Deutsche Bank AG, Pakistan Branches

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

Statement of Financial Position

As at 31 December 2016

	Note	**2016**	2015
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	*7*	**4,993,782**	5,539,927
Balances with other banks	*8*	**136,459**	951,925
Lendings to financial institutions	*9*	**14,630,311**	6,422,104
Investments		**-**	-
Advances	*10*	**3,214,744**	6,559,769
Operating fixed assets	*11*	**291,553**	324,115
Deferred tax assets - net	*12*	**17,762**	31,477
Other assets	*13*	**1,208,960**	1,284,666
		24,493,571	21,113,983
LIABILITIES			
Bills payable	*14*	**2,976,253**	942,655
Borrowings from financial institutions	*15*	**27,509**	11,113
Deposits and other accounts	*16*	**14,092,145**	11,977,105
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	*17*	**1,859,794**	2,283,216
		18,955,701	15,214,089
NET ASSETS		**5,537,870**	5,899,894
REPRESENTED BY			
Head office capital account	*18*	**3,544,827**	3,667,658
Reserves		**-**	-
Un-remitted profit		**1,993,043**	2,232,236
		5,537,870	5,899,894
Surplus / (deficit) on revaluation of assets - net of tax		**-**	-
		5,537,870	5,899,894
Contingencies and commitments	*19*		

The annexed notes 1 to 38 form an integral part of these financial statements.

SD/-
Syed Ahmer Hassan

Chief Country Officer
Pakistan

SD/-
Noman Aqeel

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 2016

	Note	**2016**	2015
		(Rupees in '000)	
Mark-up / return / interest earned	*21*	**1,049,008**	1,370,390
Mark-up / return / interest expensed	*22*	**(345,527)**	(442,887)
Net mark-up / interest income		**703,481**	927,503
Reversal of provision / (provision) against non-performing advances	*10.3*	**3,893**	323,322
Reversal of provision / (provision) against off-balance sheet obligations	*17.1*	**9,502**	11,191
Provision for diminution in the value of investments		**-**	-
Bad debts written off directly		**-**	-
		13,395	334,513
Net mark-up / interest income after provisions		**716,876**	1,262,016
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income		**502,688**	497,015
Dividend income		**-**	-
Income from dealing in foreign currencies and derivatives	*23*	**510,330**	787,073
Gain on sale of Government securities		**7,374**	85,327
Unrealized gain / (loss) on revaluation of investments classified as held for trading		**-**	-
Other income	*24*	**15,934**	67,969
Total non mark-up / non interest income		**1,036,326**	1,437,384
		1,753,202	2,699,400
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	*25*	**(1,014,095)**	(1,043,460)
Reversal of provision against other assets	*13.1*	**15**	30
Other charges		**-**	-
Total non mark-up / non interest expenses		**(1,014,080)**	(1,043,430)
		739,122	1,655,970
Extra-ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**739,122**	1,655,970
Taxation - current		**(250,294)**	(532,756)
- prior years		**(60,902)**	(60,631)
- deferred		**(8,400)**	(47,012)
	26	**(319,596)**	(640,399)
PROFIT AFTER TAXATION		**419,526**	1,015,571

The annexed notes 1 to 38 form an integral part of these financial statements.

SD/-	**SD/-**
Syed Ahmer Hassan	**Noman Aqeel**
Managing Director / Chief Country Officer Pakistan	**Chief Operating Officer & Chief Financial Officer Pakistan**

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 2016

	2016	2015
	(Rupees in '000)	
Profit for the year	**419,526**	1,015,571
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gain / (loss) on defined benefit plans	**15,185**	(23,692)
Related deferred tax	**(5,314)**	8,292
	9,871	(15,400)
Exchange adjustment on account of revaluation of capital	**(122,831)**	(246,401)
Total comprehensive income / (loss) for the year	**306,566**	753,770
Items that may be reclassified to profit or loss in subsequent periods:		
Surplus / (deficit) arising on revaluation of available for sale securities	-	-
Related deferred tax	-	-
	-	-
	-	-

The annexed notes 1 to 38 form an integral part of these financial statements.

SD/-	**SD/-**
Syed Ahmer Hassan	**Noman Aqeel**
Managing Director / Chief Country Officer Pakistan	**Chief Operating Officer & Chief Financial Officer Pakistan**

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 2016

	Head office capital account	**Un-remitted profit**	**Total**
	(Rupees in '000)		
Balance as at 01 January 2015	3,914,059	1,232,065	5,146,124
Total comprehensive income for the year:			
Profit for the year	-	1,015,571	1,015,571
Other comprehensive income:			
Actuarial gain on defined benefit plan - net of tax	-	(15,400)	(15,400)
Exchange adjustment on revaluation of head office capital account	(246,401)	-	(246,401)
	(246,401)	1,000,171	753,770
Balance as at 31 December 2015	3,667,658	2,232,236	5,899,894
Changes in equity 2016:			
Comprehensive income for the year:			
Profit for the year	-	419,526	419,526
Remittance made to Head Office		(668,590)	(668,590)
Other comprehensive income:			
Actuarial gain on defined benefit plan - net of tax	-	9,871	9,871
Exchange adjustment on revaluation of head office capital account	(122,831)	-	(122,831)
	(122,831)	(239,193)	(362,024)
Balance as at 31 December 2016	**3,544,827**	**1,993,043**	**5,537,870**

The annexed notes 1 to 38 form an integral part of these financial statements.

SD/-	**SD/-**
Syed Ahmer Hassan	**Noman Aqeel**
Managing Director / Chief Country Officer Pakistan	**Chief Operating Officer & Chief Financial Officer Pakistan**

Deutsche Bank AG, Pakistan Branches

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

Cash Flow Statement

For the year ended 31 December 2016

	Note	**2016**	2015
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**739,122**	1,655,970
Adjustments for:			
Depreciation		**80,685**	68,638
Reversal of provision against non-performing advances		**(3,893)**	(323,322)
Reversal of provision against off-balance sheet obligation		**(9,502)**	(11,191)
Reversal of provision against other assets		**(15)**	(30)
Gain on sale of Government securities		**(7,374)**	(85,327)
Charge for defined benefit plan		**27,792**	22,678
Gain on sale of operating fixed assets		**(5,365)**	(6,227)
		82,328	(334,781)
		821,450	1,321,189
Decrease / (increase) in operating assets			
Lendings to financial institutions		**(8,208,207)**	(109,546)
Advances		**3,348,918**	366,623
Others assets (excluding advance taxation)		**167,381**	280,119
		(4,691,908)	537,196
(Decrease) / increase in operating liabilities			
Bills payable		**2,033,598**	312,868
Borrowings from financial institutions		**16,396**	(849,294)
Deposits and other accounts		**2,115,040**	(686,432)
Other liabilities		**(405,230)**	(122,878)
		3,759,804	(1,345,736)
		(110,654)	512,649
Contributions made to defined benefit plan		**(21,298)**	(19,958)
Income tax paid		**(402,854)**	(591,337)
Net cash used in operating activities		**(534,806)**	(98,646)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale investments		**7,374**	902,353
Purchase of operating fixed assets		**(60,651)**	(98,120)
Sale proceeds on disposal of operating fixed assets		**17,893**	16,578
Net cash generated from investing activities		**(35,384)**	820,811
CASH FLOW FROM FINANCING ACTIVITIES			
Remittance made to head office		**(668,590)**	-
		(668,590)	-
Effects of exchange rate changes on cash and cash equivalents		**(122,831)**	(246,401)
Increase / (decrease) in cash and cash equivalents		**(1,361,611)**	475,764
Cash and cash equivalents at beginning of the year		**6,491,852**	6,016,088
Cash and cash equivalents at end of the year	*27*	**5,130,241**	6,491,852

The annexed notes 1 to 38 form an integral part of these financial statements.

SD/-	**SD/-**
Syed Ahmer Hassan	**Noman Aqeel**
Managing Director / Chief Country Officer Pakistan	**Chief Operating Officer & Chief Financial Officer Pakistan**

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 Branches'). The Branches are 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 include purchase of goods by the Branches 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 and Securities & Exchange Commission of Pakistan (SECP). 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 SBP and SECP 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 December 2016 for Deutsche Bank AG is BBB+ for the long term and A-2 for the short term, rating done by Moody's in December 2016 is Baa2 for the long term and P-2 for the short term and rating done by Fitch in December 2016 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 for available-for-sale investments and derivative financial instruments, which have been marked to market and are carried at fair value, staff retirement benefits (pension) which are stated at present value.

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 accounting 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:

- Advances (Note 6.4)
- Taxation (Note 6.3)
- 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 Branches' 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.

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 Branches operate approved provident fund and gratuity fund scheme for all of their permanent employees in respect of which contributions are made to discharge liability under the respective rules of the schemes.

Defined benefit plan

The Branches also operate 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 Branches also establish 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 Branches designate 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 Branches commit to purchase or sell the investments.

Trading securities are initially recognized at fair value 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 cost 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 with reference to ready quotes as available on Reuters Page (PKRV) or Stock Exchange.

6.6 Repurchase agreements

The Branches enter 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 Branches and the cost of the item can be measured reliably. All other repair and maintenance expenses 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 remeasured 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 Branches intend 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 Branches have 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	2016	2015
		(Rupees in '000)	
In hand:			
Local currency		**39,834**	35,909
Foreign currency		**48,697**	38,517
With State Bank of Pakistan in:			
Local currency current account	*7.1*	**1,210,268**	1,381,329
Foreign currency deposit account:			
Cash reserve account	*7.2*	**10,935**	98,038
Special cash reserve account	*7.3*	**104,076**	292,751
Local US Dollar collection account	*7.4*	**35,145**	25,725
Foreign currency capital account	*18*	**3,544,827**	3,667,658
With National Bank of Pakistan in:			
Local currency current account		**-**	-
		4,993,782	5,539,927

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 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 (2015: Nil).

7.4 This represents US Dollar settlement account opened with the SBP in accordance with FE Circular No. 2.

8. BALANCES WITH OTHER BANKS

	Note	2016	2015
In Pakistan			
Current account		**-**	19,222
Outside Pakistan			
Current account			
- Inter branch		**18,614**	108,482
- Others	*8.1*	**117,845**	824,221
		136,459	951,925

8.1 This includes balance with a subsidiary of Deutsche Bank, AG. Rs. 101.292 million (2015: Rs. 792.200 million).

9. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2016	2015
Repurchase agreement lendings (Reverse Repo)	*9.1*	**14,630,311**	6,422,104

9.1 Reverse repo transactions have been made with various commercial banks at rates ranging from 5.75% to 5.84% p.a (2015: 6.10% to 6.50% p.a) and mature within a month. The market value of these securities at 31 December 2016 amounted to Rs. 14,740 million (2015: Rs. 6,540 million).

