020: January 2021).

15.2 This represents unsecured borrowing that carries mark-up rate of 0.1% (2020: NIL) per annum and are due to mature in January 2022 (2020: NIL).

15.3 Particulars of borrowings with respect to Currencies

2021
(Rupees in '000)

In local currency

In foreign currencies

<u>7,847,174</u>	<u>5,495,460</u>
<u>7,455,604</u>	<u>13,353,273</u>
<u>15,302,778</u>	<u>18,848,733</u>

16. DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits	36,924,017	1,364,888	38,288,905	27,878,505	1,556,612	29,435,117
Savings deposits	101,695,920	5,962,762	107,658,682	62,204,324	6,044,384	68,248,708
Term deposits	17,620,817	38,545	17,659,362	14,330,316	34,903	14,365,219
Others - margin deposits	6,533,550	3,873	6,537,423	3,143,901	4,101	3,148,002
	<u>162,774,304</u>	<u>7,370,068</u>	<u>170,144,372</u>	<u>107,557,046</u>	<u>7,640,000</u>	<u>115,197,046</u>
Financial Institutions						
Current deposits	1,978,016	420,035	2,398,051	1,865,087	1,176,758	3,041,845
	<u>1,978,016</u>	<u>420,035</u>	<u>2,398,051</u>	<u>1,865,087</u>	<u>1,176,758</u>	<u>3,041,845</u>
	<u>164,752,320</u>	<u>7,790,103</u>	<u>172,542,423</u>	<u>109,422,133</u>	<u>8,816,758</u>	<u>118,238,891</u>

16.1 Composition of deposits

2021
(Rupees in '000)

- Individuals	<u>258,103</u>	<u>221,916</u>
- Public Sector Entities	<u>6,110</u>	<u>26,337</u>
- Banking Companies	<u>4,444,860</u>	<u>4,466,641</u>
- Non-Banking Financial Institutions	<u>1,712,122</u>	<u>1,769,523</u>
- Private Sector	<u>166,121,228</u>	<u>111,754,474</u>
	<u>172,542,423</u>	<u>118,238,891</u>

16.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 254.736 million (2020: Rs. 238.900 million).

17. OTHER LIABILITIES	Note	2021 (Rupees in '000)	2020
Mark-up / Return / Interest payable in local currency		25,255	242,031
Mark-up / Return / Interest payable in foreign currency		20	1,368
Unearned commission and income on bills discounted		26,436	26,233
Accrued expenses	17.1	892,187	737,257
Worker's Welfare Fund (WWF) payable	17.2	720,608	587,107
Acceptances		6,203,981	1,199,226
Mark to market loss on forward foreign exchange contracts		926,278	1,017,289
Unremitted head office expenses		956,742	936,972
Payable to regional offices for support services		18,242	17,463
Payable to defined benefit plan		287,212	266,887
Provision against off-balance sheet obligations	17.3 & 17.4	202	-
Payable on account of sale proceeds of securities held under custody	17.5	199,256	1,650,716
Payable on account of sale proceeds of shares sold by an associated undertaking	17.6	136,033	136,033
Lease liability against right-of-use assets		164,051	126,712
Clearing Account balances		592,692	834,753
Unclaimed deposit balances		919,094	945,447
Others		520,130	817,118
		12,588,419	9,542,612

17.1 This includes the Bank's obligation to the head office under the stock award and stock option programmes. As of December 31, 2021 recognised liability for share based incentive plans was Rs. 417.399 million (2020: Rs. 245.609 million).

17.2 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 provision of Rs. 943.365 million against Sindh and Punjab WWF laws from the date of its levy till 31 December 2021. The bank along with the banking industry has challenged the Sind WWF levy which is pending in Court. No notice has been received from Punjab Revenue Authority in respect of its WWF law. However, single member bench of Sindh High Court issued an interim order, whereby all banks are required to comply the order of full bench's order in the similar case. Stay has been obtained against the interim order by the banks, the lawyer also informed that final order of full bench will also decide the fate of banking industry's cases.

17.3 These primarily represents provision against financial guarantees issued by the bank

17.4 Provision against off-balance sheet obligations	2021	2020
Opening balance	-	-
Charge for the year	202	-
Closing balance	202	-

17.5 This represents amount payable to the parent entity of International Finance Corporation, on account of custody services for the management of the portfolio of securities.

17.6 This represents the amount payable to Citibank Overseas Investment Corporation (COIC), a subsidiary of Citibank N.A on account of remittance of the sale proceeds of the shares were disposed by COIC.

18. HEAD OFFICE CAPITAL ACCOUNT	2021 (Rupees in '000)	2020
Capital held as:		
Deposit of un-encumbered approved securities	6,812,671	6,812,671

18.1 This represents Market Treasury Bills having face value of Rs. 7,684 million (2020: Rs. 7,684 million). The market value of Market Treasury Bills amounts to Rs. 7,540 million (2020: Rs. 7,282 million) and these have maturities of up to March 2022 (2020: October 2021).

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

19. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS	<i>Note</i>	2021	2020
		(Rupees in '000)	
(Deficit) / surplus on revaluation of			
- Available for sale securities	8.1	(1,352,569)	168,593
Deferred tax on surplus on revaluation of:			
- Available for sale securities		527,501	(65,752)
		(825,068)	102,841

20. CONTINGENCIES AND COMMITMENTS

-Guarantees	20.1	2,183,378	1,541,777
-Commitments	20.2	214,748,553	227,621,840
-Other contingent liabilities	20.3	247,685	239,765
		217,179,616	229,403,382

20.1 Guarantees:

Financial guarantees		-	202
Performance guarantees		2,183,378	1,541,575
		2,183,378	1,541,777

20.2 Commitments:

Documentary credits and short-term trade-related transactions			
- letters of credit		19,607,388	9,609,444
Commitments in respect of:			
- forward foreign exchange contracts	20.2.1	176,946,398	196,867,719
- forward government securities transactions	20.2.2	16,041,251	19,267,722
- forward lending	20.2.3	2,152,129	1,870,826
Commitments for acquisition of:			
- operating fixed assets		1,387	6,129
		214,748,553	227,621,840

20.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	94,831,909	91,281,050
Sale	82,114,489	105,586,669
	176,946,398	196,867,719

20.2.2 Commitments in respect of forward government securities transactions

Purchase	7,853,624	18,627,719
Sale	8,187,627	640,003
	16,041,251	19,267,722

20.2.3 Commitments in respect of forward lending

Undrawn formal standby facilities, credit lines	20.2.3.1	2,152,129	1,870,826
---	----------	------------------	-----------

20.2.3.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.

