Deutsche Bank AG, Pakistan Branches

(Incorporated in the Federal Republic of Germany with Limited Liability)

Statement of Financial Position

As at 31 December 2013

	Note	**2013**	2012
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	*7*	**6,193,227**	5,630,489
Balances with other banks	*8*	**208,293**	2,058,913
Lendings to financial institutions	*9*	**9,757,121**	7,414,392
Investments	*10*	**5,428,718**	7,747,304
Advances	*11*	**4,265,335**	3,979,514
Operating fixed assets	*12*	**314,108**	351,955
Deferred tax assets - net	*13*	**74,492**	74,271
Other assets	*14*	**1,562,707**	1,691,726
		27,804,001	28,948,564
LIABILITIES			
Bills payable	*15*	**324,717**	297,362
Borrowings from financial institutions	*16*	**4,004,649**	317,883
Deposits and other accounts	*17*	**15,849,131**	18,354,233
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	*18*	**2,338,895**	4,017,622
		22,517,392	22,987,100
NET ASSETS		**5,286,609**	5,961,464
REPRESENTED BY			
Head office capital account	*19*	**4,649,699**	4,115,584
Reserves		**-**	-
Un-remitted profit		**638,687**	1,855,437
		5,288,386	5,971,021
Deficit on revaluation of assets - net of tax	*20*	**(1,777)**	(9,557)
		5,286,609	5,961,464
Contingencies and commitments	*21*		

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

Faizan Mitha
Managing Director &
Chief Country Officer
Pakistan

Mahmood A. Qureshi
Chief Operating Officer
& Chief Financial Officer
Pakistan

Deutsche Bank AG, Pakistan Branches

(Incorporated in the Federal Republic of Germany with Limited Liability)

Profit and Loss Account

For the year ended 31 December 2013

	Note	2013	2012
		(Rupees in '000)	
Mark-up / return / interest earned	*23*	**1,644,741**	1,969,771
Mark-up / return / interest expensed	*24*	**(719,355)**	(868,297)
Net mark-up / interest income		**925,386**	1,101,474
(Provision) / reversal against non-performing advances	*11.3*	**(2,659)**	10,481
(Provision) / reversal against off-balance sheet obligations	*18.1*	**(4,691)**	21,966
Provision for diminution in the value of investments		**-**	-
Bad debts written off directly		**-**	-
		(7,350)	32,447
Net mark-up / interest income after provisions		**918,036**	1,133,921
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income		**360,371**	296,268
Dividend income		**-**	-
Income from dealing in foreign currencies and derivatives	*25*	**327,351**	281,006
Gain on sale of Government securities		**16,325**	10,397
Unrealized gain / (loss) on revaluation of investments classified as held for trading		**-**	-
Other income	*26*	**12,437**	611
Total non mark-up / non interest income		**716,484**	588,282
		1,634,520	1,722,203
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	*27*	**(1,144,078)**	(1,170,880)
Reversal against other assets	*14.3*	**-**	7,011
Other charges	*28*	**(165)**	(7,621)
Total non mark-up / non interest expenses		**(1,144,243)**	(1,171,490)
		490,277	550,713
Extra-ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**490,277**	550,713
Taxation - current		**(181,240)**	(137,353)
- prior years		**-**	-
- deferred		**8,726**	(62,533)
	29	**(172,514)**	(199,886)
PROFIT AFTER TAXATION		**317,763**	350,827

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

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Pakistan

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Deutsche Bank AG, Pakistan Branches

(Incorporated in the Federal Republic of Germany with Limited Liability)

Statement of Comprehensive Income

For the year ended 31 December 2013

	2013	2012
	(Rupees in '000)	
Profit for the year	**317,763**	350,827
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial Gain / (loss) on defined benefit plans	**12,333**	(20,561)
Related deferred tax	**(4,317)**	7,196
	8,016	(13,365)
Exchange adjustment on account of revaluation of capital	**534,115**	391,438
Total comprehensive income for the year	**859,894**	728,900

Surplus / deficit on revaluation of 'Available for Sale' securities is presented under a separate head below equity as "Surplus / deficit on revaluation of assets" in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated 04 August 2000 and BSD circular 10 dated 13 July 2004 and hence is not reported in other comprehensive income.

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

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Deutsche Bank AG, Pakistan Branches

(Incorporated in the Federal Republic of Germany with Limited Liability)

Statement of Changes in Equity

For the year ended 31 December 2013

	Head office capital account	**Un-remitted profit**	**Total**
	(Rupees in '000)		
Balance as at 01 January 2012	3,724,146	2,323,191	6,047,337
Transactions with owners, recorded directly in equity:			
Remittance made to head office	-	(805,216)	(805,216)
Total comprehensive income for the year:			
Profit for the year	-	350,827	350,827
Other comprehensive income:			
Actuarial loss on defined benefit plan - net of tax	-	(13,365)	(13,365)
Exchange adjustment on revaluation of head office capital account	391,438	-	391,438
	391,438	337,462	728,900
Balance as at 31 December 2012	4,115,584	1,855,437	5,971,021
Changes in equity 2013:			
Transactions with owners, recorded directly in equity:			
Remittance made to head office	-	(1,542,529)	(1,542,529)
Comprehensive income for the year:			
Profit for the year	-	317,763	317,763
Other comprehensive income:			
Actuarial gain on defined benefit plan - net of tax	-	8,016	8,016
Exchange adjustment on revaluation of head office capital account	534,115	-	534,115
	534,115	325,779	859,894
Balance as at 31 December 2013	**4,649,699**	**638,687**	**5,288,386**

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

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Deutsche Bank AG, Pakistan Branches

(Incorporated in the Federal Republic of Germany with Limited Liability)

Cash Flow Statement

For the year ended 31 December 2013

	Note	2013	2012
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**490,277**	550,713
Adjustments for:			
Depreciation		**63,977**	37,982
Provision / (reversal) against non-performing advances		**2,659**	(10,481)
Provision / (reversal) against off-balance sheet obligation		**4,691**	(21,966)
(Reversal) against other assets		**-**	(7,011)
Gain on sale of Government securities		**(16,325)**	(10,397)
Charge for defined benefit plan		**22,220**	18,157
(Gain) / loss on sale of operating fixed assets		**(6,613)**	94
Bad debts written off directly		**-**	-
		70,609	6,378
		560,886	557,091
(Increase) / decrease in operating assets			
Lendings to financial institutions		**(2,342,729)**	225,994
Advances		**(288,480)**	(982,013)
Others assets (excluding advance taxation)		**122,678**	29,482
		(2,508,531)	(726,537)
Increase / (decrease) in operating liabilities			
Bills payable		**27,355**	58,455
Borrowings from financial institutions		**3,686,766**	(1,205,179)
Deposits and other accounts		**(2,505,102)**	7,235,364
Other liabilities		**(1,675,722)**	692,602
		(466,703)	6,781,242
		(2,414,348)	6,611,796
Contributions made to defined benefit plan		**(17,584)**	(16,666)
Income tax paid		**(174,899)**	(783,053)
Net cash used in operating activities		**(2,606,831)**	5,812,077
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale investments		**2,346,880**	(2,146,450)
Purchase of operating fixed assets		**(32,145)**	(197,357)
Sale proceeds on disposal of operating fixed assets		**12,628**	6,340
Net cash generated from investing activities		**2,327,363**	(2,337,467)
CASH FLOW FROM FINANCING ACTIVITIES			
Remittance made to head office		**(1,542,529)**	(805,216)
Net cash used in financing activities		**(1,542,529)**	(805,216)
Effects of exchange rate changes on cash and cash equivalents		**534,115**	391,438
(Decrease) / increase in cash and cash equivalents		**(1,287,882)**	3,060,832
Cash and cash equivalents at beginning of the year		**7,689,402**	4,628,570
Cash and cash equivalents at end of the year	*30*	**6,401,520**	7,689,402

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

Faizan Mitha
Managing Director &
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Pakistan

Mahmood A. Qureshi
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1. STATUS AND NATURE OF BUSINESS

Deutsche Bank AG is a foreign banking company incorporated in the Federal Republic of Germany with limited liability. Its operations in Pakistan are carried out through three branches located at Karachi, Lahore and Islamabad (The Bank). The Bank is engaged in banking business as described in the Banking Companies Ordinance, 1962.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding 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 includes 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 utilized and the appropriate portion of mark-up thereon.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962, and the directives issued by SBP. In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan shall prevail.

The State Bank of Pakistan (SBP) vide BSD Circular No. 10 dated 26 August 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40). Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) dated 28 April 2008, International Financial Reporting Standard 7, Financial Instruments: Disclosures (IFRS 7) has not been made applicable for banks. Accordingly, the requirements of these standards and their relevant interpretations (issued by the Standards Interpretation Committee - SICs, and the International Financial Reporting Interpretations Committee - IFRICs) have not been considered in the preparation of these financial statements. However, the investments have been classified in accordance with the categories prescribed by SBP through various circulars.

4. CREDIT RATING

The credit rating done by Standard & Poor in January 2014 for Deutsche Bank AG is A for the long term and A-1 for the short term, rating done by Moody's in January 2014 is A2 for the long term and P-1 for the short term and rating done by Fitch in January 2014 is A+ for the long term and F1+ for the short term.

5. BASIS OF MEASUREMENT

5.1 These financial statements have been prepared under the historical cost convention, except that available-for-sale investments and derivative financial instruments have been marked to market and are carried at fair value, staff retirement benefits (pension) which are stated at present value and certain financial assets that are stated net of provisions.

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following:

- Investments (Note 6.5)
- Advances (Note 6.4)
- Taxation (Note 6.3)
- Derivative financial instruments (Note 6.9)
- Defined benefit plan (Note 6.2)
- Operating fixed assets and depreciation (Note 6.7)

These financial statements are presented in Pak rupees (PKR) which is the Bank's functional currency.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and are enumerated as follows:

6.1 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks and balances with other banks.

6.2 Staff retirement benefits

Defined contribution plans

The Bank operates approved provident fund and gratuity fund scheme for all of its permanent employees in respect of which contributions are made to discharge liability under the respective rules of the schemes.

Defined benefit plan

The Bank also operates a funded pension scheme for all of their permanent employees. The costs are determined based on actuarial valuation carried out using the Projected Unit Credit Method. All actuarial gains and losses are recognized outside the profit and loss account in the statement of comprehensive income.

6.3 Taxation

Current tax

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the statement of financial position date and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided using the balance sheet liability method on all material temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6.4 Advances

Advances are stated net of specific and general provision against loan losses. Specific provision is made for non-performing advances to reduce book value of such advances to their expected realizable value in compliance with the Prudential Regulations of SBP. The Bank also establishes a general allowance for loan losses to encompass the loss inherent in performing loans based on historical loss experience and country risk. Advances are written-off when there are no realistic prospects of recovery.

6.5 Investments

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

Held to maturity

These securities are with fixed and determinable payments and fixed maturity which are acquired with the intention and ability to hold them up to maturity. These are carried at amortized cost.

Held for trading

These are securities, which are either acquired for generating profit from short-term fluctuation in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit making existed.

Available-for-sale

The securities which are not held for trading and held-to-maturity are classified as available-for-sale (AFS).

The Bank designates the classification of securities at the time of acquisition.

All purchase and sale of investments that require delivery with in the time frame established by regulation or market convention are recognized at the trade date, which is the date the bank commits to purchase or sell the investments.

Trading securities are initially recognized at fair value which also includes the transaction cost associated with the investment and are subsequently carried at their market values and related realized and unrealized gains and losses are included in trading revenues.

AFS securities are initially recognized at fair value which also includes the transaction cost associated with the investment and are subsequently valued at market rates and the resulting surplus / (deficit) is taken to "Surplus / (Deficit) on Revaluation of Securities" account and is shown below the head office equity in the statement of financial position.

The market values of securities are determined by reference to ready quotes as available on Reuters Page (PKRV) or Stock Exchange.

6.6 Repurchase agreements

The Bank enters into purchase / (sale) of investments under agreements to resell / (repurchase) investments at a certain date in the future at a fixed price. Investments purchased subject to commitment to resell them at the future dates are not recognized. The amounts paid are recognized in lendings to financial institutions. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the statement of financial position and are measured in accordance with the accounting policy for investments. The proceeds from the sale of the investments are reported in borrowings from financial institutions.

The difference between the purchase / (sale) and resale / (repurchase) consideration is recognized on a time proportion basis over the period of the transaction and is included in mark-up / return / interest earned or expensed.

6.7 Operating fixed assets

Owned

Operating fixed assets other than capital work-in-progress, are stated at cost less accumulated depreciation and impairment losses (if any). Capital work-in-progress is stated at cost.

Subsequent costs are included in the assets carrying amounts or are recognized 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 maintenances are charged to profit and loss account.

Depreciation on fixed assets is charged to income applying the straight-line method from the date the assets are available for use. Gain or loss on disposal is taken to income currently.

6.8 Revenue recognition

Mark-up income and expenses are recognized on a time proportion basis taking into account effective yield on the instrument, except in case of advances classified under the Prudential Regulations issued by SBP on which mark-up is recognized on receipt basis. Commission on letters of credit is recognized on receipt basis, whereas guarantee commission is recorded on accrual basis.

6.9 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re measured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value is taken to the profit and loss account.

6.10 Foreign currencies

Foreign currency transactions are translated into rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the statement of financial position date. Outstanding forward foreign exchange contracts are valued at the forward rates applicable to their respective maturities. Commitments for outstanding forward foreign exchange contracts are disclosed in financial statements at contracted rates with the fair value adjustment disclosed in other assets / other liabilities, as the case may be.

Contingent liabilities / commitments for letter of credit and letter of guarantee denominated in foreign currencies are expressed in Rupee terms at the exchange rates prevailing at the statement of financial position date.

Exchange gains and losses are included in income, except for exchange gain / loss on foreign currency capital account, which is recognized as the appreciation / diminution of the Head Office capital account.

6.11 Impairment

The carrying amount of assets other than deferred tax assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

6.12 Off-setting

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to offset the recognized amount and the Bank intends either to settle on a net basis, or to realize 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.

