Deutsche Bank AG, Pakistan Operations

(Incorporated in the Federal Republic of Germany with limited liability)

Statement of Financial Position

As at 31 December 2017

	Note	**2017**	2016
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	*7*	**5,995,920**	4,993,782
Balances with other banks	*8*	**396,881**	136,459
Lendings to financial institutions	*9*	**19,707,230**	14,630,311
Investments		**-**	-
Advances	*10*	**5,709,278**	3,214,744
Operating fixed assets	*11*	**271,894**	291,553
Deferred tax assets - net	*12*	**8,910**	17,762
Other assets	*13*	**1,120,022**	1,208,960
		33,210,135	24,493,571
LIABILITIES			
Bills payable	*14*	**932,787**	2,976,253
Borrowings from financial institutions	*15*	**15,755**	27,509
Deposits and other accounts	*16*	**23,212,445**	14,092,145
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	*17*	**2,096,284**	1,859,794
		26,257,271	18,955,701
NET ASSETS		**6,952,864**	5,537,870
REPRESENTED BY			
Head office capital account	*18*	**4,238,906**	3,544,827
Reserves		**-**	-
Un-remitted profit		**2,713,958**	1,993,043
		6,952,864	5,537,870
Surplus / (deficit) on revaluation of assets - net of tax		**-**	-
		6,952,864	5,537,870
Contingencies and commitments	*19*		

The annexed notes 1 to 37 form an integral part of these annual financial statements.

SD/-	**SD/-**
Managing Director **Chief Country Officer** **Pakistan**	**Chief Financial Officer** **Pakistan**

Deutsche Bank AG, Pakistan Operations

(Incorporated in the Federal Republic of Germany with limited liability)

Profit and Loss Account

For the year ended 31 December 2017

	Note	**2017**	2016
		(Rupees in '000)	
Mark-up / return / interest earned	*20*	**1,221,952**	1,049,008
Mark-up / return / interest expensed	*21*	**(463,007)**	(345,527)
Net mark-up / interest income		**758,945**	703,481
(Provision) / Reversal against non-performing loans and advances	*10.3*	**(1,128)**	3,893
(Provision) / Reversal against off-balance sheet obligations	*17.1*	**(577)**	9,502
Provision for diminution in the value of investments		**-**	-
Bad debts written off directly		**-**	-
		(1,705)	13,395
Net mark-up / interest income after provisions		**757,240**	716,876
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income		**609,579**	502,688
Dividend income		**-**	-
Income from dealing in foreign currencies and derivatives	*22*	**772,867**	510,330
Gain on sale of Government securities		**-**	7,374
Unrealized gain / (loss) on revaluation of investments classified as held for trading		**-**	-
Other income	*23*	**7,462**	15,934
Total non mark-up / non interest income		**1,389,908**	1,036,326
		2,147,148	1,753,202
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	*24*	**(1,003,715)**	(1,014,095)
Reversal of provision against other assets	*13.1*	**-**	15
Other charges		**(1,251)**	-
Total non mark-up / non interest expenses		**(1,004,966)**	(1,014,080)
		1,142,182	739,122
Extra-ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**1,142,182**	739,122
Taxation - current		**(396,030)**	(250,294)
- prior years		**(29,758)**	(60,902)
- deferred		**(4,171)**	(8,400)
	25	**(429,959)**	(319,596)
PROFIT AFTER TAXATION		**712,223**	419,526

The annexed notes 1 to 37 form an integral part of these annual financial statements.

SD/-

Managing Director
Chief Country Officer
Pakistan

SD/-

Chief Financial Officer
Pakistan

Deutsche Bank AG, Pakistan Operations

(Incorporated in the Federal Republic of Germany with limited liability)

Statement of Comprehensive Income

For the year ended 31 December 2017

	2017	2016
	(Rupees in '000)	
Profit after taxation	**712,223**	419,526
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gain on defined benefit plan	**13,373**	15,185
Related deferred tax	**(4,681)**	(5,314)
	8,692	9,871
Exchange adjustment on revaluation of Head office capital account	**694,079**	(122,831)
Total comprehensive income for the year	**1,414,994**	306,566

The annexed notes 1 to 37 form an integral part of these annual financial statements.

SD/-

Managing Director
Chief Country Officer
Pakistan

SD/-

Chief Financial Officer
Pakistan

Deutsche Bank AG, Pakistan Operations
(Incorporated in the Federal Republic of Germany with limited liability)
Cash Flow Statement
For the year ended 31 December 2017

	Note	**2017**	2016
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**1,142,182**	739,122
Adjustments for:			
Depreciation		**80,645**	80,685
Provision / (Reversal) against non-performing advances	*10.3*	**1,128**	(3,893)
Provision / (Reversal) against off-balance sheet obligation	*17.1*	**577**	(9,502)
Reversal of provision against other assets		**-**	(15)
Gain on sale of Government securities		**-**	(7,374)
Gain on sale of operating fixed assets		**(7,457)**	(5,365)
		74,893	54,536
		1,217,075	793,658
(Increase) / decrease in operating assets			
Lendings to financial institutions		**(5,076,919)**	(8,208,207)
Advances		**(2,495,662)**	3,348,918
Others assets (excluding advance taxation)		**103,102**	167,381
		(7,469,479)	(4,691,908)
Increase / (decrease) in operating liabilities			
Bills payable		**(2,043,466)**	2,033,598
Borrowings from financial institutions		**(11,754)**	16,396
Deposits and other accounts		**9,120,300**	2,115,040
Other liabilities		**249,286**	(398,736)
		7,314,366	3,766,298
		1,061,962	(131,952)
Income tax paid		**(439,952)**	(402,854)
Net cash generated from / (used in) operating activities		**622,010**	(534,806)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale investments		**-**	7,374
Purchase of operating fixed assets		**(71,342)**	(60,651)
Sale proceeds on disposal of operating fixed assets		**17,813**	17,893
Net cash used in investing activities		**(53,529)**	(35,384)
CASH FLOW FROM FINANCING ACTIVITIES			
Remittance made to Head office		**-**	(668,590)
Net cash used in financing activities		**-**	(668,590)
Effects of exchange rate changes on cash and cash equivalents		**694,079**	(122,831)
Increase / (decrease) in cash and cash equivalents		**1,262,560**	(1,361,611)
Cash and cash equivalents at beginning of the year		**5,130,241**	6,491,852
Cash and cash equivalents at end of the year	*27*	**6,392,801**	5,130,241

The annexed notes 1 to 37 form an integral part of these annual financial statements.

