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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Citibank N.A., Pakistan Branches** ("the Bank"), which comprise the statement of financial position as at December 31, 2022, 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, 2022 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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Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the object and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and

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d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

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

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 31 March 2023

Karachi
UDIN: AR202210096vmc6NpdYF

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 2022

	Note	2022	2021
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	*5*	**24,666,659**	19,817,760
Balances with other banks	*6*	**32,498,497**	1,104,681
Lendings to financial institutions	*7*	**-**	8,178,322
Investments	*8*	**155,155,987**	134,784,771
Advances	*9*	**40,256,733**	36,788,242
Fixed assets	*10*	**393,258**	486,650
Intangible assets		**-**	-
Deferred tax assets	*11*	**504,621**	531,546
Other assets	*12*	**11,007,133**	9,473,700
		264,482,888	211,165,672
LIABILITIES			
Bills payable	*14*	**725,096**	855,130
Borrowings	*15*	**1,200**	15,302,778
Deposits and other accounts	*16*	**229,621,926**	172,542,423
Liabilities against assets subject to finance lease		**-**	-
Subordinated debt		**-**	-
Deferred tax liabilities	*11*	**-**	-
Other liabilities	*17*	**18,950,694**	12,588,419
		249,298,916	201,288,750
NET ASSETS		**15,183,972**	9,876,922
REPRESENTED BY			
Head office capital account	*18*	**6,812,671**	6,812,671
Reserve		**163,719**	163,719
(Deficit) / surplus on revaluation of assets	*19*	**(563,578)**	(825,068)
Unremitted profit		**8,771,160**	3,725,600
		15,183,972	9,876,922
CONTINGENCIES AND COMMITMENTS	*20*		

The annexed notes 1 to 42 and annexure I form an integral part of these financial statements.

AHMED BOZAI
Managing Director and
Citi Country Officer

IMAD HASSAN KHAN
Country Finance Officer

Citibank N.A., Pakistan Branches

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

Profit and Loss Account

For the year ended 31 December 2022

	Note	2022	2021
		(Rupees in '000)	
Mark-up / return / interest earned	21	**23,995,292**	12,137,905
Mark-up / return / interest expensed	22	**13,155,573**	6,164,030
Net mark-up / interest income		**10,839,719**	5,973,875
NON MARK-UP / INTEREST INCOME			
Fee and commission income	23	**831,509**	673,700
Foreign exchange income		**4,961,538**	2,510,256
Income / (loss) from derivatives		**-**	-
(Loss) / Gain on securities	24	**(39,491)**	91,402
Other income	25	**43,994**	2,410
Total non-markup / interest income		**5,797,550**	3,277,768
Total income		**16,637,269**	9,251,643
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	26	**2,784,779**	2,268,079
Workers welfare fund	17.2	**280,577**	133,500
Other charges	27	**1,890**	-
Total non-markup / interest expenses		**3,067,246**	2,401,579
Profit before provisions		**13,570,023**	6,850,064
(Reversals) / provisions and write offs - net	28	**(26,096)**	(37,756)
PROFIT BEFORE TAXATION		**13,596,119**	6,887,820
Taxation	29	**8,514,673**	3,163,574
PROFIT AFTER TAXATION		**5,081,446**	3,724,246

The annexed notes 1 to 42 and annexure I form an integral part of these financial statements.

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Managing Director and
Citi Country Officer

IMAD HASSAN KHAN
Country Finance Officer

Citibank N.A., Pakistan Branches

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

Statement of Comprehensive Income

For the year ended 31 December 2022

	2022	2021
	(Rupees in '000)	
Profit after taxation for the year	**5,081,446**	3,724,246
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	**261,490**	(927,909)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	**(35,886)**	1,354
Total comprehensive income	**5,307,050**	2,797,691

The annexed notes 1 to 42 and annexure I form an integral part of these financial statements.

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Citi Country Officer

IMAD HASSAN KHAN
Country Finance Officer

Citibank N.A., Pakistan Branches

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

Statement of Changes in Equity

For the year ended 31 December 2022

	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 2021	6,812,671	102,841	161,550	6,746,332	13,823,394
Profit after taxation for the year ended 31 December 2021	-	-	-	3,724,246	3,724,246
Other comprehensive income / (loss) - net of tax	-	(927,909)	-	1,354	(926,555)
Transactions with owners, recorded directly in equity					
Contribution by the head office in respect of share based payments	-	-	169,790	-	169,790
Remittances made to head office	-	-	-	(6,746,332)	(6,746,332)
Recharged balance payable to the head office for share based payments	-	-	(169,790)	-	(169,790)
Effect of re-measurement of cost under share based payment - net of tax	-	-	2,169	-	2169
Opening balance as at 1 January 2022	**6,812,671**	**(825,068)**	**163,719**	**3,725,600**	**9,876,922**
Profit after taxation for the current year	**-**	**-**	**-**	**5,081,446**	**5,081,446**
Other comprehensive income / (loss) - net of tax	**-**	**261,490**	**-**	**(35,886)**	**225,604**
Transactions with owners, recorded directly in equity					
Contribution by the head office in respect of share based payments	**-**	**-**	**115,874**	**-**	**115,874**
Recharged balance payable to the head office for share based payments	**-**	**-**	**(115,874)**	**-**	**(115,874)**
Effect of re-measurement of cost under share based payment - net of tax	**-**	**-**	**-**	**-**	**-**
Closing Balance as at 31 December 2022	**6,812,671**	**(563,578)**	**163,719**	**8,771,160**	**15,183,972**

The annexed notes 1 to 42 and annexure I form an integral part of these financial statements.

AHMED BOZAI
Managing Director and
Citi Country Officer

IMAD HASSAN KHAN
Country Finance Officer

Citibank N.A., Pakistan Branches

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

Cash Flow Statement

For the year ended 31 December 2022

	Note	2022	2021
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**13,596,119**	6,887,820
Adjustments:			
Depreciation	*10.1*	**179,766**	130,803
Depreciation on right-of-use assets	*10.1*	**150,349**	126,837
Interest expense on lease liability against right-of-use assets	*26*	**24,051**	18,053
(Reversals) / provisions and write-offs - net	*28*	**(26,096)**	(37,756)
Loss / (gain) on sale of fixed assets	*25*	**44**	(1,221)
Unrealised loss / (gain) on revaluation of investments classified as held-for-trading	*24*	**860**	(3,948)
Charge for defined benefit plan	*26.1*	**58,436**	54,737
		387,410	287,505
		13,983,529	7,175,325
(Increase) / decrease in operating assets			
Lendings to financial institutions		**8,178,322**	(7,538,741)
Held-for-trading securities		**9,562,252**	(20,337,983)
Advances		**(3,442,395)**	(311,415)
Other assets (excluding advance taxation)		**(1,613,898)**	(5,919,950)
		12,684,281	(34,108,089)
Increase in operating liabilities			
Bills payable		**(130,034)**	(620,426)
Borrowings from financial institutions		**(14,907,714)**	(3,710,008)
Deposits		**57,079,503**	54,303,532
Other liabilities (excluding current taxation)		**5,359,851**	2,991,497
		47,401,606	52,964,595
Income tax paid		**(7,588,377)**	(2,959,951)
Contribution to gratuity fund		**(40,570)**	(32,193)
Net cash flow from generated from operating activities		**66,440,469**	23,039,687
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		**(29,570,490)**	(28,071,257)
Investments in operating fixed assets		**(59,885)**	(36,011)
Proceeds from sale of fixed assets		**-**	1,294
Net cash flow used in investing activities		**(29,630,375)**	(28,105,974)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		**(173,515)**	(158,109)
Profit repatriated to head office during the year		**-**	(6,746,332)
Net cash flow used in financing activities		**(173,515)**	(6,904,441)
Increase / (decrease) in cash and cash equivalents		**36,636,579**	(11,970,728)
Cash and cash equivalents at the beginning of the year	*30*	**20,527,377**	32,498,105
Cash and cash equivalents at the end of the year	*30*	**57,163,956**	20,527,377

The annexed notes 1 to 42 and annexure I form an integral part of these financial statements.

AHMED BOZAI
Managing Director and
Citi Country Officer

IMAD HASSAN KHAN
Country Finance Officer

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 2022, the Bank operated through 3 branches (31 December 2021: 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

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.

State Bank of Pakistan through BPRD Circular No. 02 of 2023 has amended the existing format of annual financial statements of banks. All banks are directed to prepare their financial statements on the revised formats, effective from the 1st quarter of year 2023 or 2024 as per their assets size communicated earlier vide BPRD Circular No. 3 of 2022.

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

2.1 STATEMENT OF COMPLIANCE

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

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

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

2.1.1.1 The State Bank of Pakistan, vide its BSD Circular Letter no. 10 dated August 26, 2002, has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property, for banking companies till further instructions. Further, the SECP, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

State Bank of Pakistan through BPRD Circular No. 02 of 2023 has amended the existing format of annual financial statements of banks. All banks are directed to prepare their annual / interim financial statements on the revised formats, effective from the 1st quarter of year 2023 or 2024 as per their assets size communicated earlier vide BPRD Circular No. 3

of 2022, IFRS 9 ‘Financial Instruments’ which is briefed below:
As per State Bank of Pakistan (SBP)’s BPRD circular letter no. 03 of 2022, IFRS 9 ‘Financial Instruments’ is applicable:

- Effective January 1, 2023 for banks having asset size of Rs 500 billion or above as per their annual financial statements of December 31, 2021
- Effective January 1, 2024 for all other banks.

Therefore, based on the asset size of the Bank which amounts to Rs 211.17 billion as at December 31, 2021, the aforementioned amended format and IFRS 9 is applicable on the Bank from the 1st quarter of 2024.

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

There are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2022. These are considered either to not be relevant or not to have any significant impact on the Bank's financial statements.

2.3 Standards, interpretations of and amendments to accounting and reporting 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 1 January 2023:

Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as ‘current’. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity’s right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

As per State Bank of Pakistan (SBP)'s BPRD circular letter no. 03 of 2022, IFRS 9 'Financial Instruments' is applicable:

- Effective January 1, 2023 for banks having asset size of Rs 500 billion or above as per their annual financial statements of December 31, 2021
- Effective January 1, 2024 for all other banks.

The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed.

2.4 Critical accounting estimates and judgments

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

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

i) classification and provisioning against investments (notes 4.3 and 8);
ii) classification and provisioning against advances (notes 4.4 and 9);
iii) current and deferred taxation (notes 4.8, 11 and 29);
iv) accounting for defined benefit plan (notes 4.9 and 32);
v) depreciation and useful lives of fixed assets (notes 4.5 and 10);
vi) fair value of financial instruments (note 4.15 and 35);
vii) right of use assets and related lease liabilities (note 4.5.3 and 10); and
viii) provisions and contingent liabilities (note 4.12 and 20)

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that held for trading and available for sale investments and derivative financial instruments have been marked to market and are carried at fair value, right-of-use assets and their related lease liabilities are measured at present values adjusted for depreciation, interest cost and lease repayments respectively. In addition, obligation in respect of staff retirement benefit are measured at present value and certain financial assets are stated net of provision.

3.2 Functional and presentational currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

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

4.2 Lendings to / borrowings from financial institutions

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

(a) Sale of securities under repurchase agreements

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

(b) Purchase of securities under resale agreements

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

(c) Borrowings

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

4.3 Investments

4.3.1 Classification

The Bank classifies its investments as follows:

(a) Held for trading

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

(b) Held to maturity

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

(c) Available for sale

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

4.3.2 Regular way contracts

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

4.3.3 Initial recognition and measurement

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

4.3.4 Subsequent measurement

(a) Held-for-trading

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

(b) Available-for-sale

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

(c) Held-to-maturity

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

4.3.5 Impairment

Impairment loss in respect of investments classified as 'available for sale' (except for term finance certificates) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of these investments. Provision for diminution in the value of term finance certificates is made as per the requirements of the Prudential Regulations issued by the SBP. In the event of impairment of available for sale securities, the cumulative loss that had been recognised directly in surplus on revaluation of securities in the statement of financial position is removed thereof and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

4.4 Advances

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

4.5 Fixed assets and depreciation

4.5.1 Capital work in progress

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

4.5.2 Tangible Assets - owned

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

Depreciation on all fixed assets is charged to the profit and loss account applying the straight-line method in accordance with the rates specified in note 10.1 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions of fixed assets purchased before 15th day of the month is charged for the whole month. No depreciation is charged in the month of disposal.

