



KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Directors of Citibank N.A., Pakistan Branches ("the Bank")

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, 2019, 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, 2019 and of the profit and other comprehensive income, its cash flows and the changes in equity 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.



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Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the risk management framework and compliance statement on internal control, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



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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 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.



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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
- 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.

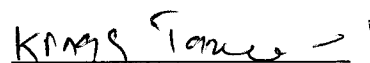
We confirm that for the purpose of our audit we have covered more than sixty percent of the total loans and advances of the Bank.

Other Matter

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

Date: 24 March 2020

Karachi


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 2019

	Note	2019	2018
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	5	11,202,518	9,126,210
Balances with other banks	6	805,867	641,152
Lendings to financial institutions	7	2,951,301	12,458,933
Investments	8	76,154,346	66,498,149
Advances	9	51,868,560	40,003,983
Fixed assets	10	472,843	485,702
Intangible assets		-	-
Deferred tax assets	11	124,149	-
Other assets	12	5,823,539	11,734,103
		149,403,123	140,948,232
LIABILITIES			
Bills payable	14	2,040,458	4,199,017
Borrowings	15	11,698,824	14,123,811
Deposits and other accounts	16	113,232,091	95,036,059
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	11	-	41,187
Other liabilities	17	10,531,612	16,928,628
		137,502,985	130,328,702
NET ASSETS		11,900,138	10,619,530
REPRESENTED BY			
Head office capital account	18	6,812,671	6,812,671
Reserves		161,543	161,543
Surplus / (Deficit) on revaluation of assets	19	104,302	(75,530)
Unremitted profit		4,821,622	3,720,846
		11,900,138	10,619,530
CONTINGENCIES AND COMMITMENTS	20		

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

NADEEM LODHI
Managing Director and
Citi Country Officer

GULZEB KHAN
Chief Financial Officer

Citibank N.A., Pakistan Branches

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

Profit and Loss Account

For the year ended 31 December 2019

	Note	2019	2018
		(Rupees in '000)	
Mark-up / return / interest earned	22	14,502,772	8,077,795
Mark-up / return / interest expensed	23	7,146,711	3,899,578
Net mark-up / interest income		7,356,061	4,178,217
NON MARK-UP / INTEREST INCOME			
Fee and commission income	24	874,790	1,278,044
Foreign Exchange Income		3,841,508	2,259,102
(Loss) / Income from derivatives		(730,153)	291,624
(Loss) / Gain on securities	25	(2,213)	56,418
Other income	26	141	31,205
Total non-markup / interest income		3,984,073	3,916,393
Total income		11,340,134	8,094,610
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	27	2,732,251	2,101,549
Workers Welfare Fund		172,966	95,230
Other charges	28	60	745
Total non-markup / interest expenses		2,905,277	2,197,524
Profit before provisions		8,434,857	5,897,086
(Reversal) / Provisions and write offs - net	29	(58,686)	(54,838)
PROFIT BEFORE TAXATION		8,493,543	5,951,924
Taxation	30	3,660,678	2,242,393
PROFIT AFTER TAXATION		4,832,865	3,709,531

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

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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 2019

	2019	2018
	(Rupees in '000)	
Profit after taxation for the year	4,832,865	3,709,531
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments - net of tax	179,832	(70,269)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	<u>(11,243)</u>	<u>11,315</u>
Total comprehensive income	<u>5,001,454</u>	<u>3,650,577</u>

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

Statement of Changes in Equity

For the year ended 31 December 2019

	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 2018	6,812,671	(5,261)	163,039	2,232,629	9,203,078
Profit after taxation for the year ended 31 December 2018	-	-	-	3,709,531	3,709,531
Other comprehensive income - net of tax	-	(70,269)	-	11,315	(58,954)
Remittances made to head office	-	-	-	(2,232,629)	(2,232,629)
Transactions with owners, recorded directly in equity					
Contribution by the head office in respect of share based payments	-	-	13,990	-	13,990
Recharged balance payable to the head office for share based payments	-	-	(13,990)	-	(13,990)
Effect of re-measurement of cost under share based payment - net of tax	-	-	(1,496)	-	(1,496)
Opening Balance as at 1 January 2019	6,812,671	(75,530)	161,543	3,720,846	10,619,530
Profit after taxation for the current year	-	-	-	4,832,865	4,832,865
Other comprehensive income - net of tax	-	179,832	-	(11,243)	168,589
Remittances made to head office	-	-	-	(3,720,846)	(3,720,846)
Transactions with owners, recorded directly in equity					
Contribution by the head office in respect of share based payments	-	-	5,718	-	5,718
Recharged balance payable to the head office for share based payments	-	-	(5,718)	-	(5,718)
Effect of re-measurement of cost under share based payment - net of tax	-	-	-	-	-
Closing Balance as at 31 December 2019	6,812,671	104,302	161,543	4,821,622	11,900,138

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

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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 2019

	Note	2019	2018
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		8,493,543	5,951,924
Adjustments:			
Depreciation		111,896	122,781
Depreciation on right-of-use assets		58,618	-
Interest expense on lease liability against right-of-use assets		14,915	-
(Reversal) / Provision and write-offs - net	29	(58,686)	(54,838)
Gain on sale of fixed assets		(10)	(30,103)
Unrealised loss on revaluation of investments classified as held-for-trading		2,225	364
Charge for defined benefit plan		46,838	40,127
		<u>175,796</u>	<u>78,331</u>
		8,669,339	6,030,255
(Increase) / decrease in operating assets			
Lendings to financial institutions		9,507,632	11,471,583
Held-for-trading securities		(6,903,779)	725,934
Advances		(11,805,891)	(15,465,621)
Other assets (excluding advance taxation)		4,976,679	(4,522,513)
		<u>(4,225,359)</u>	<u>(7,790,617)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(2,158,559)	2,362,588
Borrowings from financial institutions		(2,196,826)	(1,572,218)
Deposits		18,196,032	16,218,153
Other liabilities (excluding current taxation)		(6,324,478)	2,322,792
		<u>7,516,169</u>	<u>19,331,315</u>
Income tax paid		(2,819,668)	(2,205,487)
Contribution to gratuity fund		(23,157)	(20,179)
Remittances made during the year on account of head office expenses		(286,486)	(300,995)
Net cash flow from operating activities		<u>8,830,838</u>	<u>15,044,292</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(2,477,978)	(10,241,172)
Investments in operating fixed assets		(34,956)	(67,197)
Proceeds from sale of fixed assets		10	30,103
Net cash flow used in investing activities		<u>(2,512,924)</u>	<u>(10,278,266)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(127,884)	-
Profit repatriated to head office during the year		(3,720,846)	(2,232,629)
Net cash flow used in financing activities		<u>(3,848,730)</u>	<u>(2,232,629)</u>
Effects of exchange rate changes on cash and cash equivalents		-	-
Increase in cash and cash equivalents		<u>2,469,184</u>	<u>2,533,397</u>
Cash and cash equivalents at the beginning of the year	31	9,529,741	6,996,344
Cash and cash equivalents at the end of the year	31	<u>11,998,925</u>	<u>9,529,741</u>

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

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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 2019

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 2019, the Bank operated through 3 branches (31 December 2018: 3 branches) in Pakistan.

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

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

2. BASIS OF PRESENTATION

2.1 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.

2.2 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.

2.3 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 (IFRS) 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

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.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated 28 April 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 SBP through various circulars.

2.3.1 Subsequent Events

As was reported in Citigroup's 2019 Annual Report on Form 10-K, Citigroup disclosed that in January 2020 a novel strain of coronavirus which first surfaced in China, had spread to several other countries, resulting in various uncertainties, including the potential impact to Asian and global economies, trade and consumer and corporate clients.

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

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 01 January 2019 but are considered not to be relevant or to have any significant effect on the Bank's operations and are, therefore, not disclosed in these financial statements, except for the following:

IFRS 16 introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The significant judgments in the implementation were determining if a contract contains a lease, and the determination of whether the Bank is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates. The weighted average discount rate applied to lease liabilities on the transition date 1 January 2019 was 12.5 percent.

The impact of the adoption of IFRS 16 on the Bank's financial statements is disclosed in note 4.1.1 below.

2.5 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 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the

standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The banks may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, banks should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A bank shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Bank.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Bank's financial statements.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 vide SBP circular 4 dated 23 October 2019. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. According to SBP circular referred to above, the Banks/DFIs are required to have a parallel run of IFRS 9 from 1 January 2020. The Banks/DFIs are also required to prepare pro-forma financial statements which includes the impact of IFRS 9 from the year ended 31 December 2019. These proforma financial statements are being prepared and according to initial exercise to estimate the impairment required under expected credit loss model, the provision for doubtful debts is estimate to increase by Rs. 72.674 million as at 31 December 2019.

2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which forms the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

- i) classification and provisioning against investments (notes 4.4 and 8)
- ii) classification and provisioning against advances (notes 4.5 and 9)

- iii) income taxes (notes 4.9, 11 and 30)
- iv) accounting for defined benefit plan (notes 4.10 and 33)
- v) depreciation / amortisation of fixed assets (notes 4.6 and 10)
- vi) fair value of derivative financial instruments (note 4.16 (b) and 21)
- vii) recording of head office expenses for the current year (note 27)
- viii) fair value of financial instruments (note 36)
- ix) leases (note 10 and 4.1.1)

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. In addition, obligation in respect of staff retirement benefit is carried at present value and certain financial assets are stated net of provision.

3.2 Functional and presentational currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented in these financial statements, except as disclosed in note 4.1.

4.1 Changes in accounting policies

- 4.1.1** The Bank has adopted IFRS 16 from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

On adoption of IFRS 16, the Bank recognized lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.

