Deutsche Bank AG, Pakistan Operations

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

Financial statements
for the period ended
31 December 2023

Deutsche Bank AG Karachi Branch, Sky Tower - West Wing, Floor 15, Dolmen City, Marine Drive, Clifton Block 4, Karachi – 75600, Pakistan

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INDEPENDENT AUDITORS' REPORT

To the Directors of Deutsche Bank AG, Pakistan Operations

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Deutsche Bank AG, Pakistan Operations (the Pakistan Operations), which comprise the statement of financial position as at 31 December 2023, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended, along with notes to the financial statements including a summary of material accounting policy information 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, the profit and loss account, the statement of comprehensive income, statement of changes in equity and statement of cash flow together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Pakistan Operation's affairs as at 31 December 2023 and of the income, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank (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 accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the 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 Operation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Pakistan operations or to cease operations, or has no realistic alternative but to do so.

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

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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 Operation's internal control.

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

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

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

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

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

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

d) No 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.

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

The engagement partner on the audit resulting in this independent auditors' report is Arslan Khalid.

Chartered Accountants

Place: Karachi

Date: 28 March 2024

UDIN Number: AR202310191Sa5LmRFsl

Deutsche Bank AG, Pakistan Operations
(Incorporated in the Federal Republic of Germany with limited liability)
Statement of Financial Position
As at 31 December 2023

	Note	2023	2022
		------- (Rupees in '000) -------	
ASSETS			
Cash and balances with treasury banks	5	**14,125,650**	13,413,245
Balances with other banks	6	**2,612,845**	1,006,967
Lendings to financial institutions	7	**17,397,321**	9,141,986
Investments	8	**14,787,480**	32,008,766
Advances	9	**7,971,805**	5,406,378
Fixed assets	10	**1,128,109**	912,374
Intangible assets		**-**	-
Deferred tax assets	11	**218,459**	141,580
Other assets	12	**2,591,339**	1,495,568
		60,833,008	63,526,864
LIABILITIES			
Bills payable	13	**832,304**	1,214,740
Borrowings		**-**	-
Deposits and other accounts	14	**36,431,582**	46,016,619
Liabilities against assets subject to finance lease		**-**	-
Subordinated debt		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	15	**8,200,319**	5,171,744
		45,464,205	52,403,103
NET ASSETS		**15,368,803**	11,123,761
REPRESENTED BY			
Head office capital account	16	**9,984,045**	7,734,312
Reserves		**-**	-
Deficit on revaluation of assets	17	**(5,366)**	(4,367)
Unremitted profit		**5,390,124**	3,393,816
		15,368,803	11,123,761
CONTINGENCIES AND COMMITMENTS	18		

The annexed notes 1 to 40 form an integral part of these annual financial statements.

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 2023

	Note	2023	2022
		----- (Rupees in '000) -----	
Mark-up / return / interest earned	19	**8,746,501**	5,218,148
Mark-up / return / interest expensed	20	**(2,569,962)**	(2,809,007)
Net mark-up / interest income		**6,176,539**	2,409,141
NON MARK-UP / INTEREST INCOME			
Fee and commission income	21	**356,282**	320,582
Dividend income		**-**	-
Foreign exchange income		**998,820**	1,004,853
Income / (loss) from derivatives		**-**	-
Loss on sale of securities	22	**-**	(4,412)
Other income	23	**914**	921
Total non-markup / interest income		**1,356,016**	1,321,944
Total Income		**7,532,555**	3,731,085
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	24	**(3,144,225)**	(1,537,803)
Workers Welfare Fund		**(88,331)**	(44,209)
Other charges	25	**(2)**	(1,030)
Total non-markup / interest expenses		**(3,232,558)**	(1,583,042)
Profit before provisions		**4,299,997**	2,148,043
Provisions and write offs - net		**-**	-
Extra ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**4,299,997**	2,148,043
Taxation	26	**(2,311,133)**	(1,228,488)
PROFIT AFTER TAXATION		**1,988,864**	919,555

The annexed notes 1 to 40 form an integral part of these annual financial statements.

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 2023

	2023	2022
	----- (Rupees in '000) -----	
Profit after taxation for the year	**1,988,864**	919,555
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in deficit on revaluation of investments - net of tax	**(999)**	(1,637)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations - net of tax	**7,444**	4,868
Total comprehensive income	**1,995,309**	922,786

The annexed notes 1 to 40 form an integral part of these annual financial statements.

Chief Country Officer
Pakistan

Chief Financial Officer
Pakistan

Deutsche Bank AG, Pakistan Operations
(Incorporated in the Federal Republic of Germany with limited liability)
Statement of Changes in Equity
For the year ended 31 December 2023

	Head office capital account	Deficit on revaluation of investments	Unremitted profit	Total
	Note 16			
	------- (Rupees in '000) -------			
Opening Balance as at 01 January 2022	6,398,696	(2,730)	2,469,393	8,865,359
Profit after taxation for the year ended 31 December 2022	-	-	919,555	919,555
Other comprehensive income - net of tax	-	(1,637)	4,868	3,231
	-	(1,637)	924,423	922,786
Transactions with owners, recorded directly in equity				
Exchange adjustments on revaluation of capital	1,335,616	-	-	1,335,616
Opening Balance as at 01 January 2023	**7,734,312**	**(4,367)**	**3,393,816**	**11,123,761**
Profit after taxation for the year ended 31 December 2023	-		1,988,864	1,988,864
Other comprehensive income - net of tax	-	(999)	7,444	6,445
	-	(999)	1,996,308	1,995,309
Transactions with owners, recorded directly in equity				
Exchange adjustments on revaluation of capital	2,249,733	-	-	2,249,733
Closing Balance as at 31 December 2023	**9,984,045**	**(5,366)**	**5,390,124**	**15,368,803**

The annexed notes 1 to 40 form an integral part of these annual financial statements.

Chief Country Officer
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 2023

	Note	2023	2022
		------- (Rupees in '000) -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**4,299,997**	2,148,043
Less: Dividend income		**-**	-
		4,299,997	2,148,043
Adjustments for:			
Depreciation	*10.2*	**175,223**	109,957
Gain on sale of fixed assets - net	*23*	**(914)**	(790)
Finance costs of lease liability		**62,259**	42,845
		236,568	152,012
		4,536,565	2,300,055
(Increase) / decrease in operating assets			
Lendings to financial institutions		**(8,255,335)**	(4,710,697)
Held-for-trading securities		**-**	(441,458)
Advances		**(2,565,427)**	(1,066,859)
Others assets (excluding advance taxation)		**(889,665)**	(36,010)
		(11,710,427)	(6,255,024)
Increase / (decrease) in operating liabilities			
Bills payable		**(382,436)**	438,993
Deposits and other accounts		**(9,585,037)**	20,137,403
Other liabilities		**3,087,316**	410,960
		(6,880,157)	20,987,356
Income tax paid		**(2,629,416)**	(1,263,559)
Net cash (used in) operating activities / generated from		**(16,683,435)**	15,768,828
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		**17,215,564**	(17,219,692)
Investments in operating fixed assets		**(395,029)**	(289,864)
Proceeds from sale of operating fixed assets		**4,985**	1,701
Net cash generated from / (used in) investing activities		**16,825,520**	(17,507,855)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liabilities		**(73,535)**	(52,649)
Net cash used in financing activities		**(73,535)**	(52,649)
Effects of exchange rate changes on cash and cash equivalents		**2,249,733**	1,335,616
Increase / (decrease) in cash and cash equivalents during the year		**2,318,283**	(456,060)
Cash and cash equivalents at beginning of the year		**14,420,212**	14,876,272
Cash and cash equivalents at end of the year	*27*	**16,738,495**	14,420,212

The annexed notes 1 to 40 form an integral part of these annual financial statements.

Chief Country Officer
Pakistan

Chief Financial Officer
Pakistan

Deutsche Bank AG, Pakistan Operations
(Incorporated in the Federal Republic of Germany with limited liability)
Notes to the Financial Statements
For the year ended 31 December 2023

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 (2022: 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;

- Islamic Financial Acounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) 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.

SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, SBP vide its BPRD Circular No. 03 of 2022 dated 05 July 2022 directed the banks in Pakistan having asset size of less than Rs. 500 billion to implement IFRS 9 'Financial Instruments' with effect from 01 January 2024. SECP has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

These financial statements have been prepared in accordance with forms for the preparation of the annual financial statements of the banks issued by SBP, vide its BPRD Circular No. 02 dated January 25, 2018.

2.2 Credit Rating

The credit rating provided by Standard & Poor's on 08 December 2023 is A for long-term and A-1 for short-term, rating by Fitch on 03 July 2023 is A- for long-term and F2 for short-term; and rating by Moody's on 04 December 2023 is A1 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

The Pakistan Operations has adopted the accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year, however they do not have an impact on the Bank's financial statements, except as disclosed below.

IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (Amendments)

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Bank's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Bank’s financial statements.

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

2.4.1 IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' - IFRS 9 replaced 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. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 becomes effective on January 01, 2024 as per SBP BPRD Circular Letter No. 3 of 2022 dated July 05, 2022. Banks in Pakistan in the meanwhile are directed to submit IFRS 9 parallel run and proforma financial statements on periodic basis based on the instructions issued by the SBP. The Pakistan Operations has been complying with these requirements. Advices are received from the central IFRS 9 team managed by the group.