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

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

4.5.3 Lease liability and right-of-use asset

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

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

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

Right-of-use asset

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

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

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

Lease liability

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

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

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

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

4.6 Intangible assets and amortisation

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis in profit and loss account over their estimated useful life. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

Intangible assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any. Gains and losses on disposals, if any, are credit / charged to the profit and loss account in the period in which they arise.

4.7 Impairment

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

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

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

4.8 Taxation

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

4.8.1 Current

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

4.8.2 Deferred

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

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

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

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

4.9 Staff retirement benefits

4.9.1 Defined benefit plan

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

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

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

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

4.9.2 Defined contribution plan

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

4.10 Share based payments

The Bank offers two types of share based incentive plans which are Stock Award and Stock Option programmes. Under these plans, the share option of the holding company are granted by the holding company to high performing employees of the Bank. Pursuant to a separate agreement, the Bank makes a cash settlement to Citigroup Inc. for the value of the share-based incentive awards delivered to the Bank's employees under these plans.

The Bank applies equity-settled accounting for its share based incentive plans, with separate accounting for its associated obligations to make payments to Citigroup Inc.

Fair value of the shares awarded under the stock award programme, on the grant date and on each measurement date, is determined with reference to the price quoted on the New York Stock Exchange.

4.11 Borrowings / deposits

(a) Borrowings / deposits are recorded at the proceeds received.

(b) Borrowing / deposit costs are recognised as an expense in the period in which these are incurred using the effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

4.12 Provisions

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

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

4.13 Revenue recognition

- Mark-up income / interest on advances and returns on investments are recognised on a time proportionate basis using the effective interest method except that mark-up / income / return on classified advances and investments is recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the SBP. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP, except where, in the opinion of the management, it would not be prudent to do so.
- Fee, commission and brokerage income are accounted for on an accrual / time proportion basis.
- Gains and losses on sale of investments and operating fixed assets are recognised in the profit and loss account when the risks and rewards of ownership are transferred.
- Dividend income is recognised when the Bank's right to receive the dividend has been established.
- Gain / loss on sale of investments is credited / charged to profit and loss account currently.
- Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.

4.14 Foreign currencies

a) Foreign currency transactions

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

b) Translation gains and losses

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

c) Contingencies and commitments

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

4.15 Financial instruments

4.15.1 Financial assets and financial liabilities

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

4.15.2 Derivatives

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

4.15.3 Off-setting of financial instruments

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

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 2022, the Bank operated through 3 branches (31 December 2021: 3 branches) in Pakistan.

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

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

2. BASIS OF PRESENTATION

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

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

2.1 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;

- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and

- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan (SECP), from time to time.

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

2.1.1.1 The State Bank of Pakistan has deferred the applicability of International Accounting Standards 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

State Bank of Pakistan through BPRD Circular No. 02 of 2023 has amended the existing format of annual financial statements of banks. All banks are directed to prepare their annual / interim financial statements on the revised formats, effective from the 1st quarter of year 2023 or 2024 as per their assets size communicated earlier vide BPRD Circular No. 3 of 2022, IFRS 9 ‘Financial Instruments’ which is briefed below:

As per State Bank of Pakistan (SBP)’s BPRD circular letter no. 03 of 2022, IFRS 9 ‘Financial Instruments’ is applicable:

- Effective January 1, 2023 for banks having asset size of Rs 500 billion or above as per their annual financial statements of

December 31, 2021

- Effective January 1, 2024 for all other banks.

Therefore, based on the asset size of the Bank which amounts to Rs 211.17 billion as at December 31, 2021, the aforementioned amended format and IFRS 9 is applicable on the Bank from the 1st quarter of 2024.

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

2.2.1 There are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2022. These are considered either to not be relevant or not to have any significant impact on the Bank's financial statements.

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

2.3.1 Standards, interpretations and amendments to accounting and reporting 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 1 January 2023:

Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

As per State Bank of Pakistan (SBP)'s BPRD circular letter no. 02 of 2022, IFRS 9 'Financial Instruments' is applicable:

- Effective January 1, 2023 for banks having asset size of Rs 500 billion or above as per their annual financial statements of December 31, 2021

- Effective January 1, 2024 for all other banks.

The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed.

2.4 Critical accounting estimates and judgments

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

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

i) classification and provisioning against investments (notes 4.3 and 8);
ii) classification and provisioning against advances (notes 4.4 and 9);
iii) current and deferred taxation (notes 4.8, 11 and 29);
iv) accounting for defined benefit plan (notes 4.9 and 32);
v) depreciation and useful lives of fixed assets (notes 4.5 and 10);
vi) fair value of financial instruments (note 4.15 and 35);
vii) right of use assets and related lease liabilities (note 4.5.3 and 10); and
viii) provisions and contingent liabilities (note 4.12 and 20)

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that held for trading and available for sale investments and derivative financial instruments have been marked to market and are carried at fair value, right-of-use assets and their related lease liabilities are measured at present values adjusted for depreciation, interest cost and lease repayments respectively. In addition, obligation in respect of staff retirement benefit are measured at present value and certain financial assets are stated net of provision.

3.2 Functional and presentational currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

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

4.2 Lendings to / borrowings from financial institutions

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

(a) Sale of securities under repurchase agreements

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

(b) Purchase of securities under resale agreements

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

(c) Borrowings

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

4.3 Investments

4.3.1 Classification

The Bank classifies its investments as follows:

(a) Held for trading

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

(b) Held to maturity

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

(c) Available for sale

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

4.3.2 Regular way contracts

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

4.3.3 Initial recognition and measurement

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

4.3.4 Subsequent measurement

(a) Held-for-trading

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

(b) Available-for-sale

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

(c) Held-to-maturity

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

4.3.5 Impairment

Impairment loss in respect of investments classified as 'available for sale' (except for term finance certificates) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of these investments. Provision for diminution in the value of term finance certificates is made as per the requirements of the Prudential Regulations issued by the SBP. In the event of impairment of available for sale securities, the cumulative loss that had been recognised directly in surplus on revaluation of securities in the statement of financial position is removed thereof and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

4.4 Advances

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

4.5 Fixed assets and depreciation

4.5.1 Capital work in progress

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

4.5.2 Tangible Assets - owned

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

Depreciation on all fixed assets is charged to the profit and loss account applying the straight-line method in accordance with the rates specified in note 10.1 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions of fixed assets purchased before 15th day of the month is charged for the whole month. No depreciation is charged in the month of disposal.

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

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

4.5.3 Lease liability and right-of-use asset

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

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

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

Right-of-use asset

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

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

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

Lease liability

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

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

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

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

4.6 Intangible assets and amortisation

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

4.7 Impairment

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

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

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

4.8 Taxation

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

4.8.1 Current

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

4.8.2 Deferred

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.
The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

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

4.9 Staff retirement benefits

4.9.1 Defined benefit plan

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

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

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

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

4.9.2 Defined contribution plan

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

4.10 Share based payments

The Bank offers two types of share based incentive plans which are Stock Award and Stock Option programmes. Under these plans, the share option of the holding company are granted by the holding company to high performing employees of the Bank. Pursuant to a separate agreement, the Bank makes a cash settlement to Citigroup Inc. for the value of the share-based incentive awards delivered to the Bank's employees under these plans.

The Bank applies equity-settled accounting for its share based incentive plans, with separate accounting for its associated obligations to make payments to Citigroup Inc.

Fair value of the shares awarded under the stock award programme, on the grant date and on each measurement date, is determined with reference to the price quoted on the New York Stock Exchange.

4.11 Borrowings / deposits

(a) Borrowings / deposits are recorded at the proceeds received.

(b) Borrowing / deposit costs are recognised as an expense in the period in which these are incurred using the effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

4.12 Provisions

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

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

4.13 Revenue recognition

- Mark-up income / interest on advances and returns on investments are recognised on a time proportionate basis using the effective interest method except that mark-up / income / return on classified advances and investments is recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the SBP. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP, except where, in the opinion of the management, it would not be prudent to do so.

- Fee, commission and brokerage income are accounted for on an accrual / time proportion basis.

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

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

- Gain / loss on sale of investments is credited / charged to profit and loss account currently.

4.14 Foreign currencies

a) Foreign currency transactions

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

b) Translation gains and losses

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

c) Contingencies and commitments

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

4.15 Financial instruments

4.15.1 Financial assets and financial liabilities

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

4.15.2 Derivatives

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

4.15.3 Off-setting of financial instruments

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

4.16 Assets acquired in satisfaction of claims

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

4.17 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. As required by the State Bank of Pakistan through the amended format for financial statements for Banks, acceptances are accounted for as on-balance sheet transactions and are reported in "other assets" and "other liabilities" simultaneously.

4.18 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment). The Bank's Chief operating decision maker reviews the results and assesses performance of these segments separately. The operations of the Bank are based in Pakistan, therefore geographical segment is not relevant. Segments are reported as per the Bank's functional structure and are as follows:

4.18.1 Business segments

(a) Markets

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

(b) Corporate Banking & Securities Services

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

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2022	2021
		(Rupees in '000)	
In hand			
Local currency		**39,714**	68,406
Foreign currency		**163,422**	107,029
		203,136	175,435
With State Bank of Pakistan in			
Local currency current account	*5.1*	**20,373,275**	18,414,017
Foreign currency current account			
- Cash reserve account	*5.2*	**1,358,585**	405,981
- US Dollar clearing account		**12,471**	8,344
Foreign currency deposit account			
- Special cash reserve account	*5.3*	**2,717,171**	811,962
		24,461,502	19,640,304
With National Bank of Pakistan in			
Local currency current account		**2,021**	2,021
		24,666,659	19,817,760

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

5.2 This represents cash reserve of 5% which is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

5.3 This represents special cash reserve of 10% which is required to be maintained with the State Bank of Pakistan on FE-25 deposits. Profit rates on these deposits are fixed by SBP on a monthly basis. These carry mark-up rate of 0.12% to 3.39% (2021: 0%).

6. BALANCES WITH OTHER BANKS

	Note	2022	2021
		(Rupees in '000)	
In Pakistan			
In current account		**9,000**	27,636
Outside Pakistan			
In current account	*6.1*	**32,489,497**	1,077,045
		32,498,497	1,104,681

6.1 This includes balance of Rs. 32,489.378 million (2021: Rs. 1,076.925 million) held with branches of Citibank, N.A. outside Pakistan.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2022	2021
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	*7.1 & 7.3*	**-**	8,178,322
		-	8,178,322
Less: provision held against Lendings to Financial Institutions		**-**	-
Lending to Financial Institutions - net of provision		**-**	8,178,322

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

7.2 Particulars of lending

	2022	2021
	(Rupees in '000)	
In local currency	**-**	8,178,322
In foreign currencies	**-**	-
	-	8,178,322

7.3 Securities held as collateral against Lending to financial institutions

	2022 Held by Bank	2022 Further given as collateral	2022 Total	2021 Held by Bank	2021 Further given as collateral	2021 Total
	(Rupees in '000)					
Market Treasury Bills	-	-	-	8,178,293	-	8,178,293
Total	-	-	-	8,178,293	-	8,178,293

8. INVESTMENTS

8.1 Investments by type:

	2022 Cost / amortised cost	2022 Provision for diminution	2022 Surplus / (deficit)	2022 Carrying value	2021 Cost / amortised cost	2021 Provision for diminution	2021 Surplus / (deficit)	2021 Carrying value
	(Rupees in '000)							
Held-for-trading securities								
Federal Government Securities	22,562,347	-	23,718	22,586,065	32,124,599	-	24,578	32,149,177
	22,562,347	-	23,718	22,586,065	32,124,599	-	24,578	32,149,177
Available-for-sale securities								
Federal Government Securities	133,558,653	-	(988,731)	132,569,922	103,988,163	-	(1,352,569)	102,635,594
	133,558,653	-	(988,731)	132,569,922	103,988,163	-	(1,352,569)	102,635,594
Total Investments	156,121,000	-	(965,013)	155,155,987	136,112,762	-	(1,327,991)	134,784,771

8.2 Investments by segments:

	Note	2022 Cost / amortised cost	2022 Provision for diminution	2022 Surplus / (deficit)	2022 Carrying value	2021 Cost / amortised cost	2021 Provision for diminution	2021 Surplus / (deficit)	2021 Carrying value
		(Rupees in '000)							
Federal Government Securities									
Market Treasury Bills	*8.3 & 8.4*	85,204,206	-	68,991	85,273,197	64,538,573	-	26,035	64,564,608
Pakistan Investment Bonds	*8.3 & 8.5*	70,916,794	-	(1,034,004)	69,882,790	71,574,189	-	(1,354,026)	70,220,163
		156,121,000	-	(965,013)	155,155,987	136,112,762	-	(1,327,991)	134,784,771
Total Investments		156,121,000	-	(965,013)	155,155,987	136,112,762	-	(1,327,991)	134,784,771

8.2.1 Investments given as collateral

	2022	2021
	(Rupees in '000)	
Market Treasury Bills	-	7,845,024

8.3 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

8.4 Market Treasury Bills are for a period of three months and six months. The effective rates of profit on Market Treasury Bills range from 15.00% to 16.90% (2021: 7.50% to 11.40%) per annum with maturities upto March 2023 (2021: June 2022).