SD/-	**SD/-**
Managing Director **Chief Country Officer** **Pakistan**	**Chief Financial Officer** **Pakistan**

Deutsche Bank AG, Pakistan Operations

(Incorporated in the Federal Republic of Germany with limited liability)

Statement of Changes in Equity

For the year ended 31 December 2017

	Head office capital account	Un-remitted profit	Total
	----------------------------	(Rupees in '000)	----------------------------
Balance as at 01 January 2016	3,667,658	2,232,236	5,899,894
Transactions with owners, recorded directly in equity:			
Remittance made to Head office	-	(668,590)	(668,590)
Total comprehensive income for the year:			
Profit after taxation	-	419,526	419,526
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)	429,397	306,566
Balance as at 31 December 2016	3,544,827	1,993,043	5,537,870
Changes in equity 2017:			
Total comprehensive income for the year:			
Profit after taxation	-	712,223	712,223
Other comprehensive income:			
Actuarial gain on defined benefit plan - net of tax	-	8,692	8,692
Exchange adjustment on revaluation of Head office capital account	694,079	-	694,079
	694,079	720,915	1,414,994
Balance as at 31 December 2017	**4,238,906**	**2,713,958**	**6,952,864**

The annexed notes 1 to 37 form an integral part of these annual financial statements.

SD/-

Managing Director
Chief Country Officer
Pakistan

SD/-

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 Pakistan Operations'). The Pakistan Operations are engaged in banking business as described in the Banking Companies Ordinance, 1962.

Subsequent to year end, the group has decided to close Islamabad branch operations as part of its Global Footprint Rationalization Strategy 2020.

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 Pakistan Operations 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

3.1 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 repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed 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 repealed Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by the SBP and SECP shall prevail. ***SE***

3.2 The Companies Ordinance, 1984 was repealed by enactment of the Companies Act, 2017 on May 30, 2017. The circular no. 23/2017 dated October 04, 2017 of SECP has clarified that all those companies whose financial year closes on or before December 31, 2017 can prepare financial statements in accordance with the repealed Companies Ordinance, 1984.

3.3 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.

4. CREDIT RATING

The credit rating provided by Standard & Poor's on 15 November 2017 is A- for long-term and A-2 for short-term, rating by Fitch on 28 September 2017 is BBB+ for long-term and F2 for short-term; and rating by Moody's on 12 December 2017 is Baa2 for long-term and on 06 March 2017 is P-2 for short-term.

5. BASIS OF MEASUREMENT

5.1 These financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been marked to market and are carried at fair value. Staff retirement benefits (pension) 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:

- Defined benefit plan (Note 6.2)
- Taxation (Note 6.3)
- Advances (Note 6.4)
- Operating fixed assets and depreciation (Note 6.7)

These financial statements are presented in Pak rupees (PKR) which is the Pakistan Operations' 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 Pakistan Operations 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 Pakistan Operations 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 Pakistan Operations 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 Pakistan Operations designate the classification of securities at the time of acquisition.

All purchase and sale of investments that require delivery within 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 Pakistan Operations 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 Pakistan Operations 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 is 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 off-set the recognized amount and the Pakistan Operations 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 Pakistan Operations 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	2017	2016
		(Rupees in '000)	
In hand:			
Local currency		**34,666**	39,834
Foreign currency		**81,143**	48,697
With State Bank of Pakistan in:			
Local currency current account	*7.1*	**1,488,115**	1,210,268
Foreign currency current account:			
Cash reserve account	*7.2*	**42,622**	35,145
Foreign currency deposit account:			
Special cash reserve account	*7.3*	**98,924**	104,076
Local US Dollar collection account	*7.4*	**11,544**	10,935
Foreign currency capital account	*18*	**4,238,906**	3,544,827
With National Bank of Pakistan in:			
Local currency current account		**-**	-
		5,995,920	4,993,782

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. Profit rates on these deposits are fixed by SBP on a monthly basis. The return of these was Rs. 0.097 million for 2017 (2016: 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	2017	2016
		(Rupees in '000)	
In Pakistan			
Current account		**-**	-
Outside Pakistan			
Current account			
- Inter branch		**16,151**	18,614
- Others	*8.1*	**380,730**	117,845
		396,881	136,459

8.1 This includes balance with a subsidiary of Deutsche Bank, AG. Rs. 380.158 million (2016: Rs. 101.292 million).

9. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2017	2016
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	*9.1*	**19,707,230**	14,630,311

9.1 Reverse repo transactions have been made with various commercial banks at rates ranging from 5.70% to 5.90% p.a (2016: 5.75% to 5.84% p.a) and mature within a month. The market value of these securities at 31 December 2017 amounted to Rs. 19,793 million (2016: Rs. 14,740 million).

	2017	2016
9.2 Particulars of Lendings	**(Rupees in '000)**	
In local currency	**19,707,230**	14,630,311

9.3 Securities held as collateral against lendings to financial institutions

	2017			2016		
	Held by Pakistan Operations	**Further given as collateral**	**Total**	Held by Pakistan Operations	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	**19,707,230**	**-**	**19,707,230**	14,630,311	-	14,630,311

10. ADVANCES

		2017	2016
		(Rupees in '000)	
Loans, cash credits, running finances, etc. - in Pakistan		**4,757,619**	2,577,229
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		**990,751**	675,479
Payable outside Pakistan		**65,626**	65,626
		1,056,377	741,105
Advances - gross	*10.1*	**5,813,996**	3,318,334
Provision for non-performing advances	*10.3*	**(104,718)**	(103,590)
Advances - net of provision		**5,709,278**	3,214,744

10.1 Particulars of advances - gross

	2017	2016
In local currency	**5,748,370**	3,252,708
In foreign currencies	**65,626**	65,626
	5,813,996	3,318,334
Short term (for up to one year)	**5,498,467**	2,993,807
Long term (for over one year)	**315,529**	324,527
	5,813,996	3,318,334

10.2 Advances include Rs. 96.511 million (2016: Rs. 96.511 million) which have been placed under non-performing status as detailed below:

	2017			2016		
	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**

	2017			2016		
	Specific	**General**	**Total**	Specific	General	Total
	-- **(Rupees in '000)**			--		
Opening balance	**96,511**	**7,079**	**103,590**	96,511	10,972	107,483
Charge for the year	**-**	**1,128**	**1,128**	-	-	-
Reversals / recoveries	**-**	**-**	**-**	-	(3,893)	(3,893)
	-	**1,128**	**1,128**	-	(3,893)	(3,893)
Closing balance	**96,511**	**8,207**	**104,718**	96,511	7,079	103,590

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 Pakistan Operations or any of them either severally or jointly with any other persons.