Particulars of Lendings

	2016	2015
In local currency	**14,630,311**	6,422,104

9.2 Securities held as collateral against lendings to financial institutions

	2016			2015		
	Held by Branches	**Further given as collateral**	**Total**	Held by Branches	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	**14,630,311**	**-**	**14,630,311**	6,422,104	-	6,422,104

10. ADVANCES

	Note	**2016**	2015
		(Rupees in '000)	
Loans, cash credits, running finances, etc. - in Pakistan	*10.1*	**2,577,229**	5,851,222
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		**675,479**	750,404
Payable outside Pakistan		**65,626**	65,626
		741,105	816,030
Advances - gross		**3,318,334**	6,667,252
Provision for non-performing advances	*10.3*	**(103,590)**	(107,483)
Advances - net of provision		**3,214,744**	6,559,769

10.1 Particulars of advances - gross

	2016	2015
In local currency	**3,252,708**	6,601,626
In foreign currencies	**65,626**	65,626
	3,318,334	6,667,252
Short term (for up to one year)	**2,993,807**	6,339,116
Long term (for over one year)	**324,527**	328,136
	3,318,334	6,667,252

10.2 Advances include Rs. 96.511 million (2015: Rs. 96.511 million) which have been placed under non-performing status as detailed below:

	2016			2015		
	Classified advances domestic	**Provision required**	**Provision held**	Classified advances domestic	Provision required	Provision held
	---- (Rupees in '000) ----					
Category of Classification						
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	**96,511**	**96,511**	**96,511**	96,511	96,511	96,511
	96,511	**96,511**	**96,511**	96,511	96,511	96,511

10.3 **Particulars of provision against non-performing advances**

	2016			2015		
	Specific	**General**	**Total**	Specific	General	Total
	---- (Rupees in '000) ----					
Opening balance	**96,511**	**10,972**	**107,483**	347,570	83,235	430,805
Charge for the year	-	-	-	-	-	-
Reversals / recoveries	-	**(3,893)**	**(3,893)**	(251,059)	(72,263)	(323,322)
	-	**(3,893)**	**(3,893)**	(251,059)	(72,263)	(323,322)
Closing balance	**96,511**	**7,079**	**103,590**	96,511	10,972	107,483

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

10.5 **Particulars of loans and advances to executives and officers**

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

	2016	2015
	(Rupees in '000)	
Balance at beginning of year	**223,590**	244,558
Loans granted during the year	**72,595**	78,255
Repayments	**(73,537)**	(99,223)
Balance at end of year	**222,648**	223,590

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

11. **OPERATING FIXED ASSETS**

		2016	2015
Capital work-in-progress	*11.1*	**3,169**	12,432
Property and equipment	*11.2*	**288,384**	311,683
		291,553	324,115

11.1 **Capital work-in-progress**

	2016	2015
Advance against purchase of vehicle	**3,169**	12,432

11.2 Property and equipment

2016

	COST				DEPRECIATION					
	Balance at 1 January 2016	**Additions**	**Disposal**	**Balance at 31 December 2016**	**Balance at 1 January 2016**	**Charge for the year**	**Relating to Disposal**	**Balance at 31 December 2016**	**Book value at 31 December 2016**	**Rate of depreciation %**
	(Rupees in '000)									
Owned										
Improvements on lease hold buildings	**275,458**	**-**	**-**	**275,458**	**111,959**	**25,257**	**-**	**137,216**	**138,242**	**10-20**
Furniture and fixtures	**13,061**	**-**	**-**	**13,061**	**9,687**	**1,612**	**-**	**11,299**	**1,762**	**10-33**
Electrical, office and computer equipment	**171,600**	**40,390**	**(169)**	**211,821**	**111,840**	**27,021**	**(169)**	**138,692**	**73,129**	**20-50**
Vehicles	**134,471**	**29,524**	**(33,650)**	**130,345**	**49,421**	**26,795**	**(21,122)**	**55,094**	**75,251**	**20**
	594,590	**69,914**	**(33,819)**	**630,685**	**282,907**	**80,685**	**(21,291)**	**342,301**	**288,384**	

2015

	COST				DEPRECIATION					
	Balance at 1 January 2015	Additions	Disposal	Balance at 31 December 2015	Balance at 1 January 2015	Charge for the year	Relating to Disposal	Balance at 31 December 2015	Book value at 31 December 2015	Rate of depreciation %
	(Rupees in '000)									
Owned										
Improvements on lease hold buildings	273,565	1,893	-	275,458	86,702	25,257	-	111,959	163,499	10-20
Furniture and fixtures	12,437	624	-	13,061	8,061	1,626	-	9,687	3,374	10-33
Electrical, office and computer equipment	137,106	34,568	(74)	171,600	93,349	18,562	(71)	111,840	59,760	20-50
Vehicles	107,454	58,659	(31,642)	134,471	47,522	23,193	(21,294)	49,421	85,050	20
	530,562	95,744	(31,716)	594,590	235,634	68,638	(21,365)	282,907	311,683	

11.2.1 Included in cost of property and equipment are fully depreciated items, still in use, having cost of Rs. 105.131 million (2015: Rs. 98.139 million).

11.2.2 Disposals include items having cost of Rs. 0.149 million (2015: Rs. 0.034 million) which have been written off during the year.

11.2.3 Details of disposal of assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 respectively, 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)**	-------------------			
Mercedez Benz	6,315	1,158	2,526	Bank Policy	Mahmood Qureshi	Employee
Toyota Corolla Gli	1,554	259	622	Bank Policy	Faraz Anwer	Employee
Toyota Corolla	1,939	355	776	Bank Policy	Hussain Dada	Employee
Mercedez	6,315	1,158	2,526	Bank Policy	Fahim Ahmed	Ex-Employee
Honda Civic Vti Pros.Oreal	2,332	816	1,119	Bank Policy	Abbas Haider	Ex-Employee
Honda City Aspire Pt1.3L Pros	1,794	1,286	1,346	Bank Policy	Syed Imran Ahmed	Employee
Honda Civic Vti Pros.Oriel	2,388	1,512	1,600	Bank Policy	Shahzad Ajmery	Ex-Employee
Toyota Corolla Altis	2,303	1,919	2,003	Bank Policy	Syed Abbas Hussani	Ex-Employee
Toyota Corolla Altis	1,828	1,492	1,553	Bank Policy	Shoaib Shaikh	Employee
Toyota Corolla	1,828	1,492	1,553	Bank Policy	S M Ali	Ex-Employee
Toyota Corolla Gli 1.6 A/T	1,751	788	945	Bank Policy	Aslam Muhammad	Employee
Toyota Corolla	1,573	157	629	Bank Policy	Sajjad-uz-Zaman	Employee
Honda Civic	1,619	135	647	Bank Policy	Babar Ahmed	Employee
	33,539	**12,527**	**17,845**			

12. DEFERRED TAX ASSETS

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

	2016			
	Opening balance	**(Charge) / reversal to profit and loss account**	**Debit / (credit) to other comprehensive income**	**Closing balance**
	-------------------------- (Rupees in '000) ------------------------			
Actuarial gains and losses	**21,499**	**-**	**(5,315)**	**16,184**
Provision for advances and off balance sheet obligation	**32,262**	**(16,301)**	**-**	**15,961**
Difference between accounting book value of operating fixed assets and its tax base	**(22,284)**	**7,901**	**-**	**(14,383)**
	31,477	**(8,400)**	**(5,315)**	**17,762**

	2015			
	Opening balance	(Charge) / reversal to profit and loss account	Debit / (credit) to other comprehensive income	Closing balance
	-------------------------- (Rupees in '000) ------------------------			
Surplus on revaluation of Government securities	(9,066)	-	9,066	-
Actuarial gains and losses	13,541	-	7,958	21,499
Provision for advances and off balance sheet obligation	84,806	(52,544)	-	32,262
Difference between accounting book value of operating fixed assets and its tax base	(28,151)	5,867	-	(22,284)
	61,130	(46,677)	17,024	31,477

13. OTHER ASSETS

		2016	2015
		(Rupees in '000)	
Income / mark-up accrued in local currency		**77,502**	98,933
Income / mark-up accrued in foreign currency		**61,545**	47,405
Advances, deposits, advance rent and other prepayments		**179,127**	259,219
Advance taxation (payments less provisions)		**868,403**	776,745
Unrealized gain on forward foreign exchange contracts		**22,497**	28,029
Unrealized gain on interest rate swaps		**-**	68,784
Others		**4,560**	10,240
		1,213,634	1,289,355
Less: Provision held against other assets	*13.1*	**(4,674)**	(4,689)
Other assets (net of provision)		**1,208,960**	1,284,666

13.1 Provision against other assets

	2016	2015
	(Rupees in '000)	
Opening balance	**4,689**	4,719
Reversals during the year	**(15)**	(30)
Closing balance	**4,674**	4,689

14. BILLS PAYABLE

In Pakistan	**2,976,253**	942,655

15. BORROWINGS FROM FINANCIAL INSTITUTIONS

In Pakistan	**14,426**	10,967
Outside Pakistan	**13,083**	146
	27,509	11,113

15.1 Particulars of borrowings with respect to currencies

In local currency	**14,426**	10,967
In foreign currencies	**13,083**	146
	27,509	11,113

15.2 Details of borrowings unsecured

Unsecured			
Overdrawn nostro accounts - Interbranch and a subsidiary of Deutsche Bank, AG		**13,083**	146
Others	*15.2.1*	**14,426**	10,967
		27,509	11,113
		27,509	11,113

15.2.1 These are overdrawn bank balances with commercial banks.

16. DEPOSITS AND OTHER ACCOUNTS

Customers		
Fixed deposits	**5,373,489**	2,673,423
Savings deposits	**3,424,916**	4,432,256
Current accounts - non-remunerative	**5,231,697**	4,775,172
Others	**54,272**	92,874
	14,084,374	11,973,725
Financial institutions		
Non-remunerative deposits - interbranch	**7,771**	3,380
	14,092,145	11,977,105

16.1 Particulars of deposits

		2016	2015
		(Rupees in '000)	
In local currency		**13,772,460**	11,320,373
In foreign currencies		**319,685**	656,732
		14,092,145	11,977,105

17. OTHER LIABILITIES

		2016	2015
Mark-up / return / interest payable in local currency		**9,989**	2,369
Mark-up / return / interest payable in foreign currency		**-**	2
Unearned commission and income on bills discounted		**39,567**	42,019
Accrued expenses		**79,901**	150,054
Unrealized loss on forward foreign exchange contracts		**16,881**	12,473
Unrealized loss on interest rate swaps		**-**	20,418
Amount due to head office and branches		**6,195**	6,195
Unremitted head office expenses		**1,392,350**	1,220,133
Payable to defined benefit plan	*29.6*	**56,972**	65,662
Provision against off-balance sheet obligations - general	*17.1*	**10,559**	20,061
Workers Welfare Fund payable	*17.2*	**186,718**	171,635
Others		**60,662**	572,195
		1,859,794	2,283,216

17.1 Provision against off-balance sheet obligations

	2016	2015
Opening balance	**20,061**	31,252
Charge / (Reversal) for the year	**(9,502)**	(11,191)
Closing balance	**10,559**	20,061

17.2 Workers' Welfare Fund payable (WWF)

Through Finance Act 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. Appeals against these orders were filed in the Supreme Court. Further, as a consequence of passage of 18th Amendment to the Constitution, levy for Workers Welfare was also introduced by the Government of Sindh (Sindh WWF) which was effective from 1 January 2014.

