KPMG Taseer Hadi & Co.
Chartered Accountants

Deutsche Bank AG, Pakistan Operations

Financial Statements

For the year ended
31 December 2019

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
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Independent Auditors' Report to the Directors

Opinion

We have audited the annexed financial statements of **Deutsche Bank AG, Pakistan Operations** (incorporated in the Federal Republic of Germany with limited liability) ("the Pakistan Operations"), which comprise the statement of financial position as at 31 December 2019, and profit and loss account, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Pakistan Operations' affairs as at 31 December 2019 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Pakistan Operations in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

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

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

The management is responsible for overseeing the Pakistan Operations' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

KPMG Taseer Hadi & Co.

The engagement partner on the audit resulting in this independent auditor's report is Syed Iftikhar Anjum.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 27 March 2020

Karachi

Deutsche Bank AG, Pakistan Operations

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

Statement of Financial Position

As at 31 December 2019

	Note	**2019**	2018
		------- (Rupees in '000) -------	
ASSETS			
Cash and balances with treasury banks	*5*	**7,558,956**	6,961,724
Balances with other banks	*6*	**118,681**	220,159
Lendings to financial institutions	*7*	**15,132,302**	19,150,856
Investments		**-**	-
Advances	*8*	**9,225,751**	6,249,761
Fixed assets	*9*	**345,355**	214,924
Intangible assets		**-**	-
Deferred tax assets	*10*	**25,344**	144
Other assets	*11*	**1,537,997**	2,593,673
		33,944,386	35,391,241
LIABILITIES			
Bills payable	*12*	**1,032,458**	1,314,231
Borrowings	*13*	**1,394,029**	2,871,568
Deposits and other accounts	*14*	**20,473,611**	20,100,376
Liabilities against assets subject to finance lease		**-**	-
Subordinated debt		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	*15*	**3,776,207**	3,508,246
		26,676,305	27,794,421
NET ASSETS		**7,268,081**	7,596,820
REPRESENTED BY			
Head office capital account	*16*	**5,563,663**	5,091,000
Reserves		**-**	-
Surplus / (Deficit) on revaluation of assets		**-**	-
Unremitted profit		**1,704,418**	2,505,820
		7,268,081	7,596,820
CONTINGENCIES AND COMMITMENTS	*17*		

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

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 2019

	Note	**2019**	2018
		----- (Rupees in '000) -----	
Mark-up / return / interest earned	*18*	**2,801,020**	1,738,883
Mark-up / return / interest expensed	*19*	**(1,063,657)**	(768,616)
Net mark-up / interest income		**1,737,363**	970,267
NON MARK-UP / INTEREST INCOME			
Fee and commission income	*20*	**413,119**	583,191
Dividend income		**-**	-
Foreign exchange income		**183,032**	389,876
Income / (loss) from derivatives		**-**	-
Gain / (loss) on securities		**-**	-
Other income / (loss)	*21*	**18,588**	(8,139)
Total non-markup / interest income		**614,739**	964,928
Total Income		**2,352,102**	1,935,195
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	*22*	**(1,189,950)**	(1,310,838)
Workers Welfare Fund		**(23,206)**	(12,523)
Other charges	*23*	**(1,849)**	(3,410)
Total non-markup / interest expenses		**(1,215,005)**	(1,326,771)
Profit before provisions		**1,137,097**	608,424
(Provisions) / Reversal - net	*24*	**-**	5,224
Extra ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**1,137,097**	613,648
Taxation	*25*	**(484,883)**	(248,027)
PROFIT AFTER TAXATION		**652,214**	365,621

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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 Comprehensive Income

For the year ended 31 December 2019

	2019	2018
	----- (Rupees in '000) -----	
Profit after taxation for the year	**652,214**	365,621
Other comprehensive income		
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	**(18,519)**	14,860
Total comprehensive income	**633,695**	380,481

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Managing Director
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Pakistan

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 2019

	Note	2019	2018
		------- (Rupees in '000) -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**1,137,097**	613,648
Adjustments for:			
Depreciation	9.2	**137,760**	75,401
(Provisions) / Reversal - net	24	**-**	(5,224)
(Gain) / loss on sale of fixed assets	21	**(6,114)**	8,441
Finance costs of lease liability		**302**	-
		131,948	78,618
		1,269,045	692,266
Decrease / (increase) in operating assets			
Lendings to financial institutions		**4,018,554**	556,374
Advances		**(2,975,990)**	(540,274)
Others assets (excluding advance taxation)		**800,524**	(280,100)
		1,843,088	(264,000)
(Decrease) / increase in operating liabilities			
Bills payable		**(281,773)**	381,444
Borrowings from financial institutions		**(1,431,561)**	2,795,535
Deposits and other accounts		**373,235**	(3,112,069)
Other liabilities		**210,510**	350,416
		(1,129,589)	415,326
Income tax paid		**(387,305)**	(351,390)
Net cash generated from operating activities		**1,595,239**	492,202
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in operating fixed assets		**(113,106)**	(44,215)
Proceeds from sale of operating fixed assets		**22,033**	17,342
Net cash used in investing activities		**(91,073)**	(26,873)
CASH FLOW FROM FINANCING ACTIVITIES			
Remittances made to Head office		**(1,435,097)**	(588,619)
Net cash used in financing activities		**(1,435,097)**	(588,619)
Effects of exchange rate changes on cash and cash equivalents		**472,663**	852,094
Increase in cash and cash equivalents		**541,732**	728,804
Cash and cash equivalents at beginning of the year		**7,105,850**	6,377,046
Cash and cash equivalents at end of the year	26	**7,647,582**	7,105,850

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

Managing Director

Chief Country Officer
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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 2019

	Head office capital account	Unremitted profit	Total
	------- (Rupees in '000) -------		
Opening Balance as at 01 January 2018	4,238,906	2,713,958	6,952,864
Profit after taxation for the year ended 31 December 2018	-	365,621	365,621
Other comprehensive income - net of tax	-	14,860	14,860
	-	380,481	380,481
Transactions with owners, recorded directly in equity			
Exchange adjustments on revaluation of capital	852,094	-	852,094
Remittance made to Head office	-	(588,619)	(588,619)
	852,094	(588,619)	263,475
Opening Balance as at 01 January 2019	**5,091,000**	**2,505,820**	**7,596,820**
Profit after taxation for the year ended 31 December 2019	-	652,214	652,214
Other comprehensive loss - net of tax	-	(18,519)	(18,519)
	-	633,695	633,695
Transactions with owners, recorded directly in equity			
Exchange adjustments on revaluation of capital	472,663		472,663
Remittance made to Head office		(1,435,097)	(1,435,097)
	472,663	(1,435,097)	(962,434)
Closing Balance as at 31 December 2019	**5,563,663**	**1,704,418**	**7,268,081**

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

Managing Director
Chief Country Officer
Pakistan

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 two branches (2018: two branches) located at Karachi and Lahore ("the Pakistan Operations"). The Pakistan Operations are engaged in banking business as described in the Banking Companies Ordinance, 1962.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding shifting of the banking system to the Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by the 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.

2.1 STATEMENT OF COMPLIANCE

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

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

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

- Directives issued by State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

The 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.

2.2 CREDIT RATING

The credit rating provided by Standard & Poor's on 16 December 2019 is BBB+ for long-term and A-2 for short-term, rating by Fitch on 07 June 2019 is BBB for long-term and F2 for short-term; and rating by Moody's on 03 August 2018 is A3 for long-term.

2.3 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Pakistan Operations' accounting periods beginning on or after 1 January 2019 but are considered not to be relevant or do not have any significant effect on the Pakistan Operations' financial statements and therefore not detailed in these financial statements except for the following:

On 1 January 2019, the Pakistan operations adopted IFRS 16 ‘Leases’. It introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The impact of IFRS 16 on the Pakistan Operations is primarily where the Pakistan Operations are a lessee in property lease contracts. The Pakistan Operations have elected to adopt modified retrospective approach on transition and have not restated comparative information.

On 1 January 2019, the Pakistan Operations recognised right-of-use asset of Rs. 171.003 million with a corresponding lease liability after adjustment of prepayments. Right-of-use assets are presented under 'Fixed Assets' and the liability is presented in 'Other liabilities'. Also, in relation to leases under IFRS 16, the Pakistan Operations have recognized depreciation and interest costs, instead of operating lease expneses. During the twelve months period to 31 December 2019, the Bank recognized depreciation expense of Rs. 67.771 million and interest expense of Rs. 0.302 million on these leases.

The significant judgment in the implementation related to determining if a contract contains a lease, and the determination whether Pakistan operations are reasonably certain that they will exercise extension options present in lease contracts.

2.4 Standards, interpretations and amendments to published accounting and reporting standards as applicable in Pakistan that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2020:

- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation. For Banks and DFIs the effective date of this standard has been extended to annual periods beginning on 1 January 2021 vide SBP BPRD Circular No. 04 dated 23 October 2019. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The overall governance of the IFRS 9 implementation has been through the Group IFRS 9 Steering Committee. Pakistan Operations have not conducted any assessments locally. It has been estimated that on the adoption of the standard an additional impairment of around Rs. 9.015 million would be required under expected credit loss model as at 31 December 2019.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately and contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

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

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

3. BASIS OF MEASUREMENT

3.1 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 benefit (pension) is stated at present value.

3.2 The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that effect the application of accounting policies and reported amounts of assets and liabilities and 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 4.8)
- Taxation (Note 4.11)
- Advances (Note 4.4)
- Operating fixed assets and depreciation (Note 4.5)
- Leases (Note 2.3 and Note 4.6)

3.3 These financial statements are presented in Pak rupees (PKR) which is the Pakistan Operations' functional currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to these financial statements except as described in note 4.6 in respect of treatment of leases.