20.3 Other contingent liabilities

Claims not acknowledged as debt	20.3.1	247,685	239,765
---------------------------------	--------	----------------	---------

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

21. MARK-UP / RETURN / INTEREST EARNED	<i>Note</i>	2021	2020
		(Rupees in '000)	
On:			
a) Loans and advances		3,125,157	5,136,845
b) Investments		8,047,278	8,816,904
c) Lendings to financial institutions		959,312	724,620
d) Balances with banks		6,158	45,073
		12,137,905	14,723,442
22. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		6,077,382	6,433,716
Borrowings		86,648	672,439
Cost of foreign currency swaps against foreign currency deposits / borrowings		813,987	388,810
		6,978,017	7,494,965
23. FEE AND COMMISSION INCOME			
Branch banking customer fees		32,282	24,943
Card related fees		5,060	5,252
Credit related fees		-	-
Custody related fees		350,636	372,863
Commission on trade		164,321	147,747
Commission on guarantees		19,985	15,242
Commission on cash management		84,537	112,345
Commission on remittances including home remittances		13	14
Others		16,866	11,714
		673,700	690,120
24. GAIN ON SECURITIES			
Realised	24.1	87,454	1,027,782
Unrealised - held for trading	8.1	3,948	25,719
		91,402	1,053,501
24.1 Realised gain on:			
Federal Government Securities		87,454	1,027,782
		87,454	1,027,782
25. OTHER INCOME / (LOSS)			
Gain / (loss) on sale of fixed assets - net		1,221	(2,965)
Sale of non-capitalized assets		1,189	-
Incidental Income		-	555
		2,410	(2,410)

26. OPERATING EXPENSES

	Note	2021 (Rupees in '000)	2020
Total compensation expense	26.1	1,152,186	795,013
Property expense			
Rent & taxes		8,963	13,051
Utilities cost		34,252	31,920
Security (including guards)		42,292	42,673
Repair & maintenance (including janitorial charges)		89,264	89,018
Depreciation	10.1	79,856	71,699
Depreciation on right-of-use assets	10.1	126,837	114,844
Interest expense on lease liability against right-of-use assets		18,053	21,146
Others		-	882
		399,517	385,233
Information technology expenses			
Software maintenance		95,205	45,772
Hardware maintenance		3,455	9,135
Depreciation	10.1	43,383	48,797
Network charges		56,833	46,406
Others		5,359	2,038
		204,235	152,148
Other operating expenses			
Legal & professional charges		41,139	49,330
Outsourced services costs (refer note 32.1)		87,711	94,721
Travelling & conveyance		14,984	19,786
NIFT clearing charges		1,184	5,966
Depreciation	10.1	7,564	7,564
Training & development		337	172
Postage & courier charges		15,465	24,043
Communication		28,590	33,165
Head office expenses	26.4	19,770	(352,977)
Stationery & printing		6,913	22,948
Marketing, advertisement & publicity		192	17
Donations	26.2	-	4,700
Auditors Remuneration	26.3	3,640	3,670
Banking Service Charges		103,538	84,965
Brokerage and commission		27,265	34,461
Card Association Fees		45,506	52,161
Record Management Expenses		67,994	34,714
Others		40,349	13,234
		512,141	132,640
		2,268,079	1,465,034

The Bank has incurred outsourced services cost of Rs. 22.121 million (2020: Rs. 18.928 million) pertaining to payments to companies incorporated outside Pakistan and Rs. 65.590 million (2020: Rs. 75.793 million) pertaining to payments to companies incorporated in Pakistan.

The Bank has outsourced some of its activities to Citi-affiliated entities incorporated outside Pakistan. These include, among others, KYC and AML transaction monitoring, FATCA validation and reporting, e-statement, Electronic Communication surveillance, Regulatory report production, Data hosting, system and infrastructure support, Suppliers' management and payment processing, and Commercial Cards processing and printing.

26.1 Total compensation expense

	2021 (Rupees in '000)	2020
Fees and Allowances etc	-	-
Managerial Remuneration		
i) Fixed	578,171	472,975
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	142,572	92,266
b) Bonus & Awards in Shares etc.	185,609	29,634
Charge for defined benefit plan	54,737	52,385
Contribution to defined contribution plan	37,934	30,640
Rent & house maintenance	34,012	35,058
Utilities	25,304	3,176
Medical	36,306	23,095
Conveyance	56,242	48,455
Professional membership fees reimbursement	-	240
Others	1,299	-
Sub-total	1,152,186	787,924
Severance Allowance *	-	7,089
Grand Total	1,152,186	795,013

* The number of persons paid severance allowance was NIL (2020: 03).

26.2	Donations above Rs. 0.1 Million		2021 (Rupees in '000)	2020
	Sindh Healthcare Commission		-	4,100
	The Kidney Centre Post Graduate Training Institute		-	600
	Donations individually not exceeding Rs. 100,000		-	-
			<u>-</u>	<u>4,700</u>
26.2.1	Donations were not made to any donee in which key management personnel or their spouse had any interest.			
26.3	Auditors' remuneration		2021 (Rupees in '000)	2020
	Audit fee		1,780	1,780
	Fee for the half yearly review		491	491
	Special certifications and other services		1,044	1,074
	Out-of-pocket expenses		325	325
			<u>3,640</u>	<u>3,670</u>
26.4	Head office expenses are estimated based on head office certificate of prior year and are subject to true ups / actualisation.			
27.	(REVERSALS) / PROVISIONS & WRITE OFFS - NET			
	Provision against off-balance sheet obligations (Reversal) / provision against loans & advances	9.4	202 (37,958) (37,756)	- 1,947 1,947
28.	TAXATION			
	Current		2,931,283	3,997,521
	Prior years		223,705	-
	Deferred		8,586	171,884
			<u>3,163,574</u>	<u>4,169,405</u>
28.1	Relationship between tax expense and accounting profit			
	Profit before taxation		6,887,820	10,925,833
	Taxation at the applicable tax rate of 35% (2020: 35%)		2,410,737	3,824,042
	Taxation at the applicable Super tax rate of 4% (2020: 4%)		275,513	437,033
	Prior year charge		223,705	-
	Taxation effect of expenses / income that are not deductible / taxable in determining taxable income		59,744	(100,809)
	Others		193,875	9,139
			<u>3,163,574</u>	<u>4,169,405</u>
28.2	The Income Tax returns of the Bank have been filed up to the tax year 2021 (accounting year ended 31 December 2020).			
	The income tax authorities issued amended assessment orders for up to tax years 2020 whereby aggregate tax demand of Rs. 667 million (December 31, 2020: Rs. 392 million) was raised. Total demand has been paid except for the tax year 2019, where management had decided to pay 10% against the demand of Rs. 175 million. This was done in accordance with the tax opinion from tax advisor in order to obtain stay against demand for the tax year 2019.			
	The Bank has filed appeals before the appellate forums against these amended assessment orders for all years, where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. On the other hand, where the appellate authorities have not allowed relief, the Bank has filed appeals before higher appellate forums. The management of the Bank, in consultation with its tax advisor, is confident that the appeals will be decided in favour of the Bank.			
	In the year 2020, FBR had started proceedings for monitoring of withholding taxes under section 161 of the Income Tax Ordinance 2001 and has passed an order creating demand of Rs. 127 million for the accounting years 2005 and 2006. Penalty amount on alleged short tax payment is Rs. 6.39 million. Surcharge amount for alleged short tax payment, if any, will be in addition to it. Bank has filed appeals and obtained a stay against the demand from the Sindh High Court. Neither the demand is paid nor any provision has been recognised for this demand in the books of accounts as management is of the view that the bank will be able to defend its position in a court of law. Bank's view is supported by external counsel opinion.			
29.	CASH AND CASH EQUIVALENTS	Note	2021 (Rupees in '000)	2020
	Cash and balance with treasury banks	5	19,817,760	11,342,260
	Balance with other banks	6	1,104,681	21,386,856
	Overdrawn nostros	15	(395,064)	(231,011)
			<u>20,527,377</u>	<u>32,498,105</u>