The classification and measurement of financial assets will depend on how these are managed (the entity’s business model) and their contractual cash flow characteristics. The impairment requirements under IFRS 9 apply to various financial assets and instruments, including those measured at amortized cost and fair value through other comprehensive income (FVOCI), lease receivables, and certain loan commitments and financial guarantee contracts.

The Bank will adopt IFRS 9 in its entirety effective January 01, 2024 with a modified retrospective approach for restatement. As permitted by IFRS-9, the Bank will not be restating comparatives on initial application. The cumulative impact of the initial application will be recorded as an adjustment to opening equity as at January 1, 2024.

The State Bank of Pakistan vide its BPRD Circular No. 02 dated February 9, 2023 has issued revised formats for interim and annual financial statements of the banks for the accounting periods starting from January 01, 2024, which shall include the presentation and disclosures on adoption of IFRS 9 as applicable in Pakistan.

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity as at January 01, 2024 would not be material to these financial statements.

2.4.2 Further, the following standards and amendments to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, amendments or improvements:

Standard and Amendments	**Effective date (accounting periods beginning on or after)**
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	January 01, 2024
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	January 01, 2024
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 01, 2024
- Lack of exchangeability – Amendments to IAS 21	January 01, 2025
- Insurance Contracts	January 01, 2026
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture -Amendments to IFRS 10 and IAS 28	Not yet finalized

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	**Standard IASB effective date (annual periods beginning on or after)**
- IFRS 1 – First time adoption of IFRSs	January 01, 2004

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank’s accounting policies. The significant accounting areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of the accounting policies are as follows:

- Defined benefit plan (Note 4.7)
- Taxation (Note 4.9)
- Advances (Note 4.4)
- Operating fixed assets and depreciation (Note 4.5)
- Leases (Note 4.5)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

3 BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except for investments and 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.

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

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to these financial statements

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.

Investments (other than held for trading) are initially measured at fair value plus transaction cost associated with the investment. Investments classified as held for trading are initially measured at fair value, and transaction costs are expensed in the profit and loss account.

Surplus / (deficit) arising on revaluation of securities which are classified as 'available-for-sale', is included in the statement of comprehensive income and is shown in the statement of financial position as part of equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities. The unrealised surplus / (deficit) arising on revaluation of securities which are classified as held for trading is taken to the profit and loss account.

Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the profit and loss account.

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.

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 may elect 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.

4.6 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.

4.7 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 the respective trusts.

4.8 Revenue recognition

(a) Mark - up / return / interest on advances and investments is recognised on accrual basis, except in case of advances classified under the Prudential Regulations on which mark - up is recognised on receipt basis. Mark - up / return / interest on reschedule / restructured loans and advances and investments is recognized as permitted by the regulation of SBP.

(b) Gain or loss on sale of investments are recognised in profit and loss account in the year in which they arise.

(c) The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

(d) The Pakistan Operations recognises fees earned on transaction-based arrangements at a point in time when the service has been provided to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

4.9 Taxation

Current

Current tax represents the expected tax payable on annual taxable income, based on enacted or substantively enacted tax rates. It also considers adjustments related to prior years. Current tax assets and liabilities are measured at the expected recovery or payment to taxation authorities.

Deferred

Deferred tax is calculated using the balance sheet method for significant temporary differences between asset and liability carrying amounts for financial reporting and tax purposes. It considers expected realization or settlement based on enacted or substantively enacted tax rates. Deferred tax assets are recognized if future taxable profits are likely, but they are reduced if the related tax benefit becomes unlikely to be realized.

4.10 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.

4.11 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.

4.12 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.

4.13 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 34 to these financial statements.

Geographical segments

The Bank operates only in Pakistan.

4.14 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	2023	2022
		------- (Rupees in '000) -------	
In hand			
Local currency		**34,924**	22,438
Foreign currency		**20,790**	26,452
		55,714	48,890
With State Bank of Pakistan in			
Local currency current account	*5.1*	**3,536,354**	5,221,034
Foreign currency current account	*5.2*	**48,897**	120,234
Foreign currency deposit account			
Special cash reserve account	*5.3*	**444,496**	261,641
Local US Dollar collection account	*5.4*	**56,144**	27,133
Foreign currency capital account	*16*	**9,984,045**	7,734,312
		14,069,936	13,364,355
With National Bank of Pakistan in			
Local currency current account		**-**	-
		14,125,650	13,413,245

5.1 This represents current account maintained with State Bank of Pakistan (SBP) that includes requirements of section 22 (CashReserve 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 No. 20 of 2021 issued by the SBP. Profit rate on these deposits are fixed by SBP on a monthly basis and was 3.39% to 4.34% during 2023 (2022: 0% to 3.14%).

5.4 This represents US Dollar settlement account opened with the SBP in accordance with F.E Circular No. 2 of 2004.

6 BALANCES WITH OTHER BANKS

	Note	2023	2022
		------- (Rupees in '000) -------	
In Pakistan			
In current account		**1,500**	1,500
Outside Pakistan			
In current account			
Interbranch	*6.1*	**2,604,761**	1,001,919
Others		**6,584**	3,548
		2,611,345	1,005,467
		2,612,845	1,006,967

6.1 This includes Rs. 1,515 million for Deutsche Bank New York, Rs. 949 million for Deutsche Bank Frankfurt, Rs. 136 million for Deutsche Bank Mumbai and various others.

7 LENDINGS TO FINANCIAL INSTITUTIONS

		2023	2022
		------- (Rupees in '000) -------	
Repurchase agreement lendings (Reverse Repo)	*7.1*	**17,397,321**	9,141,986

7.1 Reverse repo transactions have been made with commercial banks at a rate of 21.00% to 22.39% per annum (2022: 16.00% to 16.09%) and are due to mature latest by 05 January 2024. The market value of this security at 31 December 2023 amounted to Rs. 17,972 million (2022: Rs. 9,389 million).

7.2 Particulars of lending

	2023	2022
	------- (Rupees in '000) -------	
In local currency	**17,397,321**	9,141,986

7.3 Securities held as collateral against Lending to financial institutions

	Note	2023 Held by Pakistan Operations	2023 Further given as collateral	2023 Total	2022 Held by Pakistan Operations	2022 Further given as collateral	2022 Total
		(Rupees in '000)					
Market Treasury Bills		**17,397,321**	**-**	**17,397,321**	9,141,986	-	9,141,986

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

8 INVESTMENTS

8.1 INVESTMENTS BY TYPES:

	2023 Cost / Amortised cost	2023 Surplus / (Deficit)	2023 Carrying Value	2022 Cost / Amortised cost	2022 Surplus / (Deficit)	2022 Carrying Value
	Rupees in '000					
Available-for-sale securities						
-Treasury bills	**14,798,002**	**(10,522)**	**14,787,480**	32,016,427	(7,661)	32,008,766

8.2 INVESTMENTS BY SEGMENTS:

	2023 Cost / Amortised cost	2023 Surplus / (Deficit)	2023 Carrying Value	2022 Cost / Amortised cost	2022 Surplus / (Deficit)	2022 Carrying Value
Federal Government Securities:	Rupees in '000					
-Market Treasury Bills	**14,798,002**	**(10,522)**	**14,787,480**	32,016,427	(7,661)	32,008,766

8.3 Quality of Available for Sale Securities

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

	2023	2022
	Cost	
Federal Government Securities - Government guaranteed:	(Rupees in '000)	
-Market Treasury Bills	**14,798,002**	32,016,427

8.4 Investments in Treasury bills are made at a rate of 21.20% to 21.25% per annum (2022: 15.58% to 16.95%).

9 ADVANCES

	Note	Performing 2023	Performing 2022	Non Performing 2023	Non Performing 2022	Total 2023	Total 2022
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		**7,979,803**	5,414,376	**30,885**	30,885	**8,010,688**	5,445,261
Bills discounted and purchased		**-**	-	**65,626**	65,626	**65,626**	65,626
Advances - gross	*9.1*	**7,979,803**	5,414,376	**96,511**	96,511	**8,076,314**	5,510,887
Provision against advances							
- Specific		**-**	-	**(96,511)**	(96,511)	**(96,511)**	(96,511)
- General		**(7,998)**	(7,998)	**-**	-	**(7,998)**	(7,998)
	9.3	**(7,998)**	(7,998)	**(96,511)**	(96,511)	**(104,509)**	(104,509)
Advances - net of provision		**7,971,805**	5,406,378	**-**	-	**7,971,805**	5,406,378

9.1 Particulars of advances (Gross)

	2023	2022
	(Rupees in '000)	
In local currency	**8,010,688**	5,445,261
In foreign currencies	**65,626**	65,626
	8,076,314	5,510,887

9.2 Advances include Rs.96.511 million (2022: Rs. 96.511 million) which have been placed under non-performing status as detailed below:-

Category of Classification	2023 Non Performing Loans	2023 Provision	2022 Non Performing Loans	2022 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