	Note	**2017**	2016
		(Rupees in '000)	
Balance at beginning of the year		**222,648**	223,590
Loans granted during the year		**56,294**	72,595
Repayments		**(66,035)**	(73,537)
Balance at end of the year		**212,907**	222,648

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

11. **OPERATING FIXED ASSETS**

	Note	**2017**	2016
Capital work-in-progress	*11.1*	**20,420**	3,169
Property and equipment	*11.2*	**251,474**	288,384
		271,894	291,553

11.1 **Capital work-in-progress**

Advance against purchase of vehicles	**20,420**	3,169

11.2 Property and equipment

2017

	COST				**DEPRECIATION**					
	Balance at 1 January 2017	**Additions**	**Disposals**	**Balance at 31 December 2017**	**Balance at 1 January 2017**	**Charge for the year**	**Relating to Disposals**	**Balance at 31 December 2017**	**Book value at 31 December 2017**	**Rate of depreciation %**
	(Rupees in '000)									
Owned										
Improvements on lease hold buildings	**275,458**	**-**	**-**	**275,458**	**137,216**	**24,890**	**-**	**162,106**	**113,352**	**10-20**
Furniture and fixtures	**13,061**	**2,071**	**(1,690)**	**13,442**	**11,299**	**1,745**	**(1,690)**	**11,354**	**2,088**	**10-33**
Electrical, office and computer equipment	**211,821**	**22,794**	**(34,569)**	**200,046**	**138,692**	**29,069**	**(34,474)**	**133,287**	**66,759**	**20-50**
Vehicles	**130,345**	**29,226**	**(34,127)**	**125,444**	**55,094**	**24,941**	**(23,866)**	**56,169**	**69,275**	**20**
	630,685	**54,091**	**(70,386)**	**614,390**	**342,301**	**80,645**	**(60,030)**	**362,916**	**251,474**	

2016

	COST				DEPRECIATION					
	Balance at 1 January 2016	Additions	Disposals	Balance at 31 December 2016	Balance at 1 January 2016	Charge for the year	Relating to Disposals	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	

11.2.1 Included in cost of property and equipment are fully depreciated items, still in use, having cost of Rs. 142.750 million (2016: Rs. 105.131 million).

11.2.2 Disposals include no items which have been written off during the year (2016: Rs. 0.149 million) .

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)**	-------------------			
HP StorageWorks 2012fs Dual Modular Smart	1,531	-	14	Quotations	Evernex Pakistan	34-35, 3rd floor, AL-anayat Mall, Islamabad
HP MDS9124 8-Ports Active Fabric Switch-12	1,549	-	14	Quotations	Evernex Pakistan	34-35, 3rd floor, AL-anayat Mall, Islamabad
HP MDS9124 8-Ports Active Fabric Switch-12	1,531	-	14	Quotations	Evernex Pakistan	34-35, 3rd floor, AL-anayat Mall, Islamabad
Succession 1000 IP PABX	1,537	-	14	Quotations	Evernex Pakistan	34-35, 3rd floor, AL-anayat Mall, Islamabad
Mercedes Benz	8,500	1,275	3,400	Bank Policy	Faisal Zahid	Employee
H-Civic Vti Pros.Oriel	1,673	307	669	Bank Policy	Iftikhar Alam	Employee
Mercedes Benz	8,500	1,417	3,400	Bank Policy	Raheel Ahmed	Employee
H-Civic Vti Pros.Oriel	2,332	350	933	Bank Policy	Wajahat Kazmi	Employee
H-Civic Vti Pros.Oriel	2,332	544	1,003	Bank Policy	Sajjad Khan	Ex-Employee
Toyota Fortuner	5,106	3,574	3,727	Bank Policy	Mahmood Qureshi	Ex-Employee
Toyota Corolla Altis Grande	2,323	1,819	1,904	Bank Policy	Hussain Dada	Ex-Employee
Honda Civic PTSR 1.8	2,416	966	1,256	Bank Policy	Kashif Tanveer	Ex-Employee

12. DEFERRED TAX ASSETS

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

	2017			
	Opening balance	**(Charge) / reversal to profit and loss account**	**Debit / (credit) to other comprehensive income**	**Closing balance**
	-------------------------- (Rupees in '000) -------------------------			
Actuarial gains and losses	**16,184**	**-**	**(4,681)**	**11,503**
Provision for advances and off balance sheet obligation	**15,961**	**(14,456)**	**-**	**1,505**
Difference between accounting book value of operating fixed assets and its tax base	**(14,383)**	**10,285**	**-**	**(4,098)**
	17,762	**(4,171)**	**(4,681)**	**8,910**

	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

13. OTHER ASSETS

		2017	2016
		(Rupees in '000)	
Income / mark-up accrued in local currency		**94,057**	77,502
Income / mark-up accrued in foreign currencies		**39,044**	61,545
Advances, deposits, advance rent and other prepayments		**90,647**	179,127
Advance taxation (payments less provisions)		**882,567**	868,403
Unrealized gain on forward foreign exchange contracts		**1,415**	22,497
Others		**16,966**	4,560
		1,124,696	1,213,634
Less: Provision held against other assets	*13.1*	**(4,674)**	(4,674)
Other assets (net of provision)		**1,120,022**	1,208,960

13.1 Provision against other assets

	Note	2017	2016
		(Rupees in '000)	
Opening balance		**4,674**	4,689
Reversals during the year		**-**	(15)
Closing balance		**4,674**	4,674

14. BILLS PAYABLE

In Pakistan	**932,787**	2,976,253

15. BORROWINGS FROM FINANCIAL INSTITUTIONS

In Pakistan	**15,161**	14,426
Outside Pakistan	**594**	13,083
	15,755	27,509

15.1 Particulars of borrowings with respect to currencies

In local currency	**15,161**	14,426
In foreign currencies	**594**	13,083
	15,755	27,509

15.2 Details of borrowings unsecured

	Note		
Unsecured			
Overdrawn nostro accounts - Interbranch and a subsidiary of Deutsche Bank, AG		**594**	13,083
Others	*15.2.1*	**15,161**	14,426
		15,755	27,509
		15,755	27,509

15.2.1 These are overdrawn bank balances with commercial banks.

16. DEPOSITS AND OTHER ACCOUNTS

Customers		
Fixed deposits	**14,940,424**	5,373,489
Savings deposits	**2,149,832**	3,424,916
Current accounts - non-remunerative	**5,498,014**	5,231,697
Others	**618,292**	54,272
	23,206,562	14,084,374
Financial institutions		
Non-remunerative deposits - interbranch	**5,883**	7,771
	23,212,445	14,092,145

16.1 Particulars of deposits

	Note	2017	2016
		(Rupees in '000)	
In local currency		**22,675,379**	13,772,460
In foreign currencies		**537,066**	319,685
		23,212,445	14,092,145

17. OTHER LIABILITIES

	Note	2017	2016
Mark-up / return / interest payable in local currency		**27,668**	9,989
Mark-up / return / interest payable in foreign currency		**1**	-
Unearned commission and income on bills discounted		**44,056**	39,567
Accrued expenses		**82,602**	79,901
Unrealized loss on forward foreign exchange contracts		**4,075**	16,881
Amount due to Head office and branches		**6,314**	6,195
Unremitted Head office expenses		**1,585,736**	1,392,350
Payable to defined benefit plan	*28.6*	**51,191**	56,972
Provision against off-balance sheet obligations - general	*17.1*	**11,136**	10,559
Workers Welfare Fund payable	*17.2*	**210,030**	186,718
Others		**73,475**	60,662
		2,096,284	1,859,794

17.1 Provision against off-balance sheet obligations

	2017	2016
Opening balance	**10,559**	20,061
Charge / (Reversal) for the year	**577**	(9,502)
Closing balance	**11,136**	10,559

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 Pakistan Operations have continued to maintain the provision for WWF from the date of its levy till December 31, 2017. No allocation between the Federal Government Levy and Sindh WWF has been made.