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

A legal advice has been obtained by the Pakistan Banks Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive or final till the review petitions are decided. Accordingly, the Bank has continued to maintain the provision for WWF from the date of its levy till December 31, 2016. No allocation between the Federal Government Levy and Sindh WWF has been made.

The bank have also obtained a stay order against SWWF from Honourable Sind High Court dated 3 March 2017.

18. HEAD OFFICE CAPITAL ACCOUNT

Capital held as interest free deposit in approved foreign exchange.

	2016	2015
	(Rupees in '000)	
Balance at beginning of the year represents	**3,667,658**	3,914,059
- Revaluation advised by the State Bank of Pakistan during the year	**(122,831)**	(246,401)
Euro 32,048165 (2015: Euro 32,048,165)	**3,544,827**	3,667,658

19. CONTINGENCIES AND COMMITMENTS

19.1 Transaction-related contingent liabilities

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

	2016	2015
i) Government	**13,825,556**	16,101,044
ii) Banking companies and other financial institutions	**125,697**	42,695
iii) Others	**1,022,604**	1,136,981

19.2 Trade-related contingent liabilities

	2016	2015
Acceptances	**736,947**	845,525
Letters of credit	**2,469,760**	2,871,897

19.3 Commitments in respect of forward lending

	2016	2015
Reverse repurchase agreement (Reverse repo)	**14,630,311**	6,422,104
Commitments to extend credit	**18,952,295**	15,814,355

19.4 Commitments in respect of forward exchange contracts

	2016	2015
Purchase:		
- from the State Bank of Pakistan	**-**	-
- from others	**3,562,890**	3,804,640
Sale:		
- to the State Bank of Pakistan	**-**	-
- to others	**3,590,952**	4,407,603

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

	2016	2015
19.5 Cheques in clearing	**1,579,015**	1,938,923

Other contingencies

19.6.1 Appeals for various assessment years are pending before Income Tax Appellate Authorities / High Courts contesting additional demands amounting to Rs. 695 million. The Branches are vigorously contesting the appeals and are confident that no additional liability would arise.

19.7 Other commitments

	2016	2015
Interest rate swaps - notional amounts	-	2,179,460

20. DERIVATIVE INSTRUMENTS

The Branches are 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 Branches are in a better position to hedge that risk, and are 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.

20.1 Product analysis

	2016					
	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	-	-	-	-	-	-
- Market Making	-	-	-	-	-	-
With other entities for						
- Hedging	-	-	-	-	-	-
- Market Making	-	-	-	-	-	-
Total						
- Hedging	-	-	-	-	-	-
- Market Making	-	-	-	-	-	-
	-	-	-	-	-	-

	2015					
	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	1	851,230	-	-	-	-
- Market Making	2	1,328,230	-	-	-	-
With other entities for						
- Hedging	-	-	-	-	-	-
- Market Making	-	-	-	-	-	-
Total						
- Hedging	1	851,230	-	-	-	-
- Market Making	2	1,328,230	-	-	-	-
	3	2,179,460	-	-	-	-

20.2 Maturity analysis

Interest rate swaps and cross currency swaps

Remaining Maturity	2016				
	No. of contracts	**Notional principal**	**Mark to Market**		
			Negative	**Positive**	**Net**
		(Rupees in '000)			
Interest Rate SWAP					
2 to 3 years		-	-	-	-
3 to 5 years		-	-	-	-
					-
Less: Reserves		-	-	-	-
		-	-	-	-

Remaining Maturity	2015				
	No. of contracts	Notional principal	Mark to Market		
			Negative	Positive	Net
		(Rupees in '000)			
Interest Rate SWAP					
2 to 3 years	1	477,000	-	48,900	48,900
3 to 5 years	2	1,702,460	(20,418)	21,496	1,078
					-
Forward Rate Agreement					
6 months to I year					
Less: Reserves				(1,612)	(1,612)
	3	2,179,460	(20,418)	68,784	48,366

At the exchange rate prevailing at the end of the reporting period Rs. 104.741 per US $1.

21. MARK-UP / RETURN / INTEREST EARNED

	2016	2015
	(Rupees in '000)	
On loans and advances to customers	**396,881**	575,506
On investments in available-for-sale securities	**19**	48,426
On deposits with financial institutions	**-**	9
On securities purchased under resale agreements	**652,102**	746,364
Others	**6**	85
	1,049,008	1,370,390

22. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	**340,508**	420,266
Securities sold under repurchase agreements	**2,768**	3,284
Other short term borrowings	**1,574**	17,365
Others	**677**	1,972
	345,527	442,887

		2016	2015
23. INCOME FROM DEALING IN FOREIGN CURRENCIES AND DERIVATIVES		**(Rupees in '000)**	
Exchange income from dealing in foreign currencies - net		**507,995**	749,990
Gain / (loss) on derivatives - net		**2,335**	37,083
		510,330	787,073

24. OTHER INCOME

Gain on sale of property and equipment		**5,365**	6,227
Others	*24.1*	**10,569**	61,742
		15,934	67,969

24.1 This amount represents reversal of HR related expenses which were payable to Head Office.

25. ADMINISTRATIVE EXPENSES

Salaries, allowances, etc.	*25.1*	**356,233**	392,109
Voluntary separation scheme		**49,796**	46,060
Charge for defined benefit plan	*29.7*	**27,792**	22,678
Contribution to defined contribution plan		**26,412**	25,158
Worker's Welfare Fund		**15,083**	33,783
Head office expenses	*25.2*	**173,869**	175,879
Rent, taxes, insurance, electricity, etc.		**130,929**	116,453
Legal and professional charges		**7,177**	15,116
Communications		**39,476**	36,434
Repairs and maintenance		**12,340**	19,414
Stationery and printing		**11,999**	16,814
Advertisement and publicity		**546**	184
Auditors' remuneration	*25.3*	**3,913**	3,405
Depreciation	*11.2*	**80,685**	68,638
Others		**77,845**	71,335
		1,014,095	1,043,460

25.1 The Bank operates an employee performance bonus 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 performance bonus and restricted award schemes relating to executives of the Pakistan branches amounted to Rs. 8.060 million and Rs. 22.256 million (2015: Rs. 48.755 million and Rs. 27.772 million) respectively.

25.2 Head office expenses

SAP expenses	**1,685**	1,706
MLC charges	**17,340**	56,187
Ben / Acorn charges	**180,866**	103,072
Head office expenses	**17**	-
Risk participation fee	**2,524**	2,371
Global HR product	**3,363**	2,499
TP Coverage	**(24,395)**	20,395
	181,400	186,230
Less: Other income	**(7,531)**	(10,351)
	173,869	175,879

25.3 Auditors' remuneration

	2016	2015
	(Rupees in '000)	
Audit fee	**2,336**	2,429
Special certifications and sundry advisory services	**1,577**	976
	3,913	3,405

26. TAXATION

	2016	2015
Current	**250,294**	532,756
Deferred	**8,400**	47,012
	258,694	579,768
For prior years		
Current	**60,902**	60,631
Deferred	**-**	-
	60,902	60,631
	319,596	640,399

26.1 Relationship between tax expense and accounting profit

	2016	2015
Profit before tax	**739,122**	1,655,970
Tax calculated at the rate of 35% (2015: 35%)	**258,693**	579,590
Effect of :		
- prior year charge	**60,902**	60,631
- others	**1**	178
Tax charge for the year	**319,596**	640,399

26.2 Additional demands aggregating to Rs. 638 million have been raised by tax authorities in various tax years against which relief have been given by Commissioner Income Tax (Apeeals). However, the appeal effect orders for such assessments have not yet been issued.

27. CASH AND CASH EQUIVALENTS

	2016	2015
Cash and balance with treasury banks	**4,993,782**	5,539,927
Balances with other banks	**136,459**	951,925
	5,130,241	6,491,852

28. STAFF STRENGTH

	2016	2015
	(In number)	
Permanent	**74**	75
Outsourced	**30**	30
Total staff strength	**104**	105

29. DEFINED BENEFIT PLAN

29.1 General description

All permanent employees of the Branches are eligible for pension under the pension fund scheme on completing 10 years of service with the Branches. 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.

29.2 Principal actuarial assumptions

The actuarial valuation of the defined benefit plan was carried out at 31 December 2016. Projected Unit Credit Method is used for the calculation and the key assumptions used for actuarial valuation were as follows:

	2016	2015
Discount rate	**10.00% p.a.**	12.30% p.a.
Expected rate of increase in salary in future years	**9.30% p.a.**	10.00% p.a.
Expected rate of return on plan assets	**10.00% p.a.**	12.30% p.a.
Withdrawal rate before normal retirement age	**"Moderate"**	"Moderate"
Expected annual rate of increase in monthly pensions	**4.42% p.a.**	4.90% p.a.

