



Deutsche Bank AG, Pakistan Operations
(Incorporated in the Federal Republic of
Germany with limited liability)

Financial Statements

for the year ended

31 December 2021

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 2021, 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 significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, 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 2021 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.



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;



-:3:-

- 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: 30 March 2022

UDIN: AR202110191AyGt8x6I1

Deutsche Bank AG, Pakistan Operations
(Incorporated in the Federal Republic of Germany with limited liability)
Statement of Financial Position
As at 31 December 2021

	Note	2021	2020
		----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	5	9,550,738	8,645,015
Balances with other banks	6	5,334,868	5,268,843
Lendings to financial institutions	7	4,431,289	26,209,833
Investments	8	14,352,092	-
Advances	9	4,339,519	2,505,899
Fixed assets	10	277,998	242,064
Intangible assets		-	-
Deferred tax assets	11	5,395	29,127
Other assets	12	1,573,195	1,419,828
		39,865,094	44,320,609
LIABILITIES			
Bills payable	13	775,747	972,657
Borrowings	14	9,334	241,047
Deposits and other accounts	15	25,879,216	30,965,106
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	4,335,438	3,920,451
		30,999,735	36,099,261
NET ASSETS		8,865,359	8,221,348
REPRESENTED BY			
Head office capital account	17	6,398,696	6,302,781
Reserves		-	-
Deficit on revaluation of assets	24	(2,730)	-
Unremitted profit		2,469,393	1,918,567
		8,865,359	8,221,348
CONTINGENCIES AND COMMITMENTS			
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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 2021

	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
Mark-up / return / interest earned	19	2,848,786	2,647,085
Mark-up / return / interest expensed	20	<u>(1,548,326)</u>	<u>(1,237,236)</u>
Net mark-up / interest income		1,300,460	1,409,849
NON MARK-UP / INTEREST INCOME			
Fee and commission income	21	339,510	465,989
Dividend income		-	-
Foreign exchange income		782,683	1,062,169
Income / (loss) from derivatives		-	-
Gain / (loss) on sale of securities	22	2,015	(1,804)
Other income	23	2,088	24,591
Total non-markup / interest income		1,126,296	1,550,945
Total Income		2,426,756	2,960,794
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	25	(1,539,939)	(1,407,591)
Workers Welfare Fund		(17,736)	(31,064)
Other charges		-	-
Total non-markup / interest expenses		(1,557,675)	(1,438,655)
Profit before provisions		869,081	1,522,139
Provisions and write offs - net		-	-
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		869,081	1,522,139
Taxation	26	(352,852)	(616,602)
PROFIT AFTER TAXATION		516,229	905,537

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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 2021

	Note	2021	2020
		----- (Rupees in '000) -----	
Profit after taxation for the year		516,229	905,537
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	24	(2,730)	-
Items that will not be reclassified to profit and loss account in subsequent periods:			
Remeasurement gain on defined benefit obligations - net of tax		<u>34,597</u>	<u>20,835</u>
Total comprehensive income		<u><u>548,096</u></u>	<u><u>926,372</u></u>

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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 2021

	Note	2021	2020
		----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		869,081	1,522,139
Less: Dividend income		-	-
		<u>869,081</u>	<u>1,522,139</u>
Adjustments for:			
Depreciation	9.2	<u>103,456</u>	143,225
Gain on sale of fixed assets	23	<u>(1,989)</u>	(10,001)
Unrealized loss on revaluation of investments classified as held for trading	22	<u>699</u>	-
Finance costs of lease liability	20	<u>4,220</u>	1,550
		<u>106,386</u>	134,774
		<u>975,467</u>	1,656,913
Decrease / (increase) in operating assets			
Lendings to financial institutions		<u>21,778,544</u>	(11,077,531)
Held-for-trading securities		<u>(441,458)</u>	-
Advances		<u>(1,833,620)</u>	6,719,852
Others assets (excluding advance taxation)		<u>60,543</u>	217,620
		<u>19,564,009</u>	(4,140,059)
(Decrease) / increase in operating liabilities			
Bills payable		<u>(196,910)</u>	(59,801)
Borrowings from financial institutions		<u>(177,589)</u>	(1,186,385)
Deposits and other accounts		<u>(5,085,890)</u>	10,491,495
Other liabilities		<u>436,564</u>	181,447
		<u>(5,023,825)</u>	9,426,756
Income tax paid		<u>(550,463)</u>	(731,055)
Net cash generated from operating activities		<u>14,965,188</u>	6,212,555
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		<u>(13,911,333)</u>	-
Investments in operating fixed assets		<u>(170,515)</u>	(43,272)
Proceeds from sale of operating fixed assets		<u>72,167</u>	13,339
Net cash used in investing activities		<u>(14,009,681)</u>	(29,933)
CASH FLOW FROM FINANCING ACTIVITIES			
Remittances made to Head office		<u>-</u>	(712,223)
Payment of lease liabilities	28	<u>(25,550)</u>	(6,699)
Net cash used in financing activities		<u>(25,550)</u>	(718,922)
Effects of exchange rate changes on cash and cash equivalents		<u>95,915</u>	739,118
Increase in cash and cash equivalents		<u>1,025,872</u>	6,202,818
Cash and cash equivalents at beginning of the year		<u>13,850,400</u>	7,647,582
Cash and cash equivalents at end of the year	27	<u>14,876,272</u>	<u>13,850,400</u>