8.5 Pakistan Investment Bonds (PIBs) are for periods of three years and ten years. The yield on these PIBs range from 7.61% to 16.62% (2021: 7.61% to 9.00%) per annum with maturities from June 2023 to April 2025 (2021: July 2022 to August 2024). In addition, Pakistan Investment Bonds having face value of Rs. 7,684 million (2021: Market Treasury Bills - Rs. 7,684 million) and having market value of Rs. 7,233 million (2021: Market Treasury Bills - Rs. 7,540 million) have been deposited with the State Bank of Pakistan as pledged capital.

		2022	2021
8.6	**Provision for diminution in value of investments**	**(Rupees in '000)**	
8.6.1	Opening balance	**-**	(248,090)
	Exchange adjustments	**-**	-
	Charge / reversals for the year	**-**	-
	Amounts written off	**-**	248,090
	Closing Balance	**-**	-

8.7 Quality of Available for Sale Securities

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

	Cost / amortised cost	
	2022	2021
	(Rupees in '000)	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	**77,355,647**	32,413,974
Pakistan Investment Bonds	**56,203,006**	71,574,189
	133,558,653	103,988,163

9. ADVANCES

	Note	Performing		Non Performing		Total	
		2022	2021	**2022**	2021	**2022**	2021
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		**31,026,706**	33,623,528	**1,772,695**	1,740,576	**32,799,401**	35,364,104
Bills discounted and purchased		**9,230,065**	3,164,829	**-**	-	**9,230,065**	3,164,829
Advances - gross	*9.1*	**40,256,771**	36,788,357	**1,772,695**	1,740,576	**42,029,466**	38,528,933
Provision against advances							
- Specific		**-**	-	**(1,772,695)**	(1,740,576)	**(1,772,695)**	(1,740,576)
- General		**(38)**	(115)	**-**	-	**(38)**	(115)
		(38)	(115)	**(1,772,695)**	(1,740,576)	**(1,772,733)**	(1,740,691)
Advances - net of provision		**40,256,733**	36,788,242	**-**	-	**40,256,733**	36,788,242

		2022	2021
9.1	**Particulars of advances (Gross)**	**(Rupees in '000)**	
	In local currency	**41,765,746**	38,323,351
	In foreign currencies	**263,720**	205,582
		42,029,466	38,528,933

9.2 Based on classification defined in SBP Prudential Regulations, Rs. 41,754.957 million (2021: Rs. 38,150.910 million) advances fall under Corporate and Rs. 274.509 million (2021: 378.023 million) fall under Consumer and SME classification as at 31 December 2022.

9.3 Advances include Rs. 1,772.695 million (2021: Rs. 1,740.576 million) which have been placed under non-performing status as detailed below:

Category of Classification	2022		2021	
	Non performing loans	**Provision**	Non performing loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	**1,772,695**	**1,772,695**	1,740,576	1,740,576
Total	**1,772,695**	**1,772,695**	1,740,576	1,740,576

9.4 Particulars of provision against advances

	Note	2022			2021		
		Specific	**General**	**Total**	Specific	General	Total
		(Rupees in '000)					
Opening balance		**1,740,576**	**115**	**1,740,691**	2,381,081	206	2,381,287
Exchange adjustments		**58,138**	**-**	**58,138**	19,426	-	19,426
Charge for the year		**-**	**-**	**-**	-	-	-
Reversals	*28*	**(26,019)**	**(77)**	**(26,096)**	(37,867)	(91)	(37,958)
		(26,019)	**(77)**	**(26,096)**	(37,867)	(91)	(37,958)
Amounts written off	*9.5*	**-** **-**	**-**	**-**	(622,064)	-	(622,064)
Closing balance		**1,772,695**	**38**	**1,772,733**	1,740,576	115	1,740,691

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

9.4.2 Particulars of provision against advances

	2022			2021		
	Specific	**General**	**Total**	Specific	General	Total
	(Rupees in '000)					
In local currency	**1,772,695**	**38**	**1,772,733**	1,740,576	115	1,740,691
	1,772,695	**38**	**1,772,733**	1,740,576	115	1,740,691

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, machinery and stock in trade etc.

		Note	2022	2021
9.5	**Particulars Of Write Offs:**		**(Rupees in '000)**	
9.5.1	Against provisions	*9.5.3*	**-**	622,064
	Directly charged to Profit & Loss account		**-**	-
			-	622,064
9.5.2	Write Offs of Rs. 500,000 and above			
	- Domestic	*9.5.3*	**-**	622,064
	- Overseas		-	-
	Write Offs of below Rs. 500,000		-	-
			-	622,064

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

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

There were no loan write offs of Rs 500,000 and above during the year.

10. FIXED ASSETS

	Note	2022	2021
		(Rupees in '000)	
Property and equipment	10.1	**393,258**	486,650

10.1 Property and Equipment

	2022					
	Building on leasehold land	**Furniture and fixture**	**Electrical, office and computer equipment**	**Vehicles**	**Right-of-use assets**	**Total**
	(Rupees in '000)					
At 1 January 2022						
Cost	**4,863**	**624,737**	**434,782**	**69,181**	**539,977**	**1,673,540**
Accumulated depreciation	**(3,278)**	**(463,224)**	**(366,069)**	**(54,020)**	**(300,299)**	**(1,186,890)**
Net book value	**1,585**	**161,513**	**68,713**	**15,161**	**239,678**	**486,650**
Year ended December 2022						
Opening net book value	**1,585**	**161,513**	**68,713**	**15,161**	**239,678**	**486,650**
Additions	**-**	**11,700**	**48,185**	**-**	**-**	**59,885**
Disposals	**-**	**(44)**	**-**	**-**	**-**	**(44)**
Depreciation charge	**(239)**	**(129,517)**	**(42,446)**	**(7,564)**	**(150,349)**	**(330,115)**
Other adjustments / transfers	**-**	**(31)**	**31**	**-**	**176,882**	**176,882**
Closing net book value	**1,346**	**43,621**	**74,483**	**7,597**	**266,211**	**393,258**
At 31 December 2022						
Cost	**4,773**	**661,860**	**449,123**	**69,019**	**716,859**	**1,901,634**
Accumulated depreciation	**(3,427)**	**(618,239)**	**(374,640)**	**(61,422)**	**(450,648)**	**(1,508,376)**
Net book value	**1,346**	**43,621**	**74,483**	**7,597**	**266,211**	**393,258**
Rate of depreciation (percentage)	**5**	**10-50**	**14.3-33.33**	**20**	**33-39**	

	2021					
	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right-of-use assets	Total
	(Rupees in '000)					
At 1 January 2021						
Cost	4,863	610,673	424,147	71,827	362,582	1,474,092
Accumulated depreciation	(3,039)	(383,605)	(333,926)	(49,103)	(173,462)	(943,135)
Net book value	1,824	227,068	90,221	22,724	189,120	530,957
Year ended December 2021						
Opening net book value	1,824	227,068	90,221	22,724	189,120	530,957
Additions	-	14,063	21,176	-	-	35,239
Disposals	-	-	(73)	-	-	(73)
Depreciation charge	(239)	(79,618)	(43,383)	(7,563)	(126,837)	(257,640)
Other adjustments / transfers	-	-	772	-	177,395	178,167
Closing net book value	1,585	161,513	68,713	15,161	239,678	486,650
At 31 December 2021						
Cost	4,863	624,737	434,782	69,181	539,977	1,673,540
Accumulated depreciation	(3,278)	(463,224)	(366,069)	(54,020)	(300,299)	(1,186,890)
Net book value	1,585	161,513	68,713	15,161	239,678	486,650
Rate of depreciation (percentage)	5	10-50	14.3-33.33	20	33-39	

10.2 The cost of fully depreciated assets still in use amounts to Rs. 687.049 million (2021: Rs. 342.091 million).

11. DEFERRED TAX ASSETS / (LIABILITIES)

	2022			
	At 1 January 2022	**Recognised in Profit and Loss Account**	**Recognised in OCI**	**At 31 December 2022**
	Rupees in 000			
Deductible Temporary Differences on				
- Post retirement employee benefits	**84,795**	**-**	**27,074**	**111,869**
- Deficit on revaluation of investments	**527,502**	**370**	**(102,348)**	**425,524**
- Accelerated tax depreciation	**10,080**	**67,059**	**-**	**77,139**
	622,377	**67,429**	**(75,274)**	**614,532**
Taxable Temporary Differences on				
- Share based payment in Equity	**(88,374)**	**-**	**-**	**(88,374)**
- Unrealized gain on derivatives	**(2,457)**	**(19,080)**	**-**	**(21,537)**
	(90,831)	**(19,080)**	**-**	**(109,911)**
	531,546	**48,349**	**(75,274)**	**504,621**

	2021			
	At 1 January 2021	Recognised in Profit and Loss Account	Recognised in OCI	At 31 December 2021
	Rupees in 000			
Deductible Temporary Differences on				
- Post retirement employee benefits	85,660	-	(865)	84,795
- Deficit on revaluation of investments	(65,752)	-	593,254	527,502
- Accelerated tax depreciation	22,415	(12,335)	-	10,080
	42,323	(12,335)	592,389	622,377
Taxable Temporary Differences on				
- Share based payment in Equity	(86,988)	-	(1,386)	(88,374)
- Unrealized gain on derivatives	(6,206)	3,749	-	(2,457)
	(93,194)	3,749	(1,386)	(90,831)
	(50,871)	(8,586)	591,003	531,546

12 OTHER ASSETS

	Note	**2022**	2021
		(Rupees in '000)	
Income / Mark-up accrued in local currency		**3,106,988**	2,155,554
Income / Mark-up accrued in foreign currency		**13,029**	20,336
Advances, deposits, advance rent and other prepayments		**261,658**	76,122
Mark to market gain on forward foreign exchange contracts		**5,327,535**	932,576
Acceptances		**2,286,010**	6,203,981
Advance taxation (payments less provisions)		**-**	80,465
Non-banking assets acquired in satisfaction of claims	*12.1*	**7,954**	7,954
Branch adjustment account		**6,489**	2,727
Others		**5,424**	1,939
		11,015,087	9,481,654
Less: Provision held against other assets	*12.2 & 12.2.1*	**7,954**	7,954
Other Assets (Net of Provision)		**11,007,133**	9,473,700
Other Assets - total		**11,007,133**	9,473,700

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

12.2 Non-banking assets acquired in satisfaction of claims

	2022	2021
	(Rupees in '000)	
Opening Balance	**7,954**	7,954
Additions	**-**	-
Revaluation	**-**	-
Disposals	**-**	-
Depreciation	**-**	-
Impairment	**-**	-
Closing Balance	**7,954**	7,954

12.2.1 Provision held against other assets

Non banking assets acquired in satisfaction of claims	**7,954**	7,954

12.2.2 Movement in provision held against other assets

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

13. CONTINGENT ASSETS

There were no contingent assets of the Bank as at 31 December 2022 (2021: Nil).