6.13 Provisions

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

7. CASH AND BALANCES WITH TREASURY BANKS

	Note	2013	2012
		(Rupees in '000)	
In hand:			
Local currency		**39,349**	53,885
Foreign currency		**33,697**	44,586
With State Bank of Pakistan in:			
Local currency current account	*7.1*	**1,069,459**	1,090,951
Foreign currency deposit account			
Cash reserve account	*7.2*	**98,584**	79,177
Special cash reserve account	*7.3*	**294,382**	237,045
Local US Dollar collection account	*7.4*	**8,057**	9,261
Foreign currency capital account	*19*	**4,649,699**	4,115,584
With National Bank of Pakistan in:			
Local currency current account		**-**	-
		6,193,227	5,630,489

7.1 This represents current account maintained with SBP under the requirements of section 22 (Cash Reserve Requirement) of the Banking Companies Ordinance, 1962.

7.2 This represents statutory cash reserve (at nil return) in the current account maintained with SBP under the requirements of SBP.

7.3 This represents statutory cash reserve maintained against foreign currency deposits mobilized under FE 25 Circular issued by the SBP at Nil return (2012: Nil).

7.4 This represents US Dollar settlement account opened with the SBP in accordance with FE Circular No. 2 and is at Nil return (2012: Nil).

8. BALANCES WITH OTHER BANKS

	Note	2013	2012
In Pakistan			
Current account		**170,067**	141,580
Outside Pakistan			
Current account			
- Inter branch		**37,982**	31,362
- Others	*8.1*	**244**	1,885,971
		208,293	2,058,913

8.1 This includes balance with a subsidiary of Deutsche Bank, AG. 2013 Nil (2012: Rs. 1,884 million).

9. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2013	2012
Repurchase agreement lendings (Reverse Repo)	*9.1*	**9,757,121**	7,414,392

9.1 Reverse repo transactions have been made with various commercial banks at rates ranging from 9.15% to 10.50% (2012: 6.50% to 9.25%) and mature within a month. The market value of these securities at 31 December 2013 amounted to Rs. 9,889 million (2012: Rs. 7,498 million).

9.2 Particulars of Lendings

	2013	2012
In local currency	**9,757,121**	7,414,392

9.3 Securities held as collateral against lendings to financial institutions

	2013			2012		
	Held by Bank	**Further given as collateral**	**Total**	Held by Bank	Further given as collateral	Total
	--------	--------	--------	**(Rupees in '000)**	--------	--------
Market Treasury Bills	**9,757,121**	**-**	**9,757,121**	7,414,392	-	7,414,392

10. INVESTMENTS

	Note	2013			2012		
		Held by Bank	**Given as collateral**	**Total**	Held by Bank	Given as collateral	Total
		--------	--------	--------	**(Rupees in '000)**	--------	--------
10.1 Investments by type							
Available-for-sale securities							
Market Treasury Bills	*10.3*	**5,431,452**	**-**	**5,431,452**	7,251,080	-	7,251,080
Pakistan Investment Bonds	*10.4*	**-**	**-**	**-**	510,927	-	510,927
Investments at cost		**5,431,452**	**-**	**5,431,452**	7,762,007	-	7,762,007
Deficit on revaluation of available-for-sale securities	*20*	**(2,734)**	**-**	**(2,734)**	(14,703)	-	(14,703)
Total investments at market value	*10.2*	**5,428,718**	**-**	**5,428,718**	7,747,304	-	7,747,304

10.2 Investments by segment

	2013	2012
	(Rupees in '000)	
Federal Government securities		
Market Treasury Bills	**5,431,452**	7,251,080
Pakistan Investment Bonds	**-**	510,927
Total investments	**5,431,452**	7,762,007
Deficit on revaluation of available-for-sale securities	**(2,734)**	(14,703)
Total investments at market value	**5,428,718**	7,747,304

10.3 The Market Treasury Bills carry a rate ranging from 9.39% p.a to 10.40% p.a (2012: 9.11% to 9.61% p.a) and having maturity within one month to one year.

10.4 The Pakistan Investment Bonds held in 2012 carried rates in the range of 10.15% to 11.02% .

11. ADVANCES

	Note	**2013**	2012
Loans, cash credits, running finances, etc. - in Pakistan		**3,852,123**	3,180,915
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		**739,929**	1,122,657
Payable outside Pakistan		**65,626**	65,626
		805,555	1,188,283
Advances - gross		**4,657,678**	4,369,198
Provision for non-performing advances	*11.3*	**(392,343)**	(389,684)
Advances - net of provision		**4,265,335**	3,979,514

11.1 Particulars of advances - gross

	2013	2012
	(Rupees in '000)	
In local currency	**4,592,052**	4,303,572
In foreign currencies	**65,626**	65,626
	4,657,678	4,369,198
Short term (for up to one year)	**4,426,985**	4,144,545
Long term (for over one year)	**230,693**	224,653
	4,657,678	4,369,198

11.2 Advances include Rs. 357.570 million (2012: Rs. 357.570 million) which have been placed under non-performing status as detailed below:

	2013			2012		
	Classified advances domestic	**Provision required**	**Provision held**	Classified advances domestic	Provision required	Provision held
	---------- (Rupees in '000) ----------					
Category of Classification						
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	**357,570**	**357,570**	**357,570**	357,570	357,570	357,570
	357,570	**357,570**	**357,570**	357,570	357,570	357,570

11.3 Particulars of provision against non-performing advances - in local currency

	2013			2012		
	Specific	**General**	**Total**	Specific	General	Total
	---------- (Rupees in '000) ----------					
Opening balance	**357,570**	**32,114**	**389,684**	376,923	23,242	400,165
Charge for the year	**-**	**2,659**	**2,659**	-	8,872	8,872
Reversals / recoveries	**-**	**-**	**-**	(19,353)	-	(19,353)
	-	**2,659**	**2,659**	(19,353)	8,872	(10,481)
Closing balance	**357,570**	**34,773**	**392,343**	357,570	32,114	389,684

11.4 General provision represents amount recognized in line with the instructions received from the head office.

11.5 Particulars of loans and advances to executives and officers

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

	2013	2012
	(Rupees in '000)	
Balance at beginning of year	**225,796**	251,392
Loans granted during the year	**74,765**	32,925
Repayments	**(64,613)**	(58,521)
Balance at end of year	**235,948**	225,796

11.5.1 This represents loans given by the Bank to its executives and officers as per the terms of their employment.

12. OPERATING FIXED ASSETS

Capital work-in-progress	*12.1*	**-**	70,116
Property and equipment	*12.2*	**314,108**	281,839
		314,108	351,955

12.1 Capital work-in-progress

Civil works	**-**	38,032
Advance to suppliers and contractors	**-**	22,972
Advance against purchase of vehicle	**-**	8,608
Consultancy fee and other charges	**-**	504
	-	70,116

12.2 Property and equipments

2013

	COST				**DEPRECIATION**					
	Balance at 1 January 2013	**Additions**	**Disposal**	**Balance at 31 December 2013**	**Balance at 1 January 2013**	**Charge for the year**	**Disposal**	**Balance at 31 December 2013**	**Book value at 31 December 2013**	**Rate of depreciation %**
	(Rupees in '000)									
Owned										
Improvements on lease hold buildings	212,326	56,420	(61)	268,685	35,633	25,889	(58)	61,464	207,221	*10-20*
Furniture and fixtures	15,457	749	(3,769)	12,437	7,910	2,111	(3,517)	6,504	5,933	*10-33*
Electrical, office and computer equipments	112,434	19,255	(7,042)	124,647	70,165	16,576	(7,010)	79,731	44,916	*20-50*
Vehicles	96,821	25,837	(23,893)	98,765	41,491	19,401	(18,165)	42,727	56,038	*20*
	437,038	**102,261**	**(34,765)**	**504,534**	**155,199**	**63,977**	**(28,750)**	**190,426**	**314,108**	

2012

	COST				DEPRECIATION					
	Balance at 1 January 2012	Additions	Disposal	Balance at 31 December 2012	Balance at 1 January 2012	Charge for the year	Disposal	Balance at 31 December 2012	Book value at 31 December 2012	Rate of depreciation %
	(Rupees in '000)									
Owned										
Improvements on lease hold buildings	52,960	166,890	(7,524)	212,326	33,749	7,243	(5,359)	35,633	176,693	*10-20*
Furniture and fixtures	10,926	6,578	(2,047)	15,457	8,674	1,198	(1,962)	7,910	7,547	*10-33*
Electrical, office and computer equipments	90,138	34,476	(12,180)	112,434	70,775	11,536	(12,146)	70,165	42,269	*20-50*
Vehicles	80,629	24,884	(8,692)	96,821	28,028	18,005	(4,542)	41,491	55,330	*20*
	234,653	**232,828**	**(30,443)**	**437,038**	**141,226**	**37,982**	**(24,009)**	**155,199**	**281,839**	

12.3 Included in cost of property and equipment are fully depreciated items, still in use, having cost of Rs. 68.680 million (2012: Rs.65.180 million).

12.4 Disposal include items having cost of Rs. 0.311 million (2012: Rs. 12.352 million) which have been written off during the year.

12.5 Details of disposal of assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 whichever is less and assets disposed to the Chief Country Officer or to other executives or to any related party, irrespective of the value, are given below:

Description	Cost	Book value	Sale proceeds	Mode of disposal	Purchaser	Particulars / address
	---------(Rupees in '000)---------					
Destop,Keyboard,Mouse	56	-	6	Bank Policy	Faryad Hussain	Employee
Destop,Keyboard,Mouse	56	-	6	Bank Policy	Khurram Ahmed	Employee
Laptop,Keyboard,Mouse,TFT	94	-	9	Bank Policy	Ashfaq Ahmed	Employee
Laptop,Keyboard,Mouse,TFT	5	-	-	Bank Policy	Ashfaq Ahmed	Employee
Laptop,Keyboard,Mouse,TFT	9	-	1	Bank Policy	Ashfaq Ahmed	Employee
Laptop,Keyboard,Mouse,TFT	3	-	1	Bank Policy	Ashfaq Ahmed	Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Ashfaq Ahmed	Employee
Laptop,Keyboard,Mouse,TFT	2	-	-	Bank Policy	Ashfaq Ahmed	Employee
Destop,Keyboard,Mouse	21	-	2	Bank Policy	Muhammad Aslam	Employee
Destop,Keyboard,Mouse	56	-	6	Bank Policy	Muhammad Aslam	Employee
Destop,Keyboard,Mouse	56	-	6	Bank Policy	Muhammad Ziauddin	Employee
Destop,Keyboard,Mouse	56	-	6	Bank Policy	Kashif Ikram	Employee
Laptop,Keyboard,Mouse,TFT	21	-	2	Bank Policy	Naveed Asghar	Employee
Laptop,Keyboard,Mouse,TFT	94	-	9	Bank Policy	Naveed Asghar	Employee
Laptop,Keyboard,Mouse,TFT	5	-	-	Bank Policy	Naveed Asghar	Employee
Laptop,Keyboard,Mouse,TFT	9	-	1	Bank Policy	Naveed Asghar	Employee
Laptop,Keyboard,Mouse,TFT	3	-	1	Bank Policy	Naveed Asghar	Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Naveed Asghar	Employee
Laptop,Keyboard,Mouse,TFT	2	-	-	Bank Policy	Naveed Asghar	Employee
LCD Monitor	15	-	1	Bank Policy	Sahir Ali	Ex-Employee
Destop,Keyboard,Mouse	56	-	6	Bank Policy	Iftikhar Alam	Employee
Destop,Keyboard,Mouse	19	-	2	Bank Policy	Iftikhar Alam	Employee
Destop,Keyboard,Mouse	56	-	6	Bank Policy	Taimur Chisty	Employee
Destop,Keyboard,Mouse	21	-	6	Bank Policy	Shahid Ghaffar	Employee
Destop,Keyboard,Mouse	56	-	2	Bank Policy	Shahid Ghaffar	Employee
Laptop,Keyboard,Mouse,TFT	94	-	9	Bank Policy	Mahmood Qureshi	Employee
Laptop,Keyboard,Mouse,TFT	5	-	1	Bank Policy	Mahmood Qureshi	Employee
Laptop,Keyboard,Mouse,TFT	9	-	1	Bank Policy	Mahmood Qureshi	Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Mahmood Qureshi	Employee

Description	Cost	Book value	Sale proceeds	Mode of disposal	Purchaser	Particulars / address
	---------(Rupees in '000)---------					
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Mahmood Qureshi	Employee
Laptop,Keyboard,Mouse,TFT	2	-	-	Bank Policy	Mahmood Qureshi	Employee
Laptop,Keyboard,Mouse,TFT	21	-	2	Bank Policy	Fahim Ahmed	Employee
Destop,Keyboard,Mouse	56	-	6	Bank Policy	Karim Saghir Ali	Employee
Destop,Keyboard,Mouse	56	-	6	Bank Policy	Rizwan Baig	Employee
Laptop,Keyboard,Mouse,TFT	21	-	2	Bank Policy	Hussain Dada	Employee
Laptop,Keyboard,Mouse,TFT	94	-	10	Bank Policy	Hussain Dada	Employee
Laptop,Keyboard,Mouse,TFT	5	-	-	Bank Policy	Hussain Dada	Employee
Laptop,Keyboard,Mouse,TFT	9	-	1	Bank Policy	Hussain Dada	Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Hussain Dada	Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Hussain Dada	Employee
Laptop,Keyboard,Mouse,TFT	2	-	-	Bank Policy	Hussain Dada	Employee
Laptop,Keyboard,Mouse,TFT	147	-	15	Bank Policy	Fahim Ahmed	Employee
Laptop,Keyboard,Mouse,TFT	7	-	1	Bank Policy	Fahim Ahmed	Employee
Laptop,Keyboard,Mouse,TFT	17	-	2	Bank Policy	Fahim Ahmed	Employee
Laptop,Keyboard,Mouse,TFT	5	-	1	Bank Policy	Fahim Ahmed	Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Fahim Ahmed	Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Fahim Ahmed	Employee
Laptop,Keyboard,Mouse,TFT	2	-	-	Bank Policy	Fahim Ahmed	Employee
Laptop,Keyboard,Mouse,TFT	93	-	9	Bank Policy	Sahir Ali	Ex-Employee
Laptop,Keyboard,Mouse,TFT	9	-	1	Bank Policy	Sahir Ali	Ex-Employee
Laptop,Keyboard,Mouse,TFT	5	-	1	Bank Policy	Sahir Ali	Ex-Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Sahir Ali	Ex-Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Sahir Ali	Ex-Employee
Laptop,Keyboard,Mouse,TFT	2	-	-	Bank Policy	Sahir Ali	Ex-Employee
Laptop,Keyboard,Mouse,TFT	22	-	2	Bank Policy	Ayaz Sheikh	Employee
Laptop,Keyboard,Mouse,TFT	22	-	2	Bank Policy	Sajjad Khan	Employee
Laptop,Keyboard,Mouse,TFT	105	-	11	Bank Policy	Sajjad Khan	Employee
Laptop,Keyboard,Mouse,TFT	6	-	1	Bank Policy	Sajjad Khan	Employee
Laptop,Keyboard,Mouse,TFT	13	-	1	Bank Policy	Sajjad Khan	Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Sajjad Khan	Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Sajjad Khan	Employee