4.1 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks and overdrawn nostros.

4.2 Lendings / borrowings (reverse repo / repo)

Purchase under resale agreements

The Pakistan Operations enter into purchase of investments under agreements to resell 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.

Sale under repurchase agreement

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.

4.3 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 Pakistan Operations 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 in 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.

4.4 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.

4.5 Operating fixed assets and depreciation

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 less impairment losses (if any).

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.

4.6 Leases

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Pakistan operations' incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Pakistan operations have elected not to recognise right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term. The right-of-use assets are presented in the same line item as it presents underlying assets for the same nature it owns.

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

4.7 Borrowings / deposits

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

(b) Borrowing / deposit costs are recognised as an expense in the period in which these are incurred using the effective mark-up / interest rate method.

4.8 Staff retirement benefits

Defined benefit plan

The Pakistan Operations 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.

Defined contribution plan

The Pakistan Operations also 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.

4.9 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.

4.10 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, cash management and remittances is recognized on receipt basis; whereas, guarantee and custody commissions are recorded on accrual basis.

4.11 Taxation

Current

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

Deferred tax is provided using the balance sheet 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.

4.12 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.

4.13 Other 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.

4.14 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.

4.15 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.

4.16 Segment reporting

A segment is a component of the Pakistan Operations that engages in business activities for which it may earn revenues and incur expenses (including revenue and expense relating to transactions with other component), whose results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which financial information is available.

Business Segment

A brief description of the products and services offered by different segments of the Bank is given in note 32 to these financial statements.

Geographical segments

The Bank operates only in Pakistan.

4.17 Acceptances

Acceptances comprise of undertakings by the Pakistan Operations to pay bills of exchange drawn on customers. Acceptances are recognized as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset; therefore, commitments in respect of acceptances have been accounted for as financial assets and liabilities.

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2019	2018
		------- (Rupees in '000) -------	
In hand			
Local currency		**19,100**	15,371
Foreign currency		**51,566**	69,078
		70,666	84,449
With State Bank of Pakistan in			
Local currency current account	5.1	**1,670,132**	1,561,277
Foreign currency current account	5.2	**58,997**	52,906
Foreign currency deposit account			
Special cash reserve account	5.3	**177,210**	156,815
Local US Dollar collection account	5.4	**18,273**	15,262
Foreign currency capital account		**5,563,663**	5,091,000
		7,488,275	6,877,260
With National Bank of Pakistan in			
Local currency current account		**15**	15
		7,558,956	6,961,724

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

5.2 This represents statutory cash reserve in the current account maintained with SBP under the requirements of SBP.

5.3 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 and were ranging between 0.70% to 1.51% during 2019 (2018: 0.56% to 1.35%).

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

6 BALANCES WITH OTHER BANKS

	Note	2019	2018
		------- (Rupees in '000) -------	
In Pakistan			
In current account		**2,347**	1,000
Outside Pakistan			
In current account			
Interbranch		**29,333**	146,152
Others	6.1	**87,001**	73,007
		116,334	219,159
		118,681	220,159

6.1 This includes balance with a subsidiary of Deutsche Bank, AG. Rs. 85.217 million (2018: Rs.71.784 million).

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2019	2018
		------- (Rupees in '000) -------	
Repurchase agreement lendings (Reverse Repo)	7.1	**15,132,302**	19,150,856

7.1 Reverse repo transactions have been made with various commercial banks at rates ranging from 13.04% to 13.27% p.a (2018: 9.99% to 10.30% p.a) and mature within a month. The market value of these securities at 31 December 2019 amounted to Rs. 15,731 million (2018: Rs. 19,335 million).

7.2 Particulars of lending

	2019	2018
	------- (Rupees in '000) -------	
In local currency	**15,132,302**	19,150,856

7.3	Securities held as collateral against Lending to financial institutions	Note	2019			2018		
			Held by Pakistan Operations	**Further given as collateral**	**Total**	Held by Pakistan Operations	Further given as collateral	Total
			---------- (Rupees in '000) ----------					
7.3.1	Market Treasury Bills	*7.3.1*	**15,132,302**	**-**	**15,132,302**	19,150,856	-	19,150,856

None of the lending to financial institutions were classified at year end.

8	ADVANCES	Note	Performing		Non Performing		Total	
			2019	2018	**2019**	2018	**2019**	2018
			---------- (Rupees in '000) ----------					
	Loans, cash credits, running finances, etc.		**9,009,872**	5,430,653	**65,626**	65,626	**9,075,498**	5,496,279
	Bills discounted and purchased		**223,877**	827,106	**30,885**	30,885	**254,762**	857,991
	Advances - gross	*8.1*	**9,233,749**	6,257,759	**96,511**	96,511	**9,330,260**	6,354,270
	Provision against advances							
	- Specific		**-**	-	**(96,511)**	(96,511)	**(96,511)**	(96,511)
	- General		**(7,998)**	(7,998)	**-**	-	**(7,998)**	(7,998)
		8.3	**(7,998)**	(7,998)	**(96,511)**	(96,511)	**(104,509)**	(104,509)
	Advances - net of provision		**9,225,751**	6,249,761	**-**	-	**9,225,751**	6,249,761

8.1	Particulars of advances (Gross)	2019	2018
		--------(Rupees in '000)--------	
	In local currency	**9,264,634**	6,288,644
	In foreign currencies	**65,626**	65,626
		9,330,260	6,354,270

8.2 Advances include Rs.96.511 million (2018: Rs. 96.511 million) which have been placed under non-performing status as detailed below:-

Category of Classification	2019		2018	
	Non Performing Loans	**Provision**	Non Performing Loans	Provision
	---------- (Rupees in '000) ----------			
Domestic				
Other Assets Especially Mentioned	**-**	**-**	-	-
Substandard	**-**	**-**	-	-
Doubtful	**-**	**-**	-	-
Loss	**96,511**	**96,511**	96,511	96,511
Total	**96,511**	**96,511**	96,511	96,511

8.3	Particulars of provision against advances	2019			2018		
		Specific	**General**	**Total**	Specific	General	Total
		---------- (Rupees in '000) ----------					
	Opening balance	**96,511**	**7,998**	**104,509**	96,511	8,207	104,718
	Reversals	**-**	**-**	**-**	-	(209)	(209)
	Closing balance	**96,511**	**7,998**	**104,509**	96,511	7,998	104,509

8.3.1 General provision represents amount recognized in line with the instructions received from the Head office.

8.3.2	Particulars of provision against advances	2019			2018		
		Specific	**General**	**Total**	Specific	General	Total
		---------- (Rupees in '000) ----------					
	In local currency	**96,511**	**7,998**	**104,509**	96,511	7,998	104,509

9	FIXED ASSETS	Note	2019	2018
			--------- (Rupees in '000) -------	
	Capital work-in-progress	*9.1*	**59,163**	6,394
	Property and equipment	*9.2*	**286,192**	208,530
			345,355	214,924
9.1	**Capital work-in-progress**			
	Advances to suppliers		**59,163**	6,394

9.2 Property and Equipment

	2019					
	Improvements on lease hold buildings	**Right-of-Use assets**	**Furniture and fixtures**	**Electrical, office and computer equipment**	**Vehicles**	**Total**
	(Rupees in '000)					
At 01 January 2019						
Cost	**207,011**	**-**	**13,317**	**194,806**	**144,427**	**559,561**
Accumulated depreciation	**(133,875)**	**-**	**(11,670)**	**(143,677)**	**(61,809)**	**(351,031)**
Net book value	**73,136**	**-**	**1,647**	**51,129**	**82,618**	**208,530**
Year ended December 2019						
Opening net book value	**73,136**	**-**	**1,647**	**51,129**	**82,618**	**208,530**
Adjustment on adoption of IFRS 16	**-**	**171,003**	**-**	**-**	**-**	**171,003**
Opening net book value - Adjusted	**73,136**	**171,003**	**1,647**	**51,129**	**82,618**	**379,533**
Additions	**-**	**-**	**173**	**10,456**	**49,709**	**60,338**
Disposals - cost	**(3,439)**	**-**	**(1,141)**	**(20,779)**	**(43,604)**	**(68,963)**
Disposals - accumulated depreciation	**2,379**	**-**	**1,141**	**20,238**	**29,286**	**53,044**
Depreciation charge	**(18,292)**	**(67,771)**	**(599)**	**(23,137)**	**(27,961)**	**(137,760)**
Closing net book value	**53,784**	**103,232**	**1,221**	**37,907**	**90,048**	**286,192**
At 31 December 2019						
Cost	**203,572**	**171,003**	**12,349**	**184,483**	**150,532**	**721,939**
Accumulated depreciation	**(149,788)**	**(67,771)**	**(11,128)**	**(146,576)**	**(60,484)**	**(435,747)**
Net book value	**53,784**	**103,232**	**1,221**	**37,907**	**90,048**	**286,192**
Rate of depreciation (percentage)	**10-20**	**19-48**	**10-33**	**20-50**	**20**	

	2018					
	Building on Lease hold land	Right-of-Use assets	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)					
At 01 January 2018						
Cost	275,458	-	13,442	200,046	125,444	614,390
Accumulated depreciation	(162,106)	-	(11,354)	(133,287)	(56,169)	(362,916)
Net book value	113,352	-	2,088	66,759	69,275	251,474
Year ended December 2018						
Opening net book value	113,352	-	2,088	66,759	69,275	251,474
Additions	-	-	200	8,684	49,357	58,241
Disposals - cost	(68,447)	-	(325)	(13,924)	(30,375)	(113,071)
Disposals - accumulated depreciation	50,850	-	325	13,783	22,329	87,287
Depreciation charge	(22,619)	-	(641)	(24,173)	(27,968)	(75,401)
Closing net book value	73,136	-	1,647	51,129	82,618	208,530
At 31 December 2018						
Cost	207,011	-	13,317	194,806	144,427	559,561
Accumulated depreciation	(133,875)	-	(11,670)	(143,677)	(61,809)	(351,031)
Net book value	73,136	-	1,647	51,129	82,618	208,530
Rate of depreciation (percentage)	**10-20**	**-**	**10-33**	**20-50**	**20**	

9.2.1 Cost of property and equipment are fully depreciated items, still in use

Improvements on lease hold buildings	**Furniture and fixture**	**Electrical, office and computer equipment**	**Vehicles**	**Total**
(Rupees in '000)				
21,707	**9,314**	**79,021**	**2,442**	**112,484**

The fair value of these individual item is not materially different from their carrying amount.