The Pakistan Operations have also obtained a stay order against SWWF from Honourable Sindh High

Court dated 9 March 2018.

18. HEAD OFFICE CAPITAL ACCOUNT

Capital held as interest free deposit in approved foreign exchange represents Euro 32,048,165 (2016: Euro 32,048,165).

	2017	2016
	(Rupees in '000)	
Balance at beginning of the year represents	**3,544,827**	3,667,658
- Revaluation advised by the State Bank of Pakistan during the year	**694,079**	(122,831)
	4,238,906	3,544,827

19. CONTINGENCIES AND COMMITMENTS

19.1 Transaction-related contingent liabilities

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

	2017	2016
i) Government	**12,689,390**	13,825,556
ii) Banking companies and other financial institutions	**128,359**	125,697
iii) Others	**448,875**	1,022,604

19.2 Trade-related contingent liabilities

	2017	2016
Acceptances	**1,089,422**	736,947
Letters of credit	**1,966,910**	2,469,760

19.3 Commitments in respect of forward lending

	2017	2016
Reverse repurchase agreement (Reverse repo)	**19,707,230**	14,630,311
Commitments to extend credit	**16,585,433**	18,952,295

19.4 Commitments in respect of forward exchange contracts

	2017	2016
Purchase:		
- from the State Bank of Pakistan	**-**	1,574,850
- from others	**262,219**	1,988,040
Sale:		
- to the State Bank of Pakistan	**-**	-
- to others	**376,465**	3,590,952

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

	2017	2016
19.5 Cheques in clearing	**582,992**	1,579,015

Other contingencies

19.6 Appeals for various assessment years are pending before Income Tax Appellate Authorities / High Courts. Out of these appeals, decisions against additional demands of Rs. 638 million (2016: Rs. 638 million) have been made by the CIRA in favor of Pakistan Operations; however, appeal affects are yet to be issued. Additionally, Pakistan Operations are vigorously contesting the appeals for demands of Rs. 42 million (2016: Rs. 42 million) and are confident that no additional liability would arise.

20. MARK-UP / RETURN / INTEREST EARNED

	2017	2016
	(Rupees in '000)	
On loans and advances to customers	**360,170**	396,881
On investments in available-for-sale securities	**-**	19
On deposits with financial institutions	**98**	-
On securities purchased under resale agreements	**861,684**	652,102
Others	**-**	6
	1,221,952	1,049,008

21. MARK-UP / RETURN / INTEREST EXPENSED

	2017	2016
Deposits	**458,109**	340,508
Securities sold under repurchase agreements	**2,004**	2,768
Other short term borrowings	**2,590**	1,574
Others	**304**	677
	463,007	345,527

		Note	2017	2016
22.	**INCOME FROM DEALING IN FOREIGN CURRENCIES AND DERIVATIVES**		**(Rupees in '000)**	
	Exchange income from dealing in foreign currencies - net		**772,867**	507,995
	Gain / (loss) on derivatives - net		**-**	2,335
			772,867	510,330
23.	**OTHER INCOME**			
	Gain on sale of property and equipment		**7,457**	5,365
	Others		**5**	10,569
			7,462	15,934
24.	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances, etc.	*24.1*	**394,110**	356,233
	Voluntary separation scheme		**4,449**	49,796
	Charge for defined benefit plan	*28.7*	**27,971**	27,792
	Contribution to defined contribution plan		**24,906**	26,412
	Workers' Welfare Fund		**23,312**	15,083
	Head office expenses	*24.2*	**177,331**	173,869
	Rent, taxes, insurance, electricity, etc.		**130,738**	130,929
	Legal and professional charges		**8,459**	7,727
	Communications		**31,127**	39,476
	Repairs and maintenance		**16,984**	12,340
	Stationery and printing		**11,184**	11,999
	Advertisement and publicity		**403**	546
	Donations		**25**	-
	Auditors' remuneration	*24.3*	**2,868**	3,363
	Depreciation	*11.2*	**80,645**	80,685
	Others		**69,203**	77,845
			1,003,715	1,014,095

24.1 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 Operations amounted to Rs. 38.145 million and Rs. 24.588 million (2016: Rs. 8.060 million and Rs. 22.256 million) respectively.

24.2 Head office expenses

	2017	2016
SAP expenses	**2,030**	1,685
Management Leadership charges	**49,382**	17,340
Ben / Acorn charges	**127,842**	180,866
Head office expenses	**-**	17
Risk participation fee	**404**	2,524
Global HR product	**-**	3,363
TP Coverage	**838**	(24,395)
	180,496	181,400
Less: Other income	**(3,165)**	(7,531)
	177,331	173,869

The Pakistan Operations has arrangements for the above services within group entities. These represent IT, Management and other Support Functions' cost charged to DB Pakistan Operations.