The effect of above change in accounting policy on the financial statements is as follows:

- Right-of-Use (RoU) assets recognized as Fixed assets by Rs. 122.70 million and Rs. 64.08 as at 1 January 2019 and 31 December 2019, respectively.
- Lease liabilities recognized as Other liabilities by Rs. 173.98 million and Rs. 61.02 as at 1 January 2019 and 31 December 2019, respectively.
- Increase in depreciation on right-of-use assets and Interest expense on lease liability against right-of-use assets has been recognized as Operating expenses by Rs. 58.618 million and Rs. 14.915 million respectively, and decrease in rent expense by Rs. 89.95 million during the year.

In applying IFRS 16 for the first time, the Bank has used the following expedients permitted by the standard:

- The use of a single discount rate to the total portfolio of leases;
- Lease term considered to the extent of define period mentioned in lease agreements;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial applica

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

4.2 Cash and cash equivalents

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

4.3 Lendings to / borrowings from financial institutions

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

(a) Sale of securities under repurchase agreements

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

(b) Purchase of securities under resale agreements

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

(c) Other lendings

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

4.4 Investments

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

(a) Held for trading

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

(b) Held to maturity

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

(c) Available for sale

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

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

In accordance with the requirements of the State Bank of Pakistan, quoted securities other than those classified as 'held to maturity' are subsequently remeasured to market value. Surplus / (deficit) arising on revaluation of securities which are classified as 'available for sale' is included in the statement of comprehensive income and is shown in the statement of financial position as part of the equity. Surplus / (deficit) is shown as revaluation of

is shown in the statement of financial position as part of the equity. Surplus / (deficit) arising on revaluation of securities classified as 'held for trading' is taken to the profit and loss account. In accordance with the requirements specified by the State Bank of Pakistan, investments classified as 'held to maturity' are carried at amortised cost.

Impairment loss in respect of investments classified as available for sale (except term finance certificates) and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Provision for diminution in the value of term finance certificates is made as per the requirements set out in the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus on revaluation of securities on the statement of financial position as part of equity is removed there from and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in profit and loss account. The difference between the face value and the purchase price is amortised over the remaining life of the investment using effective yield method, in order to determine the amortised cost.

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

4.5 Advances

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

4.6 Operating fixed assets and depreciation

Capital work in progress

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

Property and equipment - owned

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

Depreciation is charged to the profit and loss account applying the straight-line method using the rates specified in note 10.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged for the whole month if the assets are purchased before 15th day of the month while no depreciation is charged in the month in which assets are disposed off.

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

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

Intangible

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

Amortisation is charged to the profit and loss account applying the straight-line method.

4.7 Leases

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Bank mainly leases properties for its operations. The Bank recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

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. The lease liability is subsequently increased by the finance cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Bank has elected not to recognize right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognized as an expense on a straight line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

Upto 31 December 2018, assets held under property leases, not equivalent to ownership rights, were classified as operating leases and were not recognized as assets in the statement of financial position. Payments under operating leases were recognized in profit and loss on a straight line basis over the term of the lease.

4.8 Impairment

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

4.9 Taxation

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

Current

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

Deferred

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

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

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

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

4.10 Staff retirement benefits

Defined benefit plan

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

Liability in respect of this benefit is recognised based on actuarial valuation carried out using Projected Unit Cost method. All actuarial gains and losses are recognized in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

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

Defined contribution plan

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

4.11 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.

4.12 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.

4.13 Provisions

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

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

4.14 Revenue recognition

- Mark-up / return / interest on advances and investments is recognised on a time proportion basis, taking into account effective yield on the instrument, except in case of non-performing advances where income is recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan.
- Fee and commission are recognised as and when services are
- 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.

4.15 Foreign currencies

a) Functional and presentational currency

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

b) Foreign currency transactions

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

c) Translation gains and losses

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

d) Contingencies and commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates with the fair value adjustment disclosed in other assets / other liabilities as the case may be. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rate prevailing at the reporting date.

4.16 Financial instruments

(a) Financial assets and financial liabilities

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

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

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

b) Derivative financial instruments

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

c) Off setting

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

4.17 Assets acquired in satisfaction of claims

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

4.18 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

4.19 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.

4.19.1 Business segments

(a) Trading and sales

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

(b) Corporate banking

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

5. CASH AND BALANCES WITH TREASURY BANKS	Note	2019 (Rupees in '000)	2018
In hand			
Local currency		63,181	160,717
Foreign currency		131,357	105,913
		194,538	266,630
With State Bank of Pakistan in			
Local currency current account	5.1	9,209,853	7,252,520
Foreign currency current account			
- Cash reserve account	5.2	418,089	388,813
- US Dollar clearing account		139,236	49,661
Foreign currency deposit account			
- Special cash reserve account	5.3	1,238,781	1,166,440
		#####	8,857,434
With National Bank of Pakistan in			
Local currency current account		2,021	2,146
		#####	9,126,210

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 15% 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 rates from 0.70% to 1.51% (2018: 0.56% to 1.35%).

6. BALANCES WITH OTHER BANKS	Note	2019 (Rupees in '000)	2018
In Pakistan			
In current account		45,454	30,299
Outside Pakistan			
In current account	6.1	760,413	610,853
		805,867	641,152

6.1 This includes balance of Rs. 760.205 million (2018: Rs. 536.690 million) held with branches of Citibank, N.A. outside Pakistan.

7. LENDINGS TO FINANCIAL INSTITUTIONS	Note	2019 (Rupees in '000)	2018
Repurchase agreement lendings (Reverse Repo)	7.1 & 7.3	2,951,301	12,458,933
		2,951,301	12,458,933
Less: provision held against Lendings to Financial Institutions		-	-
Lending to Financial Institutions - net of provision		2,951,301	12,458,933

7.1 These represent short term lendings to financial institutions against government securities. These carry mark-up rates at 13.05% (2018: 10% to 10.15%) per annum and have a maturity period of upto January 2020 (2018: January 2019).

7.2 Particulars of lending	2019 (Rupees in '000)	2018
In local currency	2,951,301	12,458,933
In foreign currencies	-	-
	2,951,301	12,458,933

7.3 Securities held as collateral against Lending to financial institutions

	2019			2018		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	2,951,296	-	2,951,296	11,958,898	-	11,958,898
Pakistan Investment Bonds	-	-	-	495,832	-	495,832
Total	2,951,296	-	2,951,296	12,454,730	-	12,454,730

8. INVESTMENTS

Note

8.1 Investments by type:

Held-for-trading securities

Federal Government Securities

Available-for-sale securities

Federal Government Securities

Non Government Debt Securities

Total Investments

	2019				2018			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	----- (Rupees in '000) -----							
Federal Government Securities	13,986,833	-	(5,089)	13,981,744	7,083,054	-	(2,864)	7,080,190
	13,986,833	-	(5,089)	13,981,744	7,083,054	-	(2,864)	7,080,190
Federal Government Securities	62,012,136	-	160,466	62,172,602	59,534,158	-	(116,199)	59,417,959
Non Government Debt Securities	248,090	(248,090)	-	-	248,090	(248,090)	-	-
	62,260,226	(248,090)	160,466	62,172,602	59,782,248	(248,090)	(116,199)	59,417,959
Total Investments	76,247,059	(248,090)	155,377	76,154,346	66,865,302	(248,090)	(119,063)	66,498,149

8.2 Investments by segments:

Federal Government Securities

Market Treasury Bills

Pakistan Investment Bonds

Non Government Debt Securities

Unlisted

8.3 & 8.4

8.3 & 8.5

Total Investments

	2019				2018			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	----- (Rupees in '000) -----							
Market Treasury Bills	69,765,629	-	70,628	69,836,257	63,766,140	-	(4,570)	63,761,570
Pakistan Investment Bonds	6,233,340	-	84,749	6,318,089	2,851,072	-	(114,493)	2,736,579
	75,998,969	-	155,377	76,154,346	66,617,212	-	(119,063)	66,498,149
Unlisted	248,090	(248,090)	-	-	248,090	(248,090)	-	-
	248,090	(248,090)	-	-	248,090	(248,090)	-	-
Total Investments	76,247,059	(248,090)	155,377	76,154,346	66,865,302	(248,090)	(119,063)	66,498,149

8.2.1 Investments given as collateral

Market Treasury Bills

2019 2018

Rupees in '000

5,493,474 -

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, six months and one year. The effective rates of profit on Market Treasury Bills range from 12.74% to 14.25% (2018: 8.72% to 10.31%) per annum with maturities upto December 2020 (2018: February 2019). Market Treasury Bills having face value of Rs. 25 million (2018: Rs. 25 million) and market value Rs. 23 million (2018: Rs. 25 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 (2018: Rs. 7,359 million) and having market value of Rs. 7,026 million (2018: Rs. 7,355 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. The yield on these PIBs range from 11.75% to 14.15% (2018: 6.39% to 11.25%) per annum with maturities from July 2021 to September 2022 (2018: January 2019 to December 2019). Pakistan Investment Bonds having face value of NIL (2018: Rs. 331 million) and market value of NIL (2018: Rs. 332 Million) have been deposited with the State Bank of Pakistan as pledged capital.

8.6 Provision for diminution in value of investments	2019	2018
	(Rupees in '000)	
8.6.1 Opening balance	(248,090)	(248,090)
Exchange adjustments	-	-
Charge / reversals		
Charge for the year	-	-
Reversals for the year	-	-
Reversal on disposals	-	-
Transfers - net	-	-
Amounts written off	-	-
Closing Balance	(248,090)	(248,090)

8.6.2 Particulars of provision against debt securities

Category of classification	2019		2018	
	NPI	Provision	NPI	Provision
	(Rupees in '000)			
Domestic				
Loss	248,090	248,090	248,090	248,090
	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	
		2019	2018
		(Rupees in '000)	
Federal Government Securities - Government guaranteed			
Market Treasury Bills		56,997,570	56,683,086
Pakistan Investment Bonds		5,014,566	2,851,072
		62,012,136	59,534,158
Non Government Debt Securities			
		Cost	
		2019	2018
		(Rupees in '000)	
Unlisted			
Azgard Nine Limited - Unrated			
49,618 Term Finance Certificates (2018: 49,618) of Rs. 5,000 each	8.7.1	248,090	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.