29.3 Reconciliation of payable to defined benefit plan

		2016	2015
		(Rupees in '000)	
Present value of defined benefit obligations	*29.4*	**640,902**	584,200
Fair value of plan assets	*29.5*	**(583,930)**	(518,538)
	29.6	**56,972**	65,662

29.4 Movement in present value of defined benefit plan

	2016	2015
Opening balance	**584,200**	475,996
Current service cost	**22,363**	19,537
Interest cost	**57,670**	57,700
Actuarial loss / (gain) on defined benefit obligation	**(8,339)**	44,749
Benefits paid during the year	**(14,992)**	(13,782)
Closing balance	**640,902**	584,200

29.5 Movement in fair value of plan assets

		2016	2015
Opening balance		**518,538**	436,746
Interest income on plan assets		**52,169**	54,126
Contribution made		**21,298**	20,391
Benefits paid by the fund		**(14,992)**	(13,782)
Gain on plan assets (excluding interest income)		**6,917**	21,057
Closing balance	*29.5.1*	**583,930**	518,538

29.5.1 Plan assets consist of the following:

	2016	2015
Pakistan Investment Bonds (including accrued interest)	**349,546**	454,716
Market Treasury Bills (including accrued interest)	**227,249**	2,690
Balances with banks	**7,135**	61,132
	583,930	518,538

29.6 Movement in net payable/receivable to / from defined benefit plan

	2016	2015
	(Rupees in '000)	
Opening balance	**65,662**	39,250
Charge for the year	**27,792**	22,678
Actuarial gain / (loss) recognized in other comprehensive income	**(15,256)**	23,692
Contribution made during the year	**(21,226)**	(19,958)
Closing balance	**56,972**	65,662

29.7 Charge for defined benefit plan

	2016	2015
Current service cost	**22,363**	19,537
Interest cost	**57,670**	57,700
Expected return on plan assets	**(52,169)**	(54,126)
Contribution received from DB Riyadh	**(72)**	(433)
	27,792	22,678

	2016	2015
29.8 Actual return on plan assets	**59,086**	75,183

29.9 Historical information

	2016	2015	2014	2013	2012
	-------------------------------(Rupees in '000)---------------------------------				
Defined benefit obligation	**640,902**	584,200	475,996	430,322	399,985
Fair value of plan assets	**(583,930)**	(518,538)	(436,746)	(387,346)	(349,313)
Deficit	**56,972**	65,662	39,250	42,976	50,672

30. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Country Officer		Executives	
	2016	2015	**2016**	2015
	-------------------------------(Rupees in '000)-------------------------------			
Managerial remuneration	**48,137**	38,145	**241,621**	193,229
Charge for defined benefit plan	**3,505**	3,153	**17,279**	15,915
Contribution to defined contribution plan	**4,633**	4,167	**22,680**	20,129
Medical	**-**	130	**-**	1,548
	56,275	45,595	**281,580**	230,821
	-----------------------------------(Number)-----------------------------------			
Number of persons	**1**	1	**69**	63

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

In addition to above, all executives, including the Chief Country Officer of the Branches are also entitled to certain short term employee benefits which are disclosed in note 25.1 to these financial statements.

31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

31.1 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments		2016								
		Carrying Value					Fair Value			
	Note	Held for trading	Available for Sale	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)					(Rupees in '000)			
Financial assets measured at fair value										
Other Assets										
- Unrealized gain on forward foreign exchange contracts		22,497	-	-	-	22,497	-	22,497	-	22,497
- Unrealized gain on interest rate swaps		-	-	-	-	-				
		22,497	-	-	-	22,497				
Financial assets not measured at fair value										
Cash and balances with treasury banks	*31.2*	-	-	4,993,782	-	4,993,782				
Balances with other banks	*31.2*	-	-	136,459	-	136,459				
Lendings to financial institutions	*31.2*	-	-	14,630,311	-	14,630,311				
Advances - net	*31.2*	-	-	3,214,744	-	3,214,744				
Other assets	*31.2*	-	-	1,012,793.23	-	1,012,793				
		22,497	-	23,988,089	-	24,010,586				
Financial liabilities measured at fair value										
Other Liabilities										
- Unrealized loss on forward foreign exchange contracts		16,881	-	-	-	16,881	-	16,881	-	16,881
- Unrealized loss on interest rate swaps		-	-	-	-	-				
		16,881	-	-	-	16,881				
Financial liabilities not measured at fair value										
Bills payable	*31.2*	-	-	-	2,976,253	2,976,253				
Borrowings from financial institutions	*31.2*	-	-	-	27,509	27,509				
Deposits and other accounts	*31.2*	-	-	-	14,092,145	14,092,145				
Other liabilities	*31.2*	-	-	-	1,842,913	1,842,913				
		16,881	-	-	18,938,820	18,955,701				

On balance sheet financial instruments

		2015								
		Carrying Value					Fair Value			
	Note	trading	Available for Sale	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		---------- (Rupees in '000) ----------					---------- (Rupees in '000) ----------			
Financial assets measured at fair value										
Investments										
- Market Treasury Bills		-		-	-	-				
- Pakistan Investment Bonds		-		-	-	-				
Other Assets										
- Unrealized gain on forward foreign exchange contracts		28,029	-	-	-	28,029	-	28,029	-	28,029
- Unrealized gain on interest rate swaps		68,784	-	-	-	68,784	-	68,784	-	68,784
		96,813	-	-	-	96,813				
Financial assets not measured at fair value										
Cash and balances with treasury banks	*31.2*	-	-	5,539,927	-	5,539,927				
Balances with other banks	*31.2*	-	-	951,925	-	951,925				
Lendings to financial institutions	*31.2*	-	-	6,422,104	-	6,422,104				
Advances - net	*31.2*	-	-	6,559,769	-	6,559,769				
Other financial assets	*31.2*	-	-	936,156	-	936,156				
		96,813	-	20,409,881	-	20,506,694				
Financial liabilities measured at fair value										
Other Liabilities										
- Unrealized loss on forward foreign exchange contracts		12,473	-	-	-	12,473	-	12,473	-	12,473
- Unrealized loss on interest rate swaps		20,418	-	-	-	20,418	-	20,418	-	20,418
		32,891	-	-	-	32,891				
Financial liabilities not measured at fair value										
Bills payable	*31.2*	-	-	-	942,655	942,655				
Borrowings from financial institutions	*31.2*	-	-	-	11,113	11,113				
Deposits and other accounts	*31.2*	-	-	-	11,977,105	11,977,105				
Other financial liabilities	*31.2*	-	-	-	2,250,325	2,250,325				
		32,891	-	-	15,181,198	15,214,089				

The Branches measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

31.2 The Branches have not disclosed the fair values for the financial assets and liabilities not carried at fair value, as these are short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

32. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Deutsche Bank comprises five corporate divisions: Corporate Banking & Securities (CB&S), Global Transaction Banking (GTB), Deutsche Asset & Wealth Management (DeAWM), Private & Business Clients (PBC) and the Non-Core Operations Unit (NCOU).

We operate a transfer pricing framework that applies to all businesses and promotes pricing of :

(i) assets in accordance with their underlying liquidity risk;
(ii) liabilities in accordance with their funding maturity; and
(iii) contingent liquidity exposures in accordance with the cost of providing for commensurate liquidity reserves to fund unexpected cash requirements.

Within this transfer pricing framework we allocate funding and liquidity risk costs and benefits to the business units and set financial incentives in line with the liquidity risk guidelines. Transfer prices are subject to liquidity (term) premiums depending on market conditions. Liquidity premiums are set by Treasury and picked up by a segregated liquidity account. The Treasury liquidity account is the aggregator of long- term liquidity costs. The management and cost allocation of the liquidity account is the key variable for transfer pricing funding costs within Deutsche Bank.

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.

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.

As part of DB's strategy 2020, CB&S (GM) exited from Pakistan with effect from October 1, 2016. Whereas the bank will continue to offer its services to the customers.

	2016			
	Corporate Banking and Securities (Global market)	**Global Transaction Banking**	**Infrastructure & Regional Management**	**Total**
	(Rupees in '000)			
Total income	**879,477**	**1,148,591**	**57,266**	**2,085,334**
Total expenses	**(70,730)**	**(1,024,903)**	**(250,579)**	**(1,346,212)**
Net income / (loss) before tax	**808,747**	**123,688**	**(193,313)**	**739,122**
Segment assets (gross)	**19,699,629**	**3,456,224**	**1,441,308**	**24,597,161**
Segment provision	**-**	**(103,590)**	**-**	**(103,590)**
Segment liabilities	**(248,578)**	**(17,122,685)**	**(1,584,438)**	**(18,955,701)**
Segment return on net assets (ROA) (%)	**4.46%**	**33.23%**	**3.97%**	**8.48%**
Segment cost of funds (%)	**28.45%**	**5.99%**	**15.82%**	**7.10%**

	2015			
	Corporate Banking and Securities (Global market)	Global Transaction Banking	Infrastructure & Regional Management	Total
	(Rupees in '000)			
Total income	824,743	1,805,584	177,446	2,807,773
Total expenses	(248,087)	(770,040)	(133,677)	(1,151,804)
Net income / (loss) before tax	576,656	1,035,544	43,769	1,655,969
Segment assets (gross)	12,949,477	6,808,712	1,463,277	21,221,466
Segment provision	-	(107,483)	-	(107,483)
Segment liabilities	(255,354)	(13,478,870)	(1,479,865)	(15,214,089)
Segment return on net assets (ROA) (%)	6.37%	26.52%	12.13%	13.23%
Segment cost of funds (%)	97.15%	5.71%	9.03%	7.57%

33. 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 Branches also provide 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:

	2016	2015
	(Rupees in '000)	
Profit and loss items		
Mark-up / interest / income earned	**6**	85
Mark-up / interest / income expensed	**677**	1,959
Key management personnel		
Salaries and benefits including post retirement benefits	**101,021**	94,018
Mark-up / interest / income earned	**968**	921
Mark-up / interest / income expensed	**681**	340
Balance sheet items		
Balances with other branches and a subsidiary of Deutsche Bank, AG	**18,614**	108,482
Borrowings from other branches and a subsidiary of Deutsche Bank, AG	**13,083**	146
Interbranch deposits and other accounts	**7,771**	3,380
Key management personnel		
Loans and advances	**31,223**	30,433
Deposits	**28,688**	16,286
Deposits and other accounts		
Balance at the beginning of the year	**1,046**	1
Deposits made during the year	**1,224,165**	1,380,962
Withdrawals made during the year	**(1,224,227)**	(1,379,917)
Balance at the year end	**984**	1,046
Off-balance sheet items		
Interest rate swaps	**-**	851,230
Counter guarantees to branches	**9,402,691**	11,143,006
Forward purchase of foreign exchange	**409,770**	50,137
Forward sale of foreign exchange	**254,676**	50,137

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.

34 Capital-assessment and adequacy Basel III specific

34.1.1 Scope of Applications

The Branches currently use 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.

34.1.2 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 Branches to maintain a prescribed total capital to total risk weighted assets ratio. As at the year end 2016, the SBP's minimum prescribed capital adequacy ratio is 10.65%. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Teir 1 (CET1) ratio and Teir 1 ratio of 6% and 7.5% respectively as at December 31, 2016. The Branches' 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 Branches’ 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.