Description	Cost	Book value	Sale proceeds	Mode of disposal	Purchaser	Particulars / address
	---------(Rupees in '000)---------					
Laptop,Keyboard,Mouse,TFT	2	-	-	Bank Policy	Sajjad Khan	Employee
Destop,Keyboard,Mouse	62	-	6	Bank Policy	Tahir Shah	Employee
Laptop,Keyboard,Mouse,TFT	105	-	11	Bank Policy	Javed Alim	Employee
Laptop,Keyboard,Mouse,TFT	6	-	1	Bank Policy	Javed Alim	Employee
Laptop,Keyboard,Mouse,TFT	13	-	1	Bank Policy	Javed Alim	Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Javed Alim	Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Javed Alim	Employee
Laptop,Keyboard,Mouse,TFT	2	-	-	Bank Policy	Javed Alim	Employee
Laptop,Keyboard,Mouse,TFT	154	-	15	Bank Policy	Ayaz Sheikh	Employee
Laptop,Keyboard,Mouse,TFT	6	-	-	Bank Policy	Ayaz Sheikh	Employee
Laptop,Keyboard,Mouse,TFT	21	-	-	Bank Policy	Ayaz Sheikh	Employee
Laptop,Keyboard,Mouse,TFT	3	-	-	Bank Policy	Ayaz Sheikh	Employee
Laptop,Keyboard,Mouse,TFT	3	-	1	Bank Policy	Ayaz Sheikh	Employee
Laptop,Keyboard,Mouse,TFT	2	-	2	Bank Policy	Ayaz Sheikh	Employee
Laptop,Keyboard,Mouse,TFT	11	-	1	Bank Policy	Ayaz Sheikh	Employee
Honda Civic	1,219	41	488	Bank Policy	Iftikhar Alam	Employee
Toyota Corolla	1,088	36	435	Bank Policy	Waseem Iqbal	Employee
Honda Accord	3,616	362	1,446	Bank Policy	Faisal Zahid	Employee
Honda Civic	1,725	173	690	Bank Policy	Shahzad Ajmery	Employee
Honda Civic	1,775	237	710	Bank Policy	Ayaz Sheikh	Employee
Honda Civic	1,829	335	732	Bank Policy	Wajahat Kazmi	Employee
Honda Civic	1,829	305	732	Bank Policy	Abbas Haider	Employee
Honda Accord	4,716	786	1,886	Bank Policy	Raheel Ahmed	Employee
Honda Civic	1,829	335	732	Bank Policy	Sajjad Khan	Employee
Honda Civic	1,935	903	1,045	Bank Policy	Sahir Ali	Ex-Employee
Honda Civic	2,332	2,215	2,285	Bank Policy	Usman Siddique	Ex-Employee
	25,925	5,728	11,383			

13. DEFERRED TAX ASSETS

The following are deferred tax assets / (liabilities) recognized and movement thereon:

	2013			
	Opening balance	**(Charge) / reversal to profit and loss account**	**Debit / (credit) to other comprehensive income**	**Closing balance**
	------------------------ (Rupees in '000) ----------------------			
Deficit on revaluation of Government securities	**5,145**	**-**	**(4,188)**	**957**
Actuarial gains and losses	**20,420**	**-**	**(4,317)**	**16,103**
Provision for advances and off balance sheet obligation	**90,538**	**(2,373)**	**-**	**88,165**
Difference between accounting book value of operating fixed assets and its tax base	**(41,832)**	**8,565**	**-**	**(33,267)**
Others	**-**	**2,534**	**-**	**2,534**
	74,271	**8,726**	**(8,505)**	**74,492**

	2012			
	Opening balance	(Charge) / reversal to profit and loss account	Debit / (credit) to other comprehensive income	Closing balance
	------------------------ (Rupees in '000) ----------------------			
Deficit on revaluation of Government securities	6,212	-	(1,067)	5,145
Actuarial gains and losses	13,224	-	7,196	20,420
Provision for advances and off balance sheet obligation	117,186	(26,648)	-	90,538
Difference between accounting book value of operating fixed assets and its tax base	(5,947)	(35,885)	-	(41,832)
Others	-	-	-	-
	130,675	(62,533)	6,129	74,271

14. OTHER ASSETS

		2013	2012
		(Rupees in '000)	
Income / mark-up accrued in local currency		**117,089**	215,213
Income / mark-up accrued in foreign currency		**25,993**	14,935
Advances, deposits, advance rent and other prepayments		**169,157**	233,595
Advance taxation (payments less provisions)		**778,854**	785,195
Branch adjustment account		**-**	-
Unrealized gain on forward foreign exchange contracts	*14.1*	**375,915**	9,174
Unrealized gain on interest rate swaps	*14.2*	**98,737**	437,850
Others		**2,291**	1,093
		1,568,036	1,697,055
Less: Provision held against other assets	*14.3*	**(5,329)**	(5,329)
Other assets (net of provision)		**1,562,707**	1,691,726

14.1 Unrealized gain on forward foreign exchange contracts value is net of general counterparties specific reserves of Rs. Nil (2012: Rs.0.108 million) in accordance with the head office instructions.

14.2 Unrealized gain on interest rate swaps value is net of general counterparties specific reserves of Rs. 4.403 million (2012: Rs. 13.788 million) in accordance with the head office instructions.

14.3 Provision against other assets

	2013	2012
	(Rupees in '000)	
Opening balance	**5,329**	12,340
Charge for the year	**-**	-
Reversals	**-**	(7,011)
	-	(7,011)
Closing balance	**5,329**	5,329

15. BILLS PAYABLE

In Pakistan	**324,717**	297,362

16. BORROWINGS FROM FINANCIAL INSTITUTIONS

In Pakistan	**447,215**	317,544
Outside Pakistan	**3,557,434**	339
	4,004,649	317,883

16.1 Particulars of borrowings with respect to currencies

In local currency	**447,215**	317,544
In foreign currencies	**3,557,434**	339
	4,004,649	317,883

16.2 Details of borrowings secured / unsecured

Secured			
Borrowings from the State Bank of Pakistan under export refinance scheme	*16.2.1*	**430,000**	300,000
Unsecured			
Call Borrowing	*16.2.2*	**-**	-
Overdrawn nostro accounts - Interbranch and a subsidiary of Deutsche Bank, AG		**3,557,179**	339
Others	*16.2.3*	**17,470**	17,544
		3,574,649	17,883
		4,004,649	317,883

16.2.1 These borrowings carry mark-up at rate of 8.40% p.a (2012: 8.50% p.a) and are secured against promissory notes, undertakings in favour of the Bank and export documents. The mark-up is payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.

16.2.2 This borrowing carry interest rate Nil (2012: Nil).

16.2.3 This is overnight borrowing from commercial banks.

17. DEPOSITS AND OTHER ACCOUNTS

	Note	2013	2012
		(Rupees in '000)	
Customers			
Fixed deposits		**6,025,995**	9,996,437
Savings deposits		**6,644,414**	4,975,232
Current accounts - non-remunerative		**3,149,758**	3,351,476
Others		**20,777**	22,862
		15,840,944	18,346,007
Financial institutions			
Non-remunerative deposits			
- interbranch		**7,939**	7,997
- others		**248**	229
		8,187	8,226
		15,849,131	18,354,233

17.1 Particulars of deposits

		2013	2012
In local currency		**14,881,954**	17,479,356
In foreign currencies		**967,177**	874,877
		15,849,131	18,354,233

18. OTHER LIABILITIES

	Note	2013	2012
Mark-up / return / interest payable in local currency		**98,927**	101,793
Mark-up / return / interest payable in foreign currency		**13**	22
Unearned commission and income on bills discounted		**19,600**	13,782
Accrued expenses		**137,090**	136,895
Unrealized loss on forward foreign exchange contracts		**486,928**	523
Unrealized loss on interest rate and cross currency swaps		**64,107**	1,966,533
Amount due to head office and branches		**22,881**	16,686
Unremitted head office expenses		**1,164,309**	1,459,054
Payable to defined benefit plan	*32.6*	**42,976**	50,672
Provision against off-balance sheet obligations - general	*18.1*	**26,210**	21,519
Workers Welfare Fund payable		**119,163**	109,157
Others		**156,691**	140,986
		2,338,895	4,017,622

18.1 Provision against off-balance sheet obligations

		2013	2012
Opening balance		**21,519**	43,485
Charge / (Reversal) for the year		**4,691**	(21,966)
Closing balance		**26,210**	21,519

19. HEAD OFFICE CAPITAL ACCOUNT

Capital held as interest free deposit in approved foreign exchange.

		2013	2012
i) Remitted from head office Euro 32,048,165 (2012: Euro 32,048,165)		**4,115,584**	3,724,146
ii) Revaluation advised by the State Bank of Pakistan during the year		**534,115**	391,438
		4,649,699	4,115,584

20. DEFICIT ON REVALUATION OF ASSETS - NET OF TAX

	2013	2012
	(Rupees in '000)	
Federal Government securities	**(2,734)**	(14,703)
Related deferred tax	**957**	5,146
	(1,777)	(9,557)

21. CONTINGENCIES AND COMMITMENTS

21.1 Transaction-related contingent liabilities

Contingent liability in respect of performance bonds, bid bonds, shipping guarantees, etc. favouring:

	2013	2012
i) Government	**17,437,315**	13,045,354
ii) Banking companies and other financial institutions	**105,829**	28,287
iii) Others	**533,628**	14,440,758

21.2 Trade-related contingent liabilities

	2013	2012
Acceptances	**831,006**	1,202,680
Letters of credit	**1,901,338**	2,152,774

21.3 Commitments in respect of forward lending

	2013	2012
Forward repurchase agreement lending (Reverse repo)	**9,757,121**	7,414,392
Commitments to extend credit	**15,727,446**	14,923,919

21.4 Commitments in respect of forward exchange contracts

	2013	2012
Purchase:		
- from the State Bank of Pakistan	**2,714,375**	-
- from others	**19,574,640**	4,431,160
Sale:		
- to the State Bank of Pakistan	**-**	-
- to others	**18,102,073**	2,657,025

The maturities of above contracts are spread over a period of one year.

	2013	2012
21.5 Cheques in clearing	**5,500,250**	3,395,601
21.6 Capital expenditures commitments	**-**	-

21.7 Other contingencies

21.7.1 Appeals for various assessment years are pending before Income Tax Appellate Authorities contesting additional demands of Rs. 306 million (2012: Rs. 344 million). The Bank is vigorously contesting its appeals and is confident that no additional liability would arise.

21.8 Other commitments

	2013	2012
Cross currency swaps - notional amounts	**-**	4,019,695
Interest rate swaps - notional amounts	**4,059,082**	11,122,757

22. DERIVATIVE INSTRUMENTS

Our management board and risk executive committee, supported by market risk management, which is part of our independent risk and capital management function, set a group-wide value-at-risk limit for the market risks in the trading book. Market risk management sub-allocates this overall limit to our business segments below that, limits are allocated to specific business lines and trading portfolio groups and geographical regions.

We use the combination of risk sensitivities, value-at-risk, stress testing and economic capital matrix to manage market risks and establish limits. Economic capital is the metric we use to describe and aggregate all our market risk, both in trading and non-trading portfolios. Value-at-risk is a common metric we use in the management of our trading market risks.

A committee chaired by market risk management and with participation from market risk operations and finance meets on a quarterly basis to discuss back-testing results of our group as a whole and of individual businesses. The committee analyses performance fluctuations and assesses the predictive power of our value-at-risk model, which in turn allows us to improve the estimation process.

The Bank is providing solutions to this conundrum through derivatives. Through this, counterparties hedge exposure to adverse price movements in a security, typically when the counterparty has a concentrated position in the security and is acutely exposed to movements in the underlying risk factors. The bank is in a better position to hedge that risk, and is thus able to provide cost efficient hedging solutions to the counterparties enabling them to concentrate on their business risk.

Other objectives include:

- contribution to the development of Pakistani financial markets.
- provision of financial solutions to the counterparties.

We use the combination of risk sensitivities, value-at-risk, stress testing and economic capital matrix to manage market risks and establish limits. Economic capital is the metric we use to describe and aggregate all our market risk, both in trading and non-trading portfolios. Value-at-risk is a common metric we use in the management of our trading market risks.