9. ADVANCES

	Performing		Non Performing		Total	
	2019	2018	2019	2018	2019	2018
(Rupees in '000)						
Loans, cash credits, running finances, etc.	47,784,780	36,077,786	2,675,026	2,743,634	50,459,806	38,821,420
Bills discounted and purchased	4,082,040	3,926,623	-	-	4,082,040	3,926,623
Advances - gross	51,866,820	40,004,409	2,675,026	2,743,634	54,541,846	42,748,043
Provision against advances	-	-	-	-	-	-
- Specific	-	-	(2,673,071)	(2,743,634)	(2,673,071)	(2,743,634)
- General	(215)	(426)	-	-	(215)	(426)
	(215)	(426)	(2,673,071)	(2,743,634)	(2,673,286)	(2,744,060)
Advances - net of provision	51,866,605	40,003,983	1,955	-	51,868,560	40,003,983

9.1 Particulars of advances (Gross)

	2019	2018
	(Rupees in '000)	
In local currency	54,224,814	42,451,703
In foreign currencies	317,032	296,340
	54,541,846	42,748,043

9.2 Based on classification defined in SBP Prudential Regulations, Rs. 54,088.092 million (2018: Rs. 42,212.824 million) advances fall under Corporate and Rs. 453.754 million (2018: Rs. 535.219 million) fall under Consumer and SME classification as at December 31, 2019.

9.3 Advances include Rs. 2,675.026 million (2018: Rs. 2,743.634 million) which have been placed under non-performing status as detailed below:-

Category of Classification	2019		2018	
	Non performing loans	Provision	Non performing loans	Provision
(Rupees in '000)				
Domestic	-	-	-	-
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	3,910	1,955	-	-
Loss	2,671,116	2,671,116	2,743,634	2,743,634
Total	2,675,026	2,673,071	2,743,634	2,743,634

9.4 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	2,743,634	426	2,744,060	2,798,643	255	2,798,898
Charge for the year	1,955	(211)	1,744	-	171	171
Reversals	(60,430)	-	(60,430)	(55,009)	-	(55,009)
	(58,475)	(211)	(58,686)	(55,009)	171	(54,838)
Amounts written off	(12,088)	-	(12,088)	-	-	-
Closing balance	2,673,071	215	2,673,286	2,743,634	426	2,744,060

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

9.4.2 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	2,673,071	215	2,673,286	2,743,634	426	2,744,060
	2,673,071	215	2,673,286	2,743,634	426	2,744,060

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 (amounting to Rs. 1,030.15 million comprising of Rs. 782.06 million pertaining to advances and Rs. 248.09 million for term finance certificate) as full and final settlement for an amount of Rs. 160 million. Partial payments were received in 2017 and 2018, whereas remaining payment was received during 2019 as per agreement and addendum thereto. Final clearance certificate is to be issued by the Bank to the third party in due course evidencing that all liabilities owed by the Company to the Bank stand fully and unconditionally discharged.

9.5 PARTICULARS OF WRITE OFFS:

	Note	2019	2018
		(Rupees in '000)	
9.5.1 Against Provisions		12,088	-
Directly charged to Profit & Loss account		-	-
		12,088	-
9.5.2 Write Offs of Rs. 500,000 and above		12,088	-
- Domestic		-	-
- Overseas		-	-
Write Offs of Below Rs. 500,000		-	-
		12,088	-

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 December 31, 2019 is given in Annexure-1.(except where such disclosure is restricted by overseas regulatory authorities).

10. FIXED ASSETS

		2019 (Rupees in '000)	2018 (Rupees in '000)
Capital work-in-progress	10.1	-	28,624
Property and equipment	10.2	472,843	457,078
		472,843	485,702

10.1 Capital work-in-progress

Civil works	-	8,624
Advances to suppliers	-	20,000
	-	28,624

10.2 Property and Equipment

	2019					
	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right-of-Use assets
	(Rupees in '000)					

At January 1, 2019

Cost	-	6,295	625,413	513,296	34,977	-	1,179,981
Accumulated depreciation	-	(3,993)	(257,793)	(426,171)	(34,946)	-	(722,903)
Net book value	-	2,302	367,620	87,125	31	-	457,078

Year ended December 2019

Opening net book value	-	2,302	367,620	87,125	31	-	457,078
Impact of adoption of IFRS 16	-	-	-	-	-	122,699	122,699
Adjusted opening net book value	-	2,302	367,620	87,125	31	122,699	579,777
Additions	-	-	7,095	46,808	37,821	-	91,724
Disposals	-	-	-	-	-	-	-
Depreciation charge	-	(239)	(58,678)	(45,415)	(7,564)	(58,618)	(170,514)
Other adjustments / transfers	-	-	(25,635)	(2,509)	-	-	(28,144)
Closing net book value	-	2,063	290,402	86,009	30,288	64,081	472,843

At December 31, 2019

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
Rate of depreciation (percentage)	-	5	10-50	14.3-33.33	20	38-75	

	2018					
	Building on Free hold land	Building on Lease hold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right-of-Use assets
	(Rupees in '000)					

At January 1, 2018

Cost	-	6,295	690,054	544,270	79,144	-	1,319,763
Accumulated depreciation	-	(3,754)	(253,038)	(445,204)	(76,481)	-	(778,477)
Net book value	-	2,541	437,016	99,066	2,663	-	541,286

Year ended December 2018

Opening net book value	-	2,541	437,016	99,066	2,663	-	541,286
Additions	-	-	2,995	35,822	-	-	38,817
Disposals	-	-	(145)	(99)	-	-	(244)
Depreciation charge	-	(239)	(72,246)	(47,664)	(2,632)	-	(122,781)
Other adjustments / transfers	-	-	-	-	-	-	-
Closing net book value	-	2,302	367,620	87,125	31	-	457,078

At December 31, 2018

Cost / Revalued amount	-	6,295	625,413	513,296	34,977	-	1,179,981
Accumulated depreciation	-	(3,993)	(257,793)	(426,171)	(34,946)	-	(722,903)
Net book value	-	2,302	367,620	87,125	31	-	457,078
Rate of depreciation (percentage)	-	5	10-50	14.3-33.33	20	-	

10.3 The cost of fully depreciated assets still in use amounts to Rs. 471.245 million (2018: Rs. Rs. 389.365 million).

11. DEFERRED TAX ASSETS

Deductible Temporary Differences on

- Post retirement employee benefits
- Accelerated tax depreciation
- Unrealized gain on derivatives

Taxable Temporary Differences on

- Surplus on revaluation of investments
- Effect of re-measurement of cost under share based payment

2019			
At January 1, 2019	Recognised in Profit and Loss	Recognised in OCI	At December 31, 2019
----- Rupees in 000-----			
73,151	-	6,054	79,205
(9,999)	14,585	-	4,586
(58,023)	241,530	-	183,507
5,129	256,115	6,054	267,298

40,669	-	(96,833)	(56,164)
(86,985)	-	-	(86,985)
(46,316)	-	(96,833)	(143,149)
(41,187)	256,115	(90,779)	124,149

Deductible Temporary Differences on

- Post retirement employee benefits
- Deficit on revaluation of investments
- Provision against advances, off balance sheet etc.

Taxable Temporary Differences on

- Accelerated tax depreciation
- Effect of re-measurement of cost under share based payment
- Unrealized gain on derivatives

2018			
At January 1, 2018	Recognised in Profit and Loss Account	Recognised in OCI	At December 31, 2018
----- Rupees in 000-----			
79,243	-	(6,092)	73,151
2,832	-	37,837	40,669
82,064	(82,064)	-	-
164,139	(82,064)	31,745	113,820

(14,204)	4,205	-	(9,999)
(87,790)	-	805	(86,985)
-	(58,023)	-	(58,023)
(101,994)	(53,818)	805	(155,007)
62,145	(135,882)	32,550	(41,187)

12 OTHER ASSETS

	Note	2019 (Rupees in '000)	2018
Income / Mark-up accrued in local currency		2,054,893	831,646
Income / Mark-up accrued in foreign currency		42,951	30,365
Advances, deposits, advance rent and other prepayments		86,346	112,335
Advance taxation (payments less provisions)		-	921,512
Non-banking assets acquired in satisfaction of claims	12.1	7,954	7,954
Mark to market gain on forward foreign exchange contracts		981,152	3,578,806
Acceptances		2,649,485	6,249,450
Others		8,712	9,989
		5,831,493	11,742,057
		-	-
Less: Provision held against other assets	12.2	7,954	7,954
Other Assets (Net of Provision)		5,823,539	11,734,103
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		-	-
Other Assets - total		5,823,539	11,734,103

- 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.

12.1.1 Non-banking assets acquired in satisfaction of claims

	2019 (Rupees in '000)	2018
Opening Balance	7,954	7,954
Additions	-	-
Revaluation	-	-
Disposals	-	-
Depreciation	-	-
Impairment	-	-
Closing Balance	<u>7,954</u>	<u>7,954</u>

12.2 Provision held against other assets

Non banking assets acquired in satisfaction of claims	<u>7,954</u>	<u>7,954</u>
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12.2.1 Movement in provision held against other assets

Opening balance	7,954	7,954
Charge for the year	-	-
Reversals	-	-
Amount Written off	-	-
Closing balance	<u>7,954</u>	<u>7,954</u>

13. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2019 (2018: Nil)

14. BILLS PAYABLE

Note	2019 (Rupees in '000)	2018
In Pakistan	<u>2,040,458</u>	4,199,017
	<u>2,040,458</u>	<u>4,199,017</u>

15. BORROWINGS

Secured

Repurchase agreement borrowings	15.1	<u>5,495,460</u>	-
Total secured		<u>5,495,460</u>	-

Unsecured

Call borrowings	15.2	<u>6,193,904</u>	13,886,190
Overdrawn nostro accounts		<u>9,460</u>	237,621
Total unsecured		<u>6,203,364</u>	14,123,811
		<u>11,698,824</u>	<u>14,123,811</u>

- 15.1** This represents secured borrowing that carries mark-up rate of 13.20% (2018: NIL) per annum and are due to mature in January 2020 (2018: NIL).