14 BILLS PAYABLE	*Note*	2022	2021
		(Rupees in '000)	
In Pakistan		**725,096**	855,130

15 BORROWINGS

Secured			
Repurchase agreement borrowings	*15.1*	**-**	7,847,174
Total secured		**-**	7,847,174
Unsecured			
Call borrowings	*15.2*	**-**	7,060,540
Overdrawn nostro accounts		**1,200**	395,064
Total unsecured		**1,200**	7,455,604
		1,200	15,302,778

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

15.2 This represents unsecured borrowing that carries mark-up rate of NIL (2021: 0.1%) per annum and are due to mature in NIL (2021: January 2022).

15.3 Particulars of borrowings with respect to currencies

	2022	2021
	(Rupees in '000)	
In local currency	**-**	7,847,174
In foreign currencies	**1,200**	7,455,604
	1,200	15,302,778

16. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In local currency	**In foreign currencies**	**Total**	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	**52,777,604**	**11,514,065**	**64,291,669**	36,924,017	1,364,888	38,288,905
Savings deposits	**106,060,041**	**9,720,596**	**115,780,637**	101,695,920	5,962,762	107,658,682
Term deposits	**17,696,294**	**49,446**	**17,745,740**	17,620,817	38,545	17,659,362
Others - margin deposits	**29,386,674**	**30,658**	**29,417,332**	6,533,550	3,873	6,537,423
	205,920,613	**21,314,765**	**227,235,378**	162,774,304	7,370,068	170,144,372
Financial Institutions						
Current deposits	**1,974,283**	**412,265**	**2,386,548**	1,978,016	420,035	2,398,051
	1,974,283	**412,265**	**2,386,548**	1,978,016	420,035	2,398,051
	207,894,896	**21,727,030**	**229,621,926**	164,752,320	7,790,103	172,542,423

16.1 Composition of deposits

	2022	2021
	(Rupees in '000)	
- Individuals	**301,841**	258,103
- Public Sector Entities	**41,426**	6,110
- Banking Companies	**5,134,697**	4,444,860
- Non-Banking Financial Institutions	**2,324,596**	1,712,122
- Private Sector	**221,819,366**	166,121,228
	229,621,926	172,542,423

16.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 303.417 million (2021: Rs. 254.736 million).

17. OTHER LIABILITIES

	Note	**2022**	2021
		(Rupees in '000)	
Mark-up / Return / Interest payable in local currency		**117,757**	25,255
Mark-up / Return / Interest payable in foreign currency		**-**	20
Unearned commission and income on bills discounted		**175,208**	26,436
Accrued expenses		**587,747**	474,788
Worker's Welfare Fund (WWF) payable	*17.2*	**1,001,185**	720,608
Current taxation (provisions less payments)		**894,182**	-
Acceptances		**2,286,010**	6,203,981
Mark to market loss on forward foreign exchange contracts		**5,277,448**	926,278
Unremitted head office expenses		**1,108,648**	956,742
Payable to regional offices for support services		**13,776**	18,242
Payable to Head office against employee benefit	*17.1*	**533,273**	417,399
Payable to defined benefit plan		**368,036**	287,212
Provision against off-balance sheet obligations	*17.3 & 17.4*	**202**	202
Payable on account of sale proceeds of securities held under custody	*17.5*	**4,256,041**	199,256
Payable on account of sale proceeds of shares sold by an associated undertaking	*17.6*	**-**	136,033
Lease liability against right-of-use assets		**191,469**	164,051
Withholding Tax / duties		**247,148**	115,528
Clearing account balances		**496,655**	592,692
Unclaimed deposit balances		**917,276**	919,094
Others		**478,633**	404,602
		18,950,694	12,588,419

17.1 This represents share based payment of certain employees, which were vested in prior years. The change represents exchange difference recognised in the current year. The amount is payable to Head office based on their internal instructions.

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 gross provision of Rs. 1,223.942 million against Sindh and Punjab WWF laws from the date of its levy till 31 December 2022. The bank along with the banking industry has challenged the Sindh WWF levy which is pending in Court. No notice has been received from Punjab Revenue Authority in respect of its WWF law. However, single member bench of Sindh High Court issued an interim order, whereby all banks are required to comply the order of full bench's order in the similar case. Stay has been obtained against the interim order by the banks, the lawyer also informed that final order of full bench will also decide the fate of banking industry's cases.

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

17.4 Provision against off-balance sheet obligations

	2022	2021
	(Rupees in '000)	
Opening balance	**202**	-
Charge for the year	**-**	202
Closing balance	**202**	202

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

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

18. HEAD OFFICE CAPITAL ACCOUNT

	2022	2021
	(Rupees in '000)	
<u>Capital held as:</u>		
Deposit of un-encumbered approved securities	**6,812,671**	6,812,671

18.1 This represents Pakistan Investment Bonds having face value of Rs. 7,684 million (2021: Market Treasury Bills - Rs. 7,684 million). The market value of Pakistan Investment Bond amounts to Rs. 7,233 million (2021: Market Treasury Bills - Rs. 7,540 million) and these have maturities of up to August 2023 (2021: March 2022).

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

19. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS

	Note	**2022**	2021
		(Rupees in '000)	
(Deficit) / surplus on revaluation of			
- Available for sale securities	*8.1*	**(988,731)**	(1,352,569)
Deferred tax on surplus on revaluation of:			
- Available for sale securities		**425,153**	527,501
		(563,578)	(825,068)

20. CONTINGENCIES AND COMMITMENTS

	Note	2022	2021
		(Rupees in '000)	
-Guarantees	*20.1*	**8,179,060**	2,183,378
-Commitments	*20.2*	**532,154,406**	214,748,553
-Other contingent liabilities	*20.3*	**317,730**	247,685
		540,651,196	217,179,616

20.1 Guarantees:

	2022	2021
Financial guarantees	**-**	-
Performance guarantees	**2,341,334**	2,183,378
Other guarantees	**5,837,726**	-
	8,179,060	2,183,378

20.2 Commitments:

	Note	2022	2021
Documentary credits and short-term trade-related transactions			
- letters of credit		**51,516,860**	19,607,388
Commitments in respect of:			
- forward foreign exchange contracts	*20.2.1*	**458,319,667**	176,946,398
- forward government securities transactions	*20.2.2*	**16,721,604**	16,041,251
- forward lending	*20.2.3*	**2,879,104**	2,152,129
Commitments for acquisition of:			
- operating fixed assets		**-**	1,387
Other commitments	*20.2.4*	**2,717,171**	-
		532,154,406	214,748,553

20.2.1 Commitments in respect of forward foreign exchange contracts

	2022	2021
Purchase	**221,495,197**	94,831,909
Sale	**236,824,470**	82,114,489
	458,319,667	176,946,398

20.2.2 Commitments in respect of forward government securities transactions

	2022	2021
Purchase	**-**	7,853,624
Sale	**16,721,604**	8,187,627
	16,721,604	16,041,251

20.2.3 Commitments in respect of forward lending

	Note	2022	2021
Undrawn formal standby facilities, credit lines	*20.2.3.1*	**2,879,104**	2,152,129

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

20.2.4 Other commitments

	2022	2021
	(Rupees in '000)	
Forward borrowing	**-**	-
Forward placement	**2,717,171**	-
	2,717,171	-

20.3 Other contingent liabilities

	Note	2022	2021
Claims not acknowledged as debt	*20.3.1*	**317,730**	247,685

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

20.3.2 Tax related contingencies are disclosed in note 29 to these financial statements.

21. MARK-UP / RETURN / INTEREST EARNED

	Note	2022	2021
		(Rupees in '000)	
On:			
a) Loans and advances		**6,787,314**	3,125,157
b) Investments		**15,908,429**	8,047,278
c) Lendings to financial institutions		**1,129,239**	959,312
d) Balances with banks		**170,310**	6,158
		23,995,292	12,137,905

22. MARK-UP / RETURN / INTEREST EXPENSED

Deposits		**12,539,378**	6,077,382
Borrowings		**616,195**	86,648
		13,155,573	6,164,030

23. FEE AND COMMISSION INCOME

Branch banking customer fees		**34,971**	32,282
Card related fees		**15,031**	5,060
Custody related fees		**422,640**	350,636
Commission on trade		**262,814**	164,321
Commission on guarantees		**19,688**	19,985
Commission on cash management		**70,246**	84,537
Commission on remittances including home remittances		**2**	13
Others		**6,117**	16,866
		831,509	673,700

24. (LOSS) / GAIN ON SECURITIES

Realised	*24.1*	**(38,631)**	87,454
Unrealised - held for trading	*8.1*	**(860)**	3,948
		(39,491)	91,402

24.1 Realised gain on:

Federal Government Securities		**(38,631)**	87,454

25. OTHER INCOME

Gain / (loss) on sale of fixed assets - net		**(44)**	1,221
Sale of non-capitalized assets		**38**	1,189
Incidental Income		**44,000**	-
		43,994	2,410

26. OPERATING EXPENSES

	Note	2022	2021
		(Rupees in '000)	
Total compensation expense	26.1	**1,364,791**	1,152,186
Property expense			
Rent & taxes		**14,278**	8,963
Utilities cost		**45,327**	34,252
Security (including guards)		**52,392**	42,292
Repair & maintenance (including janitorial charges)		**118,281**	89,264
Depreciation	10.1	**129,756**	79,856
Depreciation on right-of-use assets	10.1	**150,349**	126,837
Interest expense on lease liability against right-of-use assets		**24,051**	18,053
		534,434	399,517
Information technology expenses			
Software maintenance		**42,119**	95,205
Hardware maintenance		**909**	3,455
Depreciation	10.1	**42,446**	43,383
Network charges		**62,407**	56,833
Others		**829**	5,359
		148,710	204,235
Other operating expenses			
Legal & professional charges		**62,640**	41,139
Outsourced services costs	26.2	**24,504**	87,711
Travelling & conveyance		**42,411**	14,984
NIFT clearing charges		**6,179**	1,184
Depreciation	10.1	**7,564**	7,564
Training & development		**258**	337
Postage & courier charges		**23,418**	15,465
Communication		**57,524**	28,590
Head office expenses	26.5	**151,906**	19,770
Stationery & printing		**11,872**	6,913
Marketing, advertisement & publicity		**5,110**	192
Donations	26.3	**17,250**	-
Auditors Remuneration	26.4	**9,599**	3,640
Banking Service Charges		**109,059**	103,538
Brokerage and commission		**25,528**	27,265
Card Association Fees		**77,219**	45,506
Record Management Expenses		**59,775**	67,994
Others		**45,028**	40,349
		736,844	512,141
		2,784,779	2,268,079

26.1 Total compensation expense

	2022	2021
	(Rupees in '000)	
Fees and Allowances etc	**-**	-
Managerial Remuneration		
i) Fixed	**676,493**	578,171
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	**252,934**	142,572
b) Bonus & Awards in Shares etc.	**154,287**	185,609
Charge for defined benefit plan	**58,436**	54,737
Contribution to defined contribution plan	**44,373**	37,934
Rent & house maintenance	**41,447**	34,012
Utilities	**21,206**	25,304
Medical	**36,325**	36,306
Conveyance	**79,290**	56,242
Others	**-**	1,299
Sub-total	**1,364,791**	1,152,186
Severance Allowance *	**-**	-
Grand Total	**1,364,791**	1,152,186

* The number of persons paid severance allowance was NIL (2021: NIL).