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

	2021							
	Liabilities				Equity			
	Bills payable	Borrowings	Deposits and other accounts	Other liabilities	Head office capital account	Reserves	Surplus / (Deficit) on revaluation of assets	Unremitted profit
----- (Rupees in '000) -----								
Balance as at 01 January 2021	1,475,556	18,617,722	118,238,891	9,542,612	6,812,671	161,550	102,841	6,746,332
Changes from financing cash flows								
Proceeds from sub-ordinated debt	-	-	-	-	-	-	-	-
Payment of lease liability against right-of-use-assets	-	-	-	(158,109)	-	-	-	-
Profit repatriated to head office during the year	-	-	-	-	-	-	-	(6,746,332)
Total changes from financing cash flows	1,475,556	18,617,722	118,238,891	9,384,503	6,812,671	161,550	102,841	-
Other changes								
Liability-related								
Changes in bills payable	(620,426)	-	-	-	-	-	-	-
Changes in borrowings	-	(3,710,008)	-	-	-	-	-	-
Changes in deposits and other accounts	-	-	54,303,532	-	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-	-
- Cash based	-	-	-	2,959,304	-	-	-	-
- Non-cash based	-	-	-	244,612	-	2,169	-	1,354
Profit for the year	-	-	-	-	-	-	-	3,724,246
Changes in surplus on revaluation of assets	-	-	-	-	-	-	(927,909)	-
	(620,426)	(3,710,008)	54,303,532	3,203,916	-	2,169	(927,909)	3,725,600
Balance as at 31 December 2021	855,130	14,907,714	172,542,423	12,588,419	6,812,671	163,719	(825,068)	3,725,600

	2020							
	Liabilities				Equity			
	Bills payable	Borrowings	Deposits and other accounts	Other liabilities	Head office capital account	Reserves	Surplus / (Deficit) on revaluation of assets	Unremitted profit
----- (Rupees in '000) -----								
Balance as at 01 January 2020	2,040,458	11,689,364	113,232,091	10,531,612	6,812,671	161,543	104,302	4,821,622
Changes from financing cash flows								
Proceeds from sub-ordinated debt	-	-	-	-	-	-	-	-
Profit repatriated to head office during the year	-	-	-	-	-	-	-	(4,821,622)
Total changes from financing cash flows	2,040,458	11,689,364	113,232,091	10,531,612	6,812,671	161,543	104,302	-
Other changes								
Liability-related								
Changes in bills payable	(564,902)	-	-	-	-	-	-	-
Changes in borrowings	-	6,928,358	-	-	-	-	-	-
Changes in deposits and other accounts	-	-	5,006,800	-	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-	-
- Cash based	-	-	-	(1,143,346)	-	-	-	-
- Non-cash based	-	-	-	154,346	-	7	-	(10,096)
Profit for the year	-	-	-	-	-	-	-	6,756,428
Changes in surplus on revaluation of assets	-	-	-	-	-	-	(1,461)	-
	(564,902)	6,928,358	5,006,800	(989,000)	-	7	(1,461)	6,746,332
Balance as at 31 December 2020	1,475,556	18,617,722	118,238,891	9,542,612	6,812,671	161,550	102,841	6,746,332

30. STAFF STRENGTH

	2021	2020
	(Number)	(Number)
Permanent	164	149
Bank's own staff strength at the end of the year	164	149

30.1 In addition to the above, 55 (2020: 114) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

31. DEFINED BENEFIT PLAN
31.1 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.

31.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2021	2020
	(Number)	(Number)
- Gratuity fund	164	147

31.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2021 using the following significant assumptions:

	2021 (Per annum)	2020
Discount rate	9.75%	9.75%
Expected rate of return on plan assets	9.75%	9.75%
Expected rate of salary increase	8.75%	8.75%

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.

31.4 Reconciliation of payable to defined benefit plans	Note	Gratuity fund	
		2021	2020
		(Rupees in '000)	
Present value of obligations	31.5	341,786	307,864
Fair value of plan assets	31.6	(54,574)	(40,977)
Payable		<u>287,212</u>	<u>266,887</u>
31.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		307,864	279,722
Current service cost		29,476	28,994
Interest cost		28,931	28,643
Benefits paid		(23,791)	(41,203)
Re-measurement loss		(694)	11,708
Obligations at the end of the year		<u>341,786</u>	<u>307,864</u>
31.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		40,977	59,725
Interest income on plan assets		3,670	5,252
Contributions- net		32,193	22,046
Benefits paid		(23,791)	(41,203)
Re-measurements: Net return on plan assets over interest income loss	31.8.2	1,525	(4,843)
Fair value at the end of the year		<u>54,574</u>	<u>40,977</u>
31.7 Movement in payable under defined benefit schemes			
Opening balance		266,887	219,997
Charge for the year	31.8.1	54,737	52,385
Contributions - net		(32,193)	(22,046)
Re-measurement loss recognised in OCI during the year	31.8.2	(2,219)	16,551
Closing balance		<u>287,212</u>	<u>266,887</u>
31.8 Charge for defined benefit plans			
31.8.1 Cost recognised in profit and loss			
Current service cost		29,476	28,994
Net interest on defined benefit liability		25,261	23,391
		<u>54,737</u>	<u>52,385</u>

31.8.2 Re-measurements recognised in OCI during the year	Gratuity fund	
	2021	2020
	(Rupees in '000)	
Loss on obligation		
- Financial assumptions	-	-
- Experience adjustment	(694)	11,708
Return on plan assets over interest income	(1,525)	4,843
Total re-measurements recognised in OCI	<u>(2,219)</u>	<u>16,551</u>

31.9 Components of plan assets

Cash and cash equivalents - net	8,399	6,306
Government Securities	46,175	34,300
Total	<u>54,574</u>	<u>40,606</u>

31.10 Sensitivity analysis

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

	Gratuity Fund 2021 (Rupees in '000)
1% increase in discount rate	319,355
1% decrease in discount rate	366,016
1 % increase in expected rate of salary increase	366,487
1 % decrease in expected rate of salary increase	318,545

The above sensitivity analysis 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.