9.2.2 Sale of fixed assets (otherwise than through a regular auction) made to any related party, irrespective of the value:

Description	**Cost**	**Book value**	**Sale proceeds**	**Mode of disposal**	**Purchaser**	**Particulars**
	(Rupees in '000)					
Honda Civic VTI Oriel Prosmatec	2,388	438	955	Bank Policy	Fawad Faruqi	Ex-Employee
Honda City Aspire PT 1.5	1,814	393	744	Bank Policy	Syda Ghani	Ex-Employee
Honda Civic VTI Oriel Prosmatec	2,406	962	1,203	Bank Policy	Syed Imran Ahmed	Ex-Employee
Mercedez Benz	11,061	6,084	6,526	Bank Policy	Faisal Zahid	Ex-Employee
Honda City	1,814	302	726	Bank Policy	Muhammad Salman	Employee
Toyota Land Cruiser Prado	19,512	3,252	7,805	Bank Policy	Syed Ahmer Hasan	Employee
Honda Civic VTEC PT	1,846	308	738	Bank Policy	Muhammad Ziauddin	Employee

9.2.3 Details of particulars of disposed off assets with book value of Rs. 500,000 or more are given below:

Description	**Cost**	**Book value**	**Sale proceeds**	**Mode of disposal**	**Purchaser**	**Particulars**
	(Rupees in '000)					
Honda Civic VTI Oriel Prosmatec	2,406	962	1,203	Bank Policy	Syed Imran Ahmed	Ex-Employee
Mercedez Benz	11,061	6,084	6,526	Bank Policy	Faisal Zahid	Ex-Employee
Toyota Land Cruiser Prado	19,512	3,252	7,805	Bank Policy	Syed Ahmer Hasan	Employee

9.2.4 IFRS 16 'Leases', is effective for annual period beginning on or after 1 January 2019. Accordingly, Right-of-Use asset has been recognised for operating leases which met the recognition criteria prescribed within the standard. (Note 2.3 and Note 4.6)

10 DEFERRED TAX ASSETS

	2019			
	At 01 Jan 2019	**Recognised in Profit Loss Account**	**Recgonised in OCI**	**At 31 Dec 2019**
	Rupees in 000			
Deductible Temporary Differences on				
- Post retirement employee benefits	**3,502**	**-**	**9,972**	**13,474**
- Provision against advances, off balance sheet etc.	**-**	**-**	**-**	**-**
	3,502	**-**	**9,972**	**13,474**
Taxable Temporary Differences on				
- Accelerated tax depreciation	**(3,358)**	**15,228**	**-**	**11,870**
	(3,358)	**15,228**	**-**	**11,870**
	144	**15,228**	**9,972**	**25,344**

	2018			
	At 01 Jan 2018	Recognised in Profit Loss Account	Recgonised in OCI	At 31 Dec 2018
	Rupees in 000			
Deductible Temporary Differences on				
- Post retirement employee benefits	11,503	-	(8,001)	3,502
- Provision against advances, off balance sheet etc.	1,505	(1,505)	-	-
	13,008	(1,505)	(8,001)	3,502
Taxable Temporary Differences on				
- Accelerated tax depreciation	(4,098)	740	-	(3,358)
	(4,098)	740	-	(3,358)
	8,910	(765)	(8,001)	144

11 OTHER ASSETS

	Note	**2019**	2018
		Rupees in 000	
Income/ Mark-up accrued in local currency		**263,276**	149,022
Income/ Mark-up accrued in foreign currency		**49,649**	51,129
Advances, deposits, advance rent and other prepayments		**115,250**	323,219
Advance taxation (payments less provisions)		**873,890**	986,696
Mark to market gain on forward foreign exchange contracts		**651**	128,505
Acceptances		**237,738**	952,346
Others		**2,217**	7,430
		1,542,671	2,598,347
Less: Provision held against other assets	*11.1*	**(4,674)**	(4,674)
Other Assets (Net of Provision)		**1,537,997**	2,593,673

11.1 Provision held against other assets

Advances, deposits, advance rent & other prepayments	**4,674**	4,674

12 BILLS PAYABLE

In Pakistan	**1,032,458**	1,314,231

13 BORROWINGS

Unsecured			
Overdrawn nostro accounts - Interbranch and a subsidiary of Deutsche Bank, AG		**618**	57,245
Borrowing from Deutsche Bank, AG London Branch		**-**	2,795,535
Repo borrowings	*13.1*	**1,363,974**	-
Others	*13.2*	**29,437**	18,788
Total unsecured		**1,394,029**	2,871,568

13.1 These are short term borrowings and carry interest at 13.21% and mature on 02 January 2020.

13.2 These are overdrawn bank balances with commercial banks inside Pakistan.

13.3 Particulars of borrowings with respect to Currencies

	2019	2018
	-------- Rupees in 000 -------	
In local currency	**1,393,411**	18,774
In foreign currencies	**618**	2,852,794
	1,394,029	2,871,568

14 DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	-------------------------- Rupees in '000			----------------------------		
Customers						
Non-Remunerative						
Current deposits	**9,794,474**	**1,005,331**	**10,799,805**	4,212,053	837,898	5,049,951
Others	**633,147**	**-**	**633,147**	2,417,116	-	2,417,116
Remunerative						
Savings deposits	**5,145,610**	**8,266**	**5,153,876**	6,785,216	13,815	6,799,031
Term deposits	**3,879,000**	**-**	**3,879,000**	5,827,492	-	5,827,492
	19,452,231	**1,013,597**	**20,465,828**	19,241,877	851,713	20,093,590
Financial Institutions						
Non-remunerative deposit – inter branch	**7,783**	**-**	**7,783**	6,786	-	6,786
	7,783	**-**	**7,783**	6,786	-	6,786
	19,460,014	**1,013,597**	**20,473,611**	19,248,663	851,713	20,100,376

		Note	2019	2018
			--------- Rupees in '000--------	
14.1	Composition of deposits			
	- Individuals		**36,249**	42,130
	- Public Sector Entities		**1**	2
	- Non-Banking Financial Institutions		**43,048**	39,424
	- Private Sector		**20,394,313**	20,018,820
		14.2	**20,473,611**	20,100,376

14.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs 1,750.690 million (2018: Rs, 1,647.790 million).

15 OTHER LIABILITIES

	Note	2019	2018
		--- Rupees in '000 ---	
Mark-up / Return / Interest payable in local currency		**68,431**	31,483
Unearned commission and income on bills discounted		**35,883**	31,282
Accrued expenses		**87,196**	168,059
Acceptances		**237,738**	952,346
Dividends payable		**577,392**	373
Mark to market loss on forward foreign exchange contracts		**450**	3,963
Payable to DB Singapore		**6,195**	6,195
Unremitted head office expenses		**2,358,872**	1,953,443
Payable to defined benefit plan		**65,327**	32,327
Provision against off-balance sheet obligations	*15.1*	**6,121**	6,121
Workers welfare fund	*15.2*	**245,759**	222,553
Lease liability		**9,408**	-
Others		**77,435**	100,101
		3,776,207	3,508,246

15.1 Provision against off-balance sheet obligations

	Note	2019	2018
Opening balance		**6,121**	11,136
Reversals / (Charge)		**-**	(5,015)
Closing balance	*15.1.1*	**6,121**	6,121

15.1.1 These primarily represents provision against off balance sheet product portfolio which includes letter of credit and guarantees etc.

15.2 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, 2019. 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.

16 HEAD OFFICE CAPITAL ACCOUNT

	2019	2018
	------ Rupees in '000 ----	
Balance at the beginning of the year	**5,091,000**	4,238,906
Revaluation surplus allowed by the State Bank of Pakistan during the year	**472,663**	852,094
	5,563,663	5,091,000

Capital held in interest free deposit in approved foreign exchange represents Euro 32,048,165 (2018: Euro 32,048,165).

17 CONTINGENCIES AND COMMITMENTS

	Note	**2019**	2018
		------ Rupees in '000 ------	
-Guarantees	*17.1*	**13,384,277**	14,866,130
-Commitments	*17.2*	**14,513,404**	28,073,734
		27,897,681	42,939,864

17.1 Guarantees:

Financial guarantees	**13,384,277**	14,866,130

17.2 Commitments:

Documentary credits and short-term trade-related transactions			
- letters of credit		**1,855,657**	2,013,236
Commitments in respect of:			
- forward foreign exchange contracts	*17.2.1*	**435,798**	9,469,893
- forward lending	*17.2.2*	**11,994,283**	15,359,266
- operating leases	*17.2.3*	**-**	15,220
Other commitments	*17.2.4*	**227,666**	1,231,339
		14,513,404	28,088,954

17.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	**219,730**	6,247,789
Sale	**216,068**	3,222,104
	435,798	9,469,893

The maturities of above contracts are spread over a period of six months.