26.2 The Bank has incurred outsourced services cost of Rs.13.772 million (2021: Rs. 22.121 million) pertaining to payments to companies incorporated outside Pakistan and Rs. 10.732 million (2021: Rs. 65.590 million) pertaining to payments to companies incorporated in Pakistan.

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

26.3	**Donations above Rs. 0.1 Million**		**2022**	2021
			(Rupees in '000)	
	Orange Tree Foundation		**17,250**	-

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

26.4	**Auditors' remuneration**		
	Audit fee	**2,486**	1,780
	Fee for the half yearly review	**810**	491
	Special certifications and other services	**5,546**	1,044
	Out-of-pocket expenses	**757**	325
		9,599	3,640

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

27.	**OTHER CHARGES**		
	Penalties imposed by State Bank of Pakistan	**1,890**	-

28.	**(REVERSALS) / PROVISIONS & WRITE OFFS - NET**			
	Provision against off-balance sheet obligations		**-**	202
	(Reversal) / provision against loans & advances	*9.4*	**(26,096)**	(37,958)
			(26,096)	(37,756)

29.	**TAXATION**			
	Current		**8,062,783**	2,931,283
	Prior years	*29.4*	**500,239**	223,705
	Deferred		**(48,349)**	8,586
			8,514,673	3,163,574

29.1	**Relationship between tax expense and accounting profit**			
	Profit before taxation		**13,596,119**	6,887,820
	Taxation at the applicable tax rate of 39% (2021: 35%)		**5,302,486**	2,410,737
	Super tax at the rate of 10% (2021: 4%)	*29.5*	**1,359,612**	275,513
	Impact of additional taxation on income from Federal Government Securities		**1,197,083**	185,291
	Prior year tax charge	*29.4*	**500,239**	223,705
	Taxation effect of expenses not deductible		**120,724**	59,744
	Others		**34,529**	8,584
			8,514,673	3,163,574

29.2 Income Tax return for tax year 2022 (accounting year ended December 31, 2021) was filed by October 31, 2022.

The income tax authorities issued amended assessment orders for up to tax years 2020 whereby aggregate tax demand of Rs. 667 million (December 31, 2021: Rs. 667 million) was raised. Total demand has been paid except for the tax year 2019, where management had decided to pay 10% against the demand of Rs. 175 million. This was done in accordance with the tax opinion from tax advisor in order to obtain stay against demand for the tax year 2019.

The Bank has filed appeals before the appellate forums against these amended assessment orders for all years, where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. On the other hand, where the appellate authorities have not allowed relief, the Bank has filed appeals before higher appellate forums. The management of the Bank, in consultation with its tax advisor, is confident that the appeals will be decided in favour of the Bank.

In the year 2020, FBR had started proceedings for monitoring of withholding taxes under section 161 of the Income Tax Ordinance 2001 and has passed an order creating demand of Rs. 127 million for the accounting years 2005 and 2006. Penalty amount on alleged short tax payment is Rs. 6.39 million. Surcharge amount for alleged short tax payment, if any, will be in addition to it. Bank has filed appeals and obtained a stay against the demand from the Sindh High Court. Neither the demand is paid nor any provision has been recognised for this demand in the books of accounts as management is of the view that the bank will be able to defend its position in a court of law. Bank’s view is supported by external counsel opinion.

29.3 The Bank received a notice from the tax authorities, whereby the tax authorities have inadvertently intended to levy Federal Excise Duty (FED) on “Income from dealing in foreign currencies” and “other Income” of Rs 308.916 million for the calendar year 2017. As per the tax opinion, the income from dealing in foreign currency does not fall under the ambit of VAT/FED and there is a tribunal judgement in banking industry’s favour. In the light of tax opinion, the notice was challenged in the High Court and stay was obtained. No provision has been recognized as management is of the view that the bank will be able to defend its position in the court of law. Bank’s view is supported by external counsel opinion.

29.4 Prior year tax charge mainly includes additional tax charge on account of investment income from government securities for tax year 2022. The Federal Government has inserted Rule 6A in the 7th Schedule to the Income Tax Ordinance, 2001 through the Finance Act, 2022 whereby tax at the rate of 55% is applicable instead of rate provided in Division II of Part I of the First schedule if the gross advances to deposit ratio as on last day of the tax year is up to 40%. The Bank’s gross advances to deposit ratio was 18% (2021: 21%). In the current year, an additional tax charge of Rs. 1.1 billion has been recognized in respect of Rule 6A.

29.5 This pertains to super tax at the rate of 10% of taxable profits for the current year. This new tax is applicable vide Finance Act, 2022 for the tax year 2023 (accounting year 31 December 2022) which will reduce to 4% from tax year 2024 (accounting year 31 December 2023) onwards.

30.	**CASH AND CASH EQUIVALENTS**	*Note*	**2022**	2021
			(Rupees in '000)	
	Cash and balance with treasury banks	*5*	**24,666,659**	19,817,760
	Balance with other banks	*6*	**32,498,497**	1,104,681
	Overdrawn nostros	*15*	**(1,200)**	(395,064)
			57,163,956	20,527,377

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

2022

	Liabilities				Equity			
	Bills payable	**Borrowings**	**Deposits and other accounts**	**Other liabilities**	**Head office capital account**	**Reserves**	**Surplus / (Deficit) on revaluation of assets**	**Unremitted profit**
	(Rupees in '000)							
Balance as at 01 January 2022	**855,130**	**15,302,778**	**172,542,423**	**12,588,419**	**6,812,671**	**163,719**	**(825,068)**	**3,725,600**
Changes from financing cash flows								
Proceeds from sub-ordinated debt	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Payment of lease liability against ROU assets	**-**	**-**	**-**	**(173,515)**				
Profit repatriated to head office during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total changes from financing cash flows	**-**	**-**	**-**	**(173,515)**	**-**	**-**	**-**	**-**
Other changes								
Liability-related								
Changes in bills payable	**(130,034)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in borrowings	**-**	**(15,301,578)**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in deposits and other accounts	**-**	**-**	**57,079,503**	**-**	**-**	**-**	**-**	**-**
Changes in other liabilities								
- Cash based	**-**	**-**	**-**	**6,213,463**	**-**	**-**	**-**	**-**
- Non-cash based	**-**	**-**	**-**	**322,327**	**-**	**-**	**-**	**(35,886)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,081,446**
Changes in surplus on revaluation of assets	**-**	**-**	**-**	**-**	**-**	**-**	**261,490**	**-**
	(130,034)	**(15,301,578)**	**57,079,503**	**6,535,790**	**-**	**-**	**261,490**	**5,045,560**
Balance as at 31 December 2022	**725,096**	**1,200**	**229,621,926**	**18,950,694**	**6,812,671**	**163,719**	**(563,578)**	**8,771,160**

2021

	Liabilities				Equity			
	Bills payable	Borrowings	Deposits and other accounts	Other liabilities	Head office capital account	Reserves	Surplus / (Deficit) on revaluation of assets	Unremitted profit
	(Rupees in '000)							
Balance as at 01 January 2021	1,475,556	18,617,722	118,238,891	9,542,612	6,812,671	161,550	102,841	6,746,332
Changes from financing cash flows								
Proceeds from sub-ordinated debt	-	-	-	-	-	-	-	-
Payment of lease liability against ROU assets	-	-	-	(158,109)				
Profit repatriated to head office during the year	-	-	-	-	-	-	-	(6,746,332)
Total changes from financing cash flows	-	-	-	(158,109)	-	-	-	(6,746,332)
Other changes								
Liability-related								
Changes in bills payable	(620,426)	-	-	-	-	-	-	-
Changes in borrowings	-	(3,314,944)	-	-	-	-	-	-
Changes in deposits and other accounts	-	-	54,303,532	-	-	-	-	-
Changes in other liabilities								
- Cash based	-	-	-	2,959,304	-	-	-	-
- Non-cash based	-	-	-	244,612	-	2,169	-	1,354
Profit for the year	-	-	-	-	-	-	-	3,724,246
Changes in surplus on revaluation of assets	-	-	-	-	-	-	(927,909)	-
	(620,426)	(3,314,944)	54,303,532	3,203,916	-	2,169	(927,909)	3,725,600
Balance as at 31 December 2021	855,130	15,302,778	172,542,423	12,588,419	6,812,671	163,719	(825,068)	3,725,600

31. STAFF STRENGTH

	2022	2021
	(Number)	
Permanent	**160**	164
Bank's own staff strength at the end of the year	**160**	164

31.1 In addition to the above, 25 (2021: 55) 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.

32. DEFINED BENEFIT PLAN

32.1 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.

32.2 Number of Employees under the scheme

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

	2022	2021
	(Number)	
- Gratuity fund	**160**	164

32.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2022 using the following significant assumptions:

	2022	2021
	(Per annum)	
Discount rate	**12.95%**	9.75%
Expected rate of return on plan assets	**12.95%**	9.75%
Expected rate of salary increase	**11.75%**	8.75%

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

32.4 Reconciliation of payable to defined benefit plans

	Note	**Gratuity fund**	
		2022	2021
		(Rupees in '000)	
Present value of obligations	*32.5*	**441,647**	341,786
Fair value of plan assets	*32.6*	**(73,611)**	(54,574)
Payable		**368,036**	287,212

32.5 Movement in defined benefit obligations

Obligations at the beginning of the year		**341,786**	307,864
Current service cost		**29,290**	29,476
Interest cost		**35,586**	28,931
Benefits paid		**(24,350)**	(23,791)
Re-measurement loss		**59,335**	(694)
Obligations at the end of the year		**441,647**	341,786

32.6 Movement in fair value of plan assets

Fair value at the beginning of the year		**54,574**	40,977
Interest income on plan assets		**6,440**	3,670
Contributions- net		**40,570**	32,193
Benefits paid		**(24,350)**	(23,791)
Re-measurements: Net return on plan assets over interest income loss	*32.8.2*	**(3,623)**	1,525
Fair value at the end of the year		**73,611**	54,574

32.7 Movement in payable under defined benefit schemes

Opening balance		**287,212**	266,887
Charge for the year	*32.8.1*	**58,436**	54,737
Contributions - net		**(40,570)**	(32,193)
Re-measurement loss recognised in OCI during the year	*32.8.2*	**62,958**	(2,219)
Closing balance		**368,036**	287,212

32.8 Charge for defined benefit plans

32.8.1 Cost recognised in profit and loss

Current service cost		**29,290**	29,476
Net interest on defined benefit liability		**29,146**	25,261
		58,436	54,737

32.8.2	Re-measurements recognised in OCI during the year	Gratuity fund 2022	2021
		(Rupees in '000)	
	Loss on obligation		
	- Financial assumptions	**57,047**	-
	- Experience adjustment	**2,288**	(694)
	Return on plan assets over interest income	**3,623**	(1,525)
	Total re-measurements recognised in OCI	**62,958**	(2,219)

32.9 Components of plan assets

	2022	2021
Cash and cash equivalents - net	**4,581**	8,399
Government Securities	**69,030**	46,175
Total	**73,611**	54,574

32.10 Sensitivity analysis

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

	Gratuity Fund 2022 (Rupees in '000)
1% increase in discount rate	476,972
1% decrease in discount rate	410,502
1 % increase in expected rate of salary increase	477,413
1 % decrease in expected rate of salary increase	409,903

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.

		2022 (Rupees in '000)
32.11	**Expected contributions to be paid to the funds in the next financial year**	**22,946**
32.12	**Expected charge for the next financial year**	**88,322**

32.13 Maturity profile

The weighted average duration of the obligation is 8.30 years.

32.14 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.

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

33. 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. 44.373 million (2021: Rs. 37.934 million) in respect of the defined contribution plan.

34. COMPENSATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Citi Country Officer		Executives	
	2022	2021	**2022**	2021
	(Rupees in '000)			
Managerial remuneration	**68,452**	40,022	**447,775**	377,417
Charge for defined benefit plan	**3,332**	3,332	**28,996**	23,696
Contribution to defined contribution plan	**4,000**	4,000	**34,809**	28,446
Rent and house maintenance	**44,782**	47,733	**139,235**	113,784
Utilities	**5,515**	7,385	**34,809**	28,446
Medical	**40**	47	**5,110**	4,379
Others	**2,646**	2,165	**110,586**	78,294
	128,767	104,684	**801,320**	654,462
Number of persons	**1**	1	**100**	87

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

35. FAIR VALUE MEASUREMENTS

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

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

35.1 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:

	Note	2022				
		Carrying / Notional Value	Fair Value			
			Level 1	Level 2	Level 3	Total
On balance sheet financial instruments		------------ (Rupees in '000) ------------				
Financial assets - measured at fair value						
Investments						
Federal Government Securities		155,155,987	-	155,155,987	-	155,155,987
Financial assets - disclosed but not measured at fair value						
Cash and balances with treasury banks	*35.2*	24,666,659	-	-	-	-
Balances with other banks	*35.2*	32,498,497	-	-	-	-
Lendings to financial institutions	*35.2*	-	-	-	-	-
Advances - net	*35.2*	40,256,733	-	-	-	-
Other financial assets	*35.2*	10,738,373	-	-	-	-
		263,316,249	-	155,155,987	-	155,155,987
Off-balance sheet financial instruments - measured at fair value						
Forward purchase of foreign exchange		221,495,197	-	225,296,066	-	225,296,066
Forward sale of foreign exchange		236,824,470	-	233,075,076	-	233,075,076
Forward purchase contracts of government securities		-	-	-		-
Forward sale contracts of government securities		16,721,604	-	16,721,604	-	16,721,604

	Note	2021				
		Carrying / Notional Value	Fair Value			
			Level 1	Level 2	Level 3	Total
On balance sheet financial instruments		------------ (Rupees in '000) ------------				
Financial assets - measured at fair value						
Investments						
Federal Government Securities		134,784,771	-	134,784,771	-	134,784,771
Financial assets - disclosed but not measured at fair value						
Cash and balances with treasury banks	*35.2*	19,817,760	-	-	-	-
Balances with other banks	*35.2*	1,104,681	-	-	-	-
Lendings to financial institutions	*35.2*	8,178,322	-	-	-	-
Advances - net	*35.2*	36,788,242	-	-	-	-
Other financial assets	*35.2*	9,313,814	-	-	-	-
		209,987,590	-	134,784,771	-	134,784,771
Off-balance sheet financial instruments - measured at fair value						
Forward purchase of foreign exchange		94,831,909	-	95,207,528	-	95,207,528
Forward sale of foreign exchange		82,114,489	-	81,741,959	-	81,741,959
Forward purchase contracts of government securities		7,853,624	-	7,853,624	-	7,853,624
Forward sale contracts of government securities		8,187,627	-	8,187,627	-	8,187,627

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

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

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

36. SEGMENT INFORMATION

36.1 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:

	2022		
	Corporate Banking & Securities Services	Markets	Total
	(Rupees in '000)		
Profit & Loss			
Net mark-up / return / profit	(5,752,064)	16,591,783	10,839,719
Inter segment revenue - net	12,127,974	(12,127,974)	-
Non mark-up / return / interest income	853,484	4,944,066	5,797,550
Total Income	7,229,394	9,407,875	16,637,269
Segment direct expenses	2,189,503	877,743	3,067,246
Total expenses	2,189,503	877,743	3,067,246
Provisions	(26,096)	-	(26,096)
Profit before tax	5,065,987	8,530,132	13,596,119

	Corporate Banking & Securities Services	Markets	Total
	(Rupees in '000)		
Balance Sheet			
Cash & Bank balances	203,136	56,962,020	57,165,156
Investments	-	155,155,987	155,155,987
Net inter segment lending	202,307,447	-	202,307,447
Lendings to financial institutions	-	-	-
Advances - performing	40,256,733	-	40,256,733
- non-performing net of provision	-	-	-
Others	5,182,042	6,722,970	11,905,012
Total Assets	247,949,358	218,840,977	466,790,335
Borrowings	-	1,200	1,200
Deposits & other accounts	228,657,980	963,946	229,621,926
Net inter segment borrowing	-	202,307,447	202,307,447
Others	14,394,431	5,281,359	19,675,790
Total liabilities	243,052,411	208,553,952	451,606,363
Equity	4,896,947	10,287,025	15,183,972
Total Equity & liabilities	247,949,358	218,840,977	466,790,335
Contingencies & Commitments	62,892,754	477,758,442	540,651,196

	2021		
	Corporate Banking & Securities Services	Markets	Total
	(Rupees in '000)		
Profit & Loss			
Net mark-up / return / profit	(2,952,225)	8,926,100	5,973,875
Inter segment revenue - net	5,874,660	(5,874,660)	-
Non mark-up / return / interest income	675,513	2,602,255	3,277,768
Total Income	3,597,948	5,653,695	9,251,643
Segment direct expenses	1,771,863	629,716	2,401,579
Total expenses	1,771,863	629,716	2,401,579
Reversal of provisions	(37,756)	-	(37,756)
Profit before tax	1,863,841	5,023,979	6,887,820

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

37. 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.

38. 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.

	2022		2021	
	Head Office	**Branches and other related parties**	Head Office	Branches and other related parties
	------ (Rupees in '000) ------			
Balances with other banks				
In current accounts	**23,043,647**	**9,445,731**	625,200	451,725
	23,043,647	**9,445,731**	625,200	451,725
Other Assets				
Interest / mark-up accrued	**-**	**-**	183	(359)
Other receivables	**-**	**-**	-	-
Unrealised gain on foreign exchange contracts	**-**	**3,441,005**	2	481,414
	-	**3,441,005**	185	481,055
Borrowings				
Opening balance	**-**	**7,060,540**	-	-
Borrowings during the year	**-**	**1,631,542,097**	-	1,924,796,948
Settled during the year	**-**	**(1,638,602,637)**	-	(1,917,736,408)
Closing balance	**-**	**-**	-	7,060,540
Overdrawn Nostros	**-**	**1,200**	-	395,064
Deposits and other accounts				
Opening balance	**8,277**	**1,029,390**	5,566	1,666,656
Received during the year	**16,533**	**3,368,378**	29,872	1,349,767
Withdrawn during the year	**(22,239)**	**(3,263,860)**	(27,161)	(1,987,033)
Closing balance	**2,571**	**1,133,908**	8,277	1,029,390
Other Liabilities				
Interest / mark-up payable	**-**	**-**	-	20
Unremitted Head Office Expense	**1,108,648**	**-**	956,742	-
Unrealised loss on foreign exchange contracts	**-**	**1,956,871**	-	349,722
Payable to defined benefit plan	**-**	**368,036**	-	287,212
Payable on account of sale proceeds of securities held under custody	**-**	**4,256,041**	-	199,256
Payable to associated undertakings	**-**	**-**	-	136,033
Payable for employee benefit and expenses	**533,273**	**13,776**	417,399	18,242
	1,641,921	**6,594,724**	1,374,141	990,485
Contingencies and Commitments				
Forward exchange contracts				
Purchase	**-**	**108,516,587**	-	38,769,810
Sale	**-**	**108,516,587**	-	38,669,810
Counter guarantees to branches	**182,037**	**508,780**	138,072	390,586
	182,037	**217,541,954**	138,072	77,830,206
Income				
Mark-up / return / interest earned	**7**	**955**	10	313
Fee and commission income	**19,187**	**44,343**	12,377	40,932
Net loss on sale of securities	**-**	**1,848**	-	455
Foreign Exchange Income	**(2)**	**1,352,443**	1,574	500,935
Expense				
Mark-up / return / interest paid	**3,673**	**110,603**	61	10,589
Regional expenses for support services	**10,482**	**21,199**	8,412	13,709
Head office expenses	**151,906**	**-**	19,770	-
Contribution to staff retirement benefit funds	**-**	**44,414**	-	70,127
Remuneration of Key Management Personnel	**-**	**128,767**	-	104,684

39. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2022	2021
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**6,812,671**	6,812,671
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**15,183,972**	9,876,922
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**15,183,972**	9,876,922
Eligible Tier 2 Capital	**38**	115
Total Eligible Capital (Tier 1 + Tier 2)	**15,184,010**	9,877,037
Risk Weighted Assets (RWAs):		
Credit Risk	**29,404,035**	27,561,262
Market Risk	**753,338**	1,638,649
Operational Risk	**23,107,465**	19,890,464
Total	**53,264,838**	49,090,375
Common Equity Tier 1 Capital Adequacy ratio	**28.51%**	20.12%
Tier 1 Capital Adequacy Ratio	**28.51%**	20.12%
Total Capital Adequacy Ratio	**28.51%**	20.12%

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

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

The capital to risk weighted assets ratio, is calculated in accordance with the SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

	2022	2021
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	**15,183,972**	9,876,922
Total Exposures	**326,408,435**	254,767,301
Leverage Ratio	**4.65%**	3.88%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**136,944,503**	116,643,594
Total Net Cash Outflow	**30,574,074**	24,981,218
Liquidity Coverage Ratio	**447.91%**	466.93%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**218,392,885**	168,492,923
Total Required Stable Funding	**91,482,940**	51,197,808
Net Stable Funding Ratio	**238.73%**	329.10%

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

40 RISK MANAGEMENT

The Head office capital account of the Bank for the year ended 31 December, 2022 stands at Rs 6.813 billion (2021: Rs 6.813 billion) and is in compliance with the SBP requirement for the said period. In addition, the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 11.50% of the risk weighted exposures of the Bank as of December 31, 2022. The Bank's CAR as at December 31, 2022 was 28.51% of its risk weighted exposure.

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

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

- These standards are governed by specific policies which are defined and documented.

- Risks are measured using defined methodologies.

- Limits for credit, market and liquidity risks are approved by Risk Management, which is “independent” of the business areas.

- Dedicated risk management and control functions are in place for credit, market, liquidity and operational risks.

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

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

40.1 Derivative Instruments

A derivative financial instrument is a contract the value of which is determined by reference to one or more underlying financial instruments, reference rates or indices. Forward contracts, options and swaps are the most common types of derivatives. Also included in derivatives are structured financial products that have one or more characteristics of forwards, futures, swaps and options.

The Bank enters into derivatives contracts for market making and for creating effective hedges to enable customers and the Bank to transfer, modify or reduce their interest rate and foreign exchange risks. The Bank as an Authorised Derivative Dealer (ADD) is an active participant in the derivative market of Pakistan.

Overall responsibility for derivatives trading activity lies with the Treasury. Existence of an independent market risk function together with the Asset Liability Committee (ALCO) assists in the identification and quantification of risks on derivatives. This involves:

- co-ordinating approvals of market risk limits;

- formulation of policies and procedures with respect to market risk; and

- monitoring of Market risk and Credit risk exposure.

Treasury operations records transactions in the books, while product control reports the price and liquidity information independently.

40.1.1 The fair value of derivative financial instruments have been determined using valuation techniques with significant inputs such as forecasted market interest rates and foreign exchange rates. The determination of the fair value of these instruments is most sensitive to these key assumptions. Any significant change in these key assumptions may have an effect on the fair value of these derivative financial instruments.

There are no long term derivatives outstanding as at 31 December 2022.

40.2 Credit Risk

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

40.2.1 Corporate credit risk

This risk is managed through the following:

- Single centre of control for each credit relationship that coordinates credit activities with the borrower.

- Documented target market and portfolio concentration limits that establish the credit appetite and minimum acceptable standards (both borrower and industry specific), provide portfolio diversification and maintain risk / capital alignment.

- Consistent standards for credit origination, documentation and remedial management.

- Maintenance of accurate and consistent borrower risk ratings through use of statistical models (periodically validated) or approved scoring methodologies after taking into consideration the available credit risk mitigates.

- Periodic stress testing of the credit portfolio based on emerging or expected risk events.

- Majority of the portfolio is secured by SBLC from the Head Office or other associates of the borrowers.