	2021 (Rupees in '000)
31.11 Expected contributions to be paid to the funds in the next financial year	<u>16,779</u>
31.12 Expected charge for the next financial year	<u>54,737</u>

31.13 Maturity profile

The weighted average duration of the obligation is 8 years.

31.14 Funding Policy

Funding levels are monitored on an annual basis and are based on actuarial recommendations. 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.

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

32. 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. 37.934 million (2020: Rs. 30.640 million) in respect of the defined contribution plan.

33. COMPENSATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Citi Country Officer		Executives	
	2021	2020	2021	2020
	----- (Rupees in '000) -----			
Managerial remuneration	40,022	41,396	569,785	434,600
Charge for defined benefit plan	3,332	2,083	26,480	20,610
Contribution to defined contribution plan	4,000	2,500	31,789	24,742
Rent and house maintenance	47,733	19,019	127,154	98,969
Utilities	7,385	4,881	31,789	24,742
Medical	47	1,004	4,426	2,399
Others	2,165	5,610	81,705	67,757
	104,684	76,493	873,128	673,819
Number of persons	1	1	88	92

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

34. FAIR VALUE MEASUREMENTS

'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.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

34.1 Fair value of financial assets

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).

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:

		2021				
	Note	Carrying / Notional Value	Fair Value			
			Level 1	Level 2	Level 3	Total
On balance sheet financial instruments						
Financial assets - measured at fair value						
Investments						
Federal Government Securities		134,784,771	-	134,784,771	-	134,784,771
Financial assets - disclosed but not measured at fair value						
Cash and balances with treasury banks	34.2	19,817,760	-	-	-	-
Balances with other banks	34.2	1,104,681	-	-	-	-
Lendings to financial institutions	34.2	8,178,322	-	-	-	-
Advances - net	34.2	36,788,242	-	-	-	-
Other financial assets	34.2	9,313,814	-	-	-	-
		209,987,590	-	134,784,771	-	134,784,771
Off-balance sheet financial instruments - measured at fair value						
Forward purchase of foreign exchange		94,831,909	-	95,207,528	-	95,207,528
Forward sale of foreign exchange		82,114,489	-	81,741,959	-	81,741,959
Forward purchase contracts of government securities		7,853,624	-	7,853,624	-	7,853,624
Forward sale contracts of government securities		8,187,627	-	8,187,627	-	8,187,627
2020						
	Note	Carrying / Notional Value	Fair Value			
			Level 1	Level 2	Level 3	Total
(Rupees in '000)						
On balance sheet financial instruments						
Financial assets - measured at fair value						
Investments						
Federal Government Securities		87,892,745	-	87,892,745	-	87,892,745
Financial assets - disclosed but not measured at fair value						
Cash and balances with treasury banks	34.2	11,342,260	-	-	-	-
Balances with other banks	34.2	21,386,856	-	-	-	-
Lendings to financial institutions	34.2	639,581	-	-	-	-
Advances - net	34.2	36,438,869	-	-	-	-
Other financial assets	34.2	3,392,640	-	-	-	-
		161,092,951	-	87,892,745	-	87,892,745
Off-balance sheet financial instruments - measured at fair value						
Forward purchase of foreign exchange		91,281,050	-	91,956,578	-	91,956,578
Forward sale of foreign exchange		105,586,669	-	104,929,163	-	104,929,163
Forward purchase contracts of government securities		18,627,719	-	18,627,719	-	18,627,719
Forward sale contracts of government securities		640,003	-	640,003	-	640,003

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

Valuation techniques and inputs used in determination of fair values within level 1 and 2

Item	Valuation techniques and input used
Pakistan Investment Bonds / Market Treasury Bills	The fair value of Market Treasury Bills and Pakistan Investment Bonds are derived using PKRV rates. Floating rate Pakistan Investment Bonds are revalued using PKFRV rates.

35. SEGMENT INFORMATION

35.1 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:

	2021		
	Corporate Banking & Securities Services	Markets	Total
	(Rupees in '000)		
Profit & Loss			
Net mark-up / return / profit	(2,952,225)	8,112,113	5,159,888
Inter segment revenue - net	5,874,660	(5,874,660)	-
Non mark-up / return / interest income	675,513	3,416,242	4,091,755
Total Income	3,597,948	5,653,695	9,251,643
Segment direct expenses	1,771,863	629,716	2,401,579
Total expenses	1,771,863	629,716	2,401,579
Provisions	(37,756)	-	(37,756)
Profit before tax	1,863,841	5,023,979	6,887,820

	Corporate Banking & Securities Services	Markets	Total
	(Rupees in '000)		
Balance Sheet			
Cash & Bank balances	175,434	20,747,007	20,922,441
Investments	-	134,784,771	134,784,771
Net inter segment lending	142,259,874	-	142,259,874
Lendings to financial institutions	-	8,178,322	8,178,322
Advances - performing	36,788,242	-	36,788,242
- non-performing net of provision	-	-	-
Others	8,227,146	2,264,750	10,491,896
Total Assets	187,450,696	165,974,850	353,425,546
Borrowings	-	15,302,778	15,302,778
Deposits & other accounts	171,752,900	789,523	172,542,423
Net inter segment borrowing	-	142,259,873	142,259,873
Others	12,512,413	931,136	13,443,549
Total liabilities	184,265,313	159,283,310	343,548,623
Equity	3,185,382	6,691,540	9,876,922
Total Equity & liabilities	187,450,695	165,974,850	353,425,545
Contingencies & Commitments	24,191,967	192,987,649	217,179,616

2020		
Corporate Banking & Securities Services	Markets	Total
(Rupees in '000)		

Profit & Loss

Net mark-up / return / profit	(1,296,871)	8,525,348	7,228,477
Inter segment revenue - net	4,106,202	(4,106,202)	-
Non mark-up / return / interest income	687,433	4,693,446	5,380,879
Total Income	3,496,764	9,112,592	12,609,356
Segment direct expenses	1,260,019	421,557	1,681,576
Total expenses	1,260,019	421,557	1,681,576
Reversal of provisions	1,947	-	1,947
Profit before tax	2,234,798	8,691,035	10,925,833

	Corporate Banking & Securities Services	Markets	Total
	(Rupees in '000)		