17.2.2 Commitments in respect of forward lending

	Note	**2019**	2018
		------ Rupees in '000 ------	
Undrawn formal standby facilities, credit lines and other commitments to lend	*17.2.2.1*	**11,994,283**	15,359,266
		11,994,283	15,359,266

17.2.2.1 These represent commitments that are revocable because they can be withdrawn at the discretion of the bank.

17.2.3 Commitments in respect of operating leases

	2019	2018
	------ Rupees in '000 ------	
Not later than one year	-	5,266
Later than one year and not later than five years	-	9,954
	-	15,220

	2019	2018
17.2.4 Cheques in clearing	**227,666**	1,231,339

17.3 Other contingent liabilities

Appeals for various assessment years are pending before Income Tax Appellate Authorities / High Courts. Out of these appeals, decisions against demands of Rs. 638 million (31 December 2018: Rs. 638 million) have been made by the CIRA in favor of Pakistan Operations in respect of tax years 2011 to 2014. However, the tax department has filed appeals against the decisions of CIRA for tax years 2013 and 2014 involving demand of Rs. 513 million while no appeal effect orders have been passed by taxation officer for the remaining years. Further, Pakistan Operations are vigorously contesting the appeals for additional demands of Rs. 45 million against various issues (31 December 2018: Rs. 45 million) and the Pakistan Operations are confident that no additional liability would arise.

18 MARK-UP / RETURN / INTEREST EARNED

	Note	**2019**	2018
		------ Rupees in '000 ------	
On:			
Loans and advances		**940,255**	437,005
Lendings to financial institutions		**1,850,298**	1,299,809
Balances with banks		**1,717**	1,051
Others		**8,750**	1,018
		2,801,020	1,738,883

19 MARK-UP / RETURN / INTEREST EXPENSED

	2019	2018
Deposits	**1,060,566**	742,387
Borrowings	**2,789**	26,222
Finance costs against lease	**302**	-
Others	**-**	7
	1,063,657	768,616

20 FEE & COMMISSION INCOME

	2019	2018
Commission on trade	**108,465**	97,025
Commission on guarantees	**78,098**	78,601
Commission on cash management	**8,002**	9,786
Commission on remittances including home remittances	**333**	504
Commission on custodial services	**217,616**	396,599
Others	**605**	675
	413,119	583,191

21 OTHER INCOME / (LOSS)

	2019	2018
Gain / (loss) on sale of fixed assets - net	**6,114**	(8,441)
Others	**12,474**	302
	18,588	(8,139)

22 OPERATING EXPENSES

	Note	2019	2018
		------ Rupees in '000 ------	
Total compensation expense	*22.1*	**392,322**	532,044
Property expense			
Rent & taxes		**48,627**	110,930
Insurance		**7,906**	11,107
Utilities cost		**17,951**	20,933
Security (including guards)		**12,244**	12,461
Repair & maintenance (including janitorial charges)		**6,855**	4,114
Depreciation		**18,292**	22,619
Depreciation on right-of-use assets		**67,771**	-
		179,646	182,164
Information technology expenses			
Software maintenance		**-**	1,035
Hardware maintenance		**20,186**	10,404
Depreciation		**17,450**	19,317
Network charges		**23,118**	23,368
		60,754	54,124
Other operating expenses			
Legal & professional charges		**14,755**	8,719
Outsourced services costs	*22.2*	**77,042**	69,966
Travelling & conveyance		**13,504**	17,835
NIFT clearing charges		**1,312**	2,030
Depreciation		**34,247**	33,465
Training & development		**957**	10
Postage & courier charges		**999**	1,087
Communication		**6,198**	9,529
Head office / regional office expenses	*22.3*	**380,716**	364,040
Stationery & printing		**13,919**	14,897
Marketing, advertisement & publicity		**558**	857
Auditors remuneration	*22.4*	**3,383**	4,101
Others		**9,638**	15,970
		557,228	542,506
		1,189,950	1,310,838

22.1 Total compensation expense

	Note	2019	2018
Managerial Remuneration			
i) Fixed		**157,280**	161,636
ii) Variable of which;			
a) Cash Bonus / Awards etc.		**34,177**	44,211
b) Bonus & Awards in Shares etc.		**4,561**	3,933
Charge for defined benefit plan		**27,315**	27,434
Contribution to defined contribution plan		**28,804**	26,417
Rent & house maintenance		**70,627**	72,631
Utilities		**15,697**	16,140
Medical		**7,234**	5,598
Conveyance		**3,571**	3,491
Others	*22.1.1*	**43,236**	66,188
Sub-total		**392,502**	427,679
Severance Allowance	*22.1.2*	**(180)**	104,365
Grand Total		**392,322**	532,044

22.1.1 Others

	2019	2018
	------ (Rupees in '000) ------	
Maintenance Cars - General Repair Expenses	**(1,305)**	16,530
COLA - Cost of Living Adjustment	**15,697**	16,140
Employee Referral	**4,902**	10,332
Maintenance Cars - Petrol Expenses	**10,383**	9,680
Health Insurance	**9,164**	8,845
Consumption Allowance	**1,840**	2,035
Canteen Expenses	**2,221**	1,771
Leave Entitlement	**(5,022)**	113
Others	**5,356**	742
	43,236	66,188

22.1.2 Number of person to whom severence cost paid is NIL (2018: 6).

22.2 The total cost for the year included in other operating expenese relating to outsourced activities is Rs. 77.04 million (2018: Rs 69.96 million). These costs include Rs. 38.28 million for facility management (2018: Rs. 27.51 million) and Rs. 29.86 million for Outsourced staff (2018: Rs. 31.66 million) incurred in Pakistan.

22.3 Head office expenses / regional expenses

	2019	2018
	------ (Rupees in '000) ------	
SAP expenses	**507**	1,713
Management leadership charges	**113,446**	172,809
Ben / Acorn charges	**273,939**	191,657
Risk participation fee	**61**	65
Global HR product	**-**	3,781
TP Coverage	**(12,604)**	-
	375,349	370,025
Less: Other income	**5,367**	(5,985)
	380,716	364,040

22.4 Auditors' remuneration

	2019	2018
Audit fee	**2,500**	2,495
Other reporting	**883**	1,606
	3,383	4,101

23 OTHER CHARGES

	2019	2018
Penalties imposed by State Bank of Pakistan	**107**	2,000
Others	**1,742**	1,410
	1,849	3,410

24 PROVISIONS / (REVERSALS) & WRITE OFFS - NET

	Note	2019	2018
			-
Provisions against loans & advances	*8.3*	**-**	(209)
Provision agianst off balance sheet obligation	*15.1*	**-**	(5,015)
		-	(5,224)

25 TAXATION

	2019	2018
Current	**454,582**	247,261
Prior years	**45,529**	-
Deferred	**(15,228)**	766
	484,883	248,027

25.1 Relationship between tax expense and accounting profit

	2019	2018
Profit before tax	**1,137,097**	613,648
Tax calculated at the rate of 35% (2018: 35%)	**397,983**	214,776
Effect of :		
- prior year charge	**45,529**	-
- super tax charge	**46,623**	25,361
- others	**(5,252)**	7,890
Tax charge for the year	**484,883**	248,027

26	CASH AND CASH EQUIVALENTS	2019	2018
		------ (Rupees in '000) ------	
	Cash and balance with treasury banks	**7,558,956**	6,961,724
	Balance with other banks	**118,681**	220,159
	Overdrawn nostros	**(30,055)**	(76,033)
		7,647,582	7,105,850

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

	2019						
	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 2019	**1,314,231**	**2,871,568**	**20,100,376**	**3,508,246**	**5,091,000**	**2,505,820**	**35,391,241**
Change from financing cash flow							
Remittance made to Head office	-	-	-	-	-	(1,435,097)	(1,435,097)
Total change from financing cash flows	-	-	-	-	-	(1,435,097)	(1,435,097)
The effect of changes due to foreign exchange translation	-	-	-	-	472,663	-	472,663
Liability related changes							
Changes in bills payables	(281,773)	-	-	-	-	-	(281,773)
Changes in borrowings	-	(1,477,539)	-	-	-	-	(1,477,539)
Changes in deposits and other accounts	-	-	373,235	-	-	-	373,235
Changes in other liabilities - Cash based	-	-	-	267,961	-	-	267,961
Transfer of profit to reserve	-	-	-	-	-	633,695	633,695
	(281,773)	(1,477,539)	373,235	267,961	-	633,695	(484,421)
Balance as at 31 December 2019	**1,032,458**	**1,394,029**	**20,473,611**	**3,776,207**	**5,563,663**	**1,704,418**	**33,944,386**

	2018						
	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 2018	932,787	16,755	23,212,445	3,185,706	4,238,906	2,713,958	34,300,557
Change from financing cash flow							
Remittance made to Head office	-	-	-	-	-	(588,619)	(588,619)
Total change from financing cash flows	-	-	-	-	-	(588,619)	(588,619)
The effect of changes due to foreign exchange translation	-	-	-	-	852,094	-	852,094
Liability related changes							
Changes in bills payables	381,444	-	-	-	-	-	381,444
Changes in borrowings	-	2,854,813	-	-	-	-	2,854,813
Changes in deposits and other accounts	-	-	(3,112,069)	-	-	-	(3,112,069)
Changes in other liabilities - Cash based	-	-	-	322,540	-	-	322,540
Transfer of profit to reserve	-	-	-	-	-	380,481	380,481
	381,444	2,854,813	(3,112,069)	322,540	-	380,481	827,209
Balance as at 31 December 2018	1,314,231	2,871,568	20,100,376	3,508,246	5,091,000	2,505,820	35,391,241

27	STAFF STRENGTH	2019	2018
		------------ (Number) ------------	
	Permanent	**66**	66
	Others (Outsourced)	**17**	17
	Bank's own staff strength at the end of the year	**83**	83

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. The number of staff under the scheme are 66 (2018: 66).