9.3 Particulars of provision against advances

	2023 Specific	2023 General	2023 Total	2022 Specific	2022 General	2022 Total
	(Rupees in '000)					
Opening balance	**96,511**	**7,998**	**104,509**	96,511	7,998	104,509
Charge/ (reversals)	**-**	**-**	**-**	-	-	-
Closing balance	**96,511**	**7,998**	**104,509**	96,511	7,998	104,509

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

9.3.2 Particulars of provision against advances

	2023 Specific	2023 General	2023 Total	2022 Specific	2022 General	2022 Total
	(Rupees in '000)					
In local currency	**96,511**	**7,998**	**104,509**	96,511	7,998	104,509

10 FIXED ASSETS

	Note	2023	2022
		--------- (Rupees in '000) -------	
Capital work-in-progress	10.1	**24,091**	272,681
Property and equipment	10.2	**1,104,018**	639,693
		1,128,109	912,374

10.1 Capital work-in-progress

	2023	2022
Advances to suppliers	**24,091**	272,681

10.2 Property and Equipment

	2023					
	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 2023						
Cost	**236,995**	**494,434**	**26,599**	**292,493**	**64,525**	**1,115,046**
Accumulated depreciation	**(210,180)**	**(51,664)**	**(10,714)**	**(164,578)**	**(38,217)**	**(475,353)**
Net book value	**26,815**	**442,770**	**15,885**	**127,915**	**26,308**	**639,693**
Year ended December 2023						
Opening net book value	**26,815**	**442,770**	**15,885**	**127,915**	**26,308**	**639,693**
Additions	**177,510**	**-**	**10,581**	**31,963**	**8,508**	**228,562**
Transfers	**201,905**	**-**	**54,531**	**158,621**	**-**	**415,057**
Disposals - cost	**(128,861)**	**-**	**(2,714)**	**(1,123)**	**(4,360)**	**(137,058)**
Disposals - accumulated depreciation	**128,295**	**-**	**2,714**	**1,106**	**872**	**132,987**
Depreciation charge	**(44,447)**	**(55,384)**	**(10,838)**	**(51,912)**	**(12,642)**	**(175,223)**
Closing net book value	**361,217**	**387,386**	**70,159**	**266,570**	**18,686**	**1,104,018**
At 31 December 2023						
Cost	**487,549**	**494,434**	**88,997**	**481,954**	**68,673**	**1,621,607**
Accumulated depreciation	**(126,332)**	**(107,048)**	**(18,838)**	**(215,384)**	**(49,987)**	**(517,589)**
Net book value	**361,217**	**387,386**	**70,159**	**266,570**	**18,686**	**1,104,018**
Rate of depreciation (percentage)	**10**	**10-22**	**20**	**20-33**	**20**	

	2022					
	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 2022						
Cost	203,572	160,321	17,489	232,641	60,346	674,369
Accumulated depreciation	(185,743)	(129,218)	(13,543)	(184,508)	(26,589)	(539,601)
Net book value	17,829	31,103	3,946	48,133	33,757	134,768
Year ended December 2022						
Opening net book value	17,829	31,103	3,946	48,133	33,757	134,768
Additions	33,685	455,373	13,129	109,239	4,360	615,786
Disposals - cost	(262)	(121,260)	(4,019)	(49,387)	(181)	(175,109)
Disposals - accumulated depreciation	260	121,260	4,001	48,503	181	174,205
Depreciation charge	(24,697)	(43,706)	(1,172)	(28,573)	(11,809)	(109,957)
Closing net book value	26,815	442,770	15,885	127,915	26,308	639,693
At 31 December 2022						
Cost	236,995	494,434	26,599	292,493	64,525	1,115,046
Accumulated depreciation	(210,180)	(51,664)	(10,714)	(164,578)	(38,217)	(475,353)
Net book value	26,815	442,770	15,885	127,915	26,308	639,693
Rate of depreciation (percentage)	**10**	**10-22**	**20**	**20-33**	**20**	

10.2.1 Cost of property and equipment fully depreciated that are still in use is as follows:

Improvements on lease hold buildings	**Furniture and fixture**	**Electrical, office and computer equipment**	**Vehicles**	**Total**
---------- (Rupees in '000) ----------				
72,185	**5,312**	**102,562**	**4,270**	**184,328**

11 DEFERRED TAX ASSETS

	2023				
	At 01 January 2023	**Reclassified from Advance tax**	**Recognised in Profit Loss Account**	**Recgonised in OCI**	**At 31 December 2023**
	---------- Rupees in 000 ----------				
Deductible Temporary Differences on					
- Deficit on revaluation of investments	**3,294**	**-**	**-**	**1,862**	**5,156**
- Accelerated tax depreciation	**15,524**	**-**	**24,840**	**-**	**40,364**
- Workers' Welfare Fund	**145,755**	**-**	**63,620**	**-**	**209,375**
	164,573	**-**	**88,460**	**1,862**	**254,895**
Taxable Temporary Differences on					
- Post retirement employee benefits	**(22,993)**	**-**	**-**	**(13,443)**	**(36,436)**
	141,580	**-**	**88,460**	**(11,581)**	**218,459**

	2022				
	At 01 Jan 2022	**Reclassified from Advance tax**	Recognised in Profit Loss Account	Recgonised in OCI	At 31 Dec 2022
	---------- Rupees in 000 ----------				
Deductible Temporary Differences on					
- Deficit on revaluation of investments	1,746	-	-	1,548	3,294
- Accelerated tax depreciation	20,023	-	(4,499)	-	15,524
- Workers' Welfare Fund	-	114,954	30,801	-	145,755
	21,769	114,954	26,302	1,548	164,573
Taxable Temporary Differences on					
- Post retirement employee benefits	(16,374)	-	-	(6,619)	(22,993)
	5,395	114,954	26,302	(5,071)	141,580

12 OTHER ASSETS

	Note	**2023**	2022
		---------- **Rupees in 000** -------	
Income/ Mark-up accrued in local currency		**425,772**	203,263
Income/ Mark-up accrued in foreign currency		**13,020**	4,559
Advances, deposits, advance rent and other prepayments		**72,607**	80,771
Advance taxation (payments less provisions)		**1,301,438**	1,071,615
Receivable from defined benefit plan	*30.3*	**55,803**	23,993
Acceptances		**713,103**	106,099
Others		**14,270**	9,942
		2,596,013	1,500,242
Less: Provision held against other assets	*12.1*	**(4,674)**	(4,674)
Other Assets (net of provision)		**2,591,339**	1,495,568

12.1 Provision held against other assets

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

13 BILLS PAYABLE

In Pakistan	**832,304**	1,214,740

14 DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Customers						
Non-Remunerative						
Current deposits	**18,777,805**	**3,371,169**	**22,148,974**	7,427,614	1,390,286	8,817,900
Others	**562,427**	**-**	**562,427**	5,261,296	-	5,261,296
Remunerative						-
Savings deposits	**9,389,472**	**213**	**9,389,685**	28,757,335	1,165	28,758,500
Term deposits	**4,330,000**	**-**	**4,330,000**	3,178,500	-	3,178,500
	33,059,704	**3,371,382**	**36,431,086**	44,624,745	1,391,451	46,016,196
Financial Institutions						
Non-remunerative deposit – inter branch	**496**	**-**	**496**	423	-	423
	496	**-**	**496**	423	-	423
	33,060,200	**3,371,382**	**36,431,582**	44,625,168	1,391,451	46,016,619

	Note	**2023**	2022
		Rupees in '000	
14.1 Composition of deposits			
- Individuals		**22,693**	20,575
- Banking Companies		**496**	423
- Private Sector		**36,408,393**	45,995,621
	14.2	**36,431,582**	46,016,619

14.2 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs 538.661 million (2022: Rs 333.362 milllion).

15 OTHER LIABILITIES

	Note	**2023**	2022
		Rupees in '000	
Mark-up / Return / Interest payable in local currency		**33,368**	18,596
Unearned commission and income on bills discounted		**50,473**	34,854
Accrued expenses		**364,631**	127,767
Acceptances		**713,103**	106,099
Dividends received for Custodial clients		**31,241**	343
Mark to market loss on forward foreign exchange contracts		**20**	7
Payable to DB Singapore		**6,195**	6,195
Unremitted expenses of head office and branches		**5,884,649**	3,767,465
Provision against off-balance sheet obligations	*15.1*	**6,121**	6,121
Workers welfare fund	*15.2*	**427,295**	338,964
Lease liability		**468,322**	479,598
Others		**214,901**	285,735
		8,200,319	5,171,744

15.1 Provision against off-balance sheet obligations

Opening balance		**6,121**	6,121
Charge/ (reversals)		**-**	
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)

The Pakistan Operations has made a provision for Workers' Welfare Fund (WWF) based on profit for the respective years.

16 HEAD OFFICE CAPITAL ACCOUNT

	Note	2023	2022
		------ Rupees in '000 ----	
Balance at the beginning of the year	16.1	**7,734,312**	6,398,696
Revaluation surplus allowed by the State Bank of Pakistan during the year		**2,249,733**	1,335,616
		9,984,045	7,734,312

16.1 Capital held in interest free deposit in approved foreign exchange represents Euro 32,048,165 (2022: Euro 32,048,165).