- 15.2** This represents unsecured borrowing that carries mark-up rate of 1.5% to 1.55% (2018: 2.4%) per annum and are due to mature in January 2020 (2018: January 2019).

15.3 Particulars of borrowings with respect to Currencies

	2019 (Rupees in '000)	2018
In local currency	5,495,460	3
In foreign currencies	<u>6,203,364</u>	14,123,808
	<u>11,698,824</u>	<u>14,123,811</u>

16. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits	34,552,809	855,697	35,408,506	37,301,239	3,526,445	40,827,684
Savings deposits	40,800,675	5,166,689	45,967,364	22,070,832	2,366,723	24,437,555
Term deposits	25,742,318	33,814	25,776,132	24,428,822	30,323	24,459,145
Others	3,013,179	10,760	3,023,939	3,305,257	5,848	3,311,105
	<u>104,108,981</u>	<u>6,066,960</u>	<u>110,175,941</u>	<u>87,106,150</u>	<u>5,929,339</u>	<u>93,035,489</u>
Financial Institutions						
Current deposits	2,902,443	153,707	3,056,150	1,725,187	275,383	2,000,570
	<u>2,902,443</u>	<u>153,707</u>	<u>3,056,150</u>	<u>1,725,187</u>	<u>275,383</u>	<u>2,000,570</u>
	<u>107,011,424</u>	<u>6,220,667</u>	<u>113,232,091</u>	<u>88,831,337</u>	<u>6,204,722</u>	<u>95,036,059</u>

16.1 Composition of deposits	2019	2018
	(Rupees in '000)	
- Individuals	217,098	319,499
- Public Sector Entities	289,149	67,605
- Banking Companies	3,972,759	2,584,737
- Non-Banking Financial Institutions	1,560,880	1,319,019
- Private Sector	107,192,205	90,745,199
	113,232,091	95,036,059

16.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 227.500 million (2018: Rs. 328.686 million).

	Note	2019	2018
17. OTHER LIABILITIES		(Rupees in '000)	
Mark-up / Return / Interest payable in local currency		643,022	502,742
Mark-up / Return / Interest payable in foreign currency		20,109	926
Unearned commission and income on bills discounted		68,033	54,619
Accrued expenses	17.1 & 17.2	990,344	889,733
Current taxation (provisions less payments)		175,612	-
Acceptances		2,649,485	6,249,450
Mark to market loss on forward foreign exchange contracts		1,505,458	3,380,425
Unremitted head office expenses		1,289,949	769,833
Payable to regional offices for support services		23,984	75,151
Payable to defined benefit plan		219,997	179,019
Payable on account of sale proceeds of securities held under custody		1,052,087	1,700,155
Payable on account of sale proceeds of shares sold by an associated undertaking		136,033	420,887
Securities sold but not yet purchased		-	495,449
Lease liability against right-of-use assets		61,015	-
Others		1,696,484	2,210,239
		10,531,612	16,928,628

17.1 This includes the Bank's obligation to the head office under the stock award and stock option programmes. As of December 31, 2019 recognised liability for share based incentive plans was Rs. 217.986 million (2018: Rs. 212.268 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. 567.014 million against provincial WWF law from the date of its levy till December 31, 2019. The bank alongwith banking industry challenged the provincial WWF levy which is pending in Court.

18. HEAD OFFICE CAPITAL ACCOUNT

2019 **2018**
(Rupees in '000)

Capital held as:

Deposit of un-encumbered approved securities	6,812,671	6,812,671
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18.1 This represents Market Treasury Bills having face value of Rs. 7,684 million (2018: Rs. 7,359 million) and Pakistan Investment Bonds having face value of NIL (2018: Rs. 331 million). The market value of Market Treasury Bills and Pakistan Investment Bonds as at December 31, 2019 amounts to Rs. 7,026 million and NIL respectively (2018: Rs. 7,355 million and Rs. 332 million) and these have maturities of up to September 2020 and NIL respectively (2018: January 2019 and July 2019).

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

19. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

	<i>Note</i>	2019	2018
		(Rupees in '000)	
Surplus / (Deficit) on revaluation of			
- Available for sale securities	8.1	160,466	(116,199)
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		(56,164)	40,669
		104,302	(75,530)

20. CONTINGENCIES AND COMMITMENTS

-Guarantees	20.1	1,831,370	2,328,536
-Commitments	20.2	204,598,091	243,706,429
-Other contingent liabilities	20.3	232,767	210,336
		206,662,228	246,245,301

20.1 Guarantees:

Financial guarantees		202	202
Performance guarantees		1,751,670	2,328,334
Other guarantees		79,498	-
		1,831,370	2,328,536

20.2 Commitments:

Documentary credits and short-term trade-related transactions		14,985,438	12,151,417
- letters of credit			
Commitments in respect of:			
- forward foreign exchange contracts	20.2.1	166,956,852	213,647,263
- forward government securities transactions	20.2.2	8,450,851	13,009,599
- derivatives - interest rate swaps	20.2.3	-	1,966,667
- forward lending	20.2.4	1,811,131	1,757,470
Commitments for acquisition of:			
- operating fixed assets		6,011	7,573
Other commitments	20.2.5	12,387,808	1,166,440
		204,598,091	243,706,429

20.2.1 Commitments in respect of forward foreign exchange contracts

Purchase		88,015,717	115,534,754
Sale		78,941,135	98,112,509
		166,956,852	213,647,263

20.2.2	Commitments in respect of forward government securities transactions	Note	2019 (Rupees in '000)	2018
	Purchase		5,497,446	539,830
	Sale		2,953,405	12,469,769
			8,450,851	13,009,599
20.2.3	Commitments in respect of derivatives			
	Purchase*		-	1,966,667
	Sale		-	-
			-	1,966,667
	* Interest rate derivative contracts		-	1,966,667
20.2.4	Commitments in respect of forward lending			
	Undrawn formal standby facilities, credit lines and other commitments to lend	20.2.4.1	1,811,131	1,757,470
20.2.4.1	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.			
20.2.5	Other commitments	Note	2019 (Rupees in '000)	2018
	Forward borrowing		12,387,808	-
	Forward placement		-	1,166,440
			12,387,808	1,166,440
20.3	Other contingent liabilities			
	Claims not acknowledged as debt	20.3.1	232,767	210,336
20.3.1	These are not recognised as debt as the probability of these crystallising against the Bank is considered remote.			

21. 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.

21.1	Product Analysis	2019	
		Interest Rate Swaps	
	Counterparties	Notional Principal	Mark to market loss
		(Rupees in '000)	
	With other entities for		
	Hedging	-	-
	Market Making	-	-
	Total		
	Hedging	-	-
	Market Making	-	-
	Counterparties	2018	
		Interest Rate Swaps	
		Notional Principal	Mark to market gain
		(Rupees in '000)	
	With other entities for		
	Hedging	-	-
	Market Making	1,966,667	(32,600)
	Total		
	Hedging	-	-
	Market Making	1,966,667	(32,600)

21.2	Maturity Analysis	2019			
		No. of Contracts	Notional Principal	Mark to Market	
	Remaining Maturity			Negative	Positive
				(Rupees in '000)	
					Net
	Upto 1 month	-	-	-	-
	1 to 3 months	-	-	-	-
	3 to 6 months	-	-	-	-
	6 month to 1 Year	-	-	-	-
	1 to 2 Year	-	-	-	-
	2 to 3 Years	-	-	-	-
	3 to 5 Years	-	-	-	-
	5 to 10 years	-	-	-	-
	Above 10 Years	-	-	-	-
	Total			-	-
	Remaining Maturity	2018			
		No. of Contracts	Notional Principal	Mark to Market	
				Negative	Positive
				(Rupees in '000)	
					Net
	Upto 1 month	-	-	-	-
	1 to 3 months	-	-	-	-
	3 to 6 months	-	-	-	-
	6 month to 1 Year	1	1,966,667	(32,600)	(32,600)
	1 to 2 Year	-	-	-	-
	2 to 3 Years	-	-	-	-
	3 to 5 Years	-	-	-	-
	5 to 10 years	-	-	-	-
	Above 10 Years	-	-	-	-
	Total			(32,600)	(32,600)

21.3 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.