28.2 Principal actuarial assumptions

The actuarial valuation of the defined benefit plan was carried out at 31 December 2019. Projected Unit Credit Method is used for the calculation and the key assumptions used for actuarial valuation were as follows:

	2019	2018
	---------- (Per annum) ----------	
Discount rate	**12.50% p.a.**	12.50% p.a.
Expected rate of return on plan assets	**12.50% p.a.**	12.50% p.a.
Expected rate of salary increase	**12.50% p.a.**	12.50% p.a.
Expected rate of increase in pension	**6.50% p.a.**	6.50% p.a.

28.3 Reconciliation of payable to defined benefit plans

	Note	2019	2018
		------ Rupees in '000 ------	
Present value of obligations	*28.4*	**750,678**	656,937
Fair value of plan assets	*28.5*	**(685,351)**	(624,610)
	28.6	**65,327**	32,327

28.4 Movement in defined benefit obligations

	2019	2018
Obligations at the beginning of the year	**656,937**	686,977
Current service cost	**23,453**	22,680
Interest cost	**81,929**	63,810
Benefits paid	**(26,285)**	(23,601)
Re-measurement loss / (gain)	**14,644**	(92,929)
Obligations at end of the year	**750,678**	656,937

28.5 Movement in fair value of plan assets

	Note	2019	2018
Fair value at the beginning of the year		**624,610**	635,786
Interest income on plan assets		**78,067**	59,056
Contributions		**22,806**	23,437
Benefits paid		**(26,285)**	(23,601)
Return on plan assets		**(13,847)**	(70,068)
Fair value at end of the year	*28.8*	**685,351**	624,610

28.6 Movement in payable under defined benefit schemes

	Note	2019	2018
Opening balance		**32,327**	51,191
Charge for the year	*28.7.1*	**27,315**	27,434
Contribution		**(22,806)**	(23,437)
Re-measurement loss / (gain) recognised in OCI during the year	*28.7.2*	**28,491**	(22,861)
Closing balance		**65,327**	32,327

28.7 Charge for defined benefit plans

28.7.1 Cost recognised in profit and loss

	2019	2018
Current service cost	**23,453**	22,680
Net interest on defined benefit asset / liability	**3,862**	4,754
	27,315	27,434

28.7.2 Re-measurements recognised in OCI during the year

	2019	2018
Loss / (gain) on obligation		
- Financial assumptions	**8,729**	(80,898)
- Experience adjustment	**5,915**	(12,031)
Return on plan assets over interest income	**13,847**	70,068
Total re-measurements recognised in OCI	**28,491**	(22,861)

28.8 Components of plan assets

	2019	2018
	------ Rupees in '000 ------	
Cash and cash equivalents - net	**4,806**	335,709
Government Securities	**680,545**	288,901
	685,351	624,610

28.9 Sensitivity analysis

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised as illustrated below:

	2019 Rupees in '000
1% increase in discount rate	**(88,479)**
1% decrease in discount rate	**108,364**
1 % increase in expected rate of salary increase	**26,340**
1 % decrease in expected rate of salary increase	**(24,059)**
1% increase in expected rate of pension increase	**77,484**
1% decrease in expected rate of pension increase	**(66,574)**

28.10 Five year data on surplus / (deficit) of the plans and experience adjustments

	2019	2018	2017	2016	2015
	(Rupees in '000)				
Present value of obligations	**750,678**	656,937	686,977	640,902	584,200
Fair value of plan assets	**685,351**	624,610	635,786	583,930	518,538
Deficit	**65,327**	32,327	51,191	56,972	65,662
Experience adjustment on plan liabilities - loss / (gain)	**5,915**	(12,031)	(16,889)	(23,707)	4,514

	2019 Rupees in '000
28.11 Expected contributions to be paid to the fund in the next financial year	**25,165**
28.12 Expected charge / (reversal) for the next financial year	**31,318**

28.13 Maturity profile

The weighted average duration of the obligation (in years)	**12.60**

28.14 Funding Policy

The administration of defined benefit pension scheme is governed under provision of trust deeds. The trustees agreed to act in accordance with the terms and conditions of these deeds including investment. Funding levels are monitored on annual basis based on actuarial recommendations.

28.15 Following are the significant risks associated with the defined benefit scheme / plan assets;

Asset volatility	The risk of the investment underperforming and being not sufficient to meet the liabilities.
Changes in bond yields	The risk of change in investment environment.
Inflation risk	The Inflation risk is linked to future salary increases (which will closely reflect inflation and other macroeconomic factors). The risk is that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases as salary increases.
Life expectancy / Withdrawal rate	Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability.

29 DEFINED CONTRIBUTION PLAN

All confirmed permanent employees of the Pakistan Operations are eligible for provident fund and gratuity fund schemes. In In case of provident fund, contributions are made both by the employee and the employer on monthly basis, whereas; in gratuity funds only by the employer for confirmed staff at each year end.

30 COMPENSATION OF CHIEF COUNTRY OFFICER AND EXECUTIVES

	Chief Country Officer		Executives	
	2019	2018	**2019**	2018
	---------------------(Rupees in '000)-------------------------			
Managerial remuneration	**54,460**	64,302	**326,668**	268,163
Contribution for defined benefit plan	**3,988**	3,856	**18,818**	18,880
Contribution to defined contribution plan	**5,271**	5,097	**23,533**	22,601
Rent and house maintenance	**-**	-	**-**	-
Medical	**129**	338	**7,105**	4,915
	63,848	73,593	**376,124**	314,559
	----------------------------(Number)-----------------------------			
Number of persons	**1**	1	**66**	71

31 FAIR VALUE MEASUREMENTS

31.1 Fair value of financial assets

The Pakistan Operations measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

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

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

		2019								
		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)** -----------------------			
On balance sheet financial instruments										
Financial assets - measured at fair value										
Other Assets										
- Unrealized gain on forward foreign exchange contracts		**651**	**-**	**-**	**-**	**651**	**-**	**651**	**-**	**651**
		651	**-**	**-**	**-**	**651**				
Financial assets - disclosed but not measured at fair value										
Cash and balances with treasury banks		**-**	**-**	**7,558,956**	**-**	**7,558,956**				
Balances with other banks		**-**	**-**	**118,681**	**-**	**118,681**				
Lendings to financial institutions		**-**	**-**	**15,132,302**	**-**	**15,132,302**				
Advances		**-**	**-**	**9,225,751**	**-**	**9,225,751**				
Other assets		**-**	**-**	**1,374,423**	**-**	**1,374,423**				
		651	**-**	**33,410,113**	**-**	**33,410,764**				
Financial Liabilities - measured at fair value										
Other Liabilities										
- Unrealized loss on forward foreign exchange contracts		**450**	**-**	**-**	**-**	**450**	**-**	**450**	**-**	**450**
		450	**-**	**-**	**-**	**450**				
Financial liabilities not measured at fair value										
Bills payable		**-**	**-**	**-**	**1,032,458**	**1,032,458**				
Borrowings from financial institutions		**-**	**-**	**-**	**1,394,029**	**1,394,029**				
Deposits and other accounts		**-**	**-**	**-**	**20,473,611**	**20,473,611**				
Other liabilities		**-**	**-**	**-**	**3,775,757**	**3,775,757**				
		450	**-**	**-**	**26,675,855**	**26,676,305**				
Off-balance sheet financial instruments - measured at fair value										
Forward purchase of foreign exchange					**219,730**	**219,730**	**-**	**220,381**	**-**	**220,381**
Forward sale of foreign exchange					**216,068**	**216,068**	**-**	**216,518**	**-**	**216,518**

		2018								
		Carrying Value					Fair Value			
		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) -----------------------			
On balance sheet financial instruments										
Financial assets - measured at fair value										
Financial assets - measured at fair value										
Other Assets										
- Unrealized gain on forward foreign exchange contracts		128,505	-	-	-	128,505	-	128,505	-	128,505
		128,505	-	-	-	128,505				
Financial assets - disclosed but not measured at fair value										
Cash and balances with treasury banks		-	-	6,961,724	-	6,961,724				
Balances with other banks		-	-	220,159	-	220,159				
Lendings to financial institutions		-	-	19,150,856	-	19,150,856				
Advances		-	-	6,249,761	-	6,249,761				
Other assets		-	-	2,151,636	-	2,151,636				
		128,505	-	34,734,136	-	34,862,641				
Financial Liabilities - measured at fair value										
Other Liabilities										
- Unrealized loss on forward foreign exchange		3,963	-	-	-	3,963	-	3,963	-	3,963
		3,963	-	-	-	3,963				
Financial liabilities not measured at fair value										
Bills payable		-	-	-	1,314,231	1,314,231				
Borrowings from financial institutions		-	-	-	2,871,568	2,871,568				
Deposits and other accounts		-	-	-	20,100,376	20,100,376				
Other liabilities		-	-	-	3,504,283	3,504,283				
		3,963	-	-	27,790,458	27,794,421				
Off-balance sheet financial instruments - measured at fair value										
Forward purchase of foreign exchange					6,247,789	6,247,789	-	6,376,294	-	6,376,294
Forward sale of foreign exchange					3,222,104	3,222,104	-	3,226,067	-	3,226,067

32 SEGMENT INFORMATION

32.1 Segment Details with respect to Business Activities

DB Pakistan Operations 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.