17 DEFICIT ON REVALUATION OF ASSETS

	2023	2022
Deficit on revaluation of:		
- Available for sale securities	**(10,522)**	**(7,661)**
Deferred tax on deficit on revaluation of:		
- Available for sale securities	**5,156**	**3,294**
	(5,366)	**(4,367)**

18 CONTINGENCIES AND COMMITMENTS

	Note	2023	2022
-Guarantees	18.1	**13,761,195**	13,155,230
-Commitments	18.2	**20,547,832**	19,993,460
		34,309,027	33,148,690

18.1 Guarantees:

	2023	2022
Financial guarantees	**13,761,195**	13,155,230

18.2 Commitments:

	Note	2023	2022
Documentary credits and short-term trade-related transactions			
- letters of credit		**6,246,964**	1,968,960
Commitments in respect of:			
- forward foreign exchange contracts	18.2.1	**25,108**	3,178
- forward lending	18.2.2	**14,267,267**	17,537,069
Commitments for acquisition of:			
- operating fixed assets		**8,493**	484,253
		20,547,832	19,993,460

18.2.1 Commitments in respect of forward foreign exchange contracts

	2023	2022
Purchase	**25,108**	3,178
	25,108	3,178

The maturities of above contracts are spread over a week.

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

18.3 Contingencies for tax payable

There were no contingencies othan than those disclosed in note 27.2

19 MARK-UP / RETURN / INTEREST EARNED

	Note	2023	2022
		------ Rupees in '000 ------	
On:			
Loans and advances		**1,206,067**	570,987
Investments		**1,477,039**	3,119,879
Lendings to financial institutions		**5,944,678**	1,520,661
Balances with banks		**118,717**	6,621
		8,746,501	5,218,148

20 MARK-UP / RETURN / INTEREST EXPENSED

Deposits		**2,507,703**	2,757,807
Borrowings		**-**	8,355
Finance costs against lease		**62,259**	42,845
		2,569,962	2,809,007

21 FEE & COMMISSION INCOME

Commission on trade		**212,126**	111,437
Commission on guarantees		**77,776**	69,202
Commission on cash management		**3,999**	6,675
Commission on remittances including home remittances		**3,180**	66,084
Commission on custodial services		**59,200**	67,184
		356,282	320,582

22 LOSS ON SALE OF SECURITIES

Realised loss	*22.1*	**-**	(4,412)

22.1 Realised loss on:

Federal Government Securities		**-**	(4,412)

23 OTHER INCOME

Gain on sale of fixed assets - net		**914**	790
Others		**-**	131
		914	921

		Note	2023	2022
24	**OPERATING EXPENSES**		------ Rupees in '000 ------	
	Total compensation expense	*24.1*	**715,933**	653,635
	Property expense			
	Rent & taxes		**37,724**	126,030
	Insurance		**9,385**	7,921
	Utilities cost		**13,637**	24,244
	Security (including guards)		**10,273**	8,514
	Repair & maintenance (including janitorial charges)		**32,076**	20,020
	Depreciation		**44,447**	24,696
	Depreciation on right-of-use assets		**55,384**	43,707
			202,926	255,132
	Information technology expenses			
	Software maintenance		**4,287**	4,500
	Hardware maintenance		**27,364**	24,606
	Depreciation		**37,436**	22,566
	Network charges		**43,358**	32,466
			112,445	84,138
	Other operating expenses			
	Legal & professional charges		**29,497**	25,027
	Outsourced services costs	*24.2*	**91,719**	69,779
	Travelling & conveyance		**8,880**	6,513
	NIFT clearing charges		**1,428**	1,302
	Depreciation		**37,956**	18,988
	Training & development		**956**	975
	Postage & courier charges		**2,403**	3,059
	Communication		**(1,794)**	1,477
	Head office / regional office expenses	*24.3*	**1,898,799**	387,050
	Stationery & printing		**20,420**	20,448
	Marketing, advertisement & publicity		**586**	1,855
	Auditors remuneration	*24.4*	**8,642**	3,501
	Premium for Deposit Protection		**440**	568
	Others		**12,989**	4,356
			2,112,921	544,898
			3,144,225	1,537,803

24.1 Total compensation expense

	Note	2023	2022
Managerial Remuneration			
i) Fixed		**233,644**	237,503
ii) Variable			
of which;			
a) Cash bonus / awards etc.		**196,597**	78,144
b) Bonus & awards in shares etc. reversal in accruals		**(47,714)**	-
Charge for defined benefit plan	*30.7.1*	**19,865**	26,463
Contribution to defined contribution plan		**41,121**	35,760
Rent & house maintenance		**97,427**	96,022
Utilities		**21,650**	21,338
Medical		**13,724**	12,287
Conveyance		**5,641**	5,569
Others	*24.1.1*	**131,611**	140,549
Sub-total		**713,566**	653,635
Severance Allowance	*24.1.2*	**2,367**	0
Grand Total		**715,933**	653,635

24.1.1 Others

	2023	2022
Maintenance cars - general repair expenses	**3,501**	5,861
Car allowance	**56,060**	57,679
COLA - Cost of Living Adjustment	**21,650**	21,338
Employee recognition awards	**6,259**	11,365
Notice buyouts	-	2,678
Maintenance cars - petrol expenses	**26,052**	18,037
Health insurance	**4,995**	8,644
Consumption allowance	**2,153**	2,151
Canteen expenses	**4,703**	3,005
Others	**6,238**	9,790
	131,611	140,549

24.1.2 Number of person to whom severance cost paid is 1 (2022: nil).

24.2 The total cost for the year included in other operating expenses relating to outsourced activities is Rs. 91.72 million (2022: Rs 69.78 million) which pertains to companies incorporated in Pakistan. This excludes outsourcing expenses incurred with Head office and branches which are separately disclosed in note 24.3 of these financial statements. The material outsourcing arrangements with companies incorporated in Pakistan along with their nature are as follows:

Supplier Name	Services	2023	2022
		------ (Rupees in '000) ------	
CBRE	Facility management services	76,321	51,544
HRSG	Manpower outsourcing staff services	10,408	11,790

24.3 Head office expenses / regional expenses

	2023	2022
Management leadership charges	**255,982**	164,009
Ben / Acorn charges (softwares and applications)	**952,752**	365,742
Global HR product	**-**	7,591
Other Infrastructure costs and corporate overheads	**672,089**	24,120
	1,880,823	561,462
Add / less: Transfer Pricing Coverage	**17,976**	(174,412)
	1,898,799	387,050

24.4 Auditors' remuneration

	2023	2022
Audit fee	**5,844**	2,423
Fee for other statutory certifications	**2,041**	855
Out-of-pocket expenses	**757**	223
	8,642	3,501

25 OTHER CHARGES

	2023	2022
Penalties imposed by State Bank of Pakistan	**-**	1,030
Others	**2**	-
	2	1,030

26 TAXATION

	2023	2022
Current	**2,164,102**	1,251,607
Prior years	**235,491**	3,182
Deferred	**(88,460)**	(26,301)
	2,311,133	1,228,488

26.1 Relationship between tax expense and accounting profit

	Note	2023	2022
Profit before tax		**4,299,997**	2,148,043
Tax calculated at the rate of 39% (2022: 39%)		**1,676,998**	837,736
Effect of :			
- Super tax		**430,000**	214,804
- Current year - Additional tax on additional income from Federal Government Securities		**-**	168,481
- Prior year - Additional tax on additional income from Federal Government Securities		**-**	3,182
- Tax rates change impact		**(22,504)**	(11,470)
- Disallowance of penalties imposed by SBP		**-**	505
- Disallowance of 50% of contribution to gratuity and pension funds		**10,740**	10,696
- Windfall tax on prior years	*26.1.1*	**235,491**	-
- Others		**(19,592)**	4,554
Tax charge for the year		**2,311,133**	1,228,488

26.1.1 During the year, a windfall tax was imposed on the foreign exchange income of the Bank for the years 2021 and 2022. The aggregate tax liability for both years, if calculated in the manner specified, amounts to Rs. 235 million against which a recovery notice has also been issued by the tax department.

The Bank has filed a Constitutional Petition before the Honourable High Court of Sindh, challenging the operation of the S.R.O 1588 (l)/2023 dated November 21, 2023 imposing the windfall tax. The Court has suspended the operation of the said S.R.O till the next hearing date. Similar orders have also been passed by the High Courts of Lahore, Islamabad and Peshawar for other banks.

26.2 The Pakistan Operations has Rs. 557 million as contingent tax liabilities (December 31, 2022: Rs. 562 million). During the year, the Commissioner Appeals (CIRA) passed appellate order dated April 12, 2023 filed against the ammended assessment order for tax year 2017 dated February 28, 2023 passed under section 177 of the Income Tax Ordinance, 2001. The CIRA remanded back disallowances of head office expenses and depreciation, which had created a contingency of Rs. 357 million, to the officer for examination. Further, the CIRA decided various other issues in the same appellate order in favor of the bank reversing contingencies of Rs. 5 million. Other contingencies majorly include those for tax year 2012, 2013 and 2016. Primarily, these are disallowances made for unrealized exchange losses, mark up interest accrued and interest on loans to employees. The Pakistan Operations is vigorously contesting at different fora and confident that no additional liabilities would arise.