Balance Sheet

Cash & Bank balances	212,047	32,517,069	32,729,116
Investments	-	87,892,745	87,892,745
Net inter segment lending	91,107,997	-	91,107,997
Lendings to financial institutions	-	639,581	639,581
Advances - performing	36,438,869	-	36,438,869
- non-performing net of provision	-	-	-
Others	2,871,645	1,408,101	4,279,746
Total Assets	130,630,558	122,457,496	253,088,054
Borrowings	-	18,848,733	18,848,733
Subordinated debt	-	-	-
Deposits & other accounts	116,727,819	1,511,072	118,238,891
Net inter segment borrowing	-	91,107,997	91,107,997
Others	10,041,350	1,027,689	11,069,039
Total liabilities	126,769,169	112,495,491	239,264,660
Equity	3,861,390	9,962,004	13,823,394
Total Equity & liabilities	130,630,559	122,457,495	253,088,054
Contingencies & Commitments	13,267,941	216,135,441	229,403,382

36. TRUST ACTIVITIES

The Bank acts as security trustee on a small number of transactions which are not significant in relation to the size and volume of the Bank's activities. The service is viewed as an ancillary offering for certain transactions.

37. 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 employment.

	2021		2020	
	Head Office	Branches and other related parties	Head Office	Branches and other related parties
----- (Rupees in '000) -----				
Balances with other banks				
In current accounts	625,200	451,725	21,132,632	244,085
	<u>625,200</u>	<u>451,725</u>	<u>21,132,632</u>	<u>244,085</u>
Other Assets				
Interest / mark-up accrued	183	(359)	2,689	2,345
Other receivables	-	-	-	-
Unrealised gain on foreign exchange contracts	2	481,414	-	858,993
	<u>185</u>	<u>481,055</u>	<u>2,689</u>	<u>861,338</u>
Borrowings				
Opening balance	-	-	-	6,193,904
Borrowings during the year	-	1,924,796,948	-	1,193,707,615
Settled during the year	-	(1,917,736,408)	-	(1,199,901,519)
Closing balance	-	<u>7,060,540</u>	-	-
Overdrawn Nostros	-	<u>395,064</u>	-	<u>230,514</u>
Deposits and other accounts				
Opening balance	5,566	1,666,656	12,931	1,797,435
Received during the year	29,872	1,349,767	11,233	2,330,060
Withdrawn during the year	(27,161)	(1,987,033)	(18,598)	(2,460,839)
Closing balance	<u>8,277</u>	<u>1,029,390</u>	<u>5,566</u>	<u>1,666,656</u>
Other Liabilities				
Interest / mark-up payable	-	20	-	-
Unremitted Head Office Expense	956,742	-	936,972	-
Unrealised loss on foreign exchange contracts	-	349,722	-	125,239
Payable to defined benefit plan	-	287,212	-	266,887
Payable on account of sale proceeds of securities held under cust	-	199,256	-	1,650,716
Payable to associated undertakings	-	136,033	-	136,033
Payable for expenses and share based payments	393,475	18,242	247,609	17,463
	<u>1,350,217</u>	<u>990,485</u>	<u>1,184,581</u>	<u>2,196,338</u>
Contingencies and Commitments				
Forward exchange contracts				
Purchase	-	38,769,810	-	43,445,066
Sales	-	38,669,810	-	43,295,006
Counter guarantees to branches	138,072	390,586	73,867	336,028
	<u>138,072</u>	<u>77,830,206</u>	<u>73,867</u>	<u>87,076,100</u>
Income				
Mark-up / return / interest earned	10	313	43,061	371
Fee and commission income	12,377	40,932	16,258	88,838
Net loss on sale of securities	-	455	-	(1,852)
Foreign Exchange Income	1,574	500,935	557	20,289
Expense				
Mark-up / return / interest paid	61	10,589	27	58,140
Regional expenses for support services	8,412	13,709	13,648	5,334
Head office expenses	19,770	-	(352,977)	-
Contribution to staff retirement benefit funds	-	70,127	-	52,686
Remuneration of Key Management Personnel	-	104,684	-	76,493

38. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2021 2020
(Rupees in '000)

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	6,812,671	6,812,671
---------------------------------	-----------	-----------

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	9,876,922	13,720,553
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	9,876,922	13,720,553
Eligible Tier 2 Capital	115	103,047
Total Eligible Capital (Tier 1 + Tier 2)	9,877,037	13,823,600

Risk Weighted Assets (RWAs):

Credit Risk	27,561,262	26,513,780
Market Risk	1,638,649	1,819,952
Operational Risk	19,890,464	19,263,743
Total	49,090,375	47,597,475

Common Equity Tier 1 Capital Adequacy ratio	20.12%	28.83%
---	--------	--------

Tier 1 Capital Adequacy Ratio	20.12%	28.83%
-------------------------------	--------	--------

Total Capital Adequacy Ratio	20.12%	29.04%
------------------------------	--------	--------

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.

In order to dampen the effects of COVID - 19, SBP via BPRD Circular Letter No. 12 dated 26 March 2020 has given regulatory relief and reduced the Capital Conservation Buffer (CCB) as prescribed vide BPRD Circular No. 6 of 15 August 2013, for the time being, from its existing level of 2.50% to 1.50%, till further instructions.

The capital to risk weighted assets ratio, is 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.

2021 2020
(Rupees in '000)

Leverage Ratio (LR):

Eligible Tier-1 Capital	9,876,922	13,720,553
Total Exposures	254,767,301	204,816,282
Leverage Ratio	3.88%	6.70%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	116,643,594	76,849,975
Total Net Cash Outflow	24,981,218	27,517,608
Liquidity Coverage Ratio	466.93%	279.28%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	168,492,923	123,130,530
Total Required Stable Funding	51,197,808	64,680,917
Net Stable Funding Ratio	329.10%	190.37%

38.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time are placed on the website. The link to the full disclosures is available at <https://www.citi.com/icg/sa/emea/pakistan/about/announcements/liquidity-statements.html>

39. RISK MANAGEMENT

The Head office capital account of the Bank for the year ended 31 December, 2021 stands at Rs 6.813 billion and is in compliance with the SBP requirement for the said period. In addition, the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 11.50% of the risk weighted exposures of the Bank as of December 31, 2021. The Bank's CAR as at December 31, 2021 was 20.12% of its risk weighted exposure.

A framework for Domestic Systemically Important Bank – (D-SIB) was issued by State Bank of Pakistan in April 2018. Under the framework, the bank is required to hold additional CET 1 capital on its risk weighted assets in Pakistan at the rate applicable on G-SIB. Citigroup Inc., an ultimate parent company, is currently required to maintain 3% additional capital buffer under the G-SIB framework. Accordingly, bank also holds additional 3% under Pillar 1 capital requirement.

The overall risk management framework relies upon the Bank's internal entity wide standards and covers credit, market, operational and liquidity risks, including undertaking, measuring, monitoring and reporting of risks. It may be noted that:

- 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, 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.