Corporate Bank (Previously Global Transaction Banking (GTB))

Corporate Bank provides commercial banking products and services for both corporates and financial institutions worldwide, including domestic and cross-border payments, cash management, international trade finance, depository, custody and related services.

Investment Bank

With effect from November 2019, GTB FX business has moved out from the Corporate Bank into the Global Emerging Markets business in the Investment Bank. This transition is envisioned to capitalize the existing Emerging Markets business.Global Emerging Markets provides Foreign Exchange services to clients in Pakistan on the back of cross-border payments, international trade and institutional flows.

Infrastructure and Regional Management

It includes all the back offices which are responsible to provide support services to the businesses. The Treasury is also a part of Infrastructure and Regional Management.

	2019			
	Corporate Bank	Investment Bank	Infrastructure & Regional Management	Total
	------------------------------(Rupees in '000)------------------------------			
Profit & Loss				
Net mark-up/return/profit	99,876	-	1,637,487	1,737,363
Inter segment revenue - net	1,226,856	9,644	(1,236,500)	-
Non mark-up / return / interest income	847,832	42,592	(275,685)	614,739
Total income	2,174,564	52,236	125,302	2,352,102
Segment direct expenses	(476,092)	(5,909)	(733,004)	(1,215,005)
Inter segment expense allocation	(682,868)	(4,268)	687,136	-
Total expenses	(1,158,960)	(10,177)	(45,868)	(1,215,005)
Provisions	-	-	-	-
Profit before tax	1,015,604	42,059	79,434	1,137,097
Balance Sheet				
Cash and bank balances	-	-	7,677,637	7,677,637
Net inter segment lending	6,942,660	-	(6,942,660)	-
Lendings to financial institutions	-	-	15,132,302	15,132,302
Advances - performing	9,233,749	-	-	9,233,749
- non-performing	96,511	-	-	96,511
- provision against advances	(104,509)	-	-	(104,509)
Others	525,022	651	1,383,023	1,908,696
Total Assets	16,693,433	651	17,250,302	33,944,386
Borrowings	-	-	1,394,029	1,394,029
Deposits & other accounts	20,465,828	-	7,783	20,473,611
Net inter segment borrowing	(6,942,660)	-	6,942,660	-
Others	1,961,586	450	2,846,629	4,808,665
Total liabilities	15,484,754	450	11,191,101	26,676,305
Equity	-	-	7,268,081	7,268,081
Total Equity & liabilities	15,484,754	450	18,459,182	33,944,386
Contingencies & Commitments	27,470,059	363,662	63,960	27,897,681

	2018			
	Global Transaction Banking	Investment Bank	Infrastructure & Regional Management	Total
	-------------------------------(Rupees in '000)------------------------------			
Profit & Loss				
Net mark-up/return/profit	(303,465)	-	1,273,732	970,267
Inter segment revenue - net	908,358	-	(908,358)	-
Non mark-up / return / interest income	1,038,802	-	(73,874)	964,928
Total income	1,643,695	-	291,500	1,935,195
Segment direct expenses	(326,906)	-	(999,865)	(1,326,771)
Inter segment expense allocation	(771,882)	-	771,882	-
Total expenses	(1,098,788)	-	(227,983)	(1,326,771)
Provisions	5,224	-		5,224
Profit before tax	550,131	-	63,517	613,648
Balance Sheet				
Cash and bank balances	-	-	7,181,883	7,181,883
Investments	-	-	-	-
Net inter segment lending	8,273,184	-	(8,273,184)	-
Lendings to financial institutions	-	-	19,150,856	19,150,856
Advances - performing	6,257,759	-	-	6,257,759
- non-performing	96,511	-	-	96,511
- provision against advances	(104,509)	-	-	(104,509)
Others	1,124,590	-	1,684,151	2,808,741
Total Assets	15,647,535	-	19,743,706	35,391,241
Borrowings	-	-	2,871,568	2,871,568
Subordinated debt	-	-	-	-
Deposits & other accounts	20,093,590	-	6,786	20,100,376
Net inter segment borrowing	(8,273,184)	-	8,273,184	-
Others	2,343,740	-	2,478,737	4,822,477
Total liabilities	14,164,146	-	13,630,275	27,794,421
Equity	-	-	7,596,820	7,596,820
Total Equity & liabilities	14,164,146	-	21,227,095	35,391,241
Contingencies & Commitments	42,875,960	31,952	31,952	42,939,864

33 TRUST ACTIVITIES

DB Pakistan Operations are engaged in providing custodial and clearing services to its clients. This results in the bank holding and placing assets of its clients on their behalf. These are not assets of the DB Pakistan Operations and, therefore, are not included in the statement of financial position. The following is the list of assets held on behalf of DB Pakistan clients:

	2019	2018
	------- (Rupees in '000) -------	
Type of security		
Government Securities	**172,115,215**	99,650
TFCs and Sukuks	**-**	5,425,295
Shares	**172,090,726**	162,080,118
	344,205,941	167,605,063

34 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:

	2019			2018		
	Head office and branches	**Key management personnel**	**Other related parties**	Head office and branches	Key management personnel	Other related parties
	----- (Rupees in '000) -----					
Balances with other banks						
In current accounts	**29,333**	**-**	**85,239**	146,152	-	71,784
Advances						
Opening balance	**-**	**16,171**	**-**	-	5,912	-
Addition during the year	**-**	**78,281**	**-**	-	19,877	-
Repaid during the year	**-**	**(24,069)**	**-**	-	(9,618)	-
Closing balance	**-**	**70,383**	**-**	-	16,171	-
Other Assets						
Interest / mark-up accrued	**-**	**-**		1,018	-	-
Borrowings						
Opening balance	**2,852,780**	**-**	**-**	594	-	-
Borrowings during the year	**10,228,999**	**-**	**-**	37,906,708	-	-
Settled during the year	**(13,081,220)**	**-**	**-**	(35,054,522)	-	-
Closing balance	**559**	**-**	**-**	2,852,780	-	-
Deposits and other accounts						
Opening balance	**6,786**	**13,164**	**8,978**	5,883	20,701	3,050
Received during the year	**218,557**	**160,675**	**4,321,422**	164,356	202,409	4,648,454
Withdrawn during the year	**(217,560)**	**(165,075)**	**(4,297,779)**	(163,453)	(209,946)	(4,642,526)
Closing balance	**7,783**	**8,764**	**32,621**	6,786	13,164	8,978
Other Liabilities						
Payable to staff retirement fund	**-**	**-**	**65,327**	-	-	**32,327**
Other liabilities	**2,365,067**	**-**	**-**	1,959,638	-	-
Contingencies and Commitments						
Other contingencies	**10,981,896**	**-**	**-**	14,913,691	-	-

	2019		2018	
	Head office and branches	**Key management**	Head office and branches	Key management
	----- (Rupees in '000) -----			
Income				
Mark-up / return / interest earned	**6,377**	**2,239**	1,018	353
Expense				
Mark-up / return / interest paid	**9**	**274**	7	342
Operating expenses	**380,716**	**104,392**	364,040	117,871

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2019	2018
	--------- (Rupees in '000) ---------	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**7,268,081**	7,596,820
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**7,268,081**	7,596,820
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**7,268,081**	7,596,820
Eligible Tier 2 Capital	**14,119**	14,119
Total Eligible Capital (Tier 1 + Tier 2)	**7,282,200**	7,610,939
Risk Weighted Assets (RWAs):		
Credit Risk	**19,648,025**	20,965,212
Market Risk	**377,900**	2,997,488
Operational Risk	**4,022,594**	3,635,301
Total	**24,048,519**	27,598,001
Common Equity Tier 1 Capital Adequacy ratio	**30.22%**	27.53%
Tier 1 Capital Adequacy Ratio	**30.22%**	27.53%
Total Capital Adequacy Ratio	**30.28%**	27.58%
Leverage Ratio (LR):		
Eligiblle Tier-1 Capital	**7,268,081**	7,596,820
Total Exposures	**74,537,845**	92,213,880
Leverage Ratio	**9.75%**	8.24%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**15,628,845**	18,642,722
Total Net Cash Outflow	**6,012,405**	6,361,939
Liquidity Coverage Ratio	**260%**	293%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**19,991,845**	17,951,845
Total Required Stable Funding	**12,656,020**	11,167,704
Net Stable Funding Ratio	**158%**	161%

35.1 The full disclsoures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time are available at https://www.db.com/mea/en/content/deutsche-bank-pakistan-financial-statements.htm

36 RISK MANAGEMENT

36.1 Risk Management Framework

The Pakistan Operations are subject to the Group's risk management framework. The diversity of our global 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.

36.2 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.

36.3 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.

36.4 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.

36.5 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.

36.6 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.

36.6.1 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.