27 CASH AND CASH EQUIVALENTS

	2023	2022
	------ (Rupees in '000) -	
Cash and balance with treasury banks	**14,125,650**	13,413,245
Balance with other banks	**2,612,845**	1,006,967
	16,738,495	14,420,212

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

	2023			
	Liabilities	Equity		
	Lease Liabilities	Head office capital account	Un-remitted profit	Total
	------ (Rupees in '000) ------			
Balance as at 1 January 2023	**479,598**	**7,734,312**	**3,393,816**	**11,607,726**
Change from financing cash flow				
Addition in lease liabilities	-			
Payment of lease liabilities	(73,535)	-	-	(73,535)
Total change from financing cash flows	(73,535)	-	-	(73,535)
The effect of changes due to foreign exchange translation	**-**	**2,249,733**	**-**	**2,249,733**
Other changes				
Finance costs against lease	**62,259**	**-**	**-**	**62,259**
Transfer of profit to reserve	**-**	**-**	**1,996,308**	**1,996,308**
	62,259	**-**	**1,996,308**	**2,058,567**
Balance as at 31 December 2023	468,322	**9,984,045**	**5,390,124**	**15,842,491**

	2022			
	Liabilities	Equity		
	Lease Liabilities	Head office capital account	Un-remitted profit	Total
	------ (Rupees in '000) ------			
Balance as at 1 January 2022	34,029	6,398,696	2,469,393	8,902,118
Change from financing cash flow				
Addition in lease liabilities	455,373			455,373
Payment of lease liabilities	(52,649)	-	-	(52,649)
Total change from financing cash flows	402,724	-	-	402,724
The effect of changes due to foreign exchange translation	-	1,335,616	-	1,335,616
Other changes				
Finance costs against lease	42,845	-	-	42,845
Transfer of profit to reserve	-	-	924,423	924,423
	42,845	-	924,423	967,268
Balance as at 31 December 2022	479,598	7,734,312	3,393,816	11,607,726

29 STAFF STRENGTH

	2023	2022
	------------ (Number) ------------	
Permanent	**88**	88
Others (Outsourced)	**6**	6
Bank's own staff strength at the end of the year	**94**	94

30 DEFINED BENEFIT PLAN

30.1 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 87 (2022: 85).

30.2 Principal actuarial assumptions

The actuarial valuation of the defined benefit plan was carried out at 31 December 2023. Projected Unit Credit Method is used for the calculation and the key assumptions used for actuarial valuation were as follows:

	Note	2023	2022
		---------- (Per annum) ----------	
Discount rate		**14.75%**	14.25%
Expected rate of return on plan assets		**14.75%**	14.25%
Expected rate of salary increase		**14.50%**	14.00%
Expected rate of increase in pension		**7.80%**	7.48.%

30.3 Reconciliation of receivable from defined benefit plans

	Note	2023	2022
Present value of obligations	*30.4*	**932,504**	857,182
Fair value of plan assets	*30.5*	**(988,307)**	(881,175)
	30.6	**(55,803)**	(23,993)

30.4 Movement in defined benefit obligations

		2023	2022
Obligations at the beginning of the year		**857,182**	839,507
Current service cost		**25,478**	29,721
Interest cost		**118,824**	101,536
Benefits paid		**(46,653)**	(42,663)
Re-measurement gain		**(22,327)**	(70,919)
Obligations at end of the year		**932,504**	857,182

30.5 Movement in fair value of plan assets

		2023	2022
Fair value at the beginning of the year		**881,175**	849,183
Interest income on plan assets		**124,437**	104,568
Contributions		**30,788**	29,519
Benefits paid		**(46,653)**	(42,663)
Return on plan assets		**(1,440)**	(59,432)
Fair value at end of the year	*30.8*	**988,307**	881,175

30.6 Movement in payable under defined benefit schemes

		2023	2022
Opening balance		**(23,993)**	(9,676)
Charge for the year	*30.7.1*	**19,865**	26,689
Contribution		**(30,788)**	(29,519)
Re-measurement gain recognised in OCI during the year	*30.7.2*	**(20,887)**	(11,487)
Closing balance		**(55,803)**	(23,993)

30.7 Charge for defined benefit plans

30.7.1 Cost recognised in profit and loss

		2023	2022
Current service cost		**25,478**	29,721
Net interest on defined benefit asset / liability		**(5,613)**	(3,032)
		19,865	26,689

30.7.2 Re-measurements recognised in OCI during the year

		2023	2022
Gain on obligations			
- Demographic assumptions		**-**	(8,333)
- Financial assumptions		**(13,797)**	(53,187)
- Experience adjustment		**(8,530)**	(9,399)
Return on plan assets over interest income		**1,440**	59,432
Total re-measurements recognised in OCI		**(20,887)**	(11,487)

30.8 Components of plan assets

		2023	2022
Cash and cash equivalents - net		**7,195**	5,386
Government Securities		**988,903**	875,789
Less: Pension payable		**(7,791)**	-
		988,307	881,175

30.9 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:

	2023 Rupees in '000
1% increase in discount rate	**(91,080)**
1% decrease in discount rate	**109,101**
1 % increase in expected rate of salary increase	**20,548**
1 % decrease in expected rate of salary increase	**(18,836)**
1% increase in expected rate of pension increase	**88,385**
1% decrease in expected rate of pension increase	**(76,657)**

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

	2023	2022	2021	2020	2019
	(Rupees in '000)				
Present value of obligations	**932,504**	857,182	839,507	835,613	750,678
Fair value of plan assets	**988,307**	881,175	849,183	796,097	685,351
(Surplus) / Deficit	**(55,803)**	(23,993)	(9,676)	39,516	65,327
Experience adjustment on plan liabilities - loss / (gain)	**(8,530)**	(9,399)	(14,019)	(51,293)	5,915

	2023 Rupees in '000
30.11 Expected contributions to be paid to the fund in the next financial year	**31,195**
30.12 Expected charge / (reversal) for the next financial year	**17,017**

30.13 Maturity profile

The weighted average duration of the obligation (in years) **11.0**

30.14 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.

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

Final Salary Risk (linked to inflation risk)	The risk 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 (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.
Demographic Risks	Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side. Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.
Investment Risk	The risk of the investment underperforming and being not sufficient to meet the liabilities

31 DEFINED CONTRIBUTION PLAN

All confirmed permanent employees of the Pakistan Operations are eligible for provident fund and gratuity fund schemes. 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. The number of employees in provident fund scheme are 81 and in gratuity fund scheme are 81 (2022: Provident fund scheme 84 and Gratuity scheme 84).

32 COMPENSATION OF CHIEF COUNTRY OFFICER AND EXECUTIVES

	Chief Country Officer		Executives	
	2023	2022	**2023**	2022
	(Rupees in '000)			
Managerial remuneration	**40,339**	59,812	**575,097**	255,835
Contribution for defined benefit plan	**-**	-	**30,579**	29,519
Contribution to defined contribution plan	**-**	-	**39,671**	35,760
Medical	**162**	14	**13,562**	12,273
	40,501	59,826	**658,909**	333,387
	(Number)			
Number of persons	**1**	1	**87**	87

33 FAIR VALUE MEASUREMENTS

Fair value measurement defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. The fair value of other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

33.1 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:

	Note	2023 Fair Value Level 1	Level 2	Level 3	Total
		(Rupees in '000)			
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
- Federal Government Securities		-	**14,787,480**	-	**14,787,480**
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange		**-**	**25,088**	**-**	**25,088**
Forward sale of foreign exchange		**-**	**-**	**-**	**-**

	2022 Fair Value Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
- Federal Government Securities	-	32,008,766	-	32,008,766
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	3,171	-	3,171
Forward sale of foreign exchange	-	-	-	-

There were no transfers between different fair value hierarchy levels during the current year.

33.2 Valuation techniques used in determination of fair values:

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds, and forward foreign exchange contracts.

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by the State Bank of Pakistan.
Market Treasury Bills (MTB) / Pakistan Investment Bonds(PIB)	The fair value of MTBs and PIBs are derived using PKRV rates.

34 SEGMENT INFORMATION

34.1 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

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

Global Emerging Markets provides Foreign Exchange services to clients in Pakistan on the back of cross-border payments, international trade, institutional flows and bond trading.