22.1 Product analysis

	2013					
	Interest rate swaps		**Cross currency swaps**		**FX Options**	
Counterparties	**Number of contracts**	**Notional principal (Rupees in '000)**	**Number of contracts**	**Notional principal (Rupees in '000)**	**Number of contracts**	**Notional principal (Rupees in '000)**
With Banks for						
- Hedging	2	1,973,677	-	-	-	-
- Market Making	2	2,085,405	-	-	-	-
With other entities for						
- Hedging	-	-	-	-	-	-
- Market Making	-	-	-	-	-	-
Total						
- Hedging	2	1,973,677	-	-	-	-
- Market Making	2	2,085,405	-	-	-	-
	4	**4,059,082**	-	-	-	-

	2012					
	Interest rate swaps		Cross currency swaps		FX Options	
Counterparties	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)
With Banks for						
- Hedging	4	8,970,123	-	-	-	-
- Market Making	2	2,152,634	2	1,281,523	-	-
With other entities for						
- Hedging	-	-	-	-	-	-
- Market Making	-	-	3	2,738,173	-	-
Total						
- Hedging	4	8,970,123	-	-	-	-
- Market Making	2	2,152,634	5	4,019,696	-	-
	6	11,122,757	5	4,019,696	-	-

22.2 Maturity analysis

Interest rate swaps and cross currency swaps

	2013				
Remaining Maturity	**Number of contracts**	**Notional principal**	**Mark to Market**		
			Negative	**Positive**	**Net**
		---------------------------- **(Rupees in '000)**	----------------------------		
Interest Rate SWAP					
Upto 1 month	**1**	**737,272**	**(18,687)**	**-**	**(18,687)**
3 to 5 years	**1**	**849,000**	**-**	**55,249**	**55,249**
5 to 10 years	**2**	**2,472,810**	**(45,420)**	**47,891**	**2,471**
					-
Cross Currency SWAP					
3 to 6 months		**-**	**-**	**-**	**-**
6 months to 1 year		**-**	**-**	**-**	**-**
Less: reserves				**(4,403)**	**(4,403)**
	4	**4,059,082**	**(64,107)**	**98,737**	**34,630**

At the exchange rate prevailing at the end of the reporting period Rs. 105.3246 per $ 1

	2012				
Remaining Maturity	No. of contracts	Notional principal	Mark to Market		
			Negative	Positive	Net
		---------------------------- (Rupees in '000)	----------------------------		
Interest Rate SWAP					
6 months to 1 year	2	7,074,441	(3,279)	276,711	273,432
1 to 2 years	1	680,048	(49,999)	-	(49,999)
3 to 5 years		-	-	-	-
5 to 10 years	3	3,368,268	(77,879)	174,917	97,038
Cross Currency SWAP					
3 to 6 months	1	170,799	-	8	8
6 months to 1 year	4	3,848,896	(1,835,371)	-	(1,835,371)
6 months to I year					
Less: reserves		-	-	(13,788)	(13,788)
	11	15,142,452	(1,966,528)	437,848	(1,528,680)

At the exchange rate prevailing at the end of the reporting period Rs. 97.1417 per $ 1

23. MARK-UP / RETURN / INTEREST EARNED

	2013	2012
	(Rupees in '000)	
On loans and advances to:		
- Customers	**430,429**	475,164
On investments in available-for-sale securities	**549,344**	764,096
On deposits with financial institutions	**69**	32
On securities purchased under resale agreements	**664,878**	730,413
Others	**21**	66
	1,644,741	1,969,771

24. MARK-UP / RETURN / INTEREST EXPENSED

	Note	2013	2012
		(Rupees in '000)	
Deposits		**660,886**	817,764
Securities sold under repurchase agreements		**23,570**	5,979
Other short term borrowings		**34,868**	44,497
Others		**31**	57
		719,355	868,297

25. INCOME FROM DEALING IN FOREIGN CURRENCIES AND DERIVATIVES

Exchange income from dealing in foreign currencies - net	**596,133**	282,983
Loss on derivatives - net	**(268,782)**	(1,977)
	327,351	281,006

26. OTHER INCOME

Profit / (Loss) on sale of property and equipment	**6,613**	(94)
Others	**5,824**	705
	12,437	611

27. ADMINISTRATIVE EXPENSES

Salaries, allowances, etc.		**392,428**	390,236
Voluntary separation scheme		**-**	(447)
Charge for defined benefit plan	*32.7*	**22,220**	18,157
Contribution to defined contribution plan		**22,451**	21,285
Worker's Welfare Fund		**10,006**	11,239
Head office expenses	*27.2*	**437,784**	515,322
Rent, taxes, insurance, electricity, etc.		**92,893**	77,709
Legal and professional charges		**10,363**	9,633
Communications		**19,146**	16,620
Repairs and maintenance		**12,611**	13,445
Stationery and printing		**11,823**	11,850
Advertisement and publicity		**346**	2,295
Donations		**-**	-
Auditors' remuneration	*27.3*	**3,230**	3,373
Depreciation	*12.2*	**63,977**	37,982
Others		**44,800**	42,181
		1,144,078	1,170,880

27.1 The Bank operates an employee performance bonus and global share scheme for all of its employees. In addition a restricted cash award scheme (share based incentives) is also offered to selected executives. The aggregate amount determined by the group for the eligible employees in respect of the above schemes relating to all Executives of the Pakistan branches amounted to Rs. 84.503 million, Rs. 0.698 and Rs. 33.078 million (2012: Rs. 83.927 million, 0.794 million and Rs.36.323 million) respectively.

27.2	**Head office expenses**	**2013**	2012
		(Rupees in '000)	
	SAP expenses	**1,775**	1,060
	MLC charges	**57,463**	51,834
	Ben / Acorn charges	**288,684**	374,987
	Head office expenses	**39,831**	57,698
	German Bank levy and contribution to deposit protection fund	**269**	854
	Risk participation fee	**3,208**	3,877
	Global HR product	**764**	3,086
	DB Singapore charges	**52,729**	30,228
		444,723	523,624
	Less: Other income	**(6,939)**	(8,302)
		437,784	515,322

27.3 Auditors' remuneration

Audit fee	**1,985**	1,985
Special certifications and sundry advisory services	**1,245**	1,388
	3,230	3,373

28. OTHER CHARGES

Penalties imposed by the State Bank of Pakistan	**165**	7,621
Others	**-**	-
	165	7,621

29. TAXATION

For the year		
Current	**181,240**	137,353
Prior year	**-**	-
	181,240	137,353
Deferred		
Current	**(8,726)**	62,533
Prior year	**-**	-
	(8,726)	62,533
	172,514	199,886

29.1 Relationship between tax expense and accounting profit

Profit before tax	**490,277**	550,713
Tax calculated at the rate of 35% (2012: 35%)	**171,597**	192,749
Effect of :		
- permanent differences	**58**	7,621
- Others	**859**	(484)
Tax charge for the year	**172,514**	199,886

30. CASH AND CASH EQUIVALENTS

	2013	2012
	(Rupees in '000)	
Cash and balance with treasury banks	**6,193,227**	5,630,489
Balances with other banks	**208,293**	2,058,913
	6,401,520	7,689,402

31. STAFF STRENGTH

	2013	2012
	(In number)	
Permanent	**77**	79
Outsourced	**32**	33
Total staff strength	**109**	112

32. DEFINED BENEFIT PLAN

32.1 General description

All permanent employees of the Bank are eligible for pension under the pension fund scheme on completing 10 years of service with the Bank. The benefit under the scheme comprises of 1.5 percent of monthly basic salary (during the last completed year of service) for each year of service, subject to a maximum of 30 years of service.

32.2 Principal actuarial assumptions

The actuarial valuation of the defined benefit plan was carried on 31 December 2013. Projected Unit Credit Method is used for the calculation and the key assumptions used for actuarial valuation were as follows:

	2013	2012
Discount rate	**11.00% p.a.**	11.00% p.a.
Expected rate of increase in salary in future years	**13.30% p.a.**	11.00% p.a.
Expected rate of return on plan assets	**11.00% p.a.**	12.60% p.a.
Withdrawal rate before normal retirement age	**"Moderate"**	"Moderate"
Expected annual rate of increase in monthly pensions	**7.00% p.a.**	6.80% p.a.

32.3 Reconciliation of payable to defined benefit plan

		2013	2012
		(Rupees in '000)	
Present value of defined benefit obligations	*32.4*	**430,322**	399,985
Fair value of plan assets	*32.5*	**(387,346)**	(349,313)
	32.6	**42,976**	50,672

32.4 Movement in present value of defined benefit plan

	2013	2012
Opening balance	**399,985**	347,712
Current service cost	**17,186**	15,138
Interest cost	**44,169**	43,600
Actuarial Loss / (gain) on defined benefit obligation	**(18,727)**	4,799
Benefits paid during the year	**(12,291)**	(11,264)
Closing balance	**430,322**	399,985

32.5 Movement in fair value of plan assets

	Note	2013	2012
		(Rupees in '000)	
Opening balance		**349,313**	319,092
Expected return on plan assets		**38,746**	40,215
Contribution made		**17,972**	17,032
Benefits paid by the fund		**(12,291)**	(11,264)
Loss on plan assets		**(6,394)**	(15,762)
Closing balance	*32.5.1*	**387,346**	349,313

32.5.1 Plan assets consist of the following:

	2013	2012
Pakistan Investment Bonds (including accrued interest)	**104,123**	105,261
Market Treasury Bills (including accrued interest)	**281,616**	242,378
Balances with banks	**1,607**	1,674
	387,346	349,313

32.6 Movement in payable to defined benefit plan

	2013	2012
Opening balance	**50,672**	28,620
Charge for the year	**22,220**	18,157
Actuarial gain / (loss) recognized outside profit and loss directly in equity	**(12,333)**	20,561
Contribution to fund made during the year	**(17,583)**	(16,666)
Closing balance	**42,976**	50,672

32.7 Charge for defined benefit plan

	2013	2012
Current service cost	**17,186**	15,138
Interest cost	**44,169**	43,600
Expected return on plan assets	**(38,746)**	(40,215)
Contribution received from DB Riyadh	**(389)**	(366)
	22,220	18,157

	2013	2012
32.8 Actual return on plan assets	**32,352**	24,453

32.9 Historical information

	2013	**2012**	2011	2010	2009
	-------------------------------(Rupees in '000)---------------------------------				
Defined benefit obligation	**430,322**	399,985	347,712	315,265	294,730
Fair value of plan assets	**(387,346)**	(349,313)	(319,092)	(275,382)	(239,496)
Deficit / (surplus)	**42,976**	50,672	28,620	39,883	55,234

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Country Officer		Executives	
	2013	2012	**2013**	2012
	(Rupees in '000)			
Managerial remuneration	**25,000**	25,000	**167,572**	155,055
Charge for defined benefit plan	**2,186**	2,186	**14,347**	13,277
Contribution to defined contribution plan	**2,890**	2,890	**18,398**	17,550
Rent and house maintenance	**-**	-	**-**	660
Medical	**130**	130	**1,554**	1,468
	30,206	30,206	**201,871**	188,010
	(Number)			
Number of persons	**1**	1	**62**	58

33.1 The Chief Country Officer and certain Executives are provided with free club membership and free use of the Bank's maintained cars in accordance with their entitlement.

In addition to above, all executives, including the Chief Country Officer of the Bank are also entitled to certain short term employee benefits which are disclosed in note 27.1 to these financial statements.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

The investments are stated at their fair value based on market interest rates and prices. In the opinion of the management the fair values of financial assets and liabilities, except for fixed term advances of over one year, staff loans and fixed term deposits of over one year are not significantly different from their book values since assets and liabilities are either short term in nature or frequently repriced.

In the opinion of management, the fair values of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active market for similar assets and liabilities.

35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Deutsche Bank’s Group Divisions are comprised of the following: the Private & Business Clients (PBC), Asset & Wealth Management (AWM), Corporate Banking & Securities (CB & S) and Global Transaction Banking (GTB). In Pakistan CB & S and GTB businesses are carried out.

Corporate banking and securities

Corporate Banking and Securities comprises Global Markets and Corporate Finance businesses.

Global Markets combines the sales, trading and structuring of a wide range of financial market products, including bonds, equities and equity-linked products, exchange-traded and over-the-counter derivatives, foreign exchange, money market instruments, securitized instruments and commodities.

Corporate Finance is responsible for mergers and acquisitions, including advisory, debt and equity issuance, and capital markets coverage of large and medium-sized corporations. Regional and industry-focused teams ensure the delivery of the entire range of financial products and services.

In Pakistan we mainly deal in Global Markets businesses.

Global transaction banking

Global Transaction Banking provides commercial banking products and services for both corporates and financial institutions worldwide, including domestic and cross-border payments, cash management, risk mitigation and international trade finance as well as trust, agency, depositary, custody and related services.

Infrastructure and Regional management

It includes all the back offices which are responsible to provide support services to the businesses.

	2013			
	Corporate banking and securities (Global market)	**Global transaction banking**	**Infrastructure & Regional management**	**Total**
	---(Rupees in '000)---			
2013				
Total income	**609,815**	**1,671,543**	**79,867**	**2,361,225**
Total expenses	**(333,798)**	**(1,453,806)**	**(83,345)**	**(1,870,949)**
Net income (loss) before tax	**276,017**	**217,737**	**(3,478)**	**490,276**
Segment assets (gross)	**22,025,612**	**4,766,102**	**1,404,631**	**28,196,345**
Segment provision	**-**	**(392,343)**	**-**	**(392,343)**
Segment liabilities	**(4,339,979)**	**(16,714,641)**	**(1,462,775)**	**(22,517,395)**
Segment return on net assets (ROA) (%)	**2.77%**	**35.07%**	**5.69%**	**8.37%**
Segment cost of funds (%)	**7.69%**	**8.70%**	**5.70%**	**8.31%**

	2012			
	Corporate banking and securities (Global market)	Global transaction banking	Infrastructure & Regional management	Total
	---(Rupees in '000)---			
2012				
Total income	605,204	1,760,701	192,148	2,558,053
Total expenses	(168,147)	(1,170,085)	(669,108)	(2,007,340)
Net income (loss) before tax	437,057	590,616	(476,960)	550,713
Segment assets (gross)	23,315,674	4,483,767	1,538,806	29,338,247
Segment provision	-	(389,683)	-	(389,683)
Segment liabilities	(2,195,235)	(19,027,815)	(1,764,050)	(22,987,100)
Segment return on net assets (ROA) (%)	2.60%	39.27%	12.49%	8.72%
Segment cost of funds (%)	7.66%	6.15%	37.93%	8.73%

36. RELATED PARTY TRANSACTIONS

Related parties comprise of head office, other branches of the Bank and employees' retirement benefit funds. The transactions with related parties are conducted under normal course of business at arm's length prices. The Bank also provides advances to employees at reduced rate in accordance with their terms of employment. The transactions and balances with related parties, other than those under the terms of employment and those disclosed elsewhere are summarized as follows:

	2013	2012
	(Rupees in '000)	
Profit and loss items		
Mark-up / interest / income earned	**19**	66
Mark-up / interest / income expensed	**25**	57
Balance sheet items		
Balances with other branches and a subsidiary of Deutsche Bank, AG	**37,982**	1,915,282
Borrowings from other branches and a subsidiary of Deutsche Bank, AG	**3,557,179**	339
Interbranch deposits and other accounts	**7,939**	7,997
Deposits and other accounts		
Balance at the beginning of the year	**5,530**	50
Deposits made during the year	**1,145,922**	1,290,119
Withdrawals made during the year	**(1,151,412)**	(1,284,639)
Balance at the year end	**40**	5,530
Off-balance sheet items		
Interest rate swaps	**1,973,677**	8,970,123
Counter guarantees to branches	**11,611,640**	17,253,337
Forward purchase of foreign exchange	**735,945**	122,150
Forward sale of foreign exchange	**790,786**	122,150
FX Options	**-**	-

37. CAPITAL MANAGEMENT

Our Treasury function manages our capital at Group level and locally in each region. The allocation of financial resources, in general, and capital, in particular, favours business portfolios with the highest positive impact on the Group’s profitability and shareholder value. As a result, Treasury periodically reallocates capital among business portfolios.