34.1.3 The leverage ratio of the Bank as at December 31, 2016 is 7.26% (2015: 9.16%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel-III Implementation in Pakistan.

As on December 31, 2016; Total Tier 1 capital of the Bank amounts to Rs. 5,538 million (2015: 5,900 million) whereas the total exposure measure amounts to Rs. 76,274 million (2015: Rs. 64,442 million).

34.2 Capital Adequacy Ratio (CAR) disclosure:

CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2016

Rows #		2016 Amount	2015 Amount
		Rupees in '000	
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	**3,544,827**	3,667,658
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves		
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	**1,993,043**	2,232,236
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		
9	**CET 1 before Regulatory Adjustments**	**5,537,870**	5,899,894
10	Total regulatory adjustments applied to CET1 **(Note 34.2.1)**	**-**	-
11	**Common Equity Tier 1**	**5,537,870**	5,899,894
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		
13	of which: Classified as equity		
14	of which: Classified as liabilities		
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		
16	of which: instrument issued by subsidiaries subject to phase out		
17	**AT1 before regulatory adjustments**	**-**	-
18	Total regulatory adjustment applied to AT1 capital **(Note 34.2.2)**	**-**	-
19	Additional Tier 1 capital after regulatory adjustments	**-**	-
20	**Additional Tier 1 capital recognized for capital adequacy**	**-**	-
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**	**5,537,870**	5,899,894
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		
25	of which: instruments issued by subsidiaries subject to phase out		
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	**17,638**	31,034
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on fixed assets	**-**	-
29	of which: Unrealized gains/losses on AFS	**-**	-
30	Foreign Exchange Translation Reserves	**-**	-
31	Undisclosed/Other Reserves (if any)	**-**	-
32	**T2 before regulatory adjustments**	**17,638**	31,034
33	Total regulatory adjustment applied to T2 capital **(Note 34.2.3)**	**-**	-
34	Tier 2 capital (T2) after regulatory adjustments	**17,638**	31,034
35	Tier 2 capital recognized for capital adequacy	**17,638**	31,034
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	**-**	-
37	**Total Tier 2 capital admissible for capital adequacy**	**17,638**	31,034
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	**5,555,508**	5,930,928
39	**Total Risk Weighted Assets (RWA) {for details refer Note 34.5}**	**21,140,066**	22,816,693
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	**26.20%**	25.86%
41	**Tier-1 capital to total RWA**	**26.20%**	25.86%
42	**Total capital to total RWA**	**26.28%**	25.99%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	**6.25%**	6.25%
44	of which: capital conservation buffer requirement	**0.25%**	0.25%
45	of which: countercyclical buffer requirement	**-**	-
46	of which: D-SIB or G-SIB buffer requirement	**-**	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	**19.95%**	19.61%
	National minimum capital requirements prescribed by SBP		
48	**CET1 minimum ratio**	**6.00%**	6.00%
49	**Tier 1 minimum ratio**	**7.50%**	7.50%
50	**Total capital minimum ratio**	**10.65%**	10.25%

	Regulatory Adjustments and Additional Information	2016 Amount	2016 Amounts subject to Pre-Basel III treatment*	2015 Amount
		Rupees in '000		
Note 34.2.1	**Common Equity Tier 1 capital: Regulatory adjustments**			
1	Goodwill (net of related deferred tax liability)	-		-
2	All other intangibles (net of any associated deferred tax liability)	-		-
3	Shortfall in provisions against classified assets	-		-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-
5	Defined-benefit pension fund net assets	-		-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-		-
7	Cash flow hedge reserve	-		-
8	Investment in own shares/ CET1 instruments	-		-
9	Securitization gain on sale	-		-
10	Capital shortfall of regulated subsidiaries	-		-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-		-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-
15	Amount exceeding 15% threshold	-		-
16	of which: significant investments in the common stocks of financial entities	-		-
17	of which: deferred tax assets arising from temporary differences	-		-
18	National specific regulatory adjustments applied to CET1 capital	-		-
19	Investments in TFCs of other banks exceeding the prescribed limit	-		-
20	Any other deduction specified by SBP (mention details)	-		-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-		-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	-		-
Note 34.2.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-		-
24	Investment in own AT1 capital instruments	-		-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-		-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-		-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-		-
Note 34.2.3	**Tier 2 Capital: regulatory adjustments**			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-		-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-		-
33	Investment in own Tier 2 capital instrument	-		-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	-		-

Note 34.2.4	Additional Information	2016 Rupees in '000 Amount	2015 Amount
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	Amounts below the thresholds for deduction (before risk weighting)	-	-
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2	-	-
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

Note: Rows which are not applicable for any institution should be left blank

34.3 Capital structure reconciliation

Step 1	Balance sheet as in published financial statements 2016	Under regulatory scope of consolidation 2016
	------------ (Rupees in '000)	------------
Assets		
Cash and balances with treasury banks	4,993,782	4,993,782
Balanced with other banks	136,459	136,459
Lending to financial institutions	14,630,311	14,630,311
Investments	-	-
Advances	3,214,744	3,214,744
Operating fixed assets	291,553	291,553
Deferred tax assets	17,762	17,762
Other assets	1,208,960	1,208,960
Total assets	**24,493,571**	**24,493,571**
Liabilities & Equity		
Bills payable	2,976,253	2,976,253
Borrowings	27,509	27,509
Deposits and other accounts	14,092,145	14,092,145
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,859,794	1,859,794
Total liabilities	**18,955,701**	**18,955,701**
Share capital / Head office capital account	3,544,827	3,544,827
Reserves	-	-
Unappropriated / unremitted profit/ (losses)	1,993,043	1,993,043
Minority Interest	-	-
Surplus on revaluation of assets	-	-
Total liabilities & equity	**24,493,571**	**24,493,571**

Step 2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2016	**2016**	
Assets			
Cash and balances with treasury banks	4,993,782	4,993,782	
Balanced with other banks	136,459	136,459	
Lending to financial institutions	14,630,311	14,630,311	
Investments	-	-	
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	3,214,744	3,214,744	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB			f
general provisions reflected in Tier 2 capital	17,638	17,638	g
Fixed Assets	291,553	291,553	
Deferred Tax Assets	17,762	17,762	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	1,208,960	1,208,960	
of which: Goodwill	-	-	j
of which: Intangibles	-	-	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	**24,493,571**	**24,493,571**	
Liabilities & Equity			
Bills payable	2,976,253	2,976,253	
Borrowings	27,509	27,509	
Deposits and other accounts	14,092,145	14,092,145	
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	1,859,794	1,859,794	
Total liabilities	**18,955,701**	**18,955,701**	
Share capital	3,544,827	3,544,827	
of which: amount eligible for CET1	3,544,827	3,544,827	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)	1,993,043	1,993,043	w
Minority Interest			
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	-	-	
of which: Revaluation reserves on Property	-	-	aa
of which: Unrealized Gains/Losses on AFS	-	-	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	**24,493,571**	**24,493,571**	

	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	3,544,827	
2	Balance in Share Premium Account	-	(s)
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	-	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/(losses)	1,993,043	(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**	**5,537,870**	
	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} * 40%
13	Defined-benefit pension fund net assets	-	{(l) - (q)} * 40%
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	-	(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)	-	
	Common Equity Tier 1	**5,537,870**	
	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)	**5,537,870**	
	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	17,638	(g)
52	Revaluation Reserves eligible for Tier 2	-	
53	of which: portion pertaining to Property	-	
54	of which: portion pertaining to AFS securities	-	portion of (aa)
55	Foreign Exchange Translation Reserves	-	(v)
56	Undisclosed/Other Reserves (if any)	-	
57	**T2 before regulatory adjustments**	**17,638**	
	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)	17,638	
65	Tier 2 capital recognized for capital adequacy	17,638	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	17,638	
	TOTAL CAPITAL (T1 + admissible T2)	**5,555,508**	

34.4 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

34.5 Risk Weighted Assets

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

	Capital Requirements		Risk Weighted Assets	
	2016	2015	**2016**	2015
	---------------------------- (Rupees in '000) ----------------------------			
Credit Risk				
Portfolios subject to standardized approach (Simple)				
Cash & cash equivalents	**-**	-	**-**	-
Sovereign	**15,016**	41,651	**150,156**	416,514
Public Sector entities	**-**	12	**-**	116
Banks	**281,762**	332,657	**2,817,619**	3,326,569
Corporate	**1,215,749**	1,240,571	**12,157,493**	12,405,706
Retail	**2,199**	1,517	**21,986**	15,167
Residential Mortgages	**6,767**	7,118	**67,667**	71,178
Past Due loans	**-**	-	**-**	-
Operating Fixed Assets	**29,155**	32,411	**291,553**	324,115
Other assets	**180,248**	228,239	**1,802,479**	2,282,385
	1,730,896	1,884,176	**17,308,953**	18,841,750
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**1,272**	10,600	**12,719**	106,000
Equity position risk				
Foreign Exchange risk	**10,989**	22,724	**109,886**	227,241
	12,261	33,324	**122,605**	333,241
Operational Risk	**370,851**	364,170	**3,708,508**	3,641,702
Capital Requirement for operational risks				
TOTAL	**2,114,008**	2,281,670	**21,140,066**	22,816,693

Capital Adequacy Ratios	**2016**		2015	
	Required	**Actual**	Required	Actual
CET1 to total RWA	**6.00%**	**26.20%**	6.00%	25.86%
Tier-1 capital to total RWA	**7.50%**	**26.20%**	7.50%	25.86%
Total capital to total RWA	**10.65%**	**26.28%**	10.25%	25.99%

35. RISK MANAGEMENT

35.1.1 Risk Management Framework

The diversity of our business model requires us to identify, measure, aggregate and manage our risks, and to allocate our capital among our businesses. 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:

- Core risk management responsibilities are embedded in the Management Board and delegated to senior risk management committees responsible for execution and oversight. The Supervisory Board regularly monitors the risk and capital profile.

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

- Risk strategy is approved by the Management Board on an annual basis and is defined based on the Group Strategic and Capital Plan and Risk Appetite in order to align risk, capital and performance targets.

- Cross-risk analysis reviews are conducted across the Group to validate that sound risk management practices and a holistic awareness of risk exist.

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

- Monitoring, stress testing tools and escalation processes are in place for key capital and liquidity thresholds and metrics.

- Systems, processes and policies are critical components of our risk management capability.

- Recovery planning provides for the escalation path for crisis management governance and supplies Senior Management with a list of actions designed to improve the capital and liquidity positions in a stress event.

- Resolution planning is closely supervised by the BaFin. It provides for a strategy to manage Deutsche Bank in case of default. It is designed to prevent the need for tax payer bailout and strengthen financial stability by the continuation of critical services delivered to the wider economy.