Infrastructure and Regional Management

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

	2023			
	Corporate Bank	Investment Bank	Infrastructure & Regional Management	Total
	------------------------------(Rupees in '000)------------------------------			
Profit & Loss				
Net mark-up/return/profit	(1,267,066)	(1,036)	7,444,641	6,176,539
Inter segment revenue - net	6,283,606	19,789	(6,303,395)	-
Non mark-up / return / interest income	754,518	784,500	(183,002)	1,356,016
Total income	5,771,058	803,253	958,244	7,532,555
Segment direct expenses	(1,411,619)	(142,170)	(1,678,769)	(3,232,558)
Inter segment expense allocation	(346,077)	(35,177)	381,254	-
Total expenses	(1,757,696)	(177,347)	(1,297,515)	(3,232,558)
Provisions	-	-	-	-
Profit before tax	4,013,362	625,906	(339,271)	4,299,997
Balance Sheet				
Cash and bank balances	-	-	16,738,495	16,738,495
Net inter segment lending	29,001,696	-	-	29,001,696
Lendings to financial institutions	-	-	17,397,321	17,397,321
Investments		-	14,787,480	14,787,480
Advances - performing	7,979,803	-	-	7,979,803
- non-performing	96,511	-	-	96,511
- provision against advances	(104,509)	-	-	(104,509)
Others	1,124,194	-	2,813,713	3,937,907
Total Assets	38,097,695	-	51,737,009	89,834,704
Borrowings	-	-	-	-
Deposits & other accounts	36,431,085	-	497	36,431,582
Net inter segment borrowing		(20)	29,001,716	29,001,696
Others	1,666,610	20	7,365,993	9,032,623
Total liabilities	38,097,695	-	36,368,206	74,465,901
Equity	-	-	15,368,803	15,368,803
Total Equity & liabilities	38,097,695	-	51,737,009	89,834,704
Contingencies & Commitments	34,275,426	25,108	8,493	34,309,027

	2022			
	Global Transaction Banking	Investment Bank	Infrastructure & Regional Management	Total
	------------------------------(Rupees in '000)------------------------------			
Profit & Loss				
Net mark-up/return/profit	(2,197,807)	8,749	4,598,199	2,409,141
Inter segment revenue - net	3,817,712	(80,860)	(3,736,852)	-
Non mark-up / return / interest income	422,368	952,473	(52,897)	1,321,944
Total income	2,042,273	880,362	808,450	3,731,085
Segment direct expenses	(199,758)	(42,872)	(1,340,412)	(1,583,042)
Inter segment expense allocation	(1,080,749)	(135,907)	1,216,656	-
Total expenses	(1,280,507)	(178,779)	(123,756)	(1,583,042)
Provisions	-	-		-
Profit before tax	761,766	701,583	684,694	2,148,043
Balance Sheet				
Cash and bank balances	-	-	14,420,212	14,420,212
Investments		-	32,008,766	32,008,766
Net inter segment lending	41,684,447	-	-	41,684,447
Lendings to financial institutions	-	-	9,141,986	9,141,986
Advances - performing	5,414,376	-	-	5,414,376
- non-performing	96,511	-	-	96,511
- provision against advances	(104,509)	-	-	(104,509)
Others	306,596	-	2,242,926	2,549,522
Total Assets	47,397,421	-	57,813,890	105,211,311
Borrowings	-	-	-	-
Subordinated debt	-		-	-
Deposits & other accounts	46,016,195	-	424	46,016,619
Net inter segment borrowing		-	41,684,447	41,684,447
Others	1,381,226	7	5,005,251	6,386,484
Total liabilities	47,397,421	7	46,690,122	94,087,550
Equity	-	-	11,123,761	11,123,761
Total Equity & liabilities	47,397,421	7	57,813,883	105,211,311
Contingencies & Commitments	32,661,259	3,178	911,366	33,575,803

35 TRUST ACTIVITIES

Deutsche Bank 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 Deusche Bank Pakistan Operations and; therefore, are not included in the statement of financial position. The following is the list of assets held on behalf of Deutsche Bank Pakistan clients:

	2023	2022
	------- (Rupees in '000) -------	
Type of security		
Government Securities	**2,950,525**	2,798,355
TFCs and Sukuks	**172,335**	30,335
Shares	**63,069,992**	31,536,455
	66,192,852	34,365,145

36 RELATED PARTY TRANSACTIONS

Related parties comprise of Head office, other branches of the Bank and employees' retirement benefit funds. The transactions with related parties are conducted under normal course of business at arm's length prices. The 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:

	2023			2022		
	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	**2,604,761**	**-**	**-**	1,001,919	-	-
Advances						
Opening balance	**-**	**34,775**	**-**	-	27,123	-
Addition during the year	**-**	**5,117**	**-**	-	14,268	-
Repaid during the year	**-**	**(6,578)**	**-**	-	(6,616)	-
Transfer in / (out) - net	**-**	**(23,211)**	**-**	-	-	-
Closing balance	**-**	**10,103**	**-**	-	34,775	-
Other Assets						
Receivable from staff retirement fund	**-**	**-**	**55,803**	-	-	23,993
Borrowings						
Opening balance	**-**	**-**	**-**	9,334	-	-
Borrowings during the year	**-**	**-**	**-**	162,977	-	-
Settled during the year	**-**	**-**	**-**	(172,311)	-	-
Closing balance	**-**	**-**	**-**	-	-	-
Deposits and other accounts						
Opening balance	**423**	**2,079**	**31,485**	-	7,163	20,184
Received during the year	**5,012**	**131,152**	**1,381,655**	198,659	150,399	1,511,406
Withdrawn during the year	**(4,938)**	**(128,487)**	**(1,403,174)**	(198,236)	(155,477)	(1,500,105)
Transfer in / (out) - net	**-**	**3,283**	**-**	-	(6)	-
Closing balance	**496**	**8,027**	**9,966**	423	2,079	31,485
Other Liabilities						
Payable to staff retirement fund	**-**	**-**	**-**	-	-	-
Other liabilities	**5,884,649**	**-**	**-**	3,773,660	-	-
Contingencies and Commitments						
Other contingencies	**4,482,520**	**-**	**-**	5,508,803	-	-

	2023		2022	
	Head office and	**Key management**	Head office and branches	Key management
	(Rupees in '000)			
Income				
Mark-up / return / interest earned	**99,415**	**708**	4,706	690
Expense				
Mark-up / return / interest paid	**-**	**1,204**	-	-
Operating expenses	**1,438,092**	**116,617**	387,050	125,449

37 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2023	2022
	--------- (Rupees in '000) ---------	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**15,334,763**	11,109,125
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**15,334,763**	11,109,125
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**15,334,763**	11,109,125
Eligible Tier 2 Capital	**14,119**	14,119
Total Eligible Capital (Tier 1 + Tier 2)	**15,348,882**	11,123,244
Risk Weighted Assets (RWAs):		
Credit Risk	**15,776,672**	11,540,655
Market Risk	**123,705**	198,488
Operational Risk	**8,557,996**	5,701,773
Total	**24,458,373**	17,440,916
Common Equity Tier 1 Capital Adequacy ratio	**62.70%**	63.70%
Tier 1 Capital Adequacy Ratio	**62.70%**	63.70%
Total Capital Adequacy Ratio	**62.76%**	63.78%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	**15,334,763**	11,109,125
Total Exposures	**87,648,999**	78,634,415
Leverage Ratio	**17.50%**	14.13%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**40,219,051**	34,514,986
Total Net Cash Outflow	**12,776,366**	12,336,781
Liquidity Coverage Ratio	**315%**	280%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**37,205,116**	31,342,973
Total Required Stable Funding	**13,818,088**	8,057,490
Net Stable Funding Ratio	**269%**	389%

37.1 The full discolsures 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

38 RISK MANAGEMENT

38.1 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.

- 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.

38.2 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.

38.3 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.

38.4 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.

38.5 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.

38.6 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.

38.6.1 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.

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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.

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

Lendings to financial institutions

Credit risk by public / private sector	Gross lendings 2023	Gross lendings 2022	Non-performing lendings 2023	Non-performing lendings 2022	Provision held 2023	Provision held 2022
	(Rupees in '000)					
Public/ Government	**-**	-	**-**	-	**-**	-
Private	**17,397,321**	9,141,986	**-**	-	**-**	-
	17,397,321	9,141,986	**-**	-	**-**	-

38.6.1.2 ***Advances***

Credit risk by industry sector	Gross advances 2023	Gross advances 2022	Non-performing advances 2023	Non-performing advances 2022	Provision held 2023	Provision held 2022
	(Rupees in '000)					
Electronics and electrical appliances	**-**	296,549	**-**	-	**-**	-
Chemical and pharmaceuticals	**1,710,111**	829,607	**-**	-	**-**	-
Manufacture of soap, detergents, cleaning polish	**-**	663,947	**-**	-	**-**	-
Textile composite	**96,511**	96,511	**96,511**	96,511	**96,511**	96,511
Technical and business consultancies	**331,011**	200,301	**-**	-	**-**	-
Manufacture of soft drinks and other bottled waters	**20,731**					
Manufacture of dairy products	**831**	6,620	**-**	-	**-**	-
Wholesale and retail trade	**5,611,230**	3,127,160	**-**	-	**-**	-
Individuals	**305,889**	290,192	**-**	-	**-**	-
	8,076,314	5,510,887	**96,511**	96,511	**96,511**	96,511

Credit risk by public / private sector	Gross advances 2023	Gross advances 2022	Non-performing advances 2023	Non-performing advances 2022	Provision held 2023	Provision held 2022
	(Rupees in '000)					
Private	**8,076,314**	5,510,887	**96,511**	96,511	**96,511**	96,511
	8,076,314	5,510,887	**96,511**	96,511	**96,511**	96,511