Regional capital plans covering the capital needs are presented to the Group Investment Committee. Local Asset and Liability Committees attend to those needs under the stewardship of regional Treasury teams. In developing, implementing and testing our capital and liquidity, we take legal and regulatory requirements into account.

The regulatory and economic capital demand is continuously monitored to adjust the available capital if required. Capital demand forecasts are regularly determined and carried forward based on the planned development of the business volume and results as well as expected risk parameter changes.

37.1 Capital-assessment and adequacy Basel III specific

37.1.1 Scope of Applications

The Bank currently uses Basel III framework for the Capital Assessment and Capital Adequacy purposes. Basel III Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

37.1.2 Capital Structure

The lead regulator, State Bank of Pakistan (SBP) sets and monitors capital requirements for the banks in Pakistan as a whole. With effect from 31 December 2013, the SBP has advised through its BPRD circular # 6 dated August 15 2013 that all banks to calculate their capital requirements on Basel III Accord. The amendments have been introduced with an aim to further strengthen the existing capital related rules. Basel III instructions have become effective from December 31, 2013; However, there is a transitional phase during which the complete requirements would become applicable with full implementation by December 31, 2019.

In implementing the current capital requirements, SBP requires the Bank to maintain a prescribed total capital to total risk- weighted assets ratio. As at the year end 2013, the SBP's minimum prescribed capital adequacy ratio is 10%. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Teir 1 (CET1) ratio and Teir 1 ratio of 5% and 6.5% respectively as at December 31, 2013. The Bank's ratio is compliant with this minimum benchmark.

The Pakistan Branches of Deutsche Bank calculate requirement for market risk on its portfolio based upon the methodology provided by SBP which takes account of specific and general market risk capital charge for interest rate risk using the maturity method.

Banking operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank’s regulatory capital is analyzed into following tiers:

- Tier I capital: includes head office capital account, and un-remitted profit.

- Tier II capital: includes general provision not kept against identified debts.

37.2 Capital Adequacy Ratio (CAR) disclosure template:

CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2013

Rows #			2013 Amount	2013 Amounts subject to Pre - Basel III treatment*	2012 Amount
			----------------- (Rupees in '000)		-----------------
	Common Equity Tier 1 capital (CET1): Instruments and reserves				
1	Fully paid-up capital / capital deposited with SBP		4,649,699	-	4,115,584
2	Balance in Share premium account		-	-	-
3	Reserve for issue of bonus shares		-	-	-
4	General / statutory reserves		-	-	-
5	Gain / (losses) on derivatives held as Cash Flow Hedge		-	-	-
6	Unappropriated/unremitted profits/ (losses)		638,686	-	1,855,437
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		-	-	-
8	**CET 1 before Regulatory Adjustments**		**5,288,385**	**-**	5,971,021
	Common Equity Tier 1 capital: Regulatory adjustments				
9	Goodwill (net of related deferred tax liability)		-	-	-
10	All other intangibles (net of any associated deferred tax liability)		-	-	-
11	Shortfall of provisions against classified assets		-	-	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		-	-	-
13	Defined-benefit pension fund net assets		-	-	-
14	Reciprocal cross holdings in CET1 capital instruments		-	-	-
15	Cash flow hedge reserve		-	-	-
16	Investment in own shares/ CET1 instruments		-	-	-
17	Securitization gain on sale		-	-	-
18	Capital shortfall of regulated subsidiaries		-	-	-
19	Deficit on account of revaluation from bank's holdings of property/ AFS		(1,777)		(9,557)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		-	-	-
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		-	-	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		-	-	-
23	Amount exceeding 15% threshold		-	-	-
24	of which: significant investments in the common stocks of financial entities		-	-	-
25	of which: deferred tax assets arising from temporary differences		-	-	-
26	National specific regulatory adjustments applied to CET1 capital		-	-	-
27	Investment in TFCs of other banks exceeding the prescribed limit		-	-	-
28	Any other deduction specified by SBP (mention details)		-	-	-
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-	-	-
30	Total regulatory adjustments applied to CET1 (sum of 9 to 25)		(1,777)	-	(9,557)
	Common Equity Tier 1	(a)	**5,286,608**	**-**	5,961,464
	Additional Tier 1 (AT 1) Capital				
31	Qualifying Additional Tier-1 instruments plus any related share premium		-	-	-
32	of which: Classified as equity		-	-	-
33	of which: Classified as liabilities		-	-	-
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		-	-	-
35	of which: instrument issued by subsidiaries subject to phase out		-	-	-
36	**AT1 before regulatory adjustments**		-	-	-
	Additional Tier 1 Capital: regulatory adjustments				
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-	-	-
38	Investment in own AT1 capital instruments		-	-	-
39	Reciprocal cross holdings in Additional Tier 1 capital instruments		-	-	-
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		-	-	-
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	-	-
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-	-	-
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-	-	-
44	Total of Regulatory Adjustment applied to AT1 capital		-	-	-
45	Additional Tier 1 capital		-	-	-
46	**Additional Tier 1 capital recognized for capital adequacy**	(b)	-	-	-
	Tier 1 Capital (CET1 + admissible AT1)	(c=a+b)	5,286,608	0	5,961,464

			2013		2012
			Amount	Amounts subject to Pre - Basel III treatment*	Amount
			----------------- (Rupees in '000)		-----------------
	Tier 2 Capital				
47	Qualifying Tier 2 capital instruments under Basel III		-	-	-
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		-	-	-
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		-	-	-
50	of which: instruments issued by subsidiaries subject to phase out		-	-	-
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		60,983		53,633
52	Revaluation Reserves		-	-	-
53	of which: Revaluation reserves on Property		-	-	-
54	of which: Unrealized Gains/Losses on AFS		-	-	-
55	Foreign Exchange Translation Reserves		-	-	-
56	Undisclosed/Other Reserves (if any)		-	-	-
57	**T2 before regulatory adjustments**		60,983	-	53,633
	Tier 2 Capital: regulatory adjustments				
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		-	-	-
59	Reciprocal cross holdings in Tier 2 instruments		-	-	-
60	Investment in own Tier 2 capital instrument		-	-	-
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		-	-	-
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	-	-
63	Amount of Regulatory Adjustment applied to T2 capital		-	-	-
64	Tier 2 capital (T2)		-	-	-
65	Tier 2 capital recognized for capital adequacy		-	-	-
66	Excess Additional Tier 1 capital recognized in Tier 2 capital		-	-	-
67	Total Tier 2 capital admissible for capital adequacy	(d)	60,983	-	53,633
	TOTAL CAPITAL (T1 + admissible T2)	(e=c+d)	**5,347,591**	**-**	**6,015,097**
	Total Risk Weighted Assets	(i=f+g+h)	**30,164,905**	**-**	**27,435,838**
68	Total Credit Risk Weighted Assets	(f)	26,443,475	-	21,445,952
69	Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		-	-	-
70	of which: recognized portion of investment in capital of banking, financial and		-	-	-
	insurance entities where holding is more than 10% of the issued		-	-	-
	common share capital of the entity		-	-	-
71	of which: deferred tax assets		-	-	-
72	of which: Defined-benefit pension fund net assets		-	-	-
73	of which: [insert name of adjustment]		-	-	-
74	Total Market Risk Weighted Assets	(g)	483,925	-	2,620,375
75	Total Operational Risk Weighted Assets	(h)	3,237,505	-	3,369,511
	Capital Ratios and buffers (in percentage of risk weighted assets)				
76	CET1 to total RWA	(a/i)	17.53%		21.73%
77	Tier-1 capital to total RWA	(c/i)	17.53%		21.73%
78	Total capital to RWA	(e/i)	17.73%		21.92%
79	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		-	-	-
80	of which: capital conservation buffer requirement		-	-	-
81	of which: countercyclical buffer requirement		-	-	-
82	of which: D-SIB or G-SIB buffer requirement		-	-	-
83	CET1 available to meet buffers (as a percentage of risk weighted assets)		-	-	-
	National minimum capital requirements prescribed by SBP				
84	CET1 minimum ratio		-	-	-
85	Tier 1 minimum ratio		-	-	-
86	Total capital minimum ratio		-	-	-
	Amounts below the thresholds for deduction (before risk weighting)				
87	Non-significant investments in the capital of other financial entities		-	-	-
88	Significant investments in the common stock of financial entities		-	-	-
89	Deferred tax assets arising from temporary differences (net of related tax liability)		-	-	-
	Applicable caps on the inclusion of provisions in Tier 2				
90	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		-	-	-
91	Cap on inclusion of provisions in Tier 2 under standardized approach		-	-	-
92	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		-	-	-
93	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		-	-	-

37.3 Capital structure reconciliation

Step 1	Balance sheet as in published financial statements 2013	Under regulatory scope of consolidation 2013
	------------- (Rupees in '000)	-------------
Assets		
Cash and balances with treasury banks	6,193,227	6,193,227
Balanced with other banks	208,293	208,293
Lending to financial institutions	9,757,121	9,757,121
Investments	5,428,718	5,428,718
Advances	4,265,335	4,265,335
Operating fixed assets	314,108	314,108
Deferred tax assets	74,492	74,492
Other assets	1,562,707	1,562,707
Total assets	**27,804,001**	**27,804,001**
Liabilities & Equity		
Bills payable	324,717	324,717
Borrowings	4,004,649	4,004,649
Deposits and other accounts	15,849,131	15,849,131
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	2,338,895	2,338,895
Total liabilities	**22,517,392**	**22,517,392**
Share capital / Head office capital account	4,649,699	4,649,699
Reserves	-	-
Unappropriated / unremitted profit/ (losses)	638,687	638,687
Minority Interest	-	-
Surplus on revaluation of assets	(1,777)	(1,777)
Total liabilities & equity	**27,804,001**	**27,804,001**

Step 2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Assets			
Cash and balances with treasury banks	6,193,227	6,193,227	
Balanced with other banks	208,293	208,293	
Lending to financial institutions	9,757,121	9,757,121	
Investments	5,428,718	5,428,718	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument	-	-	d
of which: others (mention details)	-	-	e
Advances	4,265,335	4,265,335	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB			f
general provisions reflected in Tier 2 capital	60,983	60,983	g
Fixed Assets	314,108	314,108	
Deferred Tax Assets	74,492	74,492	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	1,562,707	1,562,707	
of which: Goodwill	-	-	j
of which: Intangibles	-	-	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	**27,804,001**	**27,804,001**	
Liabilities & Equity			
Bills payable	324,717	324,717	
Borrowings	4,004,649	4,004,649	
Deposits and other accounts	15,849,131	15,849,131	
Sub-ordinated loans			
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease			
Deferred tax liabilities			
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	2,338,895	2,338,895	
Total liabilities	**22,517,392**	**22,517,392**	
Share capital	4,649,699	4,649,699	
of which: amount eligible for CET1	4,649,699	4,649,699	s
of which: amount eligible for AT1	-	-	t

Reserves			
of which: portion eligible for inclusion in CET1(provide breakup)	-	-	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	638,687	638,687	w
Minority Interest			
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	(1,777)	(1,777)	
of which: Revaluation reserves on Property	-	-	aa
of which: Unrealized Gains/Losses on AFS	-	-	
In case of Deficit on revaluation (deduction from CET1)	(1,777)	(1,777)	ab
Total liabilities & Equity	**27,804,001**	**27,804,001**	

	Step 3	Component of regulatory capital reported by bank (amount in thousand PKR)	Source based on reference number from step 2
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	4,649,699	
2	Balance in Share Premium Account	-	(s)
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	-	
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	(u)
6	Unappropriated/unremitted profits/(losses)	638,687	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8	**CET 1 before Regulatory Adjustments**	**5,288,386**	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	-	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r} * x%
13	Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	-	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of property/ AFS	(1,777)	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	Investment in TFCs of other banks exceeding the prescribed limit	-	
28	Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 25)	(1,777)	
	Common Equity Tier 1	**5,286,609**	
	Additional Tier 1 (AT 1) Capital		
31	Qualifying Additional Tier-1 instruments plus any related share premium	-	
32	of which: Classified as equity	-	(t)
33	of which: Classified as liabilities	-	(m)
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35	of which: instrument issued by subsidiaries subject to phase out	-	
36	**AT1 before regulatory adjustments**	-	

	Step 3	Component of regulatory capital reported by bank (amount in thousand PKR)	Source based on reference number from step 2
	Additional Tier 1 Capital: regulatory adjustments		
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38	Investment in own AT1 capital instruments	-	
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44	Total of Regulatory Adjustment applied to AT1 capital	-	
45	Additional Tier 1 capital	-	
46	**Additional Tier 1 capital recognized for capital adequacy**	-	
	Tier 1 Capital (CET1 + admissible AT1)	**5,286,609**	
	Tier 2 Capital		
47	Qualifying Tier 2 capital instruments under Basel III	-	
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
50	of which: instruments issued by subsidiaries subject to phase out	-	
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	60,983	(g)
52	Revaluation Reserves eligible for Tier 2	-	
53	of which: portion pertaining to Property	-	portion of (aa)
54	of which: portion pertaining to AFS securities	-	
55	Foreign Exchange Translation Reserves	-	(v)
56	Undisclosed/Other Reserves (if any)	-	
57	**T2 before regulatory adjustments**	**60,983**	
	Tier 2 Capital: regulatory adjustments		
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
59	Reciprocal cross holdings in Tier 2 instruments	-	
60	Investment in own Tier 2 capital instrument	-	
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63	Amount of Regulatory Adjustment applied to T2 capital	-	
64	Tier 2 capital (T2)	-	
65	Tier 2 capital recognized for capital adequacy	-	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	60,983	
	TOTAL CAPITAL (T1 + admissible T2)	**5,347,592**	