24.3 Auditors' remuneration

	2017	2016
	(Rupees in '000)	
Audit fee	**2,336**	2,336
Special certifications and sundry advisory services	**532**	1,027
	2,868	3,363

25. TAXATION

	2017	2016
Current	**396,030**	250,294
Deferred	**4,171**	8,400
	400,201	258,694
For prior years		
Current	**29,758**	60,902
Deferred	**-**	-
	29,758	60,902
	429,959	319,596

25.1 Relationship between tax expense and accounting profit

	2017	2016
Profit before tax	**1,142,182**	739,122
Tax calculated at the rate of 35% (2016: 35%)	**399,763**	258,693
Effect of :		
- prior year charge	**29,758**	60,902
- others	**438**	1
Tax charge for the year	**429,959**	319,596

26. STAFF STRENGTH

	2017	2016
	(In number)	
Permanent	**76**	74
Outsourced	**43**	30
Total staff strength	**119**	104

27. CASH AND CASH EQUIVALENTS

	(Rupees in '000)	
Cash and balance with treasury banks	**5,995,920**	4,993,782
Balances with other banks	**396,881**	136,459
	6,392,801	5,130,241

27.1 Reconciliation of movement of liabilities to cash flows from financing activities

	2017						
	Liabilities						
	Bills payables	**Borrowings from financial institutions**	**Deposits and other accounts**	**Other liabilities**	**Head office capital account**	**Un-remitted profit**	**Total**
	(Rupees in '000)						
Balance as at 1 January 2017	**2,976,253**	**27,509**	**14,092,145**	**1,859,794**	**3,544,827**	**1,993,043**	**24,493,571**
Change from financing cash flow							
Remittance made to Head office	-	-	-	-	-	-	-
Total change from financing cash flows	-	-	-	-	-	-	-
The effect of changes due to foreign exchange translation	-	-	-	-	**694,079**	-	**694,079**
Liability related changes							
Changes in bills payables	(2,043,466)	-	-	-	-	-	(2,043,466)
Changes in borrowings	-	(11,754)	-	-	-	-	(11,754)
Changes in deposits and other accounts	-	-	9,120,300	-	-	-	9,120,300
Changes in other liabilities - Cash based	-	-	-	236,490	-	-	236,490
Transfer of profit to reserve	-	-	-	-	-	720,915	720,915
	(2,043,466)	**(11,754)**	**9,120,300**	**236,490**	**-**	**720,915**	**8,022,485**
Balance as at 31 December 2017	**932,787**	**15,755**	**23,212,445**	**2,096,284**	**4,238,906**	**2,713,958**	**33,210,135**

	2016						
	Liabilities						
	Bills payables	Borrowings from financial institutions	Deposits and other accounts	Other liabilities	Head office capital account	Un-remitted profit	Total
	(Rupees in '000)						
Balance as at 1 January 2016	942,655	11,113	11,977,105	2,283,216	3,667,658	2,232,236	21,113,983
Change from financing cash flow							
Remittance made to Head office	-	-	-	-	-	(668,590)	(668,590)
Total change from financing cash flows	-	-	-	-	-	(668,590)	(668,590)
The effect of changes due to foreign exchange translation	-	-	-	-	(122,831)		(122,831)
Liability related changes							
Changes in bills payables	2,033,598	-	-	-	-	-	2,033,598
Changes in borrowings	-	16,396	-	-	-	-	16,396
Changes in deposits and other accounts	-	-	2,115,040	-	-	-	2,115,040
Changes in other liabilities - Cash based	-	-	-	(423,422)	-	-	(423,422)
Transfer of profit to reserve	-	-	-	-	-	429,397	429,397
	2,033,598	16,396	2,115,040	(423,422)	-	429,397	4,171,009
Balance as at 31 December 2016	2,976,253	27,509	14,092,145	1,859,794	3,544,827	1,993,043	24,493,571

28. DEFINED BENEFIT PLAN

28.1 General description

All permanent employees of the Pakistan Operations are eligible for pension under the pension fund scheme on completing 10 years of service with the Pakistan Operations. The benefit under the scheme, which is inflation adjusted on an annual basis, 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.

28.2 Principal actuarial assumptions

The actuarial valuation of the defined benefit plan was carried out at 31 December 2017. Projected Unit Credit Method is used for the calculation and the key assumptions used for actuarial valuation were as follows:

	2017	2016
Discount rate	**9.30% p.a.**	10.00% p.a.
Expected rate of increase in salary in future years	**9.30% p.a.**	9.30% p.a.
Expected rate of return on plan assets	**9.30% p.a.**	10.00% p.a.
Withdrawal rate before normal retirement age	**"Moderate"**	"Moderate"
Expected annual rate of increase in monthly pensions	**4.42% p.a.**	4.42% p.a.

28.3 Reconciliation of payable to defined benefit plan

	Note	**2017**	2016
		(Rupees in '000)	
Present value of defined benefit obligations	*28.4*	**686,977**	640,902
Fair value of plan assets	*28.5*	**(635,786)**	(583,930)
	28.6	**51,191**	56,972

28.4 Movement in present value of defined benefit plan

	2017	2016
Opening balance	**640,902**	584,200
Current service cost	**22,615**	22,363
Interest cost	**59,709**	57,670
Actuarial gain on defined benefit obligation	**(16,889)**	(8,339)
Benefits paid during the year	**(19,360)**	(14,992)
Closing balance	**686,977**	640,902

28.5 Movement in fair value of plan assets

		2017	2016
Opening balance		**583,930**	518,538
Interest income on plan assets		**54,353**	52,169
Contribution made		**20,379**	21,298
Benefits paid by the fund		**(19,360)**	(14,992)
Gain on plan assets (excluding interest income)		**(3,516)**	6,917
Closing balance	*28.5.1*	**635,786**	583,930

28.5.1 Plan assets consist of the following:

	2017	2016
Pakistan Investment Bonds (including accrued interest)	**343,447**	349,546
Market Treasury Bills (including accrued interest)	**233,132**	227,249
Balances with banks	**59,207**	7,135
	635,786	583,930

28.6 Movement in net payable to defined benefit plan

	2017	2016
	(Rupees in '000)	
Opening balance	**56,972**	65,662
Charge for the year	**27,971**	27,792
Actuarial gain recognized in other comprehensive income	**(13,373)**	(15,185)
Contribution made during the year	**(20,379)**	(21,297)
Closing balance	**51,191**	56,972

28.7 Charge for defined benefit plan

	2017	2016
Current service cost	**22,615**	22,363
Interest cost	**59,709**	57,670
Expected return on plan assets	**(54,353)**	(52,169)
Contribution received from DB Riyadh	**-**	(72)
	27,971	27,792

	2017	2016
28.8 Actual return on plan assets	**50,837**	59,086

28.9 Historical information

	2017	2016	2015	2014	2013
	------------------------------(Rupees in '000)--------------------------------				
Defined benefit obligation	**686,977**	640,902	584,200	475,996	430,322
Fair value of plan assets	**(635,786)**	(583,930)	(518,538)	(436,746)	(387,346)
Deficit	**51,191**	56,972	65,662	39,250	42,976

29. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Country Officer		Executives	
	2017	2016	**2017**	2016
	-----------------------------(Rupees in '000)------------------------------			
Managerial remuneration	**74,641**	48,137	**238,290**	241,621
Charge for defined benefit plan	**3,856**	3,505	**15,730**	17,279
Contribution to defined contribution plan	**5,097**	4,633	**20,793**	22,680
Medical	**150**	85	**4,795**	1,925
	83,744	56,360	**279,608**	283,505
	---------------------------------(Number)----------------------------------			
Number of persons	**1**	1	**63**	69

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

In addition to above, the Chief Country Officer of the Bank is also entitled to certain short term employee benefits which are disclosed in note 24.1 to these financial statements.