21.4 Risk management related to derivatives is discussed in note 41.

22. MARK-UP / RETURN / INTEREST EARNED	<i>Note</i>	2019	2018
		(Rupees in '000)	
On:			
a) Loans and advances		6,293,358	2,427,456
b) Investments		5,681,081	3,155,538
c) Lendings to financial institutions		2,383,241	2,451,778
d) Balances with banks		145,092	43,023
		14,502,772	8,077,795
23. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		6,154,772	3,096,101
Borrowings		522,301	271,832
Cost of foreign currency swaps against foreign currency deposits / borrowings		469,638	531,645
		7,146,711	3,899,578
24. FEE AND COMMISSION INCOME			
Branch banking customer fees		22,496	20,703
Card related fees (debit and credit cards)		11,418	7,961
Credit related fees		390	780
Custody related fees		351,531	309,175
Commission on trade		159,292	143,932
Commission on guarantees		9,811	12,727
Commission on cash management		308,137	778,590
Commission on remittances including home remittances		27	-
Others		11,688	4,176
		874,790	1,278,044
25. (LOSS) / GAIN ON SECURITIES			
Realised	25.1	12	56,782
Unrealised - held for trading	8.1	(2,225)	(364)
		(2,213)	56,418
25.1 Realised gain on:			
Federal Government Securities		12	56,782
		12	56,782
26. OTHER INCOME			
Gain on sale of fixed assets - net		10	30,103
Sale of non-capitalized assets		100	78
Incidental Income		31	1,024
		141	31,205

27. OPERATING EXPENSES	Note	2019 (Rupees in '000)	2018
Total compensation expense	27.1	746,263	630,956
Property expense			
Rent & taxes		44,386	143,185
Insurance		18	814
Utilities cost		33,417	37,788
Security (including guards)		45,896	47,805
Repair & maintenance (including janitorial charges)		72,143	59,449
Depreciation		58,916	72,485
Depreciation on right-of-use assets		58,618	-
Interest expense on lease liability against right-of-use assets		14,915	-
Others		379	295
		328,688	361,821
Information technology expenses			
Software maintenance		28,960	12,834
Hardware maintenance		1,368	5,185
Depreciation		45,416	47,664
Network charges		45,241	36,798
Others		1,329	78
		122,314	102,559
Other operating expenses			
Legal & professional charges		37,547	32,338
Outsourced services costs (refer note 33.1)		215,742	265,879
Travelling & conveyance		75,363	94,035
NIFT clearing charges		4,859	1,606
Depreciation		7,564	2,632
Training & development		1,703	1,586
Postage & courier charges		26,396	27,594
Communication		24,532	28,532
Head office expenses	27.4	806,602	315,138
Stationery & printing		25,822	32,566
Marketing, advertisement & publicity		1,905	300
Donations	27.2	3,950	1,448
Auditors Remuneration	27.3	4,539	3,615
Banking Service Charges		121,146	82,060
Brokerage and commission		64,807	62,762
Card Association Fees		42,284	15,413
Others		70,225	38,709
		1,534,986	1,006,213
		2,732,251	2,101,549

The Bank has incurred outsourced services cost of Rs. 75.268 million (2018: Rs. 82.249 million) pertaining to payments to companies incorporated outside Pakistan and Rs. 140.474 million (2018: Rs. 183.63 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.

27.1 Total compensation expense	2019 (Rupees in '000)	2018
Fees and Allowances etc	-	-
Managerial Remuneration		
i) Fixed	417,901	362,577
ii) Variable		
of which;	-	-
a) Cash Bonus / Awards etc.	116,697	99,444
b) Bonus & Awards in Shares etc.	14,567	18,516
Charge for defined benefit plan	46,838	40,127
Contribution to defined contribution plan	27,465	23,838
Rent & house maintenance	34,324	23,861
Utilities	7,191	7,547
Medical	16,654	15,336
Conveyance	28,702	29,107
Professional membership fees reimbursement	248	364
Others	932	-
Sub-total	711,519	620,717
Severance Allowance *	34,744	10,239
Grand Total	746,263	630,956

* The number of persons paid severance allowance was 08 (2018: 01).

27.2	Donations above Rs. 0.5 Million	2019	2018
		(Rupees in '000)	
	Patients Aid Foundation	1,000	-
	Marie Adelaide Leprosy Centre	800	-
	Donations individually not exceeding Rs. 500,000	2,150	1,448
		<u>3,950</u>	<u>1,448</u>

27.2.1 Donations were not made to any donee in which key management personnel or their spouse had any interest.

27.3	Auditors' remuneration	Note	2019	2018
			(Rupees in '000)	
	Audit fee		1,780	1,519
	Fee for the half yearly review		491	491
	Special certifications and other services		1,886	1,296
	Out-of-pocket expenses		382	309
			<u>4,539</u>	<u>3,615</u>

27.4 Head office expenses are estimated based on head office certificate of prior year and are subject to true ups / actualisation.

28.	OTHER CHARGES	Note	2019	2018
			(Rupees in '000)	
	Penalties imposed by State Bank of Pakistan		60	745
			<u>60</u>	<u>745</u>

29. (REVERSAL) / PROVISIONS & WRITE OFFS - NET

Reversal against loans & advances	9.4	(58,686)	(54,838)
		<u>(58,686)</u>	<u>(54,838)</u>

30. TAXATION

Current	3,747,582	2,073,277
Prior years	169,210	33,236
Deferred	(256,114)	135,880
	<u>3,660,678</u>	<u>2,242,393</u>

30.1 Relationship between tax expense and accounting profit

Profit before taxation	8,493,543	5,951,924
Taxation at the applicable tax rate of 35% (2018: 35%)	2,972,740	2,083,173
Taxation at the applicable Super tax rate of 4% (2018: 4%)	339,742	238,077
Prior year charge		
- Current Tax	-	33,236
- Super Tax	169,210	-
Taxation effect of expenses / income that are not deductible / taxable in determining taxable income	-	-
Others	172,592	(99,332)
	<u>6,394</u>	<u>(12,761)</u>
	<u>3,660,678</u>	<u>2,242,393</u>

30.2 The Income Tax returns of the Bank have been filed up to the tax year 2019 (accounting year ended December 31, 2018).

The income tax authorities have issued amended assessment orders for up to tax years 2018, and created additional tax demands (including disallowances of tax loss on disposal of fixed asset, bad debt written off and charging of Minimum Tax) of Rs. 392 million (December 31, 2018: Rs. 630 million), which have been fully paid as required under the law. The Bank has filed appeals before the appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief, the Bank has filed appeals before higher appellate forums. The management of the Bank, in consultation with its tax advisor, is confident that the appeals will be decided in favour of the Bank.

31. CASH AND CASH EQUIVALENTS

Cash and Balance with Treasury Banks	11,202,518	9,126,210
Balance with other Banks	805,867	641,152
Overdrawn Nostros	(9,460)	(237,621)
	<u>11,998,925</u>	<u>9,529,741</u>

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

	2019							
	Liabilities				Equity			
	Bills payable	Borrowings	Deposits and other accounts	Other liabilities	Head office capital account	Reserves	Surplus / (Deficit) on revaluation of	Unremitted profit
	(Rupees in '000)							
Balance as at 01 January 2019	4,199,017	13,886,190	95,036,059	16,928,628	6,812,671	161,543	(75,530)	3,720,846
Changes from financing cash flows								
Proceeds from sub-ordinated debt	-	-	-	-	-	-	-	-
Profit repatriated to head office during the year	-	-	-	-	-	-	-	(3,720,846)
Total changes from financing cash flows	4,199,017	13,886,190	95,036,059	16,928,628	6,812,671	161,543	(75,530)	-

Other changes

Liability-related

Changes in bills payable	(2,158,559)	-	-	-	-	-	-	-
Changes in borrowings	-	(2,196,826)	-	-	-	-	-	-
Changes in deposits and other accounts	-	-	18,196,032	-	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-	-
- Cash based	-	-	-	(6,634,121)	-	-	-	-
- Non-cash based	-	-	-	237,105	-	-	-	(11,243)
Profit for the year	-	-	-	-	-	-	-	4,832,865
Changes in surplus on revaluation of assets	-	-	-	-	-	-	179,832	-

Balance as at 31 December 2019	2,040,458	11,689,364	113,232,091	10,531,612	6,812,671	161,543	104,302	4,821,622
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	2018							
	Liabilities				Equity			
	Bills payable	Borrowings	Deposits and other accounts	Other liabilities	Head office capital	Reserves	Surplus / (Deficit) on	Unremitted profit
	(Rupees in '000)							
Balance as at 01 January 2018	1,836,429	15,458,408	78,817,906	14,901,989	6,812,671	163,039	(5,261)	2,232,629
Changes from financing cash flows								
Proceeds from sub-ordinated debt	-	-	-	-	-	-	-	-
Profit repatriated to head office during the year	-	-	-	-	-	-	-	(2,232,629)
Total changes from financing cash flows	1,836,429	15,458,408	78,817,906	14,901,989	6,812,671	163,039	(5,261)	-

Other changes

Liability-related

Changes in bills payable	2,362,588	-	-	-	-	-	-	-
Changes in borrowings	-	(1,572,218)	-	-	-	-	-	-
Changes in deposits and other accounts	-	-	16,218,153	-	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-	-
- Cash based	-	-	-	2,001,617	-	-	-	-
- Non-cash based	-	-	-	25,022	-	(1,496)	-	(58,954)
Profit for the year	-	-	-	-	-	-	-	3,709,531
Changes in surplus on revaluation of assets	-	-	-	-	-	-	(70,269)	-

Balance as at 31 December 2018	4,199,017	13,886,190	95,036,059	16,928,628	6,812,671	161,543	(75,530)	3,650,577
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32. STAFF STRENGTH

2019
(Number)

Permanent	133	135
Bank's own staff strength at the end of the year	133	135

32.1 In addition to the above, 135 (2018: 168) 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.

33. DEFINED BENEFIT PLAN

33.1 General description

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

33.2 Number of Employees under the scheme

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

2019
(Number)

- Gratuity fund	134	135
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33.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2019 using the following significant assumptions:

	2019 (Per annum)	2018
Discount rate	11.30%	12.00%
Expected rate of return on plan assets	11.30%	12.00%
Expected rate of salary increase	10.30%	11.00%

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

33.4 Reconciliation of payable to defined benefit plans

Note

	Gratuity fund	
	2019	2018
	(Rupees in '000)	
Present value of obligations	279,722	263,842
Fair value of plan assets	(59,725)	(84,823)
Payable	219,997	179,019

33.5 Movement in defined benefit obligations

Obligations at the beginning of the year	263,842	260,384
Current service cost	26,717	26,874
Interest cost	30,739	20,241
Benefits paid	(57,855)	(21,716)
Re-measurement (gain) / loss	16,279	(21,941)
Obligations at the end of the year	279,722	263,842

33.6 Movement in fair value of plan assets

Fair value at the beginning of the year	84,823	83,906
Interest income on plan assets	10,618	6,988
Contributions- net	23,157	20,179
Benefits paid	(57,855)	(21,716)
Re-measurements: Net return on plan assets over interest income (loss) / gain	(1,018)	(4,534)
Fair value at the end of the year	59,725	84,823

33.8.2

33.7 Movement in payable under defined benefit schemes

Opening balance	179,019	176,478
Charge for the year	46,838	40,127
Contributions - net	(23,157)	(20,179)
Re-measurement (gain) / loss recognised in OCI during the year	17,297	(17,407)
Closing balance	219,997	179,019

33.8.2

33.8 Charge for defined benefit plans

33.8.1 Cost recognised in profit and loss

Current service cost	26,717	26,874
Net interest on defined benefit liability	20,121	13,253
	46,838	40,127

33.8.2 Re-measurements recognised in OCI during the year	Gratuity fund	
	2019	2018
	(Rupees in '000)	
Loss / (gain) on obligation		
- Financial assumptions	-	(21,961)
- Experience adjustment	(16,279)	20
Return on plan assets over interest income	(1,018)	4,534
Total re-measurements recognised in OCI	<u>(17,297)</u>	<u>(17,407)</u>

33.9 Components of plan assets

Cash and cash equivalents - net	3,151	4,274
Government Securities	54,850	80,549

33.10 Sensitivity analysis

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

	Gratuity Fund 2019 (Rupees in '000)
1% increase in discount rate	262,059
1% decrease in discount rate	299,656
1 % increase in expected rate of salary increase	300,995
1 % decrease in expected rate of salary increase	260,582

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.