37.4 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	**Common Shares**
1	Issuer	N/A
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	N/A
3	Governing law(s) of the instrument	N/A
	Regulatory treatment	
4	Transitional Basel III rules	N/A
5	Post-transitional Basel III rules	N/A
6	Eligible at solo/ group/ group&solo	N/A
7	Instrument type	N/A
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	N/A
9	Par value of instrument	N/A
10	Accounting classification	N/A
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	
	Coupons / dividends	N/A
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

37.5 Capital Adequacy

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2013	2012	**2013**	2012
	---- (Rupees in '000) ----			
Credit Risk				
Public Sector Entities	**20,221**	14,177	**202,214**	141,767
Other sovereigns	**60,153**	32,548	**601,534**	325,483
Banks	**337,259**	386,980	**3,372,588**	3,869,796
Corporate portfolio	**1,614,867**	1,297,094	**16,148,669**	12,970,938
Retail portfolio	**1,296**	1,453	**12,956**	14,533
Residential Mortgage Finance	**7,654**	7,225	**76,536**	72,247
Investments in fixed assets	**31,411**	35,196	**314,108**	351,955
All other Risk Weighted Assets	**571,487**	369,923	**5,714,870**	3,699,233
	2,644,348	2,144,596	**26,443,475**	21,445,952
Market Risk				
Interest rate risk	**38,330**	83,476	**383,300**	834,763
Foreign exchange risk etc.	**10,063**	178,561	**100,625**	1,785,612
	48,393	262,037	**483,925**	2,620,375
Operational Risk				
Capital Requirement for operational risks	**323,750**	336,951	**3,237,505**	3,369,511
	3,016,491	2,743,584	**30,164,905**	27,435,838

Capital Adequacy Ratio	**2013**	2012
Total eligible regulatory capital held	**5,347,592**	6,015,098
Total Risk Weighted Assets	**30,164,905**	27,435,838
Capital Adequacy Ratio	**17.73%**	21.92%

37.6 Risk - weighted exposures

	2013		2012	
	----------------------- (Rupees in '000) -----------------------			
	Book value	**Risk adjusted value**	Book value	Risk adjusted value
Credit Risk				
Cash and other liquid Assets	**16,158,641**	**644,513**	15,103,794	739,064
Money at call	**-**	**-**	-	-
Investments	**5,428,718**	**-**	7,747,304	-
Loans and Advances	**4,265,335**	**3,492,534**	3,979,514	2,567,211
Fixed Assets	**314,108**	**314,108**	351,955	351,955
Deferred Tax	**74,492**	**74,491**	74,271	74,271
Other Assets	**1,562,707**	**140,128**	1,691,726	229,362
	27,804,001	**4,665,774**	28,948,564	3,961,863
Off Balance Sheet items				
Loan Repayment Guarantees				
Purchase and Resale Agreements	**9,757,121**	**-**	7,414,392	-
Performance Bonds etc.	**18,076,772**	**4,919,671**	27,514,399	4,923,372
Revolving underwriting Commitments				
UIBs & Stand By Letters of Credit	**2,732,345**	**1,030,536**	3,355,454	1,473,789
Other commitments	**21,227,696**	**15,641,251**	18,319,520	10,817,546
Outstanding Foreign Exchange Contracts				
-Purchase	**22,289,015**	**70,490**	4,431,160	10,120
-Sale	**18,102,073**	**82,174**	2,657,025	2,922
Derivatives	**4,059,082**	**33,579**	15,142,452	256,340
	96,244,104	**21,777,701**	78,834,402	17,484,089
Credit risk-weighted exposures		**26,443,475**		21,445,952
Market Risk				
General market risk		**383,301**		834,763
Specific market Risk		**-**		-
Foreign exchange risk		**100,624**		1,785,612
Market risk-weighted exposures		**483,925**		2,620,375
Operational Risk		**3,237,505**		3,369,511
Total Risk-Weighted Exposures		**30,164,905**		27,435,838

38. RISK MANAGEMENT

38.1 Risk Management Principles

We actively take risks in connection with our business and as such the following principles underpin risk management within our group:

- Risk is taken within a defined risk appetite.
- Every risk taken needs to be approved within the risk management framework.
- Risk taken needs to be adequately compensated.
- Risk should be continuously monitored, and
- A strong risk management culture helps reinforcing Deutsche Bank’s resilience.

We expect our employees to behave in a manner that maintains a strong risk culture by taking a holistic approach to managing risk and return and by effectively managing the Bank’s risk, capital and reputational profile. The consideration of risk is consequently inherent in our compensation philosophy and is monitored on an ongoing basis.

38.1.1 Risk Management Framework

The wide variety of our businesses requires us to identify, measure, aggregate and manage our risks effectively, and to allocate our capital among our businesses appropriately. We operate as an integrated group through our divisions, business units and infrastructure functions. Risk and capital are managed via a framework of principles, organizational structures and measurement and monitoring processes that are closely aligned with the activities of the divisions and business units:

- Our Management Board provides overall risk & capital management supervision for the Group.

- We operate a three-line of defense risk management model whereby business management, risk management oversight and assurance roles are played by functions independent of one another.

- Risk strategy and risk appetite are defined based on the Group's strategic plans in order to align risk, capital, and performance targets.

- All major risk classes are managed via risk management processes, including: credit risk, market risk, operational risk, liquidity risk, business risk, reputational risk and risk concentrations.Where applicable modeling and measurement approaches for quantifying risk and capital demand are implemented across the major risk classes.

- Effective systems, processes and policies are a critical component of our risk management capability.

38.1.2 Risk Governance

The Management Board is responsible for independently managing the Bank with the objective of creating sustainable value in the interest of its stakeholders. The Board has exclusive responsibility for the day-to-day management of Deutsche Bank Group. It is responsible for defining and implementing comprehensive and aligned business and risk strategies for the Group, as well as establishing well-defined risk management functions and guidelines. The Management Board has delegated certain functions and responsibilities to relevant governance committees, in particular the Risk Executive Committee (Risk ExCo) and Capital and Risk Committee (CaR) chaired by our Chief Risk Officer.

Our Chief Risk Officer (CRO), who is a member of the Management Board, and is responsible for the identification, assessment, management and reporting of risks arising within operations across all businesses and risk types. The below functional committees are central to the Risk function.

- The Capital and Risk Committee oversees and controls integrated planning and monitoring of our risk profile and capital capacity, ensuring an alignment of risk appetite, capitalization requirements and funding needs with the Group, divisional and sub-divisional business strategies.

- Our Risk Executive Committee identifies controls and manages all risks including risk concentrations at the Group. To fulfill this mandate, the Risk Executive Committee is supported by sub-committees that are responsible for dedicated areas of risk management, including several policy committees and the Group Reputational Risk Committee.

- The Cross Risk Review Committee supports the Risk Executive Committee and the Capital and Risk Committee with particular emphasis on the management of Group wide risk patterns.

Dedicated Risk units are established with the mandate to:

- Ensure that the business conducted within each division is consistent with the risk appetite that the Capital and Risk Committee has set within a framework established by the Management Board;

- Formulate and implement risk and capital management policies, procedures and methodologies that are appropriate to the businesses within each division;

- Approve credit, market and liquidity risk limits;

- Conduct periodic portfolio reviews to ensure that the portfolio of risks is within acceptable parameters; and

- Develop and implement risk and capital management infrastructures and systems that are appropriate for each division.

- The heads of our Risk units, who are members of our Risk Executive Committee, are responsible for the performance of the risk management units and report directly to our Chief Risk Officer.

An Enterprise-wide Risk Management ("ERM") unit plays a role in monitoring the portfolio of risk against the appetite articulated in the Group's capital plan and manages cross-risk initiatives in the Group. The objectives of the ERM unit are to:

- Develop a comprehensive view of the risks across the businesses in the bank and to focus on cross-risk concentrations and risk-reward "hotspots";

- Provide a strategic and forward-looking perspective on the key risk issues for discussion at senior levels within the bank (risk appetite, stress testing framework);

- Strengthen risk culture in the bank; and

- Foster the implementation of consistent risk management standards across our local entities.

The risk monitoring activities are bifurcated by regions and group level for monitoring risk for Deutsche Bank Pakistan Operations.

Our Finance and Audit departments operate independently of both the group divisions and of the Risk function. The role of the Finance department is to help quantify and verify the risk that we assume and ensure the quality and integrity of our risk-related data. Our Audit department performs risk-oriented reviews of the design and operating effectiveness of our system of internal controls.

38.2 Risk Inventory

As part of our business activities, we face a variety of risks, the most significant of which are described further in dedicated sections below. These risks can be categorized in a variety of ways. From a regulatory perspective, we hold regulatory capital against three types of risk: credit risk, market risk and operational risk. As part of our internal capital adequacy assessment process we calculate the amount of economic capital that is necessary to cover the risks generated from our business activities, outside of liquidity risk.

Credit Risk

Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower or obligor (which we refer to collectively as "counterparties") exist, including those claims that we plan to distribute (see below in the more detailed section Credit Risk). These transactions are typically part of our traditional non-traded lending activities (such as loans and contingent liabilities), or our direct trading activity with clients (such as OTC derivatives, FX forwards and Forward Rate Agreements).

We distinguish between three kinds of credit risk:

- Default risk is the risk that counterparties fail to meet contractual payment obligations.

- Country risk is the risk that we may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to non-residents due to direct sovereign intervention.

- Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

Market Risk

Market risk is defined as the potential for change in the market value of our trading and investing positions. Risk can arise from adverse changes in interest rates, credit spreads, foreign exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility and market implied default probabilities. We differentiate between three substantially different types of market risk:

- Trading market risk arises primarily through the market-making activities of the Corporate Banking and Securities Group Division. This involves taking positions in debt, equity, foreign exchange, other securities and commodities as well as in equivalent derivatives.

- Traded default risk arising from defaults and rating migrations.

- Non trading market risk arises in various forms. Equity risk arises primarily from non-consolidated strategic investments, alternative asset investments and equity compensation. Interest rate risk stems from our non-trading asset and liability positions. Structural foreign exchange risk exposure arises from capital and retained earnings in non euro currencies, and represents the foreign exchange risk in our non trading portfolio. Other non trading market risk elements are risks arising from asset management and fund related activities as well as model risks in Private Business Clients ("PBC") and Global Transaction Banking ("GTB"), which are derived by stressing assumptions of client behaviour in combination with interest rate movements. In Deutsche Bank, these risks are part of non trading market risk.

Liquidity Risk

Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs.

Operational Risk

Operational risk is the potential for failure (including the legal component) in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. Operational risk excludes business and reputational risk.

Business Risk

Business risk describes the risk we assume due to potential changes in general business conditions, such as our market environment, client behaviour and technological progress. This can affect our results if we fail to adjust quickly to these changing conditions.

In addition to the above risks, we face a number of other types of risks, such as reputational risk and concentration risk. They are substantially related to one or more of the above risk types.

Reputational Risk

Within our risk management processes, we define reputational risk as the risk that publicity concerning a transaction, counterparty or business practice involving a client will negatively impact the public's trust in our organization.

Several policies and guidelines form the framework of our reputational risk management. The primary responsibility for the identification, escalation and resolution of reputational risk issues resides with the business divisions. The risk management units assist and advise the business divisions in ascertaining that reputational risk issues are appropriately identified, escalated and addressed.

The most senior dedicated body for reputational risk issues is our Group Reputational Risk Committee ("GRRC"). It is a permanent sub-committee of the Risk Executive Committee and is chaired by the Chief Risk Officer. The GRRC reviews and makes final determinations on all reputational risk issues, where escalation of such issues is deemed necessary by senior business and regional management, or required under other Group policies and procedures.

Risk Concentration

Risk Concentrations are not an isolated risk type but are integrated in the management of the individual risk types and at a cross risk level through Enterprise-wide Risk Management. Risk concentrations refer to a bank's loss potential through unbalanced distribution of dependencies on specific risk drivers. Risk concentrations are encountered within and across counterparties, businesses, regions/countries, legal entities, industries and products, impacting the aforementioned risks.

The most senior governance body for the oversight of risk concentrations is the Cross Risk Review Committee.

38.3 Risk management tools

We use a comprehensive range of quantitative and qualitative methodologies for assessing and managing risks. As a matter of policy, we continually assess the appropriateness and the reliability of our quantitative tools and metrics in light of our changing risk environment. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories. The advanced internal tools and metrics we currently use to measure, manage and report our risk:

Economic Capital
Expected Loss
Value-at-Risk
Stress Testing
Regulatory Risk Assessment

38.4 Credit risk

We measure and manage our credit risk following the below philosophy and principles:

- The key principle of credit risk management is client credit due diligence, which is aligned with our country and industry portfolio strategies. Prudent client selection is achieved in collaboration with our business line counterparts who stand as a first line of defense. In each of our group divisions credit decision standards, processes and principles are consistently applied.

- We actively aim to prevent undue concentration and long tail-risks (large unexpected losses) by ensuring a diversified credit portfolio, effectively protecting the bank's capital in all market conditions. Client, industry, country and product-specific concentrations are actively assessed and managed against our risk appetite.

- We aim to avoid large directional credit risk on a counterparty and portfolio level by applying stringent underwriting standards combined with a pro-active hedging and distribution model and collateralization of our hold portfolio where feasible.

- We are selective in taking outright cash risk positions unless secured, guaranteed and/or adequately hedged. Exceptions to this general principle are lower risk, short-term transactions and facilities supporting specific trade finance business requests as well as low risk businesses where the margin allows for adequate loss coverage.

- We aim to secure our derivative portfolio through collateral agreements and may additionally hedge concentration risks to further mitigate credit risks from underlying market movements.

- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level. We assign credit approval authorities to individuals according to their qualifications, experience and training, and we review these periodically.

- We measure all our credit exposures to each obligor on a global basis that applies across our Group.