35.1.2 Risk Governance

From a supervisory perspective, our operations throughout the world are regulated and supervised by relevant authorities in each of the jurisdictions in which we conduct business. Such regulation focuses on licensing, capital adequacy, liquidity, risk concentration, conduct of business as well as organization and reporting requirements.

Our Management Board provides overall risk and capital management supervision for the consolidated Group and is exclusively responsible for day-to-day management of the company with the objective of creating sustainable value in the interest of our shareholders, employees and other stakeholders. The Management Board is responsible for defining and implementing business and risk strategies, as well as establishing the alignment of our overall performance with our business and risk strategy. The Management Board has delegated certain functions and responsibilities to relevant senior governance committees to support the fulfillment of these responsibilities, in particular to the Capital and Risk Committee (“CaR”) and Risk Executive Committee (“Risk ExCo”) whose roles are described in more detail below.

Our Chief Risk Officer ("CRO"), who is a member of the Management Board, is responsible for the identification, assessment and reporting of risks arising within operations across all business and all risk types, and has direct management responsibility for the following risk management functions: Credit Risk Management, Market Risk Management, Operational Risk Management and Liquidity Risk Control.

These are established with the mandate to:

- Support that the business within each division is consistent with the risk appetite that the CaR 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 keep the portfolio of risks within acceptable parameters; and

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

In addition, dedicated regional Chief Risk Officers for Germany, for the Americas and for Asia-Pacific, and divisional Chief Risk Officers for DeAWM and NCOU have been appointed to establish a holistic, risk management coverage. The heads of the aforementioned risk management functions as well as the regional and divisional Chief Risk Officers have a direct reporting line into the Chief Risk Officer. Furthermore, several teams within the risk management functions cover overarching aspects of risk management. Their mandate is to provide an increased focus on holistic risk management and cross-risk oversight to further enhance our risk portfolio steering. Key objectives are:

- Drive key strategic cross-risk initiatives and establish greater cohesion between defining portfolio strategy and governing execution, including regulatory adherence;

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

- Strengthen risk culture in the Branches; and

- Foster the implementation of consistent risk management standards.

Our Finance and Group Audit operate independently of both our business divisions and of our Risk function. The role of the Finance department is to help quantify and verify the risk that we assume and maintain the quality and integrity of our risk-related data. Group Audit examines, evaluates and reports on the adequacy of both the design and effectiveness of the systems of internal control including the risk management systems.

35.1.3 Risk Culture

We seek to promote a strong risk culture throughout our organization. A strong risk culture is designed to help reinforce our resilience by encouraging a holistic approach to the management of risk and return throughout our organization as well as the effective management of our risk, capital and reputational profile. We actively take risks in connection with our business and as such the following principles underpin risk culture 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; and
- Risk should be continuously monitored and managed.

Employees at all levels are responsible for the management and escalation of risks. We expect employees to exhibit behaviors that support a strong risk culture. To promote this our policies require that behavior assessment is incorporated into our performance assessment and compensation processes. We have communicated the following risk culture behaviors through various communication vehicles:

- Being fully responsible for our risks;
- Being rigorous, forward looking and comprehensive in the assessment of risk;
- Inviting, providing and respecting challenges;
- Trouble shooting collectively; and
- Placing Deutsche Bank and its reputation at the heart of all decisions.

To reinforce these expected behaviors and strengthen our risk culture, we conduct a number of group-wide activities. Our Board members and senior management frequently communicate the importance of a strong risk culture to support a consistent tone from the top.

As part of our ongoing efforts to strengthen our risk culture, we review our training suite regularly to develop further modules or enhance existing components.

In addition, along with other measures to strengthen our performance management processes, we have designed and implemented a process to tie formal measurement of risk culture behaviors to our employee performance assessment, promotion and compensation processes. This process has been in place in our CB&S and GTB divisions since 2010 and has subsequently other divisions also.

This process is designed to further strengthen employee accountability.

35.1.4 Risk Appetite and Capacity

We use a broad 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 risks are:

- RWA equivalent.
- Expected loss.
- Return on risk-weighted assets ("RoRWA").
- Value-at-risk.
- Economic capital.

35.1.5 Stress testing

We have a strong commitment to stress testing performed on a regular basis in order to assess the impact of a severe economic downturn on our risk profile and financial position. These exercises complement traditional risk measures and represent an integral part of our strategic and capital planning process. Our stress testing framework comprises regular Group-wide stress tests based on internally defined benchmark and more severe macroeconomic global downturn scenarios . Locally we perform testing on quarterly basis as per the BSD Circular # 1 dated May 11, 2012 of State Bank of Pakistan.

35.2 Risk Inventory

We face a variety of risks as a result of our business activities, the most significant of which are described below. Credit risk, market risk and operational risk attract regulatory capital. As part of our internal capital adequacy assessment process, we calculate the amount of economic capital from credit, market, operational and business risk to cover risks generated from our business activities taking into account diversification effects across those risk types. Furthermore, our economic capital framework implicitly covers additional risks, e.g. reputational risk and refinancing risk, for which no dedicated EC models exist. Liquidity risk is excluded from the economic capital calculation since it is covered separately.

Credit Risk

Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower, obligor or issuer (which we refer to collectively as "counterparties") exist, including those claims that we plan to distribute.

These transactions are typically part of our traditional nontrading lending activities (such as loans and contingent liabilities), traded bonds and debt securities available for sale 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, the most significant element of credit risk, is the risk that counterparties fail to meet contractual obligations in relation to the claims described above;

- Settlement risk is the risk that the settlement or clearance of a transaction may fail. Settlement risk arises whenever the exchange of cash, securities and/or other assets is not simultaneous leaving us exposed to a potential loss should the counterparty default; and

- Country risk is the risk that we may experience unexpected default or settlement risk and subsequent losses, in a given country, due to a range of macro-economic or social events primarily affecting counterparties in that jurisdiction including: a material deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, or disruptive currency depreciation or devaluation. Country risk also 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.

Market Risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility. We differentiate between three different types of market risk:

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

- Trading default risk arises from defaults and rating migrations relating to trading instruments.

- Nontrading market risk arises from market movements, primarily outside the activities of our trading units, in our banking book and from off-balance sheet items. This includes interest rate risk, credit spread risk, investment risk and foreign exchange risk as well as market risk arising from our pension schemes, guaranteed funds and equity compensation. Nontrading market risk also includes risk from the modeling of client deposits as well as savings and loan products.

Operational Risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risk excludes business and reputational 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.

Business Risk

Business risk describes the risk we assume due to potential changes in general business conditions, such as our market environment, client behavior and technological progress. This can affect our results if we fail to adjust quickly to these changing conditions. At the end of 2012, we introduced an enhanced economic capital model to improve strategic risk modeling being a subcategory of business risk. This model is now used in the monthly EC calculations providing a better link between economic capital and the capital planning process.

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.

Risk Management Program (RRM Program). The RRM Program was established to provide consistent standards for the identification, escalation and resolution of reputational risk issues that arise from transactions with clients or through different business activities. Primary responsibility for the identification, escalation and resolution of reputational risk issues resides with the business divisions. Each employee is under an obligation, within the scope of his/her activities, to analyze and assess any imminent or intended transaction in terms of possible risk factors in order to minimize reputational risks. If a potential reputational risk is identified, it is required to be referred for further consideration at a sufficiently senior level within that respective business division. If issues remain, they should then be escalated for discussion among appropriate senior members of the relevant Business and Control Groups. Reputational risk issues not addressed to satisfactory conclusion through such informal discussions must then be escalated for further review and final determination via the established reputational risk escalation process. As a subcommittee of the Risk ExCo, the Group Reputational Risk Committee ("GRRC") provides review and final determinations on all reputational risk issues and new client adoptions, where escalation of such issues is deemed necessary by senior Business and Regional Management, or required under the Group policies and procedures.

Risk Concentration

Risk concentrations refer to clusters of the same or similar risk drivers within specific risk types (intra-risk concentrations in Credit, Market, Operational risks) as well as across different risk types (inter-risk concentrations). They could occur within and across counterparties, businesses, regions/countries, industries and products. The management of concentrations is integrated as part of the management of individual risk types and monitored on an ongoing basis. The key objective is to avoid any undue concentrations in the portfolio, which is achieved through a quantitative and qualitative approach, as follows:

- Intra-risk concentrations are assessed, monitored and mitigated by the individual risk disciplines (Credit, Market, Operational Risk Management and others). This is supported by limit setting on different levels according to risk type.
- Inter-risk concentrations are managed through quantitative top-down stress-testing and qualitative bottom up reviews, identifying and assessing risk themes independent of any risk type and providing a holistic view across the bank.

  The most senior governance body for the oversight of risk concentrations is the Cross Risk Review Committee, which is a subcommittee of the Capital and Risk Committee (CaR) and the Risk Executive Committee (Risk ExCo).

35.3 Credit Risk

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

- Our credit risk management function is independent from our business divisions and in each of our divisions credit decision standards, processes and principles are consistently applied.

- A key principle of credit risk management is client credit due diligence. Our client selection is achieved in collaboration with our business division counterparts who stand as a first line of defence.

- We aim to prevent undue concentration and tail-risks (large unexpected losses) by maintaining a diversified credit portfolio. Client-, industry-, country- and product-specific concentrations are assessed and managed against our risk appetite.

- We maintain underwriting standards aiming to avoid large directional credit risk on a counterparty and portfolio level. In this regard we assume unsecured cash positions and actively use hedging for risk mitigation purposes. Additionally, we strive to secure our derivative portfolio through collateral agreements and may additionally hedge concentration risks to further mitigate credit risks from underlying market movements.

- Every new credit facility and every extension or material change of an existing 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 and consolidate all our credit exposures to each obligor across our consolidated Group on a global basis that applies, in line with regulatory requirements.

- We manage credit exposures on the basis of the "one obligor principle", under which all facilities to a group of borrowers which are linked to each other (i.e., by one entity holding a majority of the voting rights or capital of another) are consolidated under one group.

- We have established within Credit Risk Management – where appropriate – specialized teams for deriving internal client ratings, analyzing and approving transactions, monitoring the portfolio or covering workout clients. The credit coverage for assets transferred to the NCOU utilizes the expertise of our core credit organization.

- Our credit related activities are governed by our Principles for Managing Credit Risk. These principles define our general risk philosophy for credit risk and our methods to manage this risk. The principles define key organizational requirements, roles and responsibilities as well as process principles for credit risk management and are applicable to all credit related activities undertaken by us.