	2019 (Rupees in '000)
33.11 Expected contributions to be paid to the funds in the next financial year	<u>24,370</u>
33.12 Expected charge for the next financial year	<u>52,064</u>
33.13 Maturity profile	

The weighted average duration of the obligation is 6.81 years

33.14 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.

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

34. DEFINED CONTRIBUTION PLAN

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

During the year, the Bank contributed Rs. 27.465 million (2018: Rs. 23.838 million) in respect of the defined contribution plan.

35. COMPENSATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Citi Country Officer		Executives	
	2019	2018	2019	2018
	----- (Rupees in '000) -----			
Managerial remuneration	#####	61,281	316,935	204,566
Charge for defined benefit plan	2,499	1,999	18,592	12,844
Contribution to defined contribution plan	3,000	2,400	22,319	15,419
Rent and house maintenance	#####	9,985	89,276	61,675
Utilities	5,090	4,569	22,319	15,419
Medical	324	131	1,570	1,319
Others	4,155	3,353	61,198	42,419
	#####	83,718	532,209	353,661
Number of persons	1	1	61	50

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

36. 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

36.1 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:

		2019				
	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		76,154,346	-	76,154,346	-	76,154,346
Financial assets - disclosed but not measured at fair value						
Cash and balances with treasury banks	36.2	11,202,518	-	-	-	-
Balances with other banks	36.2	805,867	-	-	-	-
Lendings to financial institutions	36.2	2,951,301	-	-	-	-
Advances - net	36.2	51,868,560	-	-	-	-
Other financial assets	36.2	5,733,651	-	-	-	-
		148,716,243	-	76,154,346	-	76,154,346
Off-balance sheet financial instruments - measured at fair value						
Forward purchase of foreign exchange		88,015,717	-	87,281,571	-	87,281,571
Forward sale of foreign exchange		78,941,135	-	79,158,384	-	79,158,384
Forward Borrowing		12,387,808	-	12,387,808	-	12,387,808
Forward purchase contracts of government securities		5,497,446	-	5,497,446	-	5,497,446
Forward sale contracts of government securities		2,953,405	-	2,953,405	-	2,953,405
Forward placement		-	-	-	-	-
		2018				
	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		66,498,149	-	66,498,149	-	66,498,149
Financial assets - disclosed but not measured at fair value						
Cash and balances with treasury banks	36.2	9,126,210	-	-	-	-
Balances with other banks	36.2	641,152	-	-	-	-
Lendings to financial institutions	36.2	12,458,933	-	-	-	-
Advances - net	36.2	40,003,983	-	-	-	-
Other financial assets	36.2	10,696,740	-	-	-	-
		139,425,167	-	66,498,149	-	66,498,149
Off-balance sheet financial instruments - measured at fair value						
Forward purchase of foreign exchange		115,534,754	-	119,113,702	-	119,113,702
Forward sale of foreign exchange		98,112,509	-	94,729,805	-	94,729,805
Forward Borrowing		-	-	-	-	-
Forward purchase contracts of government securities		539,830	-	522,514	-	522,514
Forward sale contracts of government securities		12,469,769	-	12,469,769	-	12,469,769
Forward placement		1,166,440	-	1,166,440	-	1,166,440
Interest rate derivative contracts		1,966,667	-	1,934,066	-	1,934,066

36.2 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.

37. SEGMENT INFORMATION

37.1 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:

	2019		
	Corporate Banking	Trading & Sales	Total
	(Rupees in '000)		
Profit & Loss			
Net mark-up / return / profit	138,586	7,217,475	7,356,061
Inter segment revenue - net	4,106,202	(4,106,202)	-
Non mark-up / return / interest income	874,865	3,109,208	3,984,073
Total Income	5,119,653	6,220,481	11,340,134
Segment direct expenses	1,938,298	966,979	2,905,277
Inter segment expense allocation	-	-	-
Total expenses	1,938,298	966,979	2,905,277
Reversals	(58,686)	-	(58,686)
Profit before tax	3,240,041	5,253,502	8,493,543
Balance Sheet			
	Corporate Banking	Trading & Sales	Total
	(Rupees in '000)		
Cash & Bank balances	194,538	11,813,847	12,008,385
Investments	-	76,154,346	76,154,346
Net inter segment lending	69,890,836	(69,890,836)	-
Lendings to financial institutions	-	2,951,301	2,951,301
Advances - performing	51,866,605	-	51,866,605
- non-performing net of provision	1,955	-	1,955
Others	5,212,272	1,208,259	6,420,531
Total Assets	127,166,206	22,236,917	149,403,123
Borrowings	-	11,698,824	11,698,824
Deposits & other accounts	111,564,357	1,667,734	113,232,091
Net inter segment borrowing	(69,890,836)	69,890,836	-
Others	11,062,294	1,509,776	12,572,070
Total liabilities	52,735,815	84,767,170	137,502,985
Equity	4,539,556	7,360,582	11,900,138
Total Equity & liabilities	57,275,371	92,127,752	149,403,123
Contingencies & Commitments	18,866,717	187,795,511	206,662,228

	2018		
	Corporate Banking	Trading & Sales	Total
	----- (Rupees in '000) -----		
Profit & Loss			
Net mark-up / return / profit	(668,645)	4,846,862	4,178,217
Inter segment revenue - net	3,160,533	(3,160,533)	-
Non mark-up / return / interest income	1,308,698	2,607,695	3,916,393
Total Income	3,800,586	4,294,024	8,094,610
Segment direct expenses	1,503,243	694,281	2,197,524
Inter segment expense allocation	-	-	-
Total expenses	1,503,243	694,281	2,197,524
Reversals	(54,838)	-	(54,838)
Profit before tax	2,352,181	3,599,743	5,951,924
Balance Sheet			
	Corporate Banking	Trading & Sales	Total
	----- (Rupees in '000) -----		
Cash & Bank balances	266,629	9,500,733	9,767,362
Investments	-	66,498,149	66,498,149
Net inter segment lending	62,790,652	(62,790,652)	-
Lendings to financial institutions	-	12,458,933	12,458,933
Advances - performing	40,003,983	-	40,003,983
- non-performing	-	-	-
Others	8,609,484	3,610,321	12,219,805
Total Assets	111,670,748	29,277,484	140,948,232
Borrowings	-	14,123,811	14,123,811
Subordinated debt	-	-	-
Deposits & other accounts	94,446,990	589,069	95,036,059
Net inter segment borrowing	(62,790,652)	62,790,652	-
Others	17,223,758	3,945,074	21,168,832
Total liabilities	48,880,096	81,448,606	130,328,702
Equity	4,731,189	5,888,341	10,619,530
Total Equity & liabilities	53,611,285	87,336,947	140,948,232
Contingencies & Commitments	16,455,332	229,789,969	246,245,301

38 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.

39. RELATED PARTY TRANSACTIONS

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

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

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

	2019		2018	
	Key management personnel	Head Office Branches and other related parties	Head Office Branches and other related parties	
(Rupees in '000)				
Balances with other banks				
In current accounts				
	509,097	251,108	-	536,690
	<u>509,097</u>	<u>251,108</u>	<u>-</u>	<u>536,690</u>
Other Assets				
Interest / mark-up accrued	2,021	6,292	1,397	2,112
Other receivables	-	-	-	-
Unrealised gain on foreign exchange contracts	-	381,991	-	720,788
	<u>2,021</u>	<u>388,283</u>	<u>1,397</u>	<u>722,900</u>
Borrowings				
Opening balance	-	13,886,190	-	15,458,408
Borrowings during the year	-	1,107,632,815	-	979,524,899
Settled during the year	-	(1,115,325,101)	-	(981,097,117)
Closing balance	XXX	<u>6,193,904</u>	-	<u>13,886,190</u>
Overdrawn Nostros	-	<u>9,460</u>	<u>237,618</u>	<u>-</u>
Deposits and other accounts				
Opening balance	766	706,394	616	601,343
Received during the year	23,446	4,479,696	1,090,363	6,415,088
Withdrawn during the year	(11,281)	(3,388,655)	(1,090,213)	(6,310,037)
Closing balance	<u>12,931</u>	<u>1,797,435</u>	<u>766</u>	<u>706,394</u>
Other Liabilities				
Interest / mark-up payable	-	262	-	926
Unremitted Head Office Expense	1,289,949	-	769,833	-
Unrealised loss on foreign exchange contracts	-	-	-	-
Payable to defined benefit plan	-	330,386	-	724,641
Payable to associated undertakings	-	219,997	-	179,019
Payable for expenses and share based payments	-	1,188,120	-	2,121,042
	<u>217,986</u>	<u>23,984</u>	<u>212,268</u>	<u>75,151</u>
	<u>1,507,935</u>	<u>1,762,749</u>	<u>982,101</u>	<u>3,100,779</u>
Contingencies and Commitments				
Forward exchange contracts				
Purchase	-	30,252,904	-	29,964,551
Sales	-	30,261,304	-	29,964,551
Counter guarantees to branches	<u>83,038</u>	<u>678,301</u>	<u>150,623</u>	<u>1,233,307</u>
	<u>83,038</u>	<u>61,192,509</u>	<u>150,623</u>	<u>61,162,409</u>
Income				
Mark-up / return / interest earned	XXX	129,240	773	21,543
Fee and commission income	XXX	16,883	281,028	19,212
Net loss on sale of securities	XXX	-	(3,084)	-
Foreign Exchange Income	XXX	622	13,751	-
				26,163
Expense				
Mark-up / return / interest paid	XXX	97	106,123	2,558
				80,875
Regional expenses for support services	XXX	7,669	67,599	7,698
Head office expenses		806,602	-	315,138
Contribution to staff retirement benefit funds		-	50,622	-
Remuneration of Key Management Personnel		-	99,515	-
				44,017
				83,718

40. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2019 2018
(Rupees in '000)

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	6,812,671	6,812,671
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	11,795,836	10,619,530
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	11,795,836	10,619,530
Eligible Tier 2 Capital	104,517	426
Total Eligible Capital (Tier 1 + Tier 2)	11,900,353	10,619,956

Risk Weighted Assets (RWAs):

Credit Risk	35,095,218	29,188,301
Market Risk	1,987,232	957,497
Operational Risk	15,530,012	12,444,529
Total	52,612,462	42,590,327

Common Equity Tier 1 Capital Adequacy ratio	22.42%	24.93%
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Tier 1 Capital Adequacy Ratio	22.42%	24.93%
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Total Capital Adequacy Ratio	22.62%	24.94%
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The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions to be raised to Rs. 10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.10 billion capital (net of losses) from the end of the financial year 2013 onwards. However, branches of foreign banks operating in Pakistan whose head office holds paid-up capital (free of losses) of atleast US\$ 300 million, have a CAR of 8% or minimum prescribed by the home regulator and have prescribed number of branches, are allowed to maintain lower amount with prior approval of SBP. In this regard the Bank is maintaining higher capital to support business requirements.

The Head office capital account of the Bank for the year ended December 31, 2019 stands at Rs 6.813 billion and is in compliance with the SBP requirement for the said year. In addition the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 12.5% of the risk weighted exposures of the Bank as of December 31, 2019. The Bank's CAR as at December 31, 2019 was 22.62% 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 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.

2019 2018
(Rupees in '000)

Leverage Ratio (LR):

Eligible Tier-1 Capital	11,795,836	10,619,530
Total Exposures	180,389,351	167,813,928
Leverage Ratio	6.54%	6.33%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	65,953,782	68,163,186
Total Net Cash Outflow	24,431,612	25,765,502
Liquidity Coverage Ratio	269.95%	264.55%

2019 2018
(Rupees in '000)

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	113,608,872	99,839,445
Total Required Stable Funding	65,298,947	49,670,959
Net Stable Funding Ratio	173.98%	201.00%

- 40.1** 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 <http://www.citibank.com/pakistan/homepage/CapitalAdequacyandLiquidityStatements.html>

41. RISK MANAGEMENT

The Head office capital account of the Bank for the year ended December 31, 2019 stands at Rs 6.813 billion and is in compliance with the SBP requirement for the said year. In addition the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 12.50% of the risk weighted exposures of the Bank. The Bank's CAR as at December 31, 2019 was 22.62% 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

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

41.1 Credit Risk

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

41.1.1 Corporate credit risk

This risk is managed through the following:

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

41.1.2 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Private	2,951,301	12,458,933	-	-	-	-
	<u>2,951,301</u>	<u>12,458,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

41.1.3 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Textile	248,090	248,090	248,090	248,090	248,090	248,090
Financial	75,998,969	66,617,212	-	-	-	-
	<u>76,247,059</u>	<u>66,865,302</u>	<u>248,090</u>	<u>248,090</u>	<u>248,090</u>	<u>248,090</u>

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Public / Government	75,998,969	66,617,212	-	-	-	-
Private	248,090	248,090	248,090	248,090	248,090	248,090
	<u>76,247,059</u>	<u>66,865,302</u>	<u>248,090</u>	<u>248,090</u>	<u>248,090</u>	<u>248,090</u>

41.1.4 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Textile	1,570,491	1,639,799	1,570,491	1,639,799	1,570,491	1,639,799
Chemical and Pharmaceuticals	13,531,328	13,620,148	54,843	54,843	54,843	54,843
Footwear and Leather garments	73,174	73,174	73,174	73,174	73,174	73,174
Automobile and transportation equipment	15,002,342	9,176,146	34,721	34,721	34,721	34,721
Electronics and electrical appliances	5,519,432	4,401,370	-	-	-	-
Power (electricity), Gas, Water, Sanitary	1,410,394	1,420,044	-	-	-	-
Wholesale and Retail Trade	9,854	9,026	9,026	9,026	9,026	9,026
Exports/Imports	-	-	-	-	-	-
Transport, Storage and Communication	6,227,438	6,388,144	13,258	13,258	13,258	13,258
Financial	4,417	3,138	-	-	-	-
Services	75,041	5,758	-	-	-	-
Individuals	303,344	383,687	139,015	138,314	137,059	138,314
Others	10,814,591	5,627,609	780,498	780,499	780,498	780,499
	<u>54,541,846</u>	<u>42,748,043</u>	<u>2,675,026</u>	<u>2,743,634</u>	<u>2,673,070</u>	<u>2,743,634</u>

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Private	54,541,846	42,748,043	2,675,026	2,743,634	2,673,070	2,743,634
	<u>54,541,846</u>	<u>42,748,043</u>	<u>2,675,026</u>	<u>2,743,634</u>	<u>2,673,070</u>	<u>2,743,634</u>

41.1.5 Contingencies and Commitments

Credit risk by industry sector	2019 (Rupees in '000)	2018
Textile	141	141
Chemical and Pharmaceuticals	6,031,310	4,333,891
Automobile and transportation equipment	1,280,524	1,077,859
Electronics and electrical appliances	890,909	684,502
Power (electricity), Gas, Water, Sanitary	167,818	54,549
Wholesale and Retail Trade	6,914	-
Transport, Storage and Communication	1,767,624	2,686,622
Financial	181,945,147	226,403,645
Services	42,596	149,552
Others	14,529,245	10,854,540
	<u>206,662,228</u>	<u>246,245,301</u>
Credit risk by public / private sector		
Public / Government	12,923,191	36,861,981
Private	193,739,037	209,383,320
	<u>206,662,228</u>	<u>246,245,301</u>

41.1.6 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 51,195.365 million (2018: Rs. 36,677.272 million) are as following:

	2019 (Rupees in '000)	2018
Funded	36,267,333	25,191,772
Non Funded	14,928,032	11,485,500
Total Exposure	<u>51,195,365</u>	<u>36,677,272</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 71,965.570 million (2018: Rs. 76,334.30 million)

41.1.7 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2019						
	Disbursement	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		(Rupees in '000)					
Punjab	67,445,990	67,445,990	-	-	-	-	-
Sindh	132,135,464	-	132,135,464	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-	-
Islamabad	51,875,462	-	-	-	-	51,875,462	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	<u>251,456,916</u>	<u>67,445,990</u>	<u>132,135,464</u>	<u>-</u>	<u>-</u>	<u>51,875,462</u>	<u>-</u>
Province / Region	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		(Rupees in '000)					
Punjab	31,376,301	31,376,301	-	-	-	-	-
Sindh	81,561,950	-	81,561,950	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-	-
Islamabad	65,739,422	-	-	-	-	65,739,422	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	<u>178,677,673</u>	<u>31,376,301</u>	<u>81,561,950</u>	<u>-</u>	<u>-</u>	<u>65,739,422</u>	<u>-</u>

41.2 Market Risk

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

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

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

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

41.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	11,202,518	-	11,202,518	9,126,210	-	9,126,210
Balances with other banks	805,867	-	805,867	641,152	-	641,152
Lendings to financial institutions	2,951,301	-	2,951,301	12,458,933	-	12,458,933
Investments	62,172,602	13,981,744	76,154,346	59,417,959	7,080,190	66,498,149
Advances	51,868,560	-	51,868,560	40,003,983	-	40,003,983
Fixed assets	472,843	-	472,843	485,702	-	485,702
Intangible assets	-	-	-	-	-	-
Deferred tax assets	124,149	-	124,149	-	-	-
Other assets	89,888	5,733,651	5,823,539	8,148,825	3,585,278	11,734,103
	<u>129,687,728</u>	<u>19,715,395</u>	<u>149,403,123</u>	<u>130,282,764</u>	<u>10,665,468</u>	<u>140,948,232</u>

41.2.2 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.

	2019					2018			
	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	4,456,866	-	13,899,993	8,266,806	(1,176,321)	6,069,692	24,047,305	17,705,780	(271,833)
Great Britain Pound Sterling	4,361	-	10,648	5,849	(438)	16,796	12,075	-	4,721
Euro	197,710	-	211,078	-	(13,368)	317,861	179,064	(15,884)	122,913
Japanese Yen	-	-	1,925	1,925	-	986,239	951,954	-	34,285
Other currencies	598,499	-	580,073	6,056	24,482	904,323	796,146	(74,394)	33,783
	5,257,436		14,703,717	8,280,636	(1,165,645)	8,294,911	25,986,544	17,615,502	(76,131)

	2019		2018	
	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%	-	(5,169)	-	1,999
Decrease of 1%	-	5,169	-	(1,999)
- Other comprehensive income				
Increase of 1%	-	-	-	-
Decrease of 1%	-	-	-	-

41.2.3 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.