30. 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 Pakistan Operations have access at that date.

30.1 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		2017								
		Carrying Value					Fair Value			
	Note	Held for trading	Available for Sale	Loans and Receivables	Other financial assets / 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		1,415	-	-	-	1,415		1,415		1,415
		1,415	-	-	-	1,415				
Financial assets not measured at fair value										
Cash and balances with treasury banks	*30.2*	-	-	5,995,920	-	5,995,920				
Balances with other banks	*30.2*	-	-	396,881	-	396,881				
Lendings to financial institutions	*30.2*	-	-	19,707,230	-	19,707,230				
Advances	*30.2*	-	-	5,709,278	-	5,709,278				
Other assets	*30.2*	-	-	1,034,112	-	1,034,112				
		1,415	-	32,843,421	-	32,844,836				
Financial liabilities measured at fair value										
Other Liabilities										
- Unrealized loss on forward foreign exchange contracts		4,075	-	-	-	4,075		4,075		4,075
		4,075	-	-	-	4,075				
Financial liabilities not measured at fair value										
Bills payable	*30.2*	-	-	-	932,787	932,787				
Borrowings from financial institutions	*30.2*	-	-	-	15,755	15,755				
Deposits and other accounts	*30.2*	-	-	-	23,212,445	23,212,445				
Other liabilities	*30.2*	-	-	-	2,092,209	2,092,209				
		4,075	-	-	26,253,196	26,257,271				

On balance sheet financial instruments

	Note	2016								
		Carrying Value					Fair Value			
	Note	Held for trading	Available for Sale	Loans and Receivables	Other financial assets / 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
		22,497	-	-	-	22,497				
Financial assets not measured at fair value										
Cash and balances with treasury banks	*30.2*	-	-	4,993,782	-	4,993,782				
Balances with other banks	*30.2*	-	-	136,459	-	136,459				
Lendings to financial institutions	*30.2*	-	-	14,630,311	-	14,630,311				
Advances	*30.2*	-	-	3,214,744	-	3,214,744				
Other financial assets	*30.2*	-	-	1,012,793	-	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
		16,881	-	-	-	16,881				
Financial liabilities not measured at fair value										
Bills payable	*30.2*	-	-	-	2,976,253	2,976,253				
Borrowings from financial institutions	*30.2*	-	-	-	27,509	27,509				
Deposits and other accounts	*30.2*	-	-	-	14,092,145	14,092,145				
Other financial liabilities	*30.2*	-	-	-	1,842,913	1,842,913				
		16,881	-	-	18,938,820	18,955,701				

30.2 The Pakistan Operations 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).

The Pakistan Operations 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.

31. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Until September 30, 2016, the Pakistan Operations had two Business Lines, namely: Corporate Banking & Securities ("CB&S"); and Global Transaction Banking (GTB), supported by the infrastructure. As part of DB's strategy 2020, CB&S (GM) exited from Pakistan with effect from October 1, 2016, and the services are being offered through GTB.

We operate under 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.

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 , depository, custody and related services. After CB&S exit from Pakistan, the Foreign Exchange business has also become a part of GTB (GTB FX).

Infrastructure and Regional Management

It includes all the back offices which are responsible to provide support services to the businesses.
After CB&S exit from Pakistan the Treasury business has been included under Infrastructure and Others.

	2017			
	Corporate Banking and Securities (Global market)	**Global Transaction Banking**	**Infrastructure & Regional Management**	**Total**
	(Rupees in '000)			
Total income	**-**	**2,580,148**	**817,125**	**3,397,273**
Total expenses	**-**	**(1,521,307)**	**(733,784)**	**(2,255,091)**
Net income / (loss) before tax	**-**	**1,058,841**	**83,341**	**1,142,182**
Segment assets (gross)	**-**	**5,943,280**	**27,371,573**	**33,314,853**
Segment provision	**-**	**(104,718)**	**-**	**(104,718)**
Segment liabilities	**-**	**(24,232,277)**	**(2,024,995)**	**(26,257,271)**
Segment return on net assets (ROA) (%)	**-**	**43.41%**	**2.99%**	**10.20%**
Segment cost of funds (%)	**-**	**6.28%**	**36.24%**	**8.59%**

	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%

32. 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 Pakistan Operations 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:

	2017	2016
	(Rupees in '000)	
Profit and loss items		
Mark-up / interest / income earned	**-**	6
Mark-up / interest / income expensed	**304**	677
Key management personnel		
Salaries and benefits including post retirement benefits	**140,196**	101,021
Mark-up / interest / income earned	**347**	968
Mark-up / interest / income expensed	**462**	681
Balance sheet items		
Balances with other branches and a subsidiary of Deutsche Bank, AG	**16,151**	18,614
Borrowings from other branches and a subsidiary of Deutsche Bank, AG	**594**	13,083
Interbranch deposits and other accounts	**5,883**	7,771
Key management personnel		
Loans and advances	**23,185**	31,223
Deposits	**20,859**	28,688
Deposits and other accounts		
Balance at the beginning of the year	**984**	1,046
Deposits made during the year	**1,952,012**	1,224,165
Withdrawals made during the year	**(1,949,946)**	(1,224,227)
Balance at the year end	**3,050**	984
Off-balance sheet items		
Counter guarantees to branches	**7,527,336**	9,402,691
Forward purchase of foreign exchange	**185,681**	409,770
Forward sale of foreign exchange	**128,679**	254,676

33. 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.

33.1 Capital-Assessment and Adequacy Basel III specific

33.1.1 Scope of Applications

The Pakistan Operations 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.

33.1.2 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 31 December, 2013, however, there is a transitional phase during which the complete requirements would become applicable with full implementation by 31 December, 2019.

In implementing the current capital requirements, SBP requires the Pakistan Operations to maintain a prescribed total capital to total risk weighted assets ratio. As at the year end 2017, the SBP's minimum prescribed capital adequacy ratio is 11.275% (Total Capital 10% and Capital Conservation Buffer 1.275%). Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET1) ratio and Tier 1 ratio of 6% and 7.5% respectively as at 31 December, 2017. the Pakistan Operations' ratio is compliant with this minimum benchmark.

The Pakistan Operations 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 Pakistan Operations’ 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.

33.1.3 The leverage ratio of the Pakistan Operations as at 31 December, 2017 is 8.53% (2016: 7.26%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel-III Implementation in Pakistan.

As on 31 December, 2017; Total Tier 1 capital of the Bank amounts to Rs. 6,953 million (2016: Rs. 5,538 million) whereas the total exposure measure amounts to Rs. 81,537 million (2016: Rs. 76,274 million).