Particulars of Pakistan Operations' significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

36.6.1.1 ***Lendings to financial institutions***

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Public/ Government	**499,581**	499,581	**-**	-	**-**	-
Private	**14,632,721**	18,651,275	**-**	-	**-**	-
	15,132,302	19,150,856	**-**	-	**-**	-

36.6.1.2 ***Advances***

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Electronics and electrical appliances	**2**	308,256	**-**	-	**-**	-
Chemical and pharmaceuticals	**2,113,669**	1,043,412	**-**	-	**-**	-
Automobile and transportation equipment	**997,209**	-	**-**	-	**-**	-
Combustibles, fuel, gas station	**99**	-	**-**	-	**-**	-
Textile composite	**96,511**	96,511	**96,511**	96,511	**96,511**	96,511
Canned foods, deep frozen food	**-**	104,543	**-**	-	**-**	-
Manufacture of tobacco products	**406,160**	-	**-**	-	**-**	-
Manufacture of basic chemicals (organic / inorganic)	**-**	14,747	**-**	-	**-**	-
Manufactuer of sweets including chocolate and cocoa	**-**	157,139	**-**	-	**-**	-
Other - cosmetics	**497,633**	454,788	**-**	-	**-**	-
Manufacture of electro tech art	**36,111**	76,557	**-**	-	**-**	-
Electricity, gas and water & sanitary services	**198,825**	265,491	**-**	-	**-**	-
Manufacture of paper board	**189,136**	974,315	**-**	-	**-**	-
Manufacture of dairy products	**564,931**	32,537	**-**	-	**-**	-
Wholesale and retail trade	**3,990,718**	2,596,805	**-**	-	**-**	-
Individuals	**239,256**	229,169	**-**	-	**-**	-
	9,330,260	6,354,270	**96,511**	96,511	**96,511**	96,511

Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Private	**9,330,260**	6,354,270	**96,511**	96,511	**96,511**	96,511
	9,330,260	6,354,270	**96,511**	96,511	**96,511**	96,511

36.6.1.3 ***Contingencies and Commitments***

Credit risk by industry sector

	2019	2018
	----- Rupees in '000 -----	
Electronics and electrical appliances	**1,278,729**	1,555,740
Chemical and pharmaceuticals	**578,795**	678,574
Automobile and transportation equipment	**22,706**	22,706
Manufacture of soap, detergents, cleaning polish	**1,131,345**	874,812
Combustibles, fuel, gas station	**473,637**	461,637
Canned foods, deep frozen food	**119,639**	171,829
Manufacture of tobacco products	**-**	157,796
Manufacture of basic chemicals (organic/inorganic)	**1,546**	19,644
Manufacture of paper stationery	**34,474**	28,341
Manufactuer of sweets including chocolate and cocoa	**53,167**	44,747
Other - cosmetics	**2,367**	2,367
Technical and business consultancies	**-**	6,024
Manufacture of electro tech art	**20,863**	33,066
Manufacture of paper board	**68,566**	218,724
Textile others	**268**	268
Manufacture of chemicals and chemical products	**383,462**	345,238
Manufacture of basic pharmaceutical products	**26,688**	21,097
Electricity, gas and water & sanitary services	**133,106**	247,834
Financial	**10,910,576**	11,988,922
	15,239,934	16,879,366

Credit risk by public / private sector

Private	**15,239,934**	16,879,366

36.6.1.4 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded expsoures) are as following:

Funded	**8,769,142**	3,199,280
Non Funded	**4,213,781**	3,856,109
Total Exposure	**12,982,923**	7,055,389

The sanctioned limits against these top 10 expsoures aggregated to Rs 14.061 billion (2018: 18.307 billion)

36.6.1.5 Advances - Province / Region-wise Disbursement & Utilization

	2019		
	-------------------- (Rupees in '000) ----------------------		
	Disbursements	**Utilization**	
Province / Region		**Punjab**	**Sindh**
Punjab	**97,362,988**	**97,362,988**	**-**
Sindh	**74,992,056**	**-**	**74,992,056**
Total	**172,355,044**	**97,362,988**	**74,992,056**

	2018		
	-------------------- (Rupees in '000) ----------------------		
	Disbursements	Utilization	
Province / Region		Punjab	Sindh
Punjab	100,196,634	100,196,634	-
Sindh	63,679,353	-	63,679,353
Total	163,875,987	100,196,634	63,679,353

36.6.2 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.

36.6.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
	-- **(Rupees in '000)** --					
Cash and balances with treasury banks	**7,558,956**	**-**	**7,558,956**	6,961,724	-	6,961,724
Balances with other banks	**118,681**	**-**	**118,681**	220,159	-	220,159
Lendings to financial institutions	**15,132,302**	**-**	**15,132,302**	19,150,856	-	19,150,856
Advances	**9,225,751**	**-**	**9,225,751**	6,249,761	-	6,249,761
Fixed assets	**345,355**	**-**	**345,355**	214,924	-	214,924
Deferred tax assets	**25,344**	**-**	**25,344**	144	-	144
Other assets	**1,537,346**	**651**	**1,537,997**	2,465,168	128,505	2,593,673
	33,943,735	**651**	**33,944,386**	35,262,736	128,505	35,391,241

36.6.2.2 Foreign Exchange Risk

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

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

	2019				**2018**			
	Assets	**Liabilities and Head office capital**	**Off-balance sheet items**	**Net foreign currency exposure**	Assets	Liabilities and Head office capital account	Off-balance sheet items	Net foreign currency exposure
	-- **(Rupees in '000)** --							
United States Dollar	**580,578**	**998,208**	**39,730**	**(377,900)**	713,543	972,264	216,327	(42,394)
Great Britain Pound Sterling	**12,745**	**12,468**	**-**	**277**	6,706	2,803,444	-	(2,796,738)
Euro	**5,600,010**	**5,567,155**	**(31,980)**	**875**	5,145,999	5,161,518	2,814,523	2,799,004
Japanese Yen	**3,018**	**-**	**(2,906)**	**112**	124	-	-	124
Other currencies	**2,397**	**-**	**(1,183)**	**1,214**	1,994	-	(5,165)	(3,171)
	6,198,748	**6,577,831**	**3,661**	**(375,422)**	5,868,366	8,937,226	3,025,685	(43,175)

	2019		2018	
	Banking book	**Trading book**	Banking book	Trading book
	----------------------- **(Rupees in '000)** ----------------------			
Impact of 1% change in foreign exchange rates on - Profit and loss account	**(3,754)**	**-**	(432)	-

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

Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date. This also refers to the non-trading market risk.

	2019		2018	
	Banking	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% increase in interest rates on				
- Profit and loss account	**141,384**	**-**	101,354	-

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

	2019											
	Effective Yield/ Interest rate	**Total**	**Exposed to Yield/ Interest risk**									**Non-interest bearing financial instruments**
			Upto 1 Month	**Over 1 to 3 Months**	**Over 3 to 6 Months**	**Over 6 Months to 1 Year**	**Over 1 to 2 Years**	**Over 2 to 3 Years**	**Over 3 to 5 Years**	**Over 5 to 10 Years**	**Above 10 Years**	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	**0.0%**	**7,558,956**	**177,210**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,381,746**
Balances with other banks	**0.0%**	**118,681**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**118,681**
Lending to financial institutions	**11.7%**	**15,132,302**	**15,132,302**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Advances	**12.3%**	**9,225,751**	**2,784,381**	**4,089,980**	**1,276,673**	**836,550**	**12,930**	**1,199**	**19,570**	**79,058**	**125,410**	**-**
Other assets	**0.0%**	**1,375,074**										**1,375,074**
		33,410,764	**18,093,893**	**4,089,980**	**1,276,673**	**836,550**	**12,930**	**1,199**	**19,570**	**79,058**	**125,410**	**8,875,501**
Liabilities												
Bills payable	**0.0%**	**1,032,458**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,032,458**
Borrowings	**0.0%**	**1,394,029**	**1,363,974**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,055**
Deposits and other accounts	**10.7%**	**20,473,611**	**1,626,889**	**5,990,309**	**860,975**	**554,703**	**-**	**-**	**-**	**-**	**-**	**11,440,735**
Other liabilities	**0.0%**	**3,776,207**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,776,207**
		26,676,305	**2,990,863**	**5,990,309**	**860,975**	**554,703**	**-**	**-**	**-**	**-**	**-**	**16,279,455**
On-balance sheet gap		**6,734,459**	**15,103,030**	**(1,900,329)**	**415,698**	**281,847**	**12,930**	**1,199**	**19,570**	**79,058**	**125,410**	**(7,403,954)**
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions												
- letters of credit		**1,855,657**										**1,855,657**
Commitments in respect of:												
- Forward Purchase Contracts		**219,730**										**219,730**
- Forward Sales Contracts		**(216,068)**										**(216,068)**
- Forward agreement lending		**(11,994,283)**	**(8,963,620)**									**(3,030,663)**
- Other commitments		**227,666**										**227,666**
Off-balance sheet gap		**(9,907,298)**	**(8,963,620)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(943,678)**
Total Yield/Interest Risk Sensitivity Gap			**6,139,410**	**(1,900,329)**	**415,698**	**281,847**	**12,930**	**1,199**	**19,570**	**79,058**	**125,410**	**(8,347,632)**
Cumulative Yield/Interest Risk Sensitivity Gap			**6,139,410**	**4,239,081**	**4,654,779**	**4,936,626**	**4,949,556**	**4,950,755**	**4,970,325**	**5,049,383**	**5,174,793**	**(3,172,839)**