38.6.1.3 ***Contingencies and Commitments***

Credit risk by industry sector	2023	2022
	----- Rupees in '000 -----	
Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus	**1,721,500**	1,264,685
Manufacture of other food products n.e.c.,	**1,869,053**	1,871,053
Manufacture of soft drinks and other bottled waters	**3,776,510**	1,084,138
Manufature of textile - cotton	**268**	268
Manufacture of refined petroleum products	**513,637**	503,637
Manufacture of fertilizers and nitrogen compounds	**24,374**	12,603
Manufacture of paints, varnishes and similar coatings, printing ink and mastics	**92,958**	14,431
Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations	**223,650**	199,910
Manufacture of tobacco products	**708,546**	293,020
Manufacture of basic pharmaceutical products and pharmaceutical preparations	**2,715,648**	1,388,074
Manufacture of electric lighting equipment	**3,212**	15,863
Manufacture of other electrical equipment n.e.c	**2,536**	2,536
Manufacture of motor vehicles	**22,705**	22,705
Undifferentiated goods- and services-producing activities of private households for own use	**11,674**	-
Financial	**7,910,767**	8,423,083
Other manufacturing n.e.c.	**286,028**	25,800
Non-specialized wholesale trade	**122,726**	-
Others retail sale n.e.c	**2,367**	2,384
	20,008,159	15,124,190
Credit risk by public / private sector		
Private	**20,008,159**	15,124,190

38.6.1.4 Concentration of Advances

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

	2023	2022
Funded	**7,839,798**	6,181,986
Non Funded	**15,561,955**	2,927,507
Total Exposure	**23,401,753**	9,109,493

The sanctioned limits against these top 10 expsoures aggregated to Rs 23.975 billion (2022: 15.86 billion)

Total funded classified therein	2023 Amount	2023 Provision held	2022 Amount	2022 Provision held
Loss	96,511	96,511	96,511	96,511
Total	96,511	96,511	96,511	96,511

38.6.1.5 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2023 Disbursements	Utilization Punjab	Utilization Sindh
	(Rupees in '000)		
Punjab	**66,344,236**	**66,344,236**	**-**
Sindh	**65,130,601**	**-**	**65,130,601**
Total	**131,474,837**	**66,344,236**	**65,130,601**

Province / Region	2022 Disbursements	Utilization Punjab	Utilization Sindh
	(Rupees in '000)		
Punjab	85,183,701	85,183,701	-
Sindh	105,848,559	-	105,848,559
Total	191,032,260	85,183,701	105,848,559

38.6.2 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.

38.6.2.1 Balance sheet split by trading and banking books

	2023 Banking book	2023 Trading book	2023 Total	2022 Banking book	2022 Trading book	2022 Total
	(Rupees in '000)					
Cash and balances with treasury banks	**14,125,650**	**-**	**14,125,650**	13,413,245	-	13,413,245
Balances with other banks	**2,612,845**	**-**	**2,612,845**	1,006,967	-	1,006,967
Lendings to financial institutions	**17,397,321**	**-**	**17,397,321**	9,141,986	-	9,141,986
Investments	**14,787,480**	**-**	**14,787,480**	32,008,766	-	32,008,766
Advances	**7,971,805**	**-**	**7,971,805**	5,406,378	-	5,406,378
Fixed assets	**1,128,109**	**-**	**1,128,109**	912,374	-	912,374
Deferred tax assets	**218,459**	**-**	**218,459**	141,580	-	141,580
Other assets	**2,591,339**	**-**	**2,591,339**	1,495,568	-	1,495,568
	60,833,008	**-**	**60,833,008**	63,526,864	-	63,526,864

38.6.2.2 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.

	2023 Foreign currency assets	2023 Foreign currency liabilities and Head office capital account	2023 Off-balance sheet items	2023 Net foreign currency exposure	2022 Foreign currency assets	2022 Foreign currency liabilities and Head office capital account	2022 Off-balance sheet items	2022 Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	**2,495,626**	**2,530,191**	**25,108**	**(9,457)**	1,496,511	1,388,512	3,177	111,176
Great Britain Pound Sterling	**571**	**-**	**-**	**571**	446	37	-	409
Euro	**10,937,243**	**10,825,237**	**-**	**112,006**	7,740,695	7,737,213	-	3,482
Japanese Yen	**2,073**	**-**	**-**	**2,073**	4,443	-	-	4,443
Other currencies	**9,055**	**-**	**-**	**9,055**	6,158	-	-	6,158
	13,444,568	**13,355,428**	**25,108**	**114,248**	9,248,253	9,125,762	3,177	125,668

	2023 Banking book	2023 Trading book	2022 Banking book	2022 Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	**1,142**	**-**	1,257	-

38.6.2.3 *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.

	2023 Banking	2023 Trading book	2022 Banking book	2022 Trading book
	(Rupees in '000)			
Impact of 1% increase in interest rates on				
- Profit and loss account	**294,943**	**-**	158,444	-

38.6.2.4 *Mismatch of Interest Rate Sensitive Assets and Liabilities*

2023

	Effective Yield/ Interest rate	**Total**	**Exposed to Yield/ Interest risk: Upto 1 Month**	**Over 1 to 3 Months**	**Over 3 to 6 Months**	**Over 6 Months to 1 Year**	**Over 1 to 2 Years**	**Over 2 to 3 Years**	**Over 3 to 5 Years**	**Over 5 to 10 Years**	**Above 10 Years**	**Non-interest bearing financial instruments**
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	**0.23%**	**14,125,650**	**444,496**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,681,154**
Balances with other banks	**0.00%**	**2,612,845**	**2,612,845**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Lending to financial institutions	**21.70%**	**17,397,321**	**17,397,321**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**21.23%**	**14,787,480**	**14,787,480**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Advances	**20.75%**	**7,971,805**	**2,337,802**	**3,518,600**	**1,089,948**	**725,382**	**13,404**	**28,160**	**90,165**	**28,939**	**139,404**	**-**
Other assets	**0.00%**	**2,404,036**										**2,404,036**
		59,299,137	**37,579,944**	**3,518,600**	**1,089,948**	**725,382**	**13,404**	**28,160**	**90,165**	**28,939**	**139,404**	**16,085,191**
Liabilities												
Bills payable	**0.00%**	**832,304**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**832,304**
Borrowings	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits and other accounts	**6.87%**	**36,431,582**	**13,719,693**				**-**	**-**	**-**	**-**	**-**	**22,711,889**
Other liabilities	**0.00%**	**8,200,319**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,200,319**
		45,464,205	**13,719,693**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**31,744,512**
On-balance sheet gap		**13,834,932**	**23,860,251**	**3,518,600**	**1,089,948**	**725,382**	**13,404**	**28,160**	**90,165**	**28,939**	**139,404**	**(15,659,321)**
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions												
- letters of credit		**6,246,964**										**6,246,964**
Commitments in respect of:												
- Forward Purchase Contracts		**25,108**										**25,108**
- Forward Sales Contracts		**-**										**-**
- Forward agreement lending		**14,267,267**	**9,085,953**									**5,181,314**
- Forward sale of investments		**-**	**-**									**-**
- Other commitments		**-**										**-**
Off-balance sheet gap		**20,539,339**	**9,085,953**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,453,386**
Total Yield/Interest Risk Sensitivity Gap			**32,946,204**	**3,518,600**	**1,089,948**	**725,382**	**13,404**	**28,160**	**90,165**	**28,939**	**139,404**	**(4,205,935)**
Cumulative Yield/Interest Risk Sensitivity Gap			**32,946,204**	**36,464,804**	**37,554,753**	**38,280,135**	**38,293,539**	**38,321,699**	**38,411,864**	**38,440,803**	**38,580,206**	**34,374,271**

2022

	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk: Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.10%	13,413,245	261,641	-	-	-	-	-	-	-	-	13,151,604
Balances with other banks	0.00%	1,006,967	962,590	-	-	-	-	-	-	-	-	44,377
Lending to financial institutions	16.02%	9,141,986	9,141,986	-	-	-	-	-	-	-	-	-
Investments	15.86%	32,008,766	29,096,418	2,912,348	-	-	-	-	-	-	-	-
Advances	15.80%	5,406,378	5,116,189	-	1,275	4,300	11,972	4,000	94,669	29,999	143,974	-
Other assets	0.00%	1,176,236										1,176,236
		62,153,578	44,578,824	2,912,348	1,275	4,300	11,972	4,000	94,669	29,999	143,974	14,372,217
Liabilities												
Bills payable	0.00%	1,214,740	-	-	-	-	-	-	-	-	-	1,214,740
Borrowings	0.00%	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	14.50%	46,016,619	31,868,500	68,500	-	-	-	-	-	-	-	14,079,619
Liabilities against assets subject to financ	6.21%	-	-	-	-	-	-	-	-	-	-	
Subordinated debt	0.00%	-	-	-	-	-	-	-	-	-	-	
Other liabilities	0.00%	5,171,744	-	-	-	-	-	-	-	-	-	5,171,744
		52,403,103	31,868,500	68,500	-	-	-	-	-	-	-	20,466,103
On-balance sheet gap		9,750,475	12,710,324	2,843,848	1,275	4,300	11,972	4,000	94,669	29,999	143,974	(6,093,886)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions												
- letters of credit		1,968,960										1,968,960
Commitments in respect of:												
- Forward Purchase Contracts		3,178										3,178
- Forward Sales Contracts		-										-
- Forward agreement lending		17,537,069	12,355,755									5,181,314
- Other commitments		-	-									-
Off-balance sheet gap		427,113										427,113
		19,936,320	12,355,755	-	-	-	-	-	-	-	-	7,580,565
Total Yield/Interest Risk Sensitivity Gap			25,066,079	2,843,848	1,275	4,300	11,972	4,000	94,669	29,999	143,974	1,486,679
Cumulative Yield/Interest Risk Sensitivity Gap			25,066,079	27,909,927	27,911,202	27,915,502	27,927,474	27,931,474	28,026,143	28,056,142	28,200,116	29,686,795

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.