38.4.2 Credit Limits and Approval

Credit limits set forth maximum credit exposures we are willing to assume over specified periods. In determining the credit limit for a counterparty we consider the counterparty's credit quality by reference to its internal credit rating. Credit limits are established by the Credit Risk Management function via the execution of assigned credit authorities. Credit authority is generally assigned to individuals as personal credit authority according to the individual's professional qualification and experience. All assigned credit authorities are reviewed on a periodic basis to ensure that they are adequate to the individual performance of the authority holder. The results of the review are presented to the Group Credit Policy Committee.

38.4.3 Monitoring Credit Risk

Ongoing active monitoring and management of credit risk positions is an integral part of our credit risk management activities. Monitoring tasks are primarily performed by the divisional credit risk units in close cooperation with the business which acts as first line of defense, dedicated rating analysis teams and our portfolio management function.

Credit counterparties are allocated to credit officers within specified divisional risk units which are aligned to types of counterparty (such as financial institution or corporate) or economic area (i.e. emerging markets). The individual credit officers within these divisional risk units have the relevant expertise and experience to manage the credit risks associated with these counterparties and their associated credit related transactions. It is the responsibility of each credit officer to undertake ongoing credit monitoring for their allocated portfolio of counterparties. We also have procedures in place intended to identify at an early stage credit exposures for which there may be an increased risk of loss. In instances where we have identified counterparties where problems might arise, the respective exposure is generally placed on a watch list. We aim to identify counterparties that, on the basis of the application of our risk management tools, demonstrate the likelihood of problems well in advance in order to effectively manage the credit exposure and maximize the recovery. The objective of this early warning system is to address potential problems while adequate options for action are still available. This early risk detection is a tenet of our credit culture and is intended to ensure that greater attention is paid to such exposures.

A key focus of our credit risk management approach is to avoid any undue concentrations in our portfolio. Significant concentrations of credit risk could be derived from having material exposures to a number of counterparties with similar economic characteristics, or who are engaged in comparable activities, where these similarities may cause their ability to meet contractual obligations to be affected in the same manner by changes in economic or industry conditions. A concentration of credit risk may also exist at an individual counterparty level. Our portfolio management framework supports a comprehensive assessment of concentrations within our credit risk portfolio for potential subsequent risk mitigating actions.

38.4.4 Credit Exposure

Counterparty credit exposure arises from our traditional non-trading lending activities which include elements such as loans and contingent liabilities.

We define our credit exposure by taking into account all transactions where losses might occur due to the fact that counterparties may not fulfill their contractual payment obligations.

38.4.5 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of Advances, Deposits, Contingencies and Commitments.

38.4.5.1 Segments by class of business

	2013					
	Advances (gross)		**Deposits**		**Contingencies and commitments**	
	(Rupees in '000)	**(Percent)**	**(Rupees in '000)**	**(Percent)**	**(Rupees in '000)**	**(Percent)**
Textile	**531,650**	**11.41**	**12,541**	**0.08**	**16,483**	**0.08**
Chemical and pharmaceuticals	**698,636**	**15.00**	**3,371,662**	**21.27**	**463,570**	**2.23**
Cement	**-**	**-**	**1,922**	**0.01**	**238,993**	**1.15**
Oil & Petrolium	**360,477**	**7.74**	**197,504**	**1.25**	**-**	**-**
Footwear and Leather garments	**-**	**-**	**5**	**-**	**-**	**-**
Automobile and transportation equipment	**-**	**-**	**41,681**	**0.27**	**54,291**	**0.26**
Electronics and electrical appliances	**108,973**	**2.34**	**218,847**	**1.38**	**1,738,073**	**8.35**
Construction	**-**	**-**	**3,886**	**0.02**	**-**	**-**
Power (electricity), gas, oil water and sanitary	**261,058**	**5.60**	**-**	**-**	**-**	**-**
Transport, storage and communication	**-**	**-**	**5,661,098**	**35.72**	**-**	**-**
Financial	**-**	**-**	**8,187**	**0.05**	**15,675,542**	**75.33**
Misc. manufacturing industries	**840,139**	**18.04**	**2,666,718**	**16.83**	**734,804**	**3.53**
Insurance	**-**	**-**	**3**	**-**	**-**	**-**
Individuals	**235,949**	**5.07**	**463,344**	**2.92**	**-**	**-**
Others	**1,620,796**	**34.80**	**3,201,733**	**20.20**	**1,887,360**	**9.07**
	4,657,678	**100.00**	**15,849,131**	**100.00**	**20,809,116**	**100.00**

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Textile	470,404	10.76	24,465	0.13	374,294	1.21
Chemical and pharmaceuticals	1,061,813	24.30	4,506,472	24.55	999,601	3.24
Cement	40,512	0.93	5,053	0.03	198,095	0.64
Footwear and Leather garments	-	-	5	-	-	-
Automobile and transportation equipment	7,891	0.18	8	-	56,436	0.18
Electronics and electrical appliances	189,687	4.34	496,218	2.70	1,767,309	5.73
Construction	-	-	3,289	0.02	-	-
Power (electricity), Gas, Oil Water and Sanitary	585,935	13.41	231,310	1.26	-	-
Transport, Storage and Communication	-	-	733,528	4.00	-	-
Financial	-	-		-	25,331,077	82.05
Misc. manufacturing industries	892,422	20.43	3,004,843	16.37	329,177	1.07
Insurance	-	-	3	-	-	-
Individuals	225,797	5.17	541,341	2.95	-	-
Others	894,737	20.48	8,807,698	47.99	1,813,864	5.88
	4,369,198	100.00	18,354,233	100.00	30,869,853	100.00

38.4.5.2 Segments by sector

2013

	Advances (Gross) (Rupees in '000)	Advances (Gross) (Percent)	Deposits (Rupees in '000)	Deposits (Percent)	Contingencies and Commitments (Rupees in '000)	Contingencies and Commitments (Percent)
Public / Government	**360,477**	**7.74**	**1,144**	**0.01**	**-**	**-**
Private	**4,297,201**	**92.26**	**15,847,987**	**99.99**	**20,809,116**	**100.00**
	4,657,678	**100.00**	**15,849,131**	**100.00**	**20,809,116**	**100.00**

2012

	Advances (Gross) (Rupees in '000)	Advances (Gross) (Percent)	Deposits (Rupees in '000)	Deposits (Percent)	Contingencies and Commitments (Rupees in '000)	Contingencies and Commitments (Percent)
Public/ Government	647,861	14.83	1,710	0.01	-	-
Private	3,721,337	85.17	18,352,523	99.99	30,869,853	100.00
	4,369,198	100.00	18,354,233	100.00	30,869,853	100.00

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

	2013		2012	
	Classified advances	**Specific provision held**	Classified advances	Specific provision held
	(Rupees in '000)			
Textile	**96,511**	**96,511**	96,511	96,511
Power(electricity),gas, oil water and sanitary	**261,059**	**261,059**	261,059	261,059
Electronics and electrical appliances	**-**	**-**	-	-
	357,570	**357,570**	357,570	357,570

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

	2013		2012	
	Classified advances	**Specific provision held**	Classified advances	Specific provision held
	(Rupees in '000)			
Public / Government	**-**	**-**	-	-
Private	**357,570**	**357,570**	357,570	357,570
	357,570	**357,570**	357,570	357,570

38.4.5.5 Geographical Segment Analysis

These financial statements represent operations of Pakistan branches only and all assets and liabilities represents transactions entered by Pakistan branches.

38.5 Market risk

The primary objective of Market Risk Management, a part of our independent Risk function, is to ensure that our business units optimize the risk-reward relationship and do not expose us to unacceptable losses outside of our risk appetite. To achieve this objective, Market Risk Management works closely together with risk takers (“the business units”) and other control and support groups.

38.5.1 Trading Market Risk Management Framework

Our primary instrument to manage trading market risk is the limit setting process. Our Management Board supported by Market Risk Management, sets group-wide value-at-risk and economic capital limits for market risk in the trading book. Market Risk Management sub-allocates this overall limit to our group divisions and individual business units within Corporate Banking and Securities Group division (e.g. Global Rates, Equity, etc.) based on anticipated business plans and risk appetite. Within the individual business units, the business heads establish business limits, by sub-allocating the overall limit down to individual portfolios or geographical regions.

Value-at-risk and economic capital limits are used for managing all types of market risk at an overall portfolio level. As an additional and complementary tool for managing certain portfolios or risk types, Market Risk Management sets sensitivity and concentration / liquidity limits.

To manage the exposures inside the limits, the business units apply several risk mitigating measures, most notably the use of:

- Portfolio management: Risk diversification arises in portfolios which consist of a variety of positions. Since some investments are likely to rise in value when others decline, diversification can help to lower the over-all level of risk profile of a portfolio.

- Hedging: Hedging involves taking positions in related financial assets, including derivative products, such as futures, swaps and options. Hedging activities may not always provide effective mitigation against losses due to differences in the terms, specific characteristics or other basis risks that may exist between the hedge instrument and the exposure being hedged.

Quantitative Risk Management Tools

Value-at-Risk

Value-at-risk is a quantitative measure of the potential loss (in value) of trading positions due to market movements that will not be exceeded in a defined period of time and with a defined confidence level.

We continually analyze potential weaknesses of our value-at-risk model using statistical techniques, such as back-testing, and also rely on risk management experience. We compare the hypothetical daily profits and losses under the buy-and-hold assumption with the estimates from our value-at-risk model.

The Global Back-testing Committee, with participation from Market Risk Management, Market Risk Operations, Risk Analytics and Instruments, and Finance, meets on a regular basis to review back-testing results of the Group as a whole and of individual businesses. The committee analyzes performance fluctuations and assesses the predictive power of our value-at-risk model, which allows us to improve and adjust the risk estimation process accordingly.

Economic Capital

Economic capital for market risk measures the amount of capital needed to absorb very severe, unexpected losses arising from our exposures over the period of one year.

We calculate economic capital using stress tests and scenario analyses.

38.5.2 Non trading Market Risk Management

Non trading Market Risk Management oversees a number of risk exposures resulting from various business activities and initiatives.

DB Pakistan has adopted standardized approach for market risk which is approved regulatory approach.

38.5.3 Foreign exchange risk

At a local level, we ensure the overall foreign exchange exposure of Pakistan Operations remains within the limits set by SBP. We do not take any currency exposure except to the extent of the Statutory Net Open Position Limit prescribed by SBP.

Internal limits are in place to monitor Foreign Exchange open and mismatched positions on a daily basis and are marked-to-market daily to contain forward exposures to meet regulatory compliance issued periodically.

The vast majority of the interest rate and foreign exchange risks arising from our non-trading asset and liability positions are transferred through internal trades to our Global Markets within our Corporate Banking and Securities Group Division and are thus managed on the basis of value-at-risk.

	2013				2012			
	Assets	**Liabilities and head office capital account**	**Off-balance sheet items**	**Net foreign currency exposure**	Assets	Liabilities and head office capital account	Off-balance sheet items	Net foreign currency exposure
	--- **(Rupees in '000)** --							
Pakistan rupee	**22,678,980**	**18,592,331**	**(4,170,708)**	**(84,059)**	22,540,198	23,930,715	3,172,757	1,782,240
United States dollar	**440,761**	**4,289,666**	**3,948,719**	**99,814**	2,255,880	747,383	(3,172,879)	(1,664,382)
Great Britain pound	**18,775**	**18,473**	**-**	**302**	17,323	23,657	6	(6,328)
Japanese yen	**257**	**-**	**-**	**257**	1,170	-	-	1,170
Euro	**4,664,976**	**4,903,276**	**222,045**	**(16,255)**	4,131,795	4,246,809	116	(114,898)
Other currencies	**252**	**255**	**(56)**	**(59)**	2,198	-	-	2,198
	27,804,001	**27,804,001**	**-**	**-**	28,948,564	28,948,564	-	-

38.5.4 Mismatch of interest rate sensitive assets and liabilities

	2013											
	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	0.0%	6,193,227	294,382	-	-	-	-	-	-	-	-	5,898,845
Balances with other banks	0.0%	208,293	-	-	-	-	-	-	-	-	-	208,293
Lending to financial institutions	8.9%	9,757,121	9,757,121	-	-	-	-	-	-	-	-	-
Investments	10.1%	5,428,718	767,106	4,661,612	-	-	-	-	-	-	-	-
Advances	8.8%	4,265,335	938,598	1,827,686	762,876	505,482	4,728	3,688	37,857	35,175	149,245	-
Other assets	0.0%	612,405	-	-	-	-	-	-	-	-	-	612,405
		26,465,099	11,757,207	6,489,298	762,876	505,482	4,728	3,688	37,857	35,175	149,245	6,719,543
Liabilities												
Bills payable	0.0%	324,717	-	-	-	-	-	-	-	-	-	324,717
Borrowings from financial institutions	8.6%	4,004,649	-	430,000	-	-	-	-	-	-	-	3,574,649
Deposits and other accounts	6.6%	15,849,131	7,628,598	4,268,129	459,355	314,327	-	-	-	-	-	3,178,722
Other liabilities	0.0%	2,173,922	-	-	-	-	-	-	-	-	-	2,173,922
		22,352,419	7,628,598	4,698,129	459,355	314,327	-	-	-	-	-	9,252,010
On-balance sheet gap		4,112,680	4,128,609	1,791,169	303,521	191,155	4,728	3,688	37,857	35,175	149,245	(2,532,467)
Off-balance sheet financial instruments*												
Forward Purchase Contracts		22,289,015	13,157,547	6,622,001	2,509,467	-	-	-	-	-	-	-
Forward Sales Contracts		(18,102,073)	(5,357,963)	(9,927,297)	(2,816,813)	-	-	-	-	-	-	-
Cross currency swaps (notional)		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		4,186,942	7,799,584	(3,305,296)	(307,346)	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			11,928,193	(1,514,127)	(3,825)	191,155	4,728	3,688	37,857	35,175	149,245	
Cumulative Yield / Interest Risk Sensitivity Gap			11,928,193	10,414,066	10,410,241	10,601,396	10,606,124	10,609,812	10,647,669	10,682,844	10,832,089	