40.2.2 *Lendings to financial institutions*

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	(Rupees in '000)					
Private	**-**	8,178,322	**-**	-	**-**	-

40.2.3 *Investment in debt securities*

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	(Rupees in '000)					
Federal government securities	**156,121,000**	136,112,762	**-**	-	**-**	-
	156,121,000	136,112,762	**-**	-	**-**	-

Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	(Rupees in '000)					
Federal government securities	**156,121,000**	136,112,762	**-**	-	**-**	-
	156,121,000	136,112,762	**-**	-	**-**	-

40.2.4 *Advances*

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	(Rupees in '000)					
Chemical and Pharmaceuticals	**10,311,085**	11,726,453	**42,102**	48,101	**42,102**	48,101
Electronics and electrical appliances	**12,595,014**	7,652,990	**-**	-	**-**	-
Automobile and transportation equipment	**302,069**	7,300,041	**34,720**	34,721	**34,720**	34,721
Textile	**798,500**	754,818	**798,500**	754,819	**798,500**	754,819
Individuals	**206,075**	232,966	**131,165**	135,764	**131,165**	135,764
Transport, Storage and Communication	**4,270,867**	219,920	**13,258**	13,258	**13,258**	13,258
Footwear and Leather garments	**73,174**	73,174	**73,174**	73,174	**73,174**	73,174
Wholesale and Retail Trade	**10,187**	22,920	**9,026**	9,026	**9,026**	9,026
Financial	**13,773**	4,362	**-**	-	**-**	-
Power (electricity), Gas, Water, Sanitary	**1,186**	704	**-**	-	**-**	-
Agriculture, Forestry, Hunting and Fishing	**671**	555	**-**	-	**-**	-
Services	**15,721**	39	**-**	-	**-**	-
Others	**13,431,144**	10,539,991	**670,750**	671,713	**670,750**	671,713
	42,029,466	38,528,933	**1,772,695**	1,740,576	**1,772,695**	1,740,576

Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	(Rupees in '000)					
Private	**42,029,466**	38,528,933	**1,772,695**	1,740,576	**1,772,695**	1,740,576

40.2.5 *Contingencies and Commitments*

Credit risk by industry sector	2022	2021
	(Rupees in '000)	
Financial	**476,974,496**	191,241,621
Chemical and Pharmaceuticals	**9,736,848**	5,430,565
Transport, Storage and Communication	**1,337,529**	1,347,137
Electronics and electrical appliances	**676,692**	1,326,022
Power (electricity), Gas, Water, Sanitary	**521,826**	843,207
Automobile and transportation equipment	**962,427**	245,912
Services	**52,267**	51,862
Agriculture, Forestry, Hunting and Fishing	**39,339**	39,447
Wholesale and Retail Trade	**40,168**	8,825
Textile	**-**	-
Others	**50,309,604**	16,645,018
	540,651,196	217,179,616

Credit risk by public / private sector		
Public / Government	**56,515,351**	27,545,596
Private	**484,135,845**	189,634,020
	540,651,196	217,179,616

40.2.6 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 76,633.077 million (2021: Rs. 49,620.841 million million) are as following:

	2022	2021
	(Rupees in '000)	
Funded	**28,658,583**	30,157,383
Non Funded	**47,974,494**	19,463,458
Total Exposure	**76,633,077**	49,620,841

The sanctioned limits against these top 10 exposures aggregated to Rs. 93,171.546 million (2021: Rs. 68,646.218 million)

40.2.7 Advances - Province / Region-wise Disbursement & Utilization

	2022						
	Disbursements	**Utilization**					
Province / Region		**Punjab**	**Sindh**	**KPK including FATA**	**Baluchistan**	**Islamabad**	**AJK including Gilgit-**
	(Rupees in '000)						
Punjab	**101,046,947**	**101,046,947**	**-**	**-**	**-**	**-**	**-**
Sindh	**65,679,499**	**-**	**65,679,499**	**-**	**-**	**-**	**-**
KPK including FATA	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Baluchistan	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Islamabad	**30,230,194**	**-**	**-**	**-**	**-**	**30,230,194**	**-**
AJK including Gilgit-Baltistan	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**196,956,640**	**101,046,947**	**65,679,499**	**-**	**-**	**30,230,194**	**-**

	2021						
	Disbursements	Utilization					
Province / Region		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	79,207,600	79,207,600	-	-	-	-	-
Sindh	55,052,810	-	55,052,810	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	24,727,359	-	-	-	-	24,727,359	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	158,987,769	79,207,600	55,052,810	-	-	24,727,359	-

40.3 Market Risk

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

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

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

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

40.3.1 Balance sheet split by trading and banking books

	2022			2021		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	**24,666,659**	**-**	**24,666,659**	19,817,760	-	19,817,760
Balances with other banks	**32,498,497**	**-**	**32,498,497**	1,104,681	-	1,104,681
Lendings to financial institutions	**-**	**-**	**-**	8,178,322	-	8,178,322
Investments	**132,569,922**	**22,586,065**	**155,155,987**	102,635,594	32,149,177	134,784,771
Advances	**40,256,733**	**-**	**40,256,733**	36,788,242	-	36,788,242
Fixed assets	**393,258**	**-**	**393,258**	486,650	-	486,650
Deferred tax assets	**504,621**	**-**	**504,621**	531,546	-	531,546
Other assets	**5,674,787**	**5,332,346**	**11,007,133**	8,539,757	933,943	9,473,700
	236,564,477	**27,918,411**	**264,482,888**	178,082,552	33,083,120	211,165,672

40.3.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss resulting from adverse movement in exchange rates. The Bank's principal exchange rate related contracts are forward foreign exchange conducts, cross currency swaps and options. Non traded foreign exchange risk arises through the provision of banking products and services in foreign currency. The objectives of foreign exchange risk management function is to minimise the adverse impact of foreign exchange assets and liabilities mismatch and maximise the earnings observing the limits set by the Bank. Exchange position arising from trading activities are monitored through foreign exchange limits on aggregate and individual basis. Hedging strategies and mark to market valuations are used to mitigate exchange risk resulting from open positions. Overall exchange position risk is maintained in accordance with the regulatory requirements prescribed by the State Bank of Pakistan.

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

	2022				2021			
	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	**29,102,328**	**14,084,283**	**(15,305,280)**	**(287,235)**	6,533,583	18,681,288	12,584,821	437,116
Great Britain Pound Sterling	**33,632**	**31,701**	**-**	**1,931**	4,502	3,099	-	1,403
Euro	**9,322,421**	**9,305,268**	**41,115**	**58,268**	378,011	244,869	(135,654)	(2,512)
Japanese Yen	**-**	**1,200**	**2,796**	**1,596**	-	39,577	40,089	512
Other currencies	**449,062**	**685,682**	**2,436**	**(234,184)**	572,958	1,154,536	357,697	(223,881)
	38,907,443	**24,108,134**	**(15,258,933)**	**(459,624)**	7,489,054	20,123,369	12,846,953	212,638

	2022		2021	
	Banking book	**Trading book**	Banking book	Trading book
	---------- **(Rupees in '000)** ----------			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account				
Increase of 1%	**-**	**5,434**	-	(2,743)
Decrease of 1%	**-**	**(5,434)**	-	2,743
- Other comprehensive income				
Increase of 1%	-	-	-	-
Decrease of 1%	-	-	-	-

40.3.3 Equity position Risk

The risk arising from taking long or short positions, in the trading book, in the equities and all instruments that exhibit market behaviour similar to equities. The Bank does not maintain equity trading portfolio.

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

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

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

	2022		2021	
	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%	**452,862**	**(9,057)**	(353,027)	(65,098)
Decrease of 1%	**(452,862)**	**9,057**	353,027	65,098
- Other comprehensive income				
Increase of 1%	**(326,060)**	**-**	(584,419)	-
Decrease of 1%	**326,060**	**-**	584,419	-

40.3.5 ***Mismatch of Interest Rate Sensitive Assets and Liabilities***

	2022											
	Effective Yield / Interest rate	**Total**	**Exposed to Yield / Interest risk**									**Non-interest bearing financial instruments**
			Upto 1 Month	**Over 1 to 3 Months**	**Over 3 to 6 Months**	**Over 6 Months to 1 Year**	**Over 1 to 2 Years**	**Over 2 to 3 Years**	**Over 3 to 5 Years**	**Over 5 to 10 Years**	**Above 10 Years**	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	**0.96%**	**24,666,659**	**4,075,756**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,590,903**
Balances with other banks	**0.00%**	**32,498,497**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32,498,497**
Lendings to financial institutions	**14.46%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**12.51%**	**155,155,987**	**45,143,591**	**53,809,390**	**33,953,193**	**19,809,509**	**2,440,304**	**-**	**-**	**-**	**-**	**-**
Advances	**14.04%**	**40,256,733**	**27,471,879**	**9,448,163**	**2,766,161**	**204,379**	**308,348**	**7,906**	**14,935**	**24,543**	**10,419**	**-**
Other assets	**-**	**10,738,373**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,738,373**
		263,316,249	**76,691,226**	**63,257,553**	**36,719,354**	**20,013,888**	**2,748,652**	**7,906**	**14,935**	**24,543**	**10,419**	**63,827,773**
Liabilities												
Bills payable	**-**	**725,096**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**725,096**
Borrowings	**-**	**1,200**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,200**
Deposits and other accounts	**7.17%**	**229,621,926**	**127,162,242**	**6,333,500**	**25,635**	**5,000**	**-**	**-**	**-**	**-**	**-**	**96,095,549**
Other liabilities	**-**	**16,632,971**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,632,971**
		246,981,193	**127,162,242**	**6,333,500**	**25,635**	**5,000**	**-**	**-**	**-**	**-**	**-**	**113,454,816**
On-balance sheet gap		**16,335,056**	**(50,471,016)**	**56,924,053**	**36,693,719**	**20,008,888**	**2,748,652**	**7,906**	**14,935**	**24,543**	**10,419**	**(49,627,043)**

	2022											
	Effective Yield / Interest rate	**Total**	**Exposed to Yield / Interest risk**									**Non-interest bearing financial instruments**
			Upto 1 Month	**Over 1 to 3 Months**	**Over 3 to 6 Months**	**Over 6 Months to 1 Year**	**Over 1 to 2 Years**	**Over 2 to 3 Years**	**Over 3 to 5 Years**	**Over 5 to 10 Years**	**Above 10 Years**	
		(Rupees in '000)										
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward Foreign Exchange contracts - purchase		**221,495,197**	**166,608,898**	**51,900,043**	**2,490,780**	**495,476**	**-**	**-**	**-**	**-**	**-**	**-**
- forward Foreign Exchange contracts - sale		**(236,824,470)**	**(183,349,998)**	**(50,101,301)**	**(2,594,530)**	**(778,641)**	**-**	**-**	**-**	**-**	**-**	**-**
- forward purchase contracts of government securities		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- forward sale contracts of		**-**	**-**									
government securities		**16,721,604**	**16,721,604**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- forward placement		**2,717,171**	**2,717,171**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Off-balance sheet gap		**4,109,502**	**2,697,675**	**1,798,742**	**(103,750)**	**(283,165)**	**-**	**-**	**-**	**-**	**-**	**-**
Total Yield / Interest Risk Sensitivity Gap			**(47,773,341)**	**58,722,795**	**36,589,969**	**19,725,723**	**2,748,652**	**7,906**	**14,935**	**24,543**	**10,419**	**(49,627,043)**
Cumulative Yield / Interest Risk Sensitivity Gap			**(47,773,341)**	**10,949,454**	**47,539,423**	**67,265,146**	**70,013,798**	**70,021,704**	**70,036,639**	**70,061,182**	**70,071,601**	**20,444,558**