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Chief Country Officer
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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 2021

	Head office capital account	Deficit on revaluation of investments	Unremitted profit	Total
	(Note 17.1)			
	----- (Rupees in '000) -----			
Opening Balance as at 01 January 2020	5,563,663	-	1,704,418	7,268,081
Profit after taxation for the year ended 31 December 2020	-	-	905,537	905,537
Other comprehensive income - net of tax	-	-	20,835	20,835
	-	-	926,372	926,372
Transactions with owners, recorded directly in equity				
Exchange adjustments on revaluation of capital	739,118	-	-	739,118
Remittance made to Head office	-	-	(712,223)	(712,223)
	739,118	-	(712,223)	26,895
Opening Balance as at 01 January 2021	6,302,781	-	1,918,567	8,221,348
Profit after taxation for the year ended 31 December 2021	-	-	516,229	516,229
Other comprehensive income - net of tax	-	(2,730)	34,597	31,867
	-	(2,730)	550,826	548,096
Transactions with owners, recorded directly in equity				
Exchange adjustments on revaluation of capital	95,915	-	-	95,915
Closing Balance as at 31 December 2021	6,398,696	(2,730)	2,469,393	8,865,359

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 2021

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 (2020: 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) 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. 04 of 2021 dated 05 July 2021 directed the banks in Pakistan to implement IFRS 9 'Financial Instruments' with effect from 01 January 2022. 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 09 November 2021 is A- for long-term and A-2 for short-term, rating by Fitch on 23 September 2021 is BBB+ for long-term and F2 for short-term; and rating by Moody's on 04 August 2021 is A2 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 following accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year:

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free markup rate (RFR).

The above mentioned amendments to IFRSs did not have any material impact on these 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. SBP vide its BPRD Circular Letter No. 24 of 2021 dated July 05, 2021 has extended the implementation date of IFRS 9 to January 01, 2022 from an earlier implementation date of January 01, 2021. However, SBP has directed the banks in Pakistan to submit IFRS 9 parallel run and proforma financial statements on periodic basis based on the instructions issued by the SBP for parallel run of IFRS 9 and the Pakistan Operations has been complying with these requirements. SBP has also issued guidelines for the application of IFRS 9 on Pakistan banks and as part of the consultative process the banking industry has provided comments and sought clarifications on such guidelines which are critical in finalizing the impact of the standard on the Bank.

2.4.2 Further, the following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for future accounting periods and not early adopted:

Standard and Amendments	Effective date (accounting periods beginning on or after)
- IFRS 16 - Covid-19 - Related Rent Concessions beyond 30 June 2021 (Amendments)	April 01, 2021
- IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract, (Amendments)	January 01, 2022
- IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	January 01, 2022
- IFRS 3 - Reference to the Conceptual Framework (Amendments)	January 01, 2022
- IAS 1 - Classification of liabilities as current or non-current (Amendments)	January 01, 2023
- IFRS 9 - Financial Instrument - Fees in the '10 per cent' test for derecognition of financial liabilities	January 01, 2022
- IAS 8 - Definition of Accounting Estimates	January 01, 2023
- IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	January 01, 2023
- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced
- IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)	January 01, 2023

The above standards, amendments and improvements are not expected to have any material impact on the financial statements of the Pakistan Operations for the future periods.

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

	Standard IASB effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs 01 January 2004	January 01, 2004
IFRS 17 – Insurance Contracts 01 January 2023	January 01, 2023

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 4.10)
- 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 SIGNIFICANT 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 Foreign currencies

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

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

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

4.9 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.

4.10 Taxation

Current

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

Deferred

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

4.11 Impairment

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

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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	2021 ----- (Rupees in '000) -----	2020
In hand			
Local currency		18,808	15,847
Foreign currency		80,163	84,419
		98,971	100,266
With State Bank of Pakistan in			
Local currency current account	5.1	2,706,971	1,970,392
Foreign currency current account	5.2	67,252	60,897
Foreign currency deposit account			
Special cash reserve account	5.3	202,455	183,325
Local US Dollar collection account	5.4	76,377	27,339
Foreign currency capital account		6,398,696	6,302,781
		9,451,751	8,544,734
With National Bank of Pakistan in			
Local currency current account		16	15
		9,550,738	8,645,015

- 5.1** This represents current account maintained with SBP that includes requirements of section 22 (Cash Reserve Requirement) of the Banking Companies Ordinance, 1962 and an additional Cash Reserve Requirement for banks that meet / do not meet targets for Housing and Construction Finance as per DMMD Circular Letter 03 of 2020.
- 5.2** This represents statutory cash reserve in the current account maintained with SBP under the requirements of SBP.
- 5.3** This represents statutory cash reserve maintained against foreign currency deposits mobilized under FE 25 Circular issued by the SBP. Profit rate on these deposits are fixed by SBP on a monthly basis and was 0% during 2021 (2020: 0% to 0.76%).
- 5.4** This represents US Dollar settlement account opened with the SBP in accordance with FE Circular No. 2.