**Excludes interest rate swaps, currency options and forward rate agreement.*

	2012											
	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	0.0%	5,630,489	237,045	-	-	-	-	-	-	-	-	5,393,444
Balances with other banks	0.0%	2,058,913	-	-	-	-	-	-	-	-	-	2,058,913
Lending to financial institutions	10.6%	7,414,392	7,414,392	-	-	-	-	-	-	-	-	-
Investments	11.4%	7,747,304	-	-	912,512	6,337,348	-	49,731	447,713	-	-	-
Advances	10.4%	3,979,514	934,696	1,829,986	600,184	389,996	5,763	1,302	15,477	29,325	172,785	-
Other assets	-	671,843	-	-	-	-	-	-	-	-	-	671,843
		27,502,455	8,586,133	1,829,986	1,512,696	6,727,344	5,763	51,033	463,190	29,325	172,785	8,124,200
Liabilities												
Bills payable	0.0%	297,362	-	-	-	-	-	-	-	-	-	297,362
Borrowings from financial institutions	10.5%	317,883	300,000	-	-	-	-	-	-	-	-	17,883
Deposits and other accounts	6.2%	18,354,233	9,610,790	5,317,310	21,952	21,617	-	-	-	-	-	3,382,564
Other liabilities	0.0%	3,873,164	-	-	-	-	-	-	-	-	-	3,873,164
		22,842,642	9,910,790	5,317,310	21,952	21,617	-	-	-	-	-	7,570,973
On-balance sheet gap		4,659,813	(1,324,657)	(3,487,324)	1,490,744	6,705,727	5,763	51,033	463,190	29,325	172,785	553,227
Off-balance sheet financial instruments*												
Forward Purchase Contracts		4,431,160	2,068,320	2,362,840	-	-	-	-	-	-	-	-
Forward Sales Contracts		(2,657,025)	(2,505,566)	(107,075)	(44,384)	-	-	-	-	-	-	-
Cross currency swaps (notional)		(4,019,695)	-	-	(170,799)	(3,848,896)	-	-	-	-	-	-
Off-balance sheet gap		(2,245,560)	(437,246)	2,255,765	(215,183)	(3,848,896)	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(1,761,903)	(1,231,559)	1,275,561	2,856,831	5,763	51,033	463,190	29,325	172,785	
Cumulative Yield / Interest Risk Sensitivity Gap			(1,761,903)	(2,993,462)	(1,717,901)	1,138,930	1,144,693	1,195,726	1,658,916	1,688,241	1,861,026	

38.6 Liquidity risk

Liquidity risk management safeguards our ability to meet all payment obligations when they come due. Our liquidity risk management framework has been an important factor in maintaining adequate liquidity and in managing our funding profile.

38.6.1 Liquidity Risk Management Framework

The Management Board defines our liquidity risk strategy, and in particular our tolerance for liquidity risk based on recommendations made by Treasury and the Capital and Risk Committee. The Management Board review and approve the limits which are applied to the Group to measure and control liquidity risk as well as the Bank's long-term funding and issuance plan.

Our Treasury function is responsible for the management of liquidity and funding risk of Deutsche Bank globally as defined in the liquidity risk strategy. Our liquidity risk management framework is designed to identify, measure and manage the liquidity risk position of the Group. Treasury reports the Bank's overall liquidity and funding to the Management Board at least weekly via a Liquidity Scorecard. Our liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payments queue, forecasting cash flows and factoring in our access to Central Banks. It then covers tactical liquidity risk management dealing with access to secured and unsecured funding sources. Finally, the strategic perspective comprises the maturity profile of all assets and liabilities (Funding Matrix) and our issuance strategy.

Our cash-flow based reporting system provides daily liquidity risk information to global and regional management.

Stress testing and scenario analysis plays a central role in our liquidity risk management framework. This also incorporates an assessment of asset liquidity, i.e. the characteristics of our asset inventory, under various stress scenarios as well as contingent funding requirements from off-balance-sheet commitments. The monthly stress testing results are used in setting our short-term wholesale funding limits (both unsecured and secured) and thereby ensuring we remain within the Board's overall liquidity risk tolerance.

Being DB's EMEA hub, Treasury & Capital Management (TCM) team in EMEA oversees the liquidity risk and capital management for the whole of EMEA.
Currently, there is one Treasurer and one Treasury analyst who manage day to day liquidity risk and capital management for Pakistan. Liquidity risk management is supported by a web- based system, dbCube, which helps liquidity and capital managers of TCM to monitor the liquidity situation of any DB entity at any location any time. All liquidity risk and capital related issues for DB branches in Pakistan are discussed by the local Asset and Liability Committee (ALCO), chaired by the treasurer, and comprising all businesses and supporting functions, i.e. Finance and Compliance. The local ALCO provides a forum for managing the liquidity, capital and funding positions of the local entity to meet regulatory compliance. Meetings of the local ALCO are held on a regular basis with ad-hoc meetings called when required.

38.6.2 Maturities of assets and liabilities

	2013									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	6,193,227	294,115	441,172	484,945	323,296	-	-	-	-	4,649,699
Balances with other banks	208,293	82,201	123,302	1,674	1,116	-	-	-	-	-
Lending to financial institutions	9,757,121	9,757,121	-	-	-	-	-	-	-	-
Investments	5,428,718	767,106	4,661,612	-	-	-	-	-	-	-
Advances	4,265,335	938,598	1,827,686	762,876	505,482	4,728	3,688	37,857	35,175	149,245
Operating fixed assets	314,108	-	-	-	-	-	-	314,108	-	-
Deferred tax assets	74,492	-	-	-	-	74,492	-	-	-	-
Other assets	1,562,707	256,299	387,919	22,299	45,866	833,945	10,961	2,823	1,539	1,056
	27,804,001	12,095,440	7,441,691	1,271,794	875,760	913,165	14,649	354,788	36,714	4,800,000
Liabilities										
Bills payable	324,717	68,478	102,576	92,198	61,465	-	-	-	-	-
Borrowings from financial institutions	4,004,649	1,426,906	2,570,358	4,431	2,954	-	-	-	-	-
Deposits and other accounts	15,849,131	8,053,910	4,905,994	1,728,682	1,160,545	-	-	-	-	-
Other liabilities	2,338,895	442,160	689,451		1,164,309	42,975	-	-	-	-
	22,517,392	9,991,454	8,268,379	1,825,311	2,389,273	42,975	-	-	-	-
Net assets	5,286,609	2,103,986	(826,688)	(553,517)	(1,513,513)	870,190	14,649	354,788	36,714	4,800,000
Head office capital account	4,649,699									
Reserves	-									
Un-remitted profit	638,687									
Deficit on revaluation of assets	(1,777)									
	5,286,609									

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	2012									
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	5,630,489	351,095	526,642	382,301	254,867	-	-	-	-	4,115,584
Balances with other banks	2,058,913	821,512	1,232,266	3,081	2,054	-	-	-	-	-
Lending to financial institutions	7,414,392	7,414,392	-	-	-	-	-	-	-	-
Investments	7,747,304	-	-	912,512	6,337,348	-	49,731	447,713	-	-
Advances	3,979,514	934,696	1,829,986	600,184	389,996	5,763	1,302	15,477	29,325	172,785
Operating fixed assets	351,955	-	-	-	-	-	-	351,955	-	-
Deferred tax assets	74,271	-	-	-	-	74,271	-	-	-	-
Other assets	1,691,726	63,261	106,097	397,273	290,595	829,003	2,550	-	-	2,947
	28,948,564	9,584,956	3,694,991	2,295,351	7,274,860	909,037	53,583	815,145	29,325	4,291,316
Liabilities										
Bills payable	297,362	59,934	89,901	88,516	59,011	-	-	-	-	-
Borrowings from financial institutions	317,883	126,158	189,237	1,493	995	-	-	-	-	-
Deposits and other accounts	18,354,233	7,080,651	8,972,611	1,376,393	924,578	-	-	-	-	-
Other liabilities	4,017,622	348,943	544,933	968,413	2,104,662	50,671	-	-	-	-
	22,987,100	7,615,686	9,796,682	2,434,815	3,089,246	50,671	-	-	-	-
Net assets	5,961,464	1,969,270	(6,101,691)	(139,464)	4,185,614	858,366	53,583	815,145	29,325	4,291,316
Head office capital account	4,115,584									
Reserves	-									
Un-remitted profit	1,855,437									
Deficit on revaluation of assets	(9,557)									
	5,961,464									

As per the BSD Circular Letter No. 03 of 2011, issued by SBP, assets and liabilities with stated maturities are reported as per their remaining maturities, whereas, assets and liabilities which do not have any contractual maturities are reported as per their "expected maturities" calculated on the basis of an objective and systematic behavioural study approved by ALCO committee. For the methodology of the non contractual items, we use daily balances from the ledger for the last three years, calculate minimum average balances thereof and applying the applicable bucket rates.

38.7 Maturities of assets and liabilities

	2013									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	6,193,227	1,543,528	-	-	-	-	-	-	-	4,649,699
Balances with other banks	208,293	208,293	-	-	-	-	-	-	-	-
Lending to financial institutions	9,757,121	9,757,121	-	-	-	-	-	-	-	-
Investments	5,428,718	767,106	4,661,612	-	-	-	-	-	-	-
Advances	4,265,335	3,306,772	711,842	11,478	4,550	4,728	3,688	37,857	35,175	149,245
Operating fixed assets	314,108	-	-	-	-	-	-	314,108	-	-
Deferred tax assets	74,492	-	-	-	-	74,492	-	-	-	-
Other assets	1,562,707	628,314	15,904	22,299	45,866	833,945	10,961	2,823	1,539	1,056
	27,804,001	16,211,134	5,389,358	33,777	50,416	913,165	14,649	354,788	36,714	4,800,000
Liabilities										
Bills payable	324,717	324,717	-	-	-	-	-	-	-	-
Borrowings from financial institutions	4,004,649	3,574,649	430,000	-	-	-	-	-	-	-
Deposits and other accounts	15,849,131	15,094,403	732,131	8,704	13,893	-	-	-	-	-
Other liabilities	2,338,895	1,105,400	26,211		1,164,309	42,975	-	-	-	-
	22,517,392	20,099,169	1,188,342	8,704	1,178,202	42,975	-	-	-	-
Net assets	5,286,609	(3,888,035)	4,201,016	25,073	(1,127,786)	870,190	14,649	354,788	36,714	4,800,000
Head office capital account	4,649,699									
Reserves	-									
Un-remitted profit	638,687									
Deficit on revaluation of assets	(1,777)									
	5,286,609									

	2012									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	5,630,489	1,514,905	-	-	-	-	-	-	-	4,115,584
Balances with other banks	2,058,913	2,058,913	-	-	-	-	-	-	-	-
Lending to financial institutions	7,414,392	7,414,392	-	-	-	-	-	-	-	-
Investments	7,747,304	-	-	912,512	6,337,348	-	49,731	447,713	-	-
Advances	3,979,514	2,873,062	865,903	15,613	283	5,763	1,302	15,478	29,325	172,785
Operating fixed assets	351,955	-	-	-	-	-	-	351,955	-	-
Deferred tax assets	74,271	-	-	-	-	74,271	-	-	-	-
Other assets	1,691,726	723,185	26,595	49,020	58,426	829,003	2,550	-	-	2,947
	28,948,564	14,584,457	892,498	977,145	6,396,057	909,037	53,583	815,146	29,325	4,291,316
Liabilities										
Bills payable	297,362	297,362	-	-	-	-	-	-	-	-
Borrowings from financial institutions	317,883	317,883	-	-	-	-	-	-	-	-
Deposits and other accounts	18,354,233	12,993,354	5,317,310	21,952	21,617	-	-	-	-	-
Other liabilities	4,017,622	2,486,377	21,519	-	1,459,054	50,672	-	-	-	-
	22,987,100	16,094,976	5,338,829	21,952	1,480,671	50,672	-	-	-	-
Net assets	5,961,464	(1,510,519)	(4,446,331)	955,193	4,915,386	858,365	53,583	815,146	29,325	4,291,316
Head office capital account	4,115,584									
Reserves	-									
Un-remitted profit	1,855,437									
Deficit on revaluation of assets	(9,557)									
	5,961,464									

The assets and liabilities with stated maturities are reported as per their remaining maturities, whereas, assets and liabilities which do not have any contractual maturities have been reported into up to one month.

38.8 Operational risk

38.8.1 Organizational Structure

The Head of Operational Risk & Business Continuity Management chairs the Operational Risk Management Committee, which is a permanent sub-committee of the Risk Executive Committee and is composed of the operational risk officers from our business divisions and our infrastructure functions. It is the main decision-making committee for all operational risk management matters.

While the day-to-day operational risk management lies with our business divisions and infrastructure functions, the Operational Risk & Business Continuity Management function manages the cross divisional and cross regional operational risk as well as risk concentrations and ensures a consistent application of our operational risk management strategy across the bank. Based on this Business Partnership Model we ensure close monitoring and high awareness of operational risk.

38.8.2 Managing Our Operational Risk

We manage operational risk based on a Group-wide consistent framework that enables us to determine our operational risk profile in comparison to our risk appetite and systematically identify operational risk themes and concentrations to define risk mitigating measures and priorities.

Based on the organizational set-up, the governance and systems in place to identify and manage the operational risk and the support of control functions responsible for specific operational risk types (e.g. Compliance, Corporate Security & Business Continuity Management) we seek to optimize the management of operational risk. Future operational risks (identified through forward-looking analysis) are managed via mitigation strategies such as the development of back-up systems and emergency plans. We buy insurance in order to protect ourselves against unexpected and substantial unforeseeable losses.

For purpose of complying with local Basel III regulatory requirements in Pakistan, we follow the implementation guidelines (‘Implementation of Basel III’) issued by State Bank of Pakistan.

As required by State Bank of Pakistan regulations, DB in Pakistan employs the Basic Indicator Approach (BIA) for 2012.

39. GENERAL

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2014:

- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

  - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on ______________________.

41. GENERAL

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

41.2 Captions as prescribed in BSD circular No. 4 dated 17 February 2006 issued by SBP in respect of which no amounts are outstanding have not been reproduced in these financial statements except for in the statement of financial position and the profit and loss account.

Faizan Mitha **Managing Director &** **Chief Country Officer** **Pakistan**	**Mahmood A. Qureshi** **Chief Operating Officer** **& Chief Financial Officer** **Pakistan**