Credit Risk Ratings

A basic and key element of the credit approval process is a detailed risk assessment of each credit-relevant counterparty. When rating a counterparty we apply in-house assessment methodologies, scorecards and our 26-grade rating scale for evaluating the credit-worthiness of our counterparties. The majority of our rating methodologies are authorized for use within the advanced internal rating based approach under applicable Basel rules. Our rating scale enables us to compare our internal ratings with common market practice and promotes comparability between different sub-portfolios of our institution. Several default ratings therein enable us to incorporate the potential recovery rate of unsecured defaulted counterparty exposures. We generally rate our counterparties individually, though certain portfolios of purchased or securitized receivables are rated on a pool basis. Ratings are required to be kept up-to-date and documented.

The algorithms of the rating procedures for all counterparties are recalibrated frequently on the basis of the default history as well as other external and internal factors and expert judgments.

Credit Approval and Authority

Credit limits are established by the Credit Risk Management function via the execution of assigned credit authorities. Credit approvals are documented by the signing of the credit report by the respective credit authority holders and retained for future reference. 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 help 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.

Where an individual's personal authority is insufficient to establish required credit limits, the transaction is referred to a higher credit authority holder or where necessary to an appropriate credit committee such as the Underwriting Committee. Where personal and committee authorities are insufficient to establish appropriate limits, the case is referred to the Management Board for approval.

Monitoring Credit Risk

Ongoing active monitoring and management of Deutsche Bank's credit risk positions is an integral part of our credit risk management framework. The key monitoring focus is on quality trends and on concentrations along the dimensions of counterparty, industry, country and product-specific risks to avoid undue concentrations of credit risk. On a portfolio level, significant concentrations of credit risk could result 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.

Our portfolio management framework supports a comprehensive assessment of concentrations within our credit risk portfolio in order to keep concentrations within acceptable levels.

Credit Exposures

Counterparty credit exposure arises from our traditional nontrading lending activities which include elements such as loans and contingent liabilities, as well as from our direct trading activity with clients in certain instruments including OTC derivatives like FX forwards and Forward Rate Agreements. A default risk also arises from our positions in equity products and traded credit products such as bonds.

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

35.3.1 Segmental information

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

35.3.1.1 Segments by class of business

	2016					
	Advances (gross)		**Deposits**		**Contingencies and commitments**	
	(Rupees in '000)	**(Percent)**	**(Rupees in '000)**	**(Percent)**	**(Rupees in '000)**	**(Percent)**
Textile	**96,511**	**3.00**	**5,154**	**-**	**268**	**0.00**
Chemical and				**-**		
pharmaceuticals	**242,911**	**7.30**	**5,122,699**	**36.40**	**626,518**	**3.45**
Cement		**-**		**-**		**0.00**
Oil & petroleum		**-**		**-**	**442,502**	**2.43**
Footwear and leather						
garments		**-**	**11**	**-**		**-**
Automobile and						
transportation equipment		**-**	**7,160**	**0.10**	**22,706**	**0.12**
Electronics and electrical		**-**		**-**		
appliances	**210,521**	**6.30**	**47,607**	**0.30**	**1,626,932**	**8.95**
Construction		**-**	**532**	**-**		**-**
Power (electricity), gas, oil						
water and sanitary		**-**	**2,133,954**	**15.10**	**130,044**	**0.72**
Transport, storage and						
communication		**-**	**2,215,962**	**15.70**		**-**
Financial		**-**		**-**	**12,564,767**	**69.11**
Misc. manufacturing industries		**-**	**369,133**	**2.60**		**-**
Wholesale and retail	**1,221,643**	**36.80**		**-**		**-**
Insurance		**-**		**-**		**-**
Individuals	**222,647**	**6.70**	**52,853**	**0.40**		**-**
Others	**1,324,101**	**39.90**	**4,137,080**	**29.40**	**2,766,828**	**15.22**
	3,318,334	**100.00**	**14,092,145**	**100.00**	**18,180,565**	**100.00**

	2015					
	Advances (gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Textile	96,511	1.40	29,853	0.20	268	0.00
Chemical and				-		
pharmaceuticals	733,392	11.00	2,786,263	23.30	441,477	2.10
Cement	-	-	5,142	-		-
Oil & petroleum	95	0.00		-	-	-
Footwear and leather						
garments	-	-	339	-	-	-
Automobile and						
transportation equipment	-	-	6,216	0.10	26,047	0.12
Electronics and electrical		-		-		
appliances	168,005	2.50	2,822	-	1,764,388	8.40
Construction	-	-	12,807	0.10	-	-
Power (electricity), gas, oil						
water and sanitary	-	-	847,215	7.10	-	-
Transport, storage and						
communication	-	-	1,777,024	14.80	-	-
Financial	-	-	1,270,474	10.60	15,188,837	72.33
Misc. manufacturing industries	-	-	1,354,296	11.30	-	-
	3,107,699	46.60	1,096,592	9.20	-	-
Insurance	-	-	169	-	-	-
Individuals	223,589	3.40	249,126	2.10	-	-
Others	2,337,961	35.10	2,538,767	21.20	3,577,125	17.04
	6,667,252	100.00	11,977,105	100.00	20,998,142	100.00

35.3.1.2 Segments by sector

	2016					
	Advances (Gross)		**Deposits**		**Contingencies and Commitments**	
	(Rupees in '000)	**(Percent)**	**(Rupees in '000)**	**(Percent)**	**(Rupees in '000)**	**(Percent)**
Public / Government	**-**	**-**	**4,019**	**0.03**	**-**	**-**
Private	**3,318,334**	**100.00**	**14,088,126**	**99.97**	**18,180,565**	**100.00**
	3,318,334	**100.00**	**14,092,145**	**100.00**	**18,180,565**	**100.00**

	2015					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Public / Government	95	0.00	3,901	0.03	-	-
Private	6,667,157	100.00	11,973,204	99.97	20,998,142	100.00
	6,667,252	100.00	11,977,105	100.00	20,998,142	100.00

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

	2016		2015	
	Classified advances	**Specific provision held**	Classified advances	Specific provision held
	(Rupees in '000)			
Textile	**96,511**	**96,511**	96,511	96,511
	96,511	**96,511**	96,511	96,511

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

	2016		2015	
	Classified advances	**Specific provision held**	Classified advances	Specific provision held
	(Rupees in '000)			
Public / Government	**-**	**-**	-	-
Private	**96,511**	**96,511**	96,511	96,511
	96,511	**96,511**	96,511	96,511

35.3.1.5 Geographical segment analysis

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

35.4 Market risk

The vast majority of our businesses are subject to market risk, 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.

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.

35.4.1 Trading Market Risk Management Framework

Market Risk Management governance is designed and established to ensure oversight of all market risks, including trading market risk, traded default risk and nontrading market risk, effective decision-making and timely escalation to senior management.

Market Risk Management defines and implements a framework to systematically identify, assess, monitor and report our market risk and supports management and mitigation. Market risk managers identify existing and potential future market risks through active portfolio analysis and engagement with the business areas.

Market Risk Measurement and Assessment

Market Risk Management aims to accurately measure all types of market risks by a comprehensive set of risk metrics reflecting economic and regulatory requirements.

In accordance with economic and regulatory requirements, we measure market and related risks by several key risk metrics.

These measures are viewed as complementary to each other and in aggregate define the market risk framework, by which all businesses can be measured and monitored.

Market Risk Monitoring

Our primary instrument to manage trading market risk is the application of our limit framework. Our Management Board supported by Market Risk Management, sets group-wide value-at-risk, economic capital and portfolio stress testing (extreme) limits for market risk in the trading book. Market Risk Management suballocates this overall limit to our Corporate Divisions and individual business units within CB&S (i.e., Global Rates and Credit, Equity, etc.) based on anticipated business plans and risk appetite. Within the individual business units, the business heads establish business limits, by allocating the limit down to individual portfolios or geographical regions.

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 overall level of risk profile of a portfolio.

- Hedging: Hedging involves taking positions in related financial assets, such as futures and swaps, and includes 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.

35.4.2 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.

35.4.3 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.

	2016				2015			
	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	**20,482,043**	**20,612,472**	**28,061**	**(102,368)**	15,936,588	16,760,327	601,784	(221,955)
United States dollar	**398,644**	**282,775**	**(8,405)**	**107,464**	1,362,870	582,804	(556,045)	224,021
Great Britain pound	**11,978**	**11,900**	**-**	**78**	20,105	20,066	-	39
Japanese yen	**58**	**-**	**-**	**58**	2,883	-		2,883
Euro	**3,584,051**	**3,582,998**	**-**	**1,053**	3,759,360	3,750,786	(8,703)	(129)
Other currencies	**16,797**	**3,426**	**(19,656)**	**(6,285)**	32,177	-	(37,036)	(4,859)
	24,493,571	**24,493,571**	**-**	**-**	21,113,983	21,113,983	-	-

35.4.4 Mismatch of interest rate sensitive assets and liabilities

	2016											
	Effective yield/ interest rate	Total	Exposed to yield / interest risk									Non-interest bearing financial instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
			(Rupees in '000)									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.0%	4,993,782	104,076	-	-	-	-	-	-	-	-	4,889,706
Balances with other banks	0.0%	136,459	-	-	-	-	-	-	-	-	-	136,459
Lending to financial institutions	6.9%	14,630,311	14,630,311	-	-	-	-	-	-	-	-	-
Advances	7.8%	3,214,744	1,434,151	1,558,065	286	1,305	5,912	-	42,482	20,380	152,163	-
Other assets	0.0%	1,208,960	-	-	-	-	-	-	-	-	-	1,208,960
		24,184,256	16,168,538	1,558,065	286	1,305	5,912	-	42,482	20,380	152,163	6,235,125
Liabilities												
Bills payable	0.0%	2,976,253	-	-	-	-	-	-	-	-	-	2,976,253
Borrowings from financial institutions	5.4%	27,509	-	-	-	-	-	-	-	-	-	27,509
Deposits and other accounts	5.2%	14,092,145	5,648,681	557,789	1,583,161	1,008,774	-	-	-	-	-	5,293,740
Other liabilities	0.0%	1,859,794	-	-	-	-	-	-	-	-	-	1,859,794
		18,955,701	5,648,681	557,789	1,583,161	1,008,774	-	-	-	-	-	10,157,296
On-balance sheet gap		5,228,555	10,519,857	1,000,276	(1,582,875)	(1,007,469)	5,912	-	42,482	20,380	152,163	(3,922,171)
Off-balance sheet financial instruments*												
Forward Purchase Contracts		3,562,890	3,311,654	-	251,236	-	-	-	-	-	-	-
Forward Sales Contracts		3,590,953	3,217,406	15,363	358,184	-	-	-	-	-	-	-
Cross currency swaps (notional)		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		7,153,843	6,529,060	15,363	609,420	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			17,048,917	1,015,639	(973,455)	(1,007,469)	5,912	-	42,482	20,380	152,163	
Cumulative Yield / Interest Risk Sensitivity Gap			17,048,917	18,064,556	17,091,101	16,083,632	16,089,544	16,089,544	16,132,026	16,152,406	16,304,569	