The COVID-19 pandemic has severely impacted global health, financial markets, consumer and business spending, and economic conditions in all of the jurisdictions where Citi operates. The extent of the future pandemic impacts remains uncertain but may include, among other impacts, disruption of the global supply chain, higher inflation or interest rates, financial market volatility, increase in credit costs for Citi, and public health impacts. The pandemic may continue to have negative impacts on Citi's businesses and overall results of operations and financial condition.

39.1 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.

39.1.1 The fair value of derivative financial instruments have 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.

There are no long term derivatives outstanding as at 31 December 2021.

39.2 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 lendings, sales and trading, derivatives, securities transaction and settlement.

39.2.1 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.

39.2.2 Lendings to financial institutions

Credit risk by public / private sector

Gross lendings		Non-performing lendings		Provision held	
2021	2020	2021	2020	2021	2020
(Rupees in '000)					
Private	8,178,322	639,581	-	-	-

39.2.3 Investment in debt securities

Credit risk by industry sector

Gross investments		Non-performing investments		Provision held	
2021	2020	2021	2020	2021	2020
(Rupees in '000)					
Textile	-	248,090	-	248,090	-
Federal government securities	136,112,762	87,703,522	-	-	-
	136,112,762	87,951,612	-	248,090	248,090

Credit risk by public / private sector

Gross investments		Non-performing investments		Provision held	
2021	2020	2021	2020	2021	2020
(Rupees in '000)					
Federal government securities	136,112,762	87,703,522	-	-	-
Private	-	248,090	-	248,090	-
	136,112,762	87,951,612	-	248,090	248,090

39.2.4 Advances

Credit risk by industry sector

Gross advances		Non-performing advances		Provision held	
2021	2020	2021	2020	2021	2020
(Rupees in '000)					
Chemical and Pharmaceuticals	11,726,453	13,758,722	48,101	-	48,101
Electronics and electrical appliances	7,652,990	4,800,000	-	1,357,456	-
Automobile and transportation equipment	7,300,041	6,091,217	34,721	53,601	34,721
Textile	754,818	1,357,456	754,818	73,174	1,357,456
Individuals	232,966	284,920	135,764	34,721	139,015
Transport, Storage and Communication	219,920	6,006,296	13,258	-	13,258
Footwear and Leather garments	73,174	73,174	73,174	-	73,174
Wholesale and Retail Trade	22,920	9,101	9,026	9,026	9,026
Financial	4,362	847	-	13,258	-
Power (electricity), Gas, Water, Sanitary	704	10,563	-	-	-
Agriculture, Forestry, Hunting and Fishing	555	78	-	-	-
Services	39	-	-	139,015	-
Others	10,539,991	6,427,782	671,713	700,829	700,829
	38,528,933	38,820,156	1,740,575	2,381,080	1,740,575

Credit risk by public / private sector

Gross advances		Non-performing advances		Provision held	
2021	2020	2021	2020	2021	2020
(Rupees in '000)					
Private	38,528,933	38,820,156	1,740,575	2,381,080	1,740,575

39.2.5 Contingencies and Commitments

Credit risk by industry sector	2021 (Rupees in '000)	2020
Financial	191,241,621	214,339,521
Chemical and Pharmaceuticals	5,430,565	4,878,711
Transport, Storage and Communication	1,347,137	1,328,441
Electronics and electrical appliances	1,326,022	971,916
Power (electricity), Gas, Water, Sanitary	843,207	130,793
Automobile and transportation equipment	245,912	126,535
Services	51,862	43,624
Agriculture, Forestry, Hunting and Fishing	39,447	-
Wholesale and Retail Trade	8,825	7,917
Textile	-	141
Others	16,645,018	7,575,783
	217,179,616	229,403,382
Credit risk by public / private sector		
Public / Government	27,545,596	1,134,768
Private	189,634,020	228,268,614
	217,179,616	229,403,382

39.2.6 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 49,620.841 million (2020: Rs. 39,444.380 million) are as following:

	2021 (Rupees in '000)	2020
Funded	30,157,383	30,993,112
Non Funded	19,463,458	8,451,268
Total Exposure	49,620,841	39,444,380

The sanctioned limits against these top 10 exposures aggregated to Rs. 68,646.218 million (2020: Rs. 64,610.294 million)

39.2.7 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2021						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
		(Rupees in '000)					
Punjab	79,207,600	73,707,600	-	-	-	-	-
Sindh	55,052,810	-	55,052,810	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	24,727,359	-	-	-	-	24,727,359	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	158,987,769	73,707,600	55,052,810	-	-	24,727,359	-
Province / Region	2020						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
		(Rupees in '000)					
Punjab	86,386,444	85,409,686	-	-	-	-	-
Sindh	109,020,487	-	109,997,245	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	35,764,588	-	-	-	-	35,764,588	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	231,171,519	85,409,686	109,997,245	-	-	35,764,588	-

39.3 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.

39.3.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	19,817,760	-	19,817,760	11,342,260	-	11,342,260
Balances with other banks	1,104,681	-	1,104,681	21,386,856	-	21,386,856
Lendings to financial institutions	8,178,322	-	8,178,322	639,581	-	639,581
Investments	102,635,594	32,149,177	134,784,771	76,085,499	11,807,246	87,892,745
Advances	36,788,242	-	36,788,242	36,438,869	-	36,438,869
Fixed assets	486,650	-	486,650	530,957	-	530,957
Deferred tax assets	531,546	-	531,546	-	-	-
Other assets	8,539,757	933,943	9,473,700	2,703,163	1,045,626	3,748,789
	<u>178,082,552</u>	<u>33,083,120</u>	<u>211,165,672</u>	<u>#####</u>	<u>12,852,872</u>	<u>161,980,057</u>

39.3.2 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.

	2021				2020			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	6,533,583	18,681,288	12,584,821	437,116	23,892,527	8,523,228	(14,513,469)	855,830
Great Britain Pound Sterling	4,502	3,099	-	1,403	3,187	1,523	-	1,664
Euro	378,011	244,869	(135,654)	(2,512)	151,491	158,268	-	(6,777)
Japanese Yen	-	39,577	40,089	512	-	189,091	196,122	7,031
Other currencies	572,958	1,154,536	357,697	(223,881)	232,419	1,324,228	54,517	(1,037,292)
	<u>7,489,054</u>	<u>20,123,369</u>	<u>12,846,953</u>	<u>212,638</u>	<u>24,279,624</u>	<u>10,196,338</u>	<u>(14,262,830)</u>	<u>(179,544)</u>

	2021		2020	
	Banking	Trading	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account				
Increase of 1%	-	(2,743)	-	1,789
Decrease of 1%	-	2,743	-	(1,789)
- Other comprehensive income				
Increase of 1%	-	-	-	-
Decrease of 1%	-	-	-	-

39.3.3 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.