	2018											
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.0%	6,961,724	156,815	-	-	-	-	-	-	-	-	6,804,909
Balances with other banks	0.0%	220,159	-	-	-	-	-	-	-	-	-	220,159
Lending to financial institutions	7.0%	19,150,856	19,150,856	-	-	-	-	-	-	-	-	-
Investments	0.0%	-	-	-	-	-	-	-	-	-	-	-
Advances	7.5%	6,249,761	5,563,634	405,585	52,419	701	6,630	4,252	20,215	24,114	172,211	-
Other assets	0.0%	2,280,141	-	-	-	-	-	-	-	-	-	2,280,141
		34,862,641	24,871,305	405,585	52,419	701	6,630	4,252	20,215	24,114	172,211	9,305,209
Liabilities												
Bills payable	0.0%	1,314,231	-	-	-	-	-	-	-	-	-	1,314,231
Borrowings	-0.2%	2,871,568	-	2,795,550	-	-	-	-	-	-	-	76,018
Deposits and other accounts	6.2%	20,100,376	7,615,385	3,171,839	1,131,580	707,719	-	-	-	-	-	7,473,853
Liabilities against assets subject to finan	0.0%	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	0.0%	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	0.0%	3,508,246	-	-	-	-	-	-	-	-	-	3,508,246
		27,794,421	7,615,385	5,967,389	1,131,580	707,719	-	-	-	-	-	12,372,348
On-balance sheet gap		7,068,220	17,255,920	(5,561,804)	(1,079,161)	(707,018)	6,630	4,252	20,215	24,114	172,211	(3,067,139)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions												
- letters of credit		2,013,236	-	-	-	-	-	-	-	-	-	2,013,236
Commitments in respect of:												
- Forward Purchase Contracts		6,247,789	-	-	-	-	-	-	-	-	-	6,247,789
- Forward Sales Contracts		(3,222,104)	-	-	-	-	-	-	-	-	-	(3,222,104)
- Forward agreement lending		(15,359,266)	(11,345,120)	-	-	-	-	-	-	-	-	(4,014,146)
- Other commitments		1,231,339	-	-	-	-	-	-	-	-	-	1,231,339
Off-balance sheet gap		(9,089,006)	(11,345,120)	-	-	-	-	-	-	-	-	2,256,114
Total Yield/Interest Risk Sensitivity Gap			5,910,800	(5,561,804)	(1,079,161)	(707,018)	6,630	4,252	20,215	24,114	172,211	(811,025)
Cumulative Yield/Interest Risk Sensitivity Gap			5,910,800	348,996	(730,165)	(1,437,183)	(1,430,553)	(1,426,301)	(1,406,086)	(1,381,972)	(1,209,761)	(2,020,786)

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Bank is exposed to various risks associated with the effects of fluctuation in the prevailing levels of market interest rates on its financial position and cash flows. The Bank manages this risk by matching the re-pricing of assets and liabilities and off-balance sheet instruments.

36.6.3 *Operational Risk*

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

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

Organizational Structure

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

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

Managing Our Operational Risk

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

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

36.6.3.1 Operational Risk-Disclosures Basel II Specific

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

As required by State Bank of Pakistan regulations, DB in Pakistan employs the Basic Indicator Approach (BIA) for 2019.

36.6.4 Liquidity Risk

Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs. The objective of the DB Pakistan’s liquidity risk management framework is to ensure that it can fulfill its payment obligations at all times and can manage liquidity and funding risks within its risk appetite. The framework considers relevant and significant drivers of liquidity risk, whether on balance sheet or off-balance sheet.

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

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

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

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

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

36.6.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Pakistan Operations

	Total	2019												
		Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	--(Rupees in '000)--													
Assets														
Cash and balances with treasury banks	7,558,956	1,995,293	-	-	-	-	-	-	-	-	-	-	-	5,563,663
Balances with other banks	118,681	118,681	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	15,132,302	-	15,132,302	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances	9,225,751	8,894,306	840	5,875	2,380	17,049	43,425	22,965	312	433	12,930	1,199	19,570	204,467
Fixed assets	345,355	-	-	-	-	-	-	-	-	-	-	-	345,355	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	25,344	-	-	-	-	-	-	-	-	-	25,344	-	-	-
Other assets	1,537,997	243	10,899	7,656	327,569	47,218	85,111	109,976	18,182	18,162	908,136	2,300	1,517	1,028
	33,944,386	11,008,523	15,144,041	13,531	329,949	64,267	128,536	132,941	18,494	18,595	946,410	3,499	366,442	5,769,158
Liabilities														
Bills payable	1,032,458	1,032,458	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	1,394,029	-	1,394,029	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	20,473,611	16,594,611	50,000	150,000	2,650,000	1,000,000	29,000	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,776,207	1,114,269	9,206	5,963	12,825	40,029	77,922	91,794	-	2,358,872	65,327	-	-	-
	26,676,305	18,741,338	1,453,235	155,963	2,662,825	1,040,029	106,922	91,794	-	2,358,872	65,327	-	-	-
Net assets	7,268,081	(7,732,815)	13,690,806	(142,432)	(2,332,876)	(975,762)	21,614	41,147	18,494	(2,340,277)	881,083	3,499	366,442	5,769,158
Head office capital account	5,563,663													
Unremitted profit	1,704,418													
	7,268,081													

	Total	2018												
		Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	--(Rupees in '000)--													
Assets														
Cash and balances with treasury banks	6,961,724	1,870,709	-	-	-	-	-	-	-	-	-	-	-	5,091,015
Balances with other banks	220,159	220,159	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	19,150,856	-	19,150,856	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances	6,249,761	5,234,139	46,258	49,787	233,450	351,255	54,283	51,496	970	701	6,630	4,252	20,215	196,325
Fixed assets	214,924	-	-	-	-	-	-	-	-	-	-	-	214,924	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	144	-	-	-	-	-	-	-	-	-	144	-	-	-
Other assets	2,593,673	381	70,396	123,177	594,674	390,426	68,106	104,659	29,995	29,995	1,110,057	67,332	4,197	278
	35,391,241	7,325,389	19,267,510	172,963	828,124	741,681	122,389	156,155	30,965	30,696	1,116,831	71,584	239,336	5,287,618
Liabilities														
Bills payable	1,314,231	1,314,231	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	2,871,568	76,018	-	-	-	2,795,550	-	-	-	-	-	-	-	-
Deposits and other accounts	20,100,376	14,272,881	2,544,995	1,293,500	1,905,000	-	14,000	70,000	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,508,246	570,130	67,749	120,530	257,593	379,083	56,763	70,629	-	1,953,443	32,327	-	-	-
	27,794,421	16,233,260	2,612,744	1,414,030	2,162,593	3,174,633	70,763	140,629	-	1,953,443	32,327	-	-	-
Net assets	7,596,820	(8,907,871)	16,654,766	(1,241,066)	(1,334,469)	(2,432,951)	51,626	15,526	30,965	(1,922,747)	1,084,504	71,584	239,336	5,287,618
Head office capital account	5,091,000													
Unremitted profit	2,505,820													
	7,596,820													

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

	Total	2019								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	--(Rupees in '000)--									
Assets										
Cash and balances with treasury banks	7,558,956	598,559	897,818	299,348	199,566	-	-	-	-	5,563,665
Balances with other banks	118,681	37,611	56,442	14,777	9,851	-	-	-	-	-
Lending to financial institutions	15,132,302	15,132,302	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-
Advances	9,225,751	2,784,381	4,089,980	1,276,673	836,550	12,930	1,199	19,570	79,058	125,410
Fixed assets	345,355	-	-	-	-	-	-	345,355	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	25,344	-	-	-	-	25,344	-	-	-	-
Other assets	1,537,997	346,367	132,329	109,976	36,344	908,136	2,300	1,517	1,028	-
	33,944,386	18,899,220	5,176,569	1,700,774	1,082,311	946,410	3,499	366,442	80,086	5,689,075
Liabilities										
Bills payable	1,032,458	224,128	337,582	282,449	188,299	-	-	-	-	-
Borrowings	1,394,029	1,373,968	14,991	3,042	2,028	-	-	-	-	-
Deposits and other accounts	20,473,611	7,701,950	8,306,924	2,678,842	1,785,895	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,776,207	1,142,263	117,951	91,794	2,358,872	65,327	-	-	-	-
	26,676,305	10,442,309	8,777,448	3,056,127	4,335,094	65,327	-	-	-	-
Net assets	7,268,081	8,456,911	(3,600,879)	(1,355,353)	(3,252,783)	881,083	3,499	366,442	80,086	5,689,075
Head office capital account	5,563,663									
Unremitted profit	1,704,418									
	7,268,081									

	Total	2018								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	--(Rupees in '000)--									
Assets										
Cash and balances with treasury banks	6,961,724	483,409	725,093	397,333	264,889	-	-	-	-	5,091,000
Balances with other banks	220,159	79,150	118,726	13,370	8,913	-	-	-	-	-
Lending to financial institutions	19,150,856	19,150,856	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-
Advances	6,249,761	1,596,816	2,309,649	1,289,073	826,801	6,630	4,252	20,215	24,114	172,211
Fixed assets	214,924	-	-	-	-	-	-	214,924	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	144	-	-	-	-	144	-	-	-	-
Other assets	2,593,673	788,625	458,533	104,659	28,577	1,141,472	67,332	4,197	0	278
	35,391,241	22,098,856	3,612,001	1,804,435	1,129,180	1,148,246	71,584	239,336	24,114	5,263,489
Liabilities										
Bills payable	1,314,231	294,610	442,143	346,487	230,991	-	-	-	-	-
Borrowings	2,871,568	7,657	2,860,016	2,337	1,558	-	-	-	-	-
Deposits and other accounts	20,100,376	9,075,539	5,012,070	3,635,660	2,377,107	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,508,246	1,016,001	435,846	70,629	1,953,443	32,327	-	-	-	-
	27,794,421	10,393,807	8,750,075	4,055,113	4,563,099	32,327	-	-	-	-
Net assets	7,596,820	11,705,049	(5,138,074)	(2,250,678)	(3,433,919)	1,115,919	71,584	239,336	24,114	5,263,489
Head office capital account	5,091,000									
Unremitted profit	2,505,820									
	7,596,820									

37 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 27 March 2020.

38 GENERAL

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

In recent weeks, many countries have enacted protection measures against COVID-19, with a significant impact on the daily life, economic conditions, businesses and consumers in these countries and beyond. The evolution of COVID-19 as well as its impact on the global economy, and more specifically, on Pakistan Operations' activities, is hard to predict at this stage. The Pakistan Operations and Deutsche Bank AG are monitoring the situation to ensure the safety of its staff as well as to adapt its services and operations.

Managing Director
Chief Country Officer
Pakistan

Chief Financial Officer
Pakistan