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

			2015									
	Effective yield/ interest rate	Total	Exposed to yield / interest risk									
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
			(Rupees in '000)									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.0%	5,539,927	292,751	-	-	-	-	-	-	-	-	5,247,176
Balances with other banks	0.0%	951,925	-	-	-	-	-	-	-	-	-	951,925
Lending to financial institutions	6.9%	6,422,104	6,422,104	-	-	-	-	-	-	-	-	-
Advances	7.8%	6,559,769	1,467,384	2,326,207	1,526,203	1,019,322	4,898	1,793	23,828	21,490	168,644	-
Other assets	-	238,463	-	-	-	-	-	-	-	-	-	238,463
		19,712,188	8,182,239	2,326,207	1,526,203	1,019,322	4,898	1,793	23,828	21,490	168,644	6,437,564
Liabilities												
Bills payable	0.0%	942,655	-	-	-	-	-	-	-	-	-	942,655
Borrowings from financial institutions	5.4%	11,113	-	-	-	-	-	-	-	-	-	11,113
Deposits and other accounts	5.2%	11,977,105	3,646,199	1,655,759	1,083,408	720,314	-	-	-	-	-	4,871,425
Other liabilities	0.0%	2,049,502	-	-	-	-	-	-	-	-	-	2,049,502
		14,980,375	3,646,199	1,655,759	1,083,408	720,314	-	-	-	-	-	7,874,695
On-balance sheet gap		4,731,813	4,536,040	670,448	442,795	299,008	4,898	1,793	23,828	21,490	168,644	(1,437,131)
Off-balance sheet financial instruments*												
Forward Purchase Contracts		3,804,641	587,379	3,167,125	50,137	-	-	-	-	-	-	-
Forward Sales Contracts		(4,407,603)	(3,207,491)	(1,062,803)	(137,309)	-	-	-	-	-	-	-
Off-balance sheet gap		(602,962)	(2,620,112)	2,104,322	(87,172)	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			1,915,928	2,774,770	355,623	299,008	4,898	1,793	23,828	21,490	168,644	
Cumulative Yield / Interest Risk Sensitivity Gap			1,915,928	4,690,698	5,046,321	5,345,329	5,350,227	5,352,020	5,375,848	5,397,338	5,565,982	

35.5 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.

35.5.1 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 Branches' 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 Branches' 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.

35.5.2 Maturities of assets and liabilities (behavioural maturities)

	2016									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	4,993,782	228,577	342,868	526,506	351,004	-	-	-	-	3,544,827
Balances with other banks	136,459	26,753	40,131	41,745	27,830	-	-	-	-	-
Lending to financial institutions	14,630,311	14,630,311	-	-	-	-	-	-	-	-
Advances	3,214,744	1,434,151	1,558,065	286	1,305	5,912	-	42,482	20,380	152,163
Operating fixed assets	291,553	-	-	-	-	-	-	291,553	-	-
Deferred tax assets	17,762	-	-	-	-	17,762	-	-	-	-
Other assets	1,208,960	76,189	140,971	43,607	45,463	896,308	2,557	2,485	973	407
	24,493,571	16,395,981	2,082,035	612,144	425,602	919,982	2,557	336,520	21,353	3,697,397
Liabilities										
Bills payable	2,976,253	1,006,516	1,509,772	275,979	183,986	-	-	-	-	-
Borrowings from financial institutions	27,509	6,380	9,568	6,936	4,625	-	-	-	-	-
Deposits and other accounts	14,092,145	6,344,642	1,601,731	3,715,463	2,430,309	-	-	-	-	-
Other liabilities	1,859,794	11,321	1,207	238,766	1,551,528	56,972	-	-	-	-
	18,955,701	7,368,859	3,122,278	4,237,144	4,170,448	56,972	-	-	-	-
Net assets	5,537,870	9,027,122	(1,040,243)	(3,625,000)	(3,744,846)	863,010	2,557	336,520	21,353	3,697,397
Head office capital account	3,544,827									
Reserves	-									
Un-remitted profit	1,993,043									
Deficit on revaluation of assets	-									
	5,537,870									

	2015									
	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	5,539,927	383,191	574,787	548,574	365,717	-	-	-	-	3,667,658
Balances with other banks	951,925	355,762	533,644	37,511	25,008	-	-	-	-	-
Lending to financial institutions	6,422,104	6,422,104	-	-	-	-	-	-	-	-
Advances	6,559,769	1,467,384	2,326,207	1,526,203	1,019,322	4,898	1,793	23,828	21,490	168,644
Operating fixed assets	324,115	-	-	-	-	-	-	324,115	-	-
Deferred tax assets	31,477	-	-	-	-	31,477	-	-	-	-
Other assets	1,284,666	-	-	229,799	272,740	778,164	1,230	1,943	385	405
	21,113,983	8,628,441	3,434,638	2,342,087	1,682,787	814,539	3,023	349,886	21,875	3,836,707
Liabilities										
Bills payable	942,655	245,361	368,041	197,552	131,701	-	-	-	-	-
Borrowings from financial institutions	11,113	68	102	6,566	4,377	-	-	-	-	-
Deposits and other accounts	11,977,105	4,307,261	2,647,353	3,014,671	2,007,820	-	-	-	-	-
Other liabilities	2,283,216	205,888	278,741	307,675	1,425,250	65,662	-	-	-	-
	15,214,089	4,758,578	3,294,237	3,526,464	3,569,148	65,662	-	-	-	-
Net assets	5,899,894	3,869,863	140,401	(1,184,377)	(1,886,361)	748,877	3,023	349,886	21,875	3,836,707
Head office capital account	3,667,658									
Reserves	-									
Un-remitted profit	2,232,236									
Deficit on revaluation of assets	-									
	5,899,894									

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.

35.6 Maturities of assets and liabilities (contractual maturities)

	2016									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	4,993,782	104,076	-	-	-	-	-	-	-	4,889,706
Balances with other banks	136,459	136,459	-	-	-	-	-	-	-	-
Lending to financial institutions	14,630,311	14,630,311	-	-	-	-	-	-	-	-
Advances	3,214,744	1,434,151	1,558,065	286	1,305	5,912	-	42,482	20,380	152,163
Operating fixed assets	291,553	-	-	-	-	-	-	291,553	-	-
Deferred tax assets	17,762	-	-	-	-	17,762	-	-	-	-
Other assets	1,208,960	76,189	140,971	43,607	45,463	896,308	2,557	2,485	973	407
	24,493,571	16,381,186	1,699,036	43,893	46,768	919,982	2,557	336,520	21,353	5,042,276
Liabilities										
Bills payable	2,976,253	2,976,253	-	-	-	-	-	-	-	-
Borrowings from financial institutions	27,509	27,509	-	-	-	-	-	-	-	-
Deposits and other accounts	14,092,145	10,942,421	557,789	1,583,161	1,008,774	-	-	-	-	-
Other liabilities	1,859,794	410,472	-	-	1,392,350	56,972	-	-	-	-
	18,955,701	14,356,655	557,789	1,583,161	2,401,124	56,972	-	-	-	-
Net assets	5,537,870	2,024,531	1,141,247	(1,539,268)	(2,354,356)	863,010	2,557	336,520	21,353	5,042,276
Head office capital account	3,544,827									
Reserves	-									
Un-remitted profit	1,993,043									
Deficit on revaluation of assets	-									
	5,537,870									

	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
	2015									
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	5,539,927	1,872,269	-	-	-	-	-	-	-	3,667,658
Balances with other banks	951,925	951,925	-	-	-	-	-	-	-	-
Lending to financial institutions	6,422,104	6,422,104	-	-	-	-	-	-	-	-
Advances	6,559,769	5,842,781	494,179	181	1,974	4,898	1,793	23,828	21,490	168,645
Operating fixed assets	324,115	-	-	-	-	-	-	324,115	-	-
Deferred tax assets	31,477	-	-	-	-	31,477	-	-	-	-
Other assets	1,284,666	25,356	45,782	158,660	272,740	778,164	1,230	1,943	385	406
	21,113,983	15,114,435	539,961	158,841	274,714	814,539	3,023	349,886	21,875	3,836,709
Liabilities										
Bills payable	942,655	942,655	-	-	-	-	-	-	-	-
Borrowings from financial institutions	11,113	11,113	-	-	-	-	-	-	-	-
Deposits and other accounts	11,977,105	11,894,674	72,947	6,866	2,618	-	-	-	-	-
Other liabilities	2,283,216	997,421	-	-	1,220,133	65,662	-	-	-	-
	15,214,089	13,845,863	72,947	6,866	1,222,751	65,662	-	-	-	-
Net assets	5,899,894	1,268,572	467,014	151,975	(948,037)	748,877	3,023	349,886	21,875	3,836,709
Head office capital account	3,667,658									
Reserves	-									
Un-remitted profit	2,232,236									
Deficit on revaluation of assets	-									
	5,899,894									

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.

35.7 Operational risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risk excludes business and reputational risk. Particular prominent examples of operational risks are Fraud Risk, Business Continuity Risk, Regulatory Compliance Risk, Information Technology Risk and Vendor Risk.

Legal Risk may materialize in any of the above risk categories. This may be due to the fact that in each category we may be the subject of a claim or proceedings alleging non-compliance with contractual or other legal or statutory responsibilities; or we may otherwise be subject to losses allegedly deriving from other law or legal circumstances applicable to any of the above categories.

35.7.1 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.

35.7.2 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 2016.

36. GENERAL

36.1 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 01 January 2017.

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit exclude deduction resulting from reversal of those deductible temporary differences. The amendments are not likely to have impact on Branches' financial statements.

- Amendments to IAS 7 "Statement of Cashflows" are a part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendemts require disclosures that enable the users of financial statements to evaluate changes arising from financing activities, including both changes arising from cashflow and non-cash changes.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Branches' financial statements.

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

  - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Branches' financial statements.

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

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on the Branches' financial statements.

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 24 March 2017.

38. GENERAL

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

38.2 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.

SD/-	**SD/-**
Syed Ahmer Hassan	**Noman Aqeel**
Managing Director / Chief Country Officer Pakistan	**Chief Operating Officer & Chief Financial Officer Pakistan**