38.6.3 ***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

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
Risk Management for DB AG Pakistan Branch (both Karachi and Lahore) is performed offshore following the RCEB (Region Country Entity Branch) concept defined in the risk management policy of DB Group. There is no onshore presence of risk management personnel.

Consequently risk management in the country is supervised by the Pakistan Country Risk Contact (CRC) , reporting to DB AG's Chief Risk Officer for the EMEA region, with individual responsibility for specific risk types assigned to Risk Point of Contacts (PoC). Currently this extends to separate owners of the Credit, Market, Liquidity and Non-Financial risks.

CRC represents risk management in all relevant decision making fora for Pakistan as permanent member of the Operating Committee and Asset-Liability Committee. In addition NFRM PoC remains permanent guest at the OpCo, while CRM PoC is voting member of the Credit Forum.

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.

38.6.3.1 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 2022.

38.6.4 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

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.

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

	Total	2023												
		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	14,125,650	4,141,605	-	-	-	-	-	-	-	-	-	-	-	9,984,045
Balances with other banks	2,612,845	2,612,845	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	17,397,321	-	17,397,321	-	-	-	-	-	-	-	-	-	-	-
Investments	14,787,480	-	-	496,751	14,290,729		-	-	-	-	-	-	-	-
Advances	7,971,805	7,665,920	-	-	63	-	-	4,201	63	1,488	13,404	28,162	90,166	168,338
Fixed assets	1,128,109	-	-	-	4,615	4,615	4,615	13,846	13,846	13,846	55,384	51,767	778,755	186,820
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	218,459	-	-	-	-	-	-	-	-	-	218,459	-	-	-
Other assets	2,591,339	1,851,606	45,307	112,329	291,759	260,004	3,704	-	-	-	-	-	-	26,630
	60,833,008	16,271,976	17,442,628	609,080	14,587,166	264,619	8,319	18,047	13,909	15,334	287,247	79,929	868,921	10,365,833
Liabilities														
Bills payable	832,304	832,304	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	36,431,582	32,101,582	-	330,000	-	-	4,000,000	-	-	-	-	-	-	-
Liabilities against assets subject to	-	-	-	-	-	-	-	-	-	-	-	-	-	-
finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	8,200,319	7,018,874	45,327	112,329	295,382	260,724	4,431	4,947	5,083	5,223	23,954	28,244	97,762	298,039
	45,464,205	39,952,760	45,327	442,329	295,382	260,724	4,004,431	4,947	5,083	5,223	23,954	28,244	97,762	298,039
Net assets	15,368,803	(23,680,784)	17,397,301	166,751	14,291,784	3,895	(3,996,112)	13,100	8,826	10,111	263,293	51,685	771,159	10,067,793
Head office capital account	9,984,045													
Unremitted profit	5,390,124													
Surplus/(Deficit) on revaluation of assets	(5,366)													
	15,368,803													

		2022												
		Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	-----(Rupees in '000)-----													
Assets														
Cash and balances with treasury banks	13,413,245	5,678,933	-	-	-	-	-	-	-	-	-	-	-	7,734,312
Balances with other banks	1,006,967	1,006,967	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	9,141,986	-	9,141,986	-	-	-	-	-	-	-	-	-	-	-
Investments	32,008,766	-	-	18,906,637	10,189,780	2,912,349	-	-	-	-	-	-	-	-
Advances	5,406,378	5,116,187	-	-	-	-	-	1,276	41	4,259	11,972	4,000	94,669	173,974
Fixed assets	912,374	-	-	-	4,615	4,615	4,615	13,846	13,846	13,846	55,384	51,767	563,020	186,820
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	141,580	-	-	-	-	-	-	-	-	-	141,580	-	-	-
Other assets	1,495,568	1,363,325	40,751	-	35,338	30,009	-	-	-	-	-	-	-	26,145
	63,526,864	13,165,413	9,182,737	18,906,637	10,229,733	2,946,973	4,615	15,122	13,887	18,105	208,936	55,767	657,689	8,121,251
Liabilities														
Bills payable	1,214,740	1,214,740	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	46,016,619	42,838,119	440,000	2,470,000	200,000	68,500	-	-	-	-	-	-	-	-
Liabilities against assets subject to	-	-	-	-	-	-	-	-	-	-	-	-	-	-
finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,171,744	4,586,048	40,751	-	42,664	35,102	5,037	17,006	16,573	16,157	67,028	60,646	102,102	182,630
	52,403,103	48,638,907	480,751	2,470,000	242,664	103,602	5,037	17,006	16,573	16,157	67,028	60,646	102,102	182,630
Net assets	11,123,761	(35,473,494)	8,701,986	16,436,637	9,987,069	2,843,371	(422)	(1,884)	(2,686)	1,948	141,908	(4,879)	555,587	7,938,621
Head office capital account	7,734,312													
Unremitted profit	3,393,816													
Surplus/(Deficit) on revaluation of assets	(4,367)													
	11,123,761													

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

	Total	2023								
		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	14,125,650	973,582	1,460,370	1,024,592	683,061	-	-	-	-	9,984,045
Balances with other banks	2,612,845	561,165	841,748	725,959	483,973	-	-	-	-	-
Lending to financial institutions	17,397,321	17,397,321	-	-	-	-	-	-	-	-
Investments	14,787,480	14,787,480	-	-	-	-	-	-	-	-
Advances	7,971,805	2,343,353	3,514,935	1,088,816	724,628	13,404	28,160	90,165	28,939	139,404
Fixed assets	1,128,109	4,615	9,231	13,846	27,692	55,384	51,767	778,755	186,820	-
Intangible assets	-	-	-	-	-	-	-	-	-	
Deferred tax assets	218,459	-	-	-	-	218,459	-	-	-	-
Other assets	2,591,339	681,285	1,021,930	532,874	355,250	-				
	60,833,008	36,748,802	6,848,214	3,386,087	2,274,604	287,246	79,928	868,920	215,759	10,123,449
Liabilities										
Bills payable	832,304	40,811	61,218	438,165	292,110	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	36,431,582	5,182,446	11,278,670	11,982,280	7,988,186	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	
Subordinated debt	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	
Other liabilities	8,200,319	672,745	581,830	380,441	6,117,305	23,954	28,244	97,762	298,038	
	45,464,205	5,896,002	11,921,718	12,800,886	14,397,601	23,954	28,244	97,762	298,038	-
Net assets	15,368,803	30,852,800	(5,073,504)	(9,414,799)	(12,122,997)	263,292	51,684	771,158	(82,279)	10,123,449
Head office capital account	9,984,045									
Unremitted profit	5,390,124									
Surplus/(Deficit) on revaluation of assets	(5,366)									
	15,368,803									

	Total	2022								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	-----(Rupees in '000)-----									
Assets										
Cash and balances with treasury banks	13,413,245	1,657,320	2,485,978	921,381	614,254	-	-	-	-	7,734,312
Balances with other banks	1,006,967	376,347	564,521	39,659	26,440	-	-	-	-	-
Lending to financial institutions	9,141,986	9,141,986	-	-	-	-	-	-	-	-
Investments	32,008,766	29,096,418	2,912,348	-	-	-	-	-	-	-
Advances	5,406,378	921,228	1,393,839	1,681,948	1,124,749	11,972	4,000	94,669	29,999	143,974
Fixed assets	912,374	4,615	9,231	13,846	27,692	55,384	51,767	563,020	186,819	-
Intangible assets	-									
Deferred tax assets	141,580	-	-	-	-	141,580	-	-	-	-
Other assets	1,495,568	98,158	259,536	24,068	16,046	1,071,615	0	0	-	26,145
	63,526,864	41,296,072	7,625,453	2,680,902	1,809,181	1,280,551	55,767	657,689	216,818	7,904,431
Liabilities										
Bills payable	1,214,740	157,888	236,835	492,010	328,007	-	-	-	-	-
Borrowings	-	0	0	0	0	-	-	-	-	-
Deposits and other accounts	46,016,619	13,259,000	15,292,001	10,479,371	6,986,247	-	-	-	-	-
Liabilities against assets subject to finance lease	-									
Subordinated debt	-									
Deferred tax liabilities	-									
Other liabilities	5,171,744	109,172	69,583	475,520	4,105,871	67,028	60,646	102,102	181,822	-
	52,403,103	13,526,060	15,598,419	11,446,901	11,420,125	67,028	60,646	102,102	181,822	-
Net assets	11,123,761	27,770,012	(7,972,966)	(8,765,999)	(9,610,944)	1,213,523	(4,879)	555,587	34,996	7,904,431
Head office capital account	7,734,312									
Reserves	-									
Unremitted profit	3,393,816									
Surplus/(Deficit) on revaluation of assets	(4,367)									
	11,123,761									

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 28 March 2024.

40 GENERAL

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

Chief Country Officer **Pakistan**	**Chief Financial Officer** **Pakistan**