39.3.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Bank's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off-balance sheet assets and liabilities.

The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities. Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----				
Impact of 1% change in interest rates on				
- Profit and loss account				
Increase of 1%	(353,027)	(65,098)	115,081	(43,747)
Decrease of 1%	353,027	65,098	(115,081)	43,747
- Other comprehensive income				
Increase of 1%	(584,419)	-	(446,401)	-
Decrease of 1%	584,419	-	446,401	-

39.3.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2021												
Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments	
		Upto 1	Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5	Above		
		Month	to 3 Months	to 6 Months	Months to 1 Year	to 2 Years	to 3 Years	to 5 Years	to 10 Years			10 Years
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	19,817,760	1,217,942	-	-	-	-	-	-	-	-	18,599,818
Balances with other banks	0.00%	1,104,681	-	-	-	-	-	-	-	-	-	1,104,681
Lendings to financial institutions	7.34%	8,178,322	8,178,322	-	-	-	-	-	-	-	-	-
Investments	7.93%	134,784,771	16,109,759	47,100,822	-	26,374,068	42,797,254	2,402,868	-	-	-	-
Advances	8.44%	36,788,242	25,757,865	2,107,228	2,292,540	1,004,682	3,809,364	8,912	16,558	30,587	19,930	1,740,576
Other assets	-	9,313,814	-	-	-	-	-	-	-	-	-	9,313,814
		209,987,590	51,263,888	49,208,050	2,292,540	27,378,750	46,606,618	2,411,780	16,558	30,587	19,930	30,758,889
Liabilities												
Bills payable	-	855,130	-	-	-	-	-	-	-	-	-	855,130
Borrowings	0.81%	15,302,778	14,907,714	-	-	-	-	-	-	-	-	395,064
Deposits and other accounts	4.38%	172,542,423	124,258,565	999,479	20,000	40,000	-	-	-	-	-	47,224,379
Other liabilities	-	12,561,983	-	-	-	-	-	-	-	-	-	12,561,983
		201,262,314	139,166,279	999,479	20,000	40,000	-	-	-	-	-	61,036,556
On-balance sheet gap		8,725,276	(87,902,391)	48,208,571	2,272,540	27,338,750	46,606,618	2,411,780	16,558	30,587	19,930	(30,277,667)

2021											
Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
		Upto 1	Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5	Above	
		Month	to 3 Months	to 6 Months	Months to 1 Year	to 2 Years	to 3 Years	to 5 Years	to 10 Years	10 Years	
(Rupees in '000)											
Off-balance sheet financial instruments											
Commitments in respect of:											
- forward Foreign Exchange contracts - purchase	94,831,909	68,691,515	23,686,337	2,454,057	-	-	-	-	-	-	-
- forward Foreign Exchange contracts - sale	(82,114,489)	(50,932,805)	(24,845,103)	(6,302,448)	(34,133)	-	-	-	-	-	-
- forward purchase contracts of government securities	7,853,624	7,853,624	-	-	-	-	-	-	-	-	-
- forward sale contracts of government securities	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	28,758,671	33,799,961	(1,158,766)	(3,848,391)	(34,133)	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		(54,102,430)	47,049,805	(1,575,851)	27,304,617	46,606,618	2,411,780	16,558	30,587	19,930	(30,277,667)
Cumulative Yield / Interest Risk Sensitivity Gap		(54,102,430)	(7,052,625)	(8,628,476)	18,676,141	65,282,759	67,694,539	67,711,097	67,741,684	67,761,614	37,483,947
2020											
Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
		Upto 1	Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5	Above	
		Month	to 3 Months	to 6 Months	Months to 1 Year	to 2 Years	to 3 Years	to 5 Years	to 10 Years	10 Years	
(Rupees in '000)											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	0.08%	11,342,260	1,438,510	-	-	-	-	-	-	-	9,903,750
Balances with other banks	0.00%	21,386,856	-	-	-	-	-	-	-	-	21,386,856
Lendings to financial institutions	10.02%	639,581	639,581	-	-	-	-	-	-	-	-
Investments	10.78%	87,892,745	4,674,922	33,571,641	3,618,600	21,913,482	10,970,521	13,143,579	-	-	-
Advances	10.44%	36,438,869	26,739,943	1,577,465	1,001,973	806,911	12,956	3,812,154	22,872	46,177	2,382,809
Other assets	0.00%	3,392,640	-	-	-	-	-	-	-	-	3,392,640
		161,092,951	33,492,956	35,149,106	4,620,573	22,720,393	10,983,477	16,955,733	22,872	46,177	37,066,055
Liabilities											
Bills payable	0.00%	1,475,556	-	-	-	-	-	-	-	-	1,475,556
Borrowings	7.19%	18,848,733	18,617,722	-	-	-	-	-	-	-	231,011
Deposits and other accounts	5.81%	118,238,891	81,156,475	1,410,000	22,452	5,000	20,000	-	-	-	35,624,964
Other liabilities	0.00%	9,542,612	-	-	-	-	-	-	-	-	9,542,612
		148,105,792	99,774,197	1,410,000	22,452	5,000	20,000	-	-	-	46,874,143
On-balance sheet gap		12,987,159	(66,281,241)	33,739,106	4,598,121	22,715,393	10,963,477	16,955,733	22,872	46,177	(9,808,088)

Effective Yield / Interest rate	Total	2020										Non-interest bearing financial instruments
		Exposed to Yield/ Interest risk										
		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)										
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward Foreign Exchange contracts - purchase	91,281,050	52,350,382	37,573,939	1,356,729	-	-	-	-	-	-	-	
- forward Foreign Exchange contracts - sale	(105,586,669)	(66,960,033)	(37,156,922)	(1,467,079)	(2,635)	-	-	-	-	-	-	
- forward purchase contracts of government securities	18,627,719	18,627,719	-	-	-	-	-	-	-	-	-	
- forward sale contracts of government securities	640,003	640,003	-	-	-	-	-	-	-	-	-	
- forward placement	-	-	-	-	-	-	-	-	-	-	-	
- Interest Rate Derivative Contracts - long position	-	-	-	-	-	-	-	-	-	-	-	
- Interest Rate Derivative Contracts - short position	-	-	-	-	-	-	-	-	-	-	-	
-forward repurchase agreement lendings (reverse repo)	-	-	-	-	-	-	-	-	-	-	-	
-forward borrowing	-	-	-	-	-	-	-	-	-	-	-	
Off-balance sheet gap	4,962,103	4,658,071	417,017	(110,350)	(2,635)	-	-	-	-	-	-	
Total Yield / Interest Risk Sensitivity Gap		(61,623,170)	34,156,123	4,487,771	22,712,758	10,963,477	16,955,733	22,872	46,177	35,609	(9,808,088)	
Cumulative Yield / Interest Risk Sensitivity Gap		(61,623,170)	(27,467,047)	(22,979,276)	(266,518)	10,696,959	27,652,692	27,675,564	27,721,741	27,757,350	17,949,262	

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

	2021 (Rupees in '000)	2020
Total financial assets as per note 39.3.5	209,987,590	161,092,951
Add: Non financial assets		
Operating fixed assets	486,650	530,957
Deferred tax asset	531,546	-
Other assets	159,886	356,149
Total assets as per statement of financial position	211,165,672	161,980,057
Total financial liabilities as per note 39.3.5	201,262,314	148,105,792
Add: Non financial liabilities		
Deferred tax liabilities	-	50,871
Other liabilities	26,436	-
Total liabilities as per statement of financial position	201,288,750	148,156,663

39.4 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.