33.2 Capital Adequacy Ratio (CAR) disclosure:

CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2017

Rows #		2017 Amount	2016 Amount
		Rupees in '000	
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	**4,238,906**	3,544,827
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)	**2,713,958**	1,993,043
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**	**6,952,864**	5,537,870
10	Total regulatory adjustments applied to CET1 **(Note 33.2.1)**	-	-
11	**Common Equity Tier 1**	**6,952,864**	5,537,870
	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 33.2.2)**	-	-
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)**	**6,952,864**	5,537,870
	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	**19,343**	17,638
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**	**19,343**	17,638
33	Total regulatory adjustment applied to T2 capital **(Note 33.2.3)**	-	-
34	Tier 2 capital (T2) after regulatory adjustments	**19,343**	17,638
35	Tier 2 capital recognized for capital adequacy	**19,343**	17,638
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	**Total Tier 2 capital admissible for capital adequacy**	**19,343**	17,638
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	**6,972,207**	5,555,508
39	**Total Risk Weighted Assets (RWA) {for details refer Note 33.5}**	**24,171,768**	21,031,754
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	**28.76%**	26.33%
41	**Tier-1 capital to total RWA**	**28.76%**	26.33%
42	**Total capital to total RWA**	**28.84%**	26.41%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	**7.28%**	6.65%
44	of which: capital conservation buffer requirement	**1.28%**	0.65%
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)	**21.48%**	19.68%
	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**	**11.28%**	10.65%

		2017	(Rupees in '000)	2016
	Regulatory Adjustments and Additional Information	**Amount**	**Amounts subject to Pre-Basel III treatment***	Amount
Note 33.2.1	**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 33.2.2	**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 33.2.3	**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)	-		-

		2017	2016
		(Rupees in '000)	
Note 33.2.4	**Additional Information**	**Amount**	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

33.3 Capital structure reconciliation

Step 1	Balance sheet as in published financial statements 2017	Under regulatory scope of consolidation 2017
	------------ (Rupees in '000) ------------	
Assets		
Cash and balances with treasury banks	5,995,920	5,995,920
Balanced with other banks	396,881	396,881
Lending to financial institutions	19,707,230	19,707,230
Investments	-	-
Advances	5,709,278	5,709,278
Operating fixed assets	271,894	271,894
Deferred tax assets	8,910	8,910
Other assets	1,120,022	1,120,022
Total assets	**33,210,135**	**33,210,135**
Liabilities & Equity		
Bills payable	932,787	932,787
Borrowings	15,755	15,755
Deposits and other accounts	23,212,445	23,212,445
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	2,096,284	2,096,284
Total liabilities	**26,257,271**	**26,257,271**
Share capital / Head office capital account	4,238,906	4,238,906
Reserves	-	-
Unappropriated / unremitted profit	2,713,958	2,713,958
Minority Interest	-	-
Surplus on revaluation of assets	-	-
Total liabilities & equity	**33,210,135**	**33,210,135**

Step 2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2017	2017	
Assets			
Cash and balances with treasury banks	5,995,920	5,995,920	
Balanced with other banks	396,881	396,881	
Lending to financial institutions	19,707,230	19,707,230	
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	5,709,278	5,709,278	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB			f
general provisions reflected in Tier 2 capital	19,343	19,343	g
Fixed Assets	271,894	271,894	
Deferred Tax Assets	8,910	8,910	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	1,120,022	1,120,022	
of which: Goodwill	-	-	j
of which: Intangibles	-	-	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	**33,210,135**	**33,210,135**	
Liabilities & Equity			
Bills payable	932,787	932,787	
Borrowings	15,755	15,755	
Deposits and other accounts	23,212,445	23,212,445	
Sub-ordinated loans			
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease			
Deferred tax liabilities			
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	2,096,284	2,096,284	
Total liabilities	**26,257,271**	**26,257,271**	
Share capital / Head office capital account	4,238,906	4,238,906	
of which: amount eligible for CET1	4,238,906	4,238,906	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 / Unremitted profit/ (losses)	2,713,958	2,713,958	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	**33,210,135**	**33,210,135**	

	Step 3	Component of regulatory capital reported by bank (amount in thousand PKR)	Source based on reference number from step 2
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	4,238,906	
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)	2,713,958	(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**	**6,952,864**	
	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	**6,952,864**	
	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)	**6,952,864**	
	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	19,343	(g)
52	Revaluation Reserves eligible for Tier 2	-	
53	of which: portion pertaining to Property	-	portion of (aa)
54	of which: portion pertaining to AFS securities	-	
55	Foreign Exchange Translation Reserves	-	(v)
56	Undisclosed/Other Reserves (if any)	-	
57	**T2 before regulatory adjustments**	**19,343**	
	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)	19,343	
65	Tier 2 capital recognized for capital adequacy	19,343	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	19,343	
	TOTAL CAPITAL (T1 + admissible T2)	**6,972,207**	

33.4 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 (e.g. 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

33.5 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	
	2017	2016	**2017**	2016
	---------------------------- (Rupees in '000) ----------------------------			
Credit Risk				
Portfolios subject to standardized approach (Simple)				
Cash & cash equivalents	**-**	-	**-**	-
Sovereign	**1,154**	3,515	**11,544**	35,145
Public Sector entities	**-**	-	**-**	-
Banks	**258,656**	281,104	**2,586,558**	2,811,039
Corporate	**1,660,712**	1,217,082	**16,607,120**	12,170,817
Retail	**1,903**	2,199	**19,033**	21,986
Residential Mortgages	**6,564**	6,767	**65,635**	67,667
Past Due loans	**-**	-	**-**	-
Operating Fixed Assets	**27,189**	29,155	**271,894**	291,553
Other assets	**70,821**	180,243	**708,205**	1,802,434
	2,026,999	1,720,065	**20,269,989**	17,200,641
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**13**	1,272	**125**	12,719
Foreign Exchange risk	**5,113**	10,989	**51,125**	109,886
	5,126	12,261	**51,250**	122,605
Operational Risk	**385,053**	370,851	**3,850,529**	3,708,508
Capital Requirement for operational risks				
TOTAL	**2,417,178**	2,103,177	**24,171,768**	21,031,754

Capital Adequacy Ratios	**2017**		2016	
	Required	**Actual**	Required	Actual
CET1 to total RWA	**6.00%**	**28.76%**	6.00%	26.33%
Tier-1 capital to total RWA	**7.50%**	**28.76%**	7.50%	26.33%
Total capital to total RWA	**11.28%**	**28.84%**	10.65%	26.41%

34. RISK MANAGEMENT

34.1 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.