	2021											
	Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	19,817,760	1,217,942	-	-	-	-	-	-	-	-	18,599,818
Balances with other banks	-	1,104,681	-	-	-	-	-	-	-	-	-	1,104,681
Lendings to financial institutions	7.34%	8,178,322	8,178,322	-	-	-	-	-	-	-	-	-
Investments	7.93%	134,784,771	16,109,759	47,100,822	-	26,374,068	42,797,254	2,402,868	-	-	-	-
Advances	8.44%	36,788,242	25,757,865	2,107,228	2,292,540	1,004,682	3,809,364	8,912	16,558	30,587	19,930	1,740,576
Other assets	-	9,313,814	-	-	-	-	-	-	-	-	-	9,313,814
		209,987,590	51,263,888	49,208,050	2,292,540	27,378,750	46,606,618	2,411,780	16,558	30,587	19,930	30,758,889
Liabilities												
Bills payable	-	855,130	-	-	-	-	-	-	-	-	-	855,130
Borrowings	0.81%	15,302,778	14,907,714	-	-	-	-	-	-	-	-	395,064
Deposits and other accounts	4.38%	172,542,423	124,258,565	999,479	20,000	40,000	-	-	-	-	-	47,224,379
Other liabilities	-	11,447,900	-	-	-	-	-	-	-	-	-	11,447,900
		200,148,231	139,166,279	999,479	20,000	40,000	-	-	-	-	-	59,922,473
On-balance sheet gap		9,839,359	(87,902,391)	48,208,571	2,272,540	27,338,750	46,606,618	2,411,780	16,558	30,587	19,930	(29,163,584)

	Effective Yield / Interest rate	Total	2021 Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		(Rupees in '000)										
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward Foreign Exchange contracts - purchase		94,831,909	68,691,515	23,686,337	2,454,057	-	-	-	-	-	-	-
- forward Foreign Exchange contracts - sale		(82,114,489)	(50,932,805)	(24,845,103)	(6,302,448)	(34,133)	-	-	-	-	-	-
- forward purchase contracts of government securities		7,853,624	7,853,624									
- forward sale contracts of government securities		8,187,627	8,187,627	-	-	-	-	-	-	-	-	-
- forward placement		-	-									
- Interest Rate Derivative Contracts - long position		-	-	-	-	-	-	-	-	-	-	-
- Interest Rate Derivative Contracts - short position		-	-	-	-	-	-	-	-	-	-	-
-forward repurchase agreement lendings (reverse repo)			-	-	-	-	-	-	-	-	-	-
-forward borrowing		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		28,758,671	33,799,961	(1,158,766)	(3,848,391)	(34,133)	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(54,102,430)	47,049,805	(1,575,851)	27,304,617	46,606,618	2,411,780	16,558	30,587	19,930	(29,163,584)
Cumulative Yield / Interest Risk Sensitivity Gap			(54,102,430)	(7,052,625)	(8,628,476)	18,676,141	65,282,759	67,694,539	67,711,097	67,741,684	67,761,614	38,598,030

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

	2022	2021
	(Rupees in '000)	
Total financial assets as per note 40.3.5	**263,316,249**	209,987,590
Add: Non financial assets		
Operating fixed assets	**393,258**	486,650
Deferred tax asset	**504,621**	531,546
Other assets	**268,760**	159,886
Total assets as per statement of financial position	**264,482,888**	211,165,672
Total financial liabilities as per note 40.3.5	**246,981,193**	200,148,231
Add: Non financial liabilities		
Deferred tax liabilities	**-**	-
Other liabilities	**2,317,723**	1,140,519
Total liabilities as per statement of financial position	**249,298,916**	201,288,750

40.4 ***Operational Risk***

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

The operational risk policy and its requirements facilitate the effective communication of operational risks both within and across businesses. Information about the businesses' operational risk, historical losses and the control environment is reported by each major business segment and functional area and summarised for senior management.

The Bank has created a strategic framework for information security technology initiatives and has implemented enhancements to various Information Security programs across 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.

40.5 *Liquidity Risk*

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

40.5.1 *Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank*

	Total	2022												
		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
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	24,666,659	-	286,683	33,007	24,028,762	131,925	184,750	1,282	-	250	-	-	-	-
Balances with other banks	32,498,497	-	-	-	32,498,497	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	155,155,987	-	-	29,858,321	15,285,270	30,361,505	23,447,884	33,953,193	14,225,430	5,584,079	2,440,305	-	-	-
Advances	40,256,733	148,405	344,861	946,931	26,031,680	3,775,006	5,673,157	2,766,161	202,190	2,190	308,348	7,906	14,936	34,962
Fixed assets	393,258	93	580	653	1,400	2,800	2,800	8,401	8,401	8,401	34,072	34,073	66,561	225,023
Deferred tax assets	504,621	-	1,936	1,936	4,424	8,295	8,295	24,886	24,885	26,268	100,924	100,924	201,848	-
Other assets	11,007,133	23,656	1,897,933	576,845	5,296,143	920,519	634,892	1,619,521	32,446	5,178	-	-	-	-
	264,482,888	172,154	2,531,993	31,417,693	103,146,176	35,200,050	29,951,778	38,373,444	14,493,352	5,626,366	2,883,649	142,903	283,345	259,985
Liabilities														
Bills payable	725,096	-	362,548	181,274	181,274	-	-	-	-	-	-	-	-	-
Borrowings	1,200	-	-	-	1,200	-	-	-	-	-	-	-	-	-
Deposits and other accounts	229,621,926	-	5,733,659	660,146	216,863,986	2,638,500	3,695,000	25,635	-	5,000	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	18,950,694	33,541	1,914,031	631,169	5,443,617	1,160,984	889,509	2,381,444	3,026,280	3,143,560	65,312	65,312	130,623	65,312
	249,298,916	33,541	8,010,238	1,472,589	222,490,077	3,799,484	4,584,509	2,407,079	3,026,280	3,148,560	65,312	65,312	130,623	65,312
Net assets	15,183,972	138,613	(5,478,245)	29,945,104	(119,343,901)	31,400,566	25,367,269	35,966,365	11,467,072	2,477,806	2,818,337	77,591	152,722	194,673
Head office capital account	6,812,671													
Reserves	163,719													
Unremitted profit	8,771,160													
Surplus on revaluation of assets	(563,578)													
	15,183,972													

	Total	2021												
		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
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	19,817,760	-	680,306	107,161	18,977,319	8,200	41,774	1,000	1,750	250	-	-	-	-
Balances with other banks	1,104,681	-	-	-	1,104,681	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	8,178,322	-	8,178,322	-	-	-	-	-	-	-	-	-	-	-
Investments	134,784,771	-	-	6,724,694	9,385,065	21,148,648	25,952,174	-	26,374,068	-	42,797,254	2,402,868	-	-
Advances	36,788,242	37,659	7,146,151	1,148,100	1,978,586	1,821,072	286,156	2,292,540	202,341	802,341	3,809,364	8,912	17,204,503	50,517
Fixed assets	486,650	96	604	669	1,434	2,868	2,868	8,604	8,604	8,604	34,795	34,613	68,576	314,315
Deferred tax assets	531,546	-	2,040	2,039	4,660	8,738	8,738	26,213	26,213	27,669	106,309	106,309	212,618	-
Other assets	9,473,700	47,057	871,993	3,140,569	964,603	1,806,205	1,191,309	1,395,657	27,666	28,641	-	-	-	-
	211,165,672	84,812	16,879,416	11,123,232	32,416,348	24,795,731	27,483,019	3,724,014	26,640,642	867,505	46,747,722	2,552,702	17,485,697	364,832
Liabilities														
Bills payable	855,130	-	427,564	213,783	213,783	-	-	-	-	-	-	-	-	-
Borrowings	15,302,778	-	14,907,714	-	395,064	-	-	-	-	-	-	-	-	-
Deposits and other accounts	172,542,423	-	13,606,120	2,143,225	155,733,599	164,000	835,479	20,000	35,000	5,000	-	-	-	-
Other liabilities	12,588,419	46,272	903,077	3,134,385	940,273	1,764,956	1,152,961	1,269,774	1,516,671	1,574,355	57,139	57,139	114,278	57,139
	201,288,750	46,272	29,844,475	5,491,393	157,282,719	1,928,956	1,988,440	1,289,774	1,551,671	1,579,355	57,139	57,139	114,278	57,139
Net assets	9,876,922	38,540	(12,965,059)	5,631,839	(124,866,371)	22,866,775	25,494,579	2,434,240	25,088,971	(711,850)	46,690,583	2,495,563	17,371,419	307,693
Head office capital account	6,812,671													
Reserves	163,719													
Unremitted profit	3,725,600													
Surplus on revaluation of assets	(825,068)													
	9,876,922													

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

	Total	2022								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	24,666,659	15,848,919	316,675	1,282	250	-	-	8,499,533	-	-
Balances with other banks	32,498,497	32,498,497	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	155,155,987	45,143,590	53,809,390	33,953,193	19,809,509	2,440,305	-	-	-	-
Advances	40,256,733	8,351,048	9,448,163	2,766,161	204,379	308,348	7,906	19,135,766	17,481	17,481
Fixed assets	393,258	2,727	5,601	8,401	16,803	34,072	34,072	66,561	90,973	134,048
Deferred tax assets	504,621	8,295	16,592	24,885	51,153	100,924	100,924	201,848	-	-
Other assets	11,007,133	7,794,577	1,555,411	1,619,521	37,624	-	-	-	-	-
	264,482,888	109,647,653	65,151,832	38,373,443	20,119,718	2,883,649	142,902	27,903,708	108,454	151,529
Liabilities										
Bills payable	725,096	725,096	-	-	-	-	-	-	-	-
Borrowings	1,200	1,200	-	-	-	-	-	-	-	-
Deposits and other accounts	229,621,926	53,267,141	6,333,500	25,635	5,000	-	-	169,990,650	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	18,950,694	8,022,358	2,050,493	2,381,444	6,169,840	65,312	65,312	130,623	32,656	32,656
	249,298,916	62,015,795	8,383,993	2,407,079	6,174,840	65,312	65,312	170,121,273	32,656	32,656
Net assets	15,183,972	47,631,858	56,767,839	35,966,364	13,944,878	2,818,337	77,590	(142,217,565)	75,798	118,873
Head office capital account	6,812,671									
Reserves	163,719									
Unremitted profit	8,771,160									
Surplus on revaluation of assets	(563,578)									
	15,183,972									

	Total	2021								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	19,817,760	13,086,220	49,974	1,000	2,000	-	-	6,678,566	-	-
Balances with other banks	1,104,681	1,104,681	-	-	-	-	-	-	-	-
Lendings to financial institutions	8,178,322	8,178,322	-	-	-	-	-	-	-	-
Investments	134,784,771	16,109,759	47,100,822	-	26,374,068	42,797,254	2,402,868	-	-	-
Advances	36,788,242	10,310,495	2,107,228	2,292,540	1,004,682	3,809,364	8,912	17,204,503	25,259	25,259
Fixed assets	486,650	2,804	5,736	8,604	17,207	34,795	34,613	68,576	99,464	214,851
Deferred tax assets	531,546	8,738	17,476	26,213	53,883	106,309	106,309	212,618	-	-
Other assets	9,473,700	5,024,219	2,997,517	1,395,657	56,307	-	-	-	-	-
	211,165,672	53,825,238	52,278,753	3,724,014	27,508,147	46,747,722	2,552,702	24,164,263	124,723	240,110
Liabilities										
Bills payable	855,130	855,130	-	-	-	-	-	-	-	-
Borrowings	15,302,778	15,302,778	-	-	-	-	-	-	-	-
Deposits and other accounts	172,542,423	37,911,614	999,479	20,000	40,000	-	-	133,571,330	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	12,588,419	5,024,008	2,917,917	1,269,774	3,091,026	57,139	57,139	114,278	28,569	28,569
	201,288,750	59,093,530	3,917,396	1,289,774	3,131,026	57,139	57,139	133,685,608	28,569	28,569
Net assets	9,876,922	(5,268,292)	48,361,357	2,434,240	24,377,121	46,690,583	2,495,563	(109,521,345)	96,154	211,541
Head office capital account	6,812,671									
Reserves	163,719									
Unremitted profit	3,725,600									
Surplus on revaluation of assets	(825,068)									
	9,876,922									

41. DATE OF AUTHORISATION

These financial statements were authorised for issue on 30 March 2023 by the management of the Bank.

42. GENERAL

Figures have been rounded off to the nearest thousand rupees.

AHMED BOZAI
Managing Director and
Citi Country Officer

IMAD HASSAN KHAN
Country Finance Officer