41.2.4 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.

	2019		2018	
	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%	(632,263)	125,957	(422,576)	67,775
Decrease of 1%	632,263	(125,957)	422,576	(67,775)
- Other comprehensive income				
Increase of 1%	143,740	-	539,583	-
Decrease of 1%	(143,740)	-	(539,583)	-

41.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield / Interest rate	Total	2019									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)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.96%	11,202,518	1,656,870	-	-	-	-	-	-	-	-	9,545,648
Balances with other banks	0.00%	805,867	-	-	-	-	-	-	-	-	-	805,867
Lendings to financial institutions	10.70%	2,951,301	2,951,301	-	-	-	-	-	-	-	-	-
Investments	11.87%	76,154,346	7,519,736	6,611,560	-	56,997,570	5,025,480	-	-	-	-	-
Advances	12.73%	51,868,560	35,958,621	9,829,868	4,226,382	1,708,029	14,089	12,884	23,711	48,951	40,758	5,267
Other assets	-	5,733,651	-	-	-	-	-	-	-	-	-	5,733,651
		148,716,243	48,086,528	16,441,428	4,226,382	58,705,599	5,039,569	12,884	23,711	48,951	40,758	16,090,433
Liabilities												
Bills payable	-	2,040,458	-	-	-	-	-	-	-	-	-	2,040,458
Borrowings	7.19%	11,698,824	11,689,364	-	-	-	-	-	-	-	-	9,460
Deposits and other accounts	5.81%	113,232,091	69,217,011	2,293,664	185,589	25,232	2,000	20,000	-	-	-	41,488,595
Other liabilities	-	10,287,967	-	-	-	-	-	-	-	-	-	10,287,967
		137,259,340	80,906,375	2,293,664	185,589	25,232	2,000	20,000	-	-	-	53,826,480
On-balance sheet gap		11,456,903	(32,819,847)	14,147,764	4,040,793	58,680,367	5,037,569	(7,116)	23,711	48,951	40,758	(37,736,047)

2019											
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	88,015,717	36,967,094	31,527,117	15,181,660	4,339,846	-	-	-	-	-	-
- forward Foreign Exchange contracts - sale	(78,941,135)	(39,044,791)	(26,414,734)	(9,878,126)	(3,603,484)	-	-	-	-	-	-
- forward purchase contracts of government securities	5,497,446	5,497,446	-	-	-	-	-	-	-	-	-
- forward sale contracts of government securities	2,953,405	2,953,405	-	-	-	-	-	-	-	-	-
-forward borrowing	(12,387,808)	12,387,808	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	5,137,625	18,760,962	5,112,383	5,303,534	736,362	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap											
		(14,058,885)	19,260,147	9,344,327	59,416,729	5,037,569	(7,116)	23,711	48,951	40,758	(37,736,047)
Cumulative Yield / Interest Risk Sensitivity Gap											
		(14,058,885)	5,201,262	14,545,589	73,962,318	78,999,887	78,992,771	79,016,482	79,065,433	79,106,191	41,370,144
2018											
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	0.78%	9,126,210	1,555,253	-	-	-	-	-	-	-	7,570,957
Balances with other banks	0.00%	641,152	-	-	-	-	-	-	-	-	641,152
Lendings to financial institutions	7.33%	12,458,933	12,458,933	-	-	-	-	-	-	-	-
Investments	5.83%	66,498,149	55,836,324	7,818,115	-	2,843,710	-	-	-	-	-
Advances	8.02%	40,003,983	30,682,728	3,202,431	2,886,821	2,010,923	1,020,832	18,375	32,767	68,573	10,971
Other assets	0.00%	10,696,740	-	-	-	-	-	-	-	-	10,696,740
		139,425,167	100,533,238	11,020,546	2,886,821	4,854,633	1,020,832	18,375	32,767	68,573	18,919,820
Liabilities											
Bills payable	0.00%	4,199,017	-	-	-	-	-	-	-	-	4,199,017
Borrowings	4.74%	14,123,811	13,886,190	-	-	-	-	-	-	-	237,621
Deposits and other accounts	3.41%	95,036,059	45,083,295	3,096,405	667,000	5,000	25,000	-	20,000	-	46,139,359
Other liabilities	0.00%	16,707,313	-	-	-	-	-	-	-	-	16,707,313
		130,066,200	58,969,485	3,096,405	667,000	5,000	25,000	-	20,000	-	67,283,310
On-balance sheet gap		9,358,967	41,563,753	7,924,141	2,219,821	4,849,633	995,832	18,375	12,767	68,573	(48,363,490)

Effective Yield / Interest rate	Total	2018									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	115,534,754	62,803,710	31,753,951	19,974,129	1,002,964	-	-	-	-	-	-
- forward Foreign Exchange contracts - sale	(98,112,509)	(40,340,113)	(41,307,498)	(14,416,254)	(2,048,644)	-	-	-	-	-	-
- forward purchase contracts of government securities	539,830	539,830	-	-	-	-	-	-	-	-	-
- forward sale contracts of government securities	12,469,769	12,469,769	-	-	-	-	-	-	-	-	-
- forward placement	1,166,440	1,166,440	-	-	-	-	-	-	-	-	-
- Interest Rate Derivative Contracts - long position	1,966,667	-	-	-	1,966,667	-	-	-	-	-	-
- Interest Rate Derivative Contracts - short position	(1,966,667)	-	-	-	(1,966,667)	-	-	-	-	-	-
-forward borrowing	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	31,598,284	36,639,636	(9,553,547)	5,557,875	(1,045,680)	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		78,203,389	(1,629,406)	7,777,696	3,803,953	995,832	18,375	12,767	68,573	69,562	(48,363,490)
Cumulative Yield / Interest Risk Sensitivity Gap		78,203,389	76,573,983	84,351,679	88,155,632	89,151,464	89,169,839	89,182,606	89,251,179	89,320,741	40,957,251

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

	2019	2018
	(Rupees in '000)	
Total financial assets as per note 41.2.5	148,716,243	139,425,166
Add: Non financial assets		
Operating fixed assets	472,843	485,702
Deferred tax asset	124,149	-
Other assets	89,888	1,037,364
Total assets as per statement of financial position	149,403,123	140,948,232
Total liabilities as per note 41.2.5	137,259,340	130,066,200
Add: Non financial liabilities		
Deferred tax liabilities	-	41,187
Other liabilities	243,645	221,315
Total liabilities as per statement of financial position	137,502,985	130,328,702

41.3 Operational Risk

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

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

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

The Bank uses the Basic Indicator Approach to calculate operational risk capital charge under Basel II guidelines.

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

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

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

[illegible]

Total

2018

Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
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Assets

(Rupees in '000)

Cash and balances with treasury banks	9,126,210	-	323,159	295,803	8,318,828	95,076	59,744	33,350	-	250	-	-	-	-
Balances with other banks	641,152	-	-	-	641,152	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	12,458,933	-	11,958,919	500,014	-	-	-	-	-	-	-	-	-	-
Investments	66,498,149	-	55,233,159	-	603,165	7,818,115	-	-	330,159	2,513,551	-	-	-	-
Advances	40,003,983	53,769	892,329	735,943	29,001,120	2,029,534	1,173,762	2,888,119	506,716	1,506,716	1,024,862	20,211	32,767	138,135
Fixed assets	485,702	96	668	668	1,431	31,486	2,863	8,539	7,196	5,851	11,656	8,999	17,797	388,452
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	11,734,103	2,042,517	946,817	1,111,675	2,829,017	1,937,840	565,477	1,330,200	308,110	256,229	406,221	-	-	-
	140,948,232	2,096,382	69,355,051	2,644,103	41,394,713	11,912,051	1,801,846	4,260,208	1,152,181	4,282,597	1,442,739	29,210	50,564	526,587

Liabilities

Bills payable	4,199,017	-	2,099,509	1,049,754	1,049,754	-	-	-	-	-	-	-	-	-
Borrowings	14,123,811	-	13,886,190	-	237,621	-	-	-	-	-	-	-	-	-
Deposits and other accounts	95,036,059	-	6,463,190	5,916,050	78,843,413	1,901,523	1,194,883	667,000	-	5,000	25,000	-	20,000	-
Deferred tax liabilities	41,187	-	158	158	361	677	677	2,031	2,032	2,144	8,237	8,237	16,475	-
Other liabilities	16,928,628	2,054,060	1,112,779	846,902	2,146,907	2,861,781	1,348,733	2,176,008	1,897,058	1,897,528	442,352	36,130	72,260	36,130
	130,328,702	2,054,060	23,561,826	7,812,864	82,278,056	4,763,981	2,544,293	2,845,039	1,899,090	1,904,672	475,589	44,367	108,735	36,130
Net assets	10,619,530	42,322	45,793,225	(5,168,761)	(40,883,343)	7,148,070	(742,447)	1,415,169	(746,909)	2,377,925	967,150	(15,157)	(58,171)	490,457

Head office capital account	6,812,671
Reserves	161,543
Unremitted profit	3,720,846
Deficit on revaluation of assets	(75,530)
	<u>10,619,530</u>

42. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 24, 2020 by the management of the

43. GENERAL

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

43.2 Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.

NADEEM LODHI
Managing Director and
Citi Country Officer

GULZEB KHAN
Chief Financial 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 2019**

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	CITY TEXTILES (PVT) LTD 30-KM MAIN FEROZEPUR ROAD LAHORE	MUHAMMED ASHRAF MEHMOOD/35202- 0813038-1 ZAHRA ASHRAF/35202- 4447870-2	SULTAN MUHAMMED MUHAMMED ASHRAF	12,042	27,633		39,675	12,088	28,443		40,531

TOTAL:	12,042	27,633	-	39,675	12,088	28,443	-	40,531
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Relief includes amounts which would be due to the Bank under contractual arrangements whether or not accrued in the books.