[illegible]

[illegible]

39.5.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

Total	2021								
	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	19,817,760	13,086,220	49,974	1,000	2,000	-	-	6,678,566	-
Balances with other banks	1,104,681	1,104,681	-	-	-	-	-	-	-
Lendings to financial institutions	8,178,322	8,178,322	-	-	-	-	-	-	-
Investments	134,784,771	16,109,759	47,100,822	-	26,374,068	42,797,254	2,402,868	-	-
Advances	36,788,242	10,310,495	2,107,228	2,292,540	1,004,682	3,809,364	8,912	17,204,503	25,259
Fixed assets	486,650	2,804	5,736	8,604	17,207	34,795	34,613	68,576	99,464
Deferred tax assets	531,546	8,738	17,476	26,213	53,883	106,309	106,309	212,618	-
Other assets	9,473,700	5,024,219	2,997,517	1,395,657	56,307	-	-	-	-
	211,165,672	53,825,238	52,278,753	3,724,014	27,508,147	46,747,722	2,552,702	24,164,263	124,723
									240,110
Liabilities									
Bills payable	855,130	855,130	-	-	-	-	-	-	-
Borrowings	15,302,778	15,302,778	-	-	-	-	-	-	-
Deposits and other accounts	172,542,423	37,911,614	999,479	20,000	40,000	-	-	133,571,330	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	12,588,419	5,024,008	2,917,917	1,269,774	3,091,026	57,139	57,139	114,278	28,569
	201,288,750	59,093,530	3,917,396	1,289,774	3,131,026	57,139	57,139	133,685,608	28,569
									28,569
Net assets	9,876,922	(5,268,292)	48,361,357	2,434,240	24,377,121	46,690,583	2,495,563	(109,521,345)	96,154
									211,541
Head office capital account	6,812,671								
Reserves	163,719								
Unremitted profit	3,725,600								
Surplus on revaluation of assets	(825,068)								
	<u>9,876,922</u>								
Assets									
Cash and balances with treasury banks	11,342,260	6,506,404	70,500	1,123	250	-	-	4,763,983	-
Balances with other banks	21,386,856	21,386,856	-	-	-	-	-	-	-
Lendings to financial institutions	639,581	639,581	-	-	-	-	-	-	-
Investments	87,892,745	4,674,922	33,571,641	3,618,600	21,913,482	10,970,521	13,143,579	-	-
Advances	36,438,869	10,163,343	1,577,864	1,002,571	807,443	12,956	3,812,154	18,980,752	40,893
Fixed assets	530,957	823	1,640	2,460	25,322	92,413	96,246	19,897	48,959
Deferred tax assets	-	-	-	-	-	-	-	-	-
Other assets	3,748,789	1,320,174	1,518,489	754,464	155,662	-	-	-	-
	161,980,057	44,692,103	36,740,134	5,379,218	22,902,159	11,075,890	17,051,979	23,764,632	89,852
									284,090
Liabilities									
Bills payable	1,475,556	1,475,556	-	-	-	-	-	-	-
Borrowings	18,848,733	18,848,733	-	-	-	-	-	-	-
Deposits and other accounts	118,238,891	21,501,770	1,410,000	22,452	5,000	20,000	-	95,279,669	-
Deferred tax liabilities	50,871	837	1,672	2,509	5,157	10,174	10,174	20,348	-
Other liabilities	9,542,612	1,538,924	2,084,811	1,554,748	3,970,529	104,999	128,468	106,755	26,689
	148,156,663	43,365,820	3,496,483	1,579,709	3,980,686	135,173	138,642	95,406,772	26,689
									26,689
Net assets	13,823,394	1,326,283	33,243,651	3,799,509	18,921,473	10,940,717	16,913,337	(71,642,140)	63,163
									257,401
Head office capital account	6,812,671								
Reserves	161,550								
Unremitted profit	6,746,332								
Surplus on revaluation of assets	102,841								
	<u>13,823,394</u>								

40. DATE OF AUTHORISATION

These financial statements were authorised for issue on 30 March 2022 by the management of the Bank.

41. GENERAL

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

41.2 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.

AHMED BOZAI
Managing Director and
Citi Country Officer

IMAD HASSAN KHAN
Country Finance Officer

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED 31 DECEMBER 2021**

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off / waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
(Rupees in '000)											
1	NET ACCESS COMMUNICATION S SYSTEMS PVT LIMITED 1107 PARK EVENUE 24-A BLOCK 6 PECHS KARACHI	FAISAL KHAN/42301-8834486-3 GHULAM MOHIUDDIN RAZZAK/42201-0320486-7 SAQUIB CHOUDHRY/42301-9077577-9 MUHAMMED YASIN PARACHA/42301-	ISHTIAQ AHMED KHAN ABDUL RAZZAK SHAFI CHOUDHRY MUHAMMED IQBAL PARACHA	-	5,559	3,188	8,747	-	5,559	3,188	8,747
2	AZGARD NINE LIMITED ISMAIL AIWAN-E-SCIENCE, OFF SHAHRAH-E-ROOMI LAHORE	MR. AHMED H. SHAIKH/35201-8953938-7 MR. AEHSUN SHAIKH/35201-5252539-3 USMAN RASHEED/45101-0633360-7 IRFAN NAZIR AHMED/61101-1994174-3 MR. KHALID A.H. AL-SAGAR NASEER MIYAN/35202-1109107-5 AAMER GHAS/35201-4464173-3	HUMAYUN NASEER SHAIKH HUMAYUN NASEER SHAIKH RASHEED AHMED NAZIR AHMED MR. ABDULLAH HAMMAD M. MIYAN M. GHAS	782,064	670,104	-	1,452,168	664,754	845,716	-	1,510,470
TOTAL:				782,064	675,663	3,188	1,460,915	664,754	851,275	3,188	1,519,217

* Relief includes amounts which would be due to the Bank under contractual arrangements whether or not accrued in the books.