34.2 Risk Governance

Group Management Board provides overall risk and capital management supervision for the Group and is exclusively responsible for day-to-day management. The Management Board has established the Group Risk Committee (“GRC”) as the central forum for review and decision on material risk topics. The GRC is supported by following functional sub-committees:

- The Group Reputational Risk Committee (“GRRC”) ensures the oversight, governance and coordination of the reputational risk management

- The Non-Financial Risk Committee (“NFRC”) ensures oversight, governance and coordination of non-financial risk management and establishes a cross-risk and holistic perspective of key non-financial risks

- The Enterprise Risk Committee (“ERC”) ensures oversight and decision- making on financial risks and cross risks, including definition & review of stress tests, and management of group wide risk patterns.

- The Liquidity Management Committee (“LMC”) decides upon mitigating actions to be taken during periods of anticipated or actual liquidity stress, or any relevant liquidity event

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.

DB EMEA hub and Germany provide centralised Risk coverage to DB Pakistan. DB’s Hubs include staff from relevant Risk-types ensuring effective risk management and capitalise on the intellectual and strategic synergies when housing risk-type subject-matter-expertise together.

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.

34.3 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.

The risk governance framework at the Pakistan Operations is designed according to a Three Lines of Defence (3LoD) operating model in order to ensure clear accountabilities for and a comprehensive, but non-duplicative, coverage of all risk management activities across Group.

- The 1st Line of Defense (“1st LoD”) are all the business divisions and service providing infrastructure areas (Group Technology Operations and Corporate Services) who are the "owners" of the risks.

- The 2nd Line of Defense (“2nd LoD”) are all the independent risk and control infrastructure functions.

- The 3rd Line of Defense (“3rd LoD”) is Group Audit, which assures the effectiveness of our controls.

DB Pakistan requires strict independence between its 3 LoD in order to avoid conflicts of interest by an appropriate separation of functions and responsibilities. DB Pakistan requires all lines of defence to establish an effective and efficient internal governance structure with well-defined roles and responsibilities.

34.4 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.

34.5 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.

34.6 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.

34.6.1 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.

Based on the annual risk identification and materiality assessment, Credit Risk contains four material categories, namely default risk, industry risk, country risk, and product 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;

- Industry risk is the risk of adverse developments in the operating environment for a specific industry segment leading to deterioration in the financial profile of counterparties operating in that segment and resulting in increased credit risk across this portfolio of counterparties;

- 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; and

- Product Risk captures product-specific credit risk of transactions that could arise with respect to specific borrowers or group of borrowers. It takes into account whether obligations have a similar risk characteristics and market place behaviors.

DB's credit risk appetite is set globally and is broken down to divisions and business units via the Strategic, Risk & Capital Plan approved by the Management Board of Deutsche Bank Group. As a result, each credit exposure is authorised only if the relevant business division at Deutsche Bank global level is satisfied that the exposure meets the pre-set criteria and limits.

CRM is organised globally and carries out risk identification, assessment, management, monitoring and reporting of credit risks. The CRM department is independent from business. Accordingly, DB Pakistan adopts the credit policies of DB Group and is responsible for establishing local policies and procedures to ensure compliance with DB Group principles.

Credit Risk is managed for DB Group globally on the basis of a "one obligor principle"; new credit exposures as well as annual / bi-annual reviews of credit exposures require approval by the appropriate authority holder covering the entire DB Group exposure. All credit risk decisions relevant to DB Pakistan are subject to the approval of DB Pakistan's management and/or DB Group's Credit Risk Management (CRM).

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.

- 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 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.

- 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 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

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.

34.6.2 Segmental information

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

34.6.2.1 Segments by class of business

	2017					
	Advances (gross)		**Deposits**		**Contingencies and commitments**	
	(Rupees in '000)	**(Percent)**	**(Rupees in '000)**	**(Percent)**	**(Rupees in '000)**	**(Percent)**
Textile	**96,511**	**1.66**	**3,288**	**0.01**	**268**	**0.00**
Chemical and pharmaceuticals	**303,805**	**5.23**	**4,709,896**	**20.29**	**723,780**	**4.43**
Oil & petroleum		-		-		-
Automobile and transportation equipment		-	**13,230**	**0.06**	**22,706**	**0.14**
Electronics and electrical appliances	**60,243**	**1.04**	**2,987**	**0.01**	**1,839,083**	**11.27**
Power (electricity), gas, oil water and sanitary		-	**2,478,228**	**10.68**		-
Transport, storage and communication		-	**645,104**	**2.78**		-
Financial		-		-	**10,546,722**	**64.61**
Misc. manufacturing industries		-		-		-
Wholesale and retail	**2,729,242**	**46.94**		-		-
Individuals	**212,907**	**3.66**	**42,886**	**0.17**		-
Others	**2,411,288**	**41.47**	**15,316,826**	**66.00**	**3,190,397**	**19.55**
	5,813,996	**100.00**	**23,212,445**	**100.00**	**16,322,956**	**100.00**

	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
Oil & petroleum		-		-	442,502	2.43
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
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		-		-
Individuals	222,647	6.70	52,853	0.40		-
Others	1,324,101	39.90	4,137,623	29.40	2,766,827	15.22
	3,318,334	100.00	14,092,145	100.00	18,180,564	100.00

34.6.2.2 Segments by sector

	2017					
	Advances (Gross)		**Deposits**		**Contingencies and Commitments**	
	(Rupees in '000)	**(Percent)**	**(Rupees in '000)**	**(Percent)**	**(Rupees in '000)**	**(Percent)**
Public / Government	**-**	**-**	**4,268**	**0.02**	**-**	**-**
Private	**5,813,996**	**100.00**	**23,208,177**	**99.98**	**16,322,956**	**100.00**
	5,813,996	**100.00**	**23,212,445**	**100.00**	**16,322,956**	**100.00**

	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	18,180,564	100.00
	3,318,334	100.00	14,092,145	100.00	18,180,564	100.00

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

	2017		2016	
	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

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

	2017		2016	
	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

34.6.2.5 Geographical segment analysis

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

34.7 Market Risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates and foreign exchange rates), the correlations among them and their levels of volatility.

MR Managers identify market risks through active portfolio analysis and engagement with the business areas. As a key control function, MRM ensures that DB Pakistan remains within the overall risk appetite set by the Group by establishing limits and monitoring the levels of Market Risk (MR). DB Pakistan is integrated into Deutsche Bank Group's global limit system, which is defined, monitored and controlled by MRM.

DB Pakistan uses following key metrics to monitor and limit market risk:

- Economic Capital is a stress testing based measurement of an expected worst case loss.
- VaR is a quantitative measure of the potential loss (in value) of Fair Value positions due to market movements that will not be exceeded in a defined period of time and with a defined confidence level.
- Stressed Value-at-Risk calculates a stressed value-at-risk measure based on a one year period of significant market stress.

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