6 BALANCES WITH OTHER BANKS	Note	2021 ----- (Rupees in '000) -----	2020
In Pakistan			
In current account		1,500	1,291
Outside Pakistan			
In current account			
Interbranch		5,331,327	5,265,153
Others		2,041	2,399
		5,333,368	5,267,552
		5,334,868	5,268,843

7 LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (Reverse Repo)	7.1	4,431,289	26,209,833
7.1 Reverse repo transaction has been made with a commercial bank at a rate of 10.59% per annum (2020: 6.20% to 7.00% per annum) and matures within a month. The market value of this security at 31 December 2021 amounted to Rs. 4,496 million (2020: Rs. 26,478 million).			
7.2 Particulars of lending		2021 ----- (Rupees in '000) -----	2020
In local currency		4,431,289	26,209,833

7.3 Securities held as collateral against Lending to financial institutions

	Note	2021			2020		
		Held by Pakistan Operations	Further given as collateral	Total	Held by Pakistan Operations	Further given as collateral	Total
----- (Rupees in '000) -----							
Market Treasury Bills		<u>4,431,289</u>	<u>-</u>	<u>4,431,289</u>	26,209,833	<u>-</u>	<u>26,209,833</u>

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

8. INVESTMENTS

	2021			2020		
	Cost / Amortised cost	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----						
Held-for-trading securities						
-Pakistan Investment Bonds	441,458	(699)	440,759	-	-	-
Available-for-sale securities						
-Market Treasury Bills	13,915,809	(4,476)	13,911,333	-	-	-
Total investments	<u>14,357,267</u>	<u>(5,175)</u>	<u>14,352,092</u>	<u>-</u>	<u>-</u>	<u>-</u>

	2021			2020		
	Cost / Amortised cost	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----						
Federal Government Securities:						
-Market Treasury Bills	13,915,809	(4,476)	13,911,333	-	-	-
-Pakistan Investment Bonds	441,458	(699)	440,759	-	-	-
Total investments	<u>14,357,267</u>	<u>(5,175)</u>	<u>14,352,092</u>	<u>-</u>	<u>-</u>	<u>-</u>

8.3 Quality of Available for Sale Securities

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

	2021	2020
	Cost	
	----- (Rupees in '000) -----	
Federal Government Securities - Government guaranteed:		
-Market Treasury Bills	13,915,809	-
-Pakistan Investment Bonds	441,458	-
	<u>14,357,267</u>	<u>-</u>

9. ADVANCES

	Note	Performing		Non Performing		Total	
		2021	2020	2021	2020	2021	2020
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.		4,347,517	2,513,897	30,885	30,885	4,378,402	2,544,782
Bills discounted and purchased		-	-	65,626	65,626	65,626	65,626
Advances - gross	9.1	<u>4,347,517</u>	<u>2,513,897</u>	<u>96,511</u>	<u>96,511</u>	<u>4,444,028</u>	<u>2,610,408</u>
Provision against advances							
- Specific		-	-	(96,511)	(96,511)	(96,511)	(96,511)
- General		(7,998)	(7,998)	-	-	(7,998)	(7,998)
	9.3	<u>(7,998)</u>	<u>(7,998)</u>	<u>(96,511)</u>	<u>(96,511)</u>	<u>(104,509)</u>	<u>(104,509)</u>
Advances - net of provision		<u>4,339,519</u>	<u>2,505,899</u>	<u>-</u>	<u>-</u>	<u>4,339,519</u>	<u>2,505,899</u>

	2021	2020
	------(Rupees in '000)-----	
9.1 Particulars of advances (Gross)		
In local currency	4,378,402	2,544,782
In foreign currencies	<u>65,626</u>	<u>65,626</u>
	<u>4,444,028</u>	<u>2,610,408</u>

9.2 Advances include Rs.96.511 million (2020: Rs. 96.511 million) which have been placed under non-performing status as detailed below:-

Category of Classification	2021		2020	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- (Rupees in '000) -----			
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	<u>96,511</u>	<u>96,511</u>	<u>96,511</u>	<u>96,511</u>
Total	<u>96,511</u>	<u>96,511</u>	<u>96,511</u>	<u>96,511</u>

9.3 Particulars of provision against advances	2021			2020		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	96,511	7,998	104,509	96,511	7,998	104,509
Reversals	-	-	-	-	-	-
Closing balance	<u>96,511</u>	<u>7,998</u>	<u>104,509</u>	<u>96,511</u>	<u>7,998</u>	<u>104,509</u>

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	2021			2020		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	<u>96,511</u>	<u>7,998</u>	<u>104,509</u>	<u>96,511</u>	<u>7,998</u>	<u>104,509</u>

10	FIXED ASSETS	Note	2021	2020				
			----- (Rupees in '000) -----					
	Capital work-in-progress	10.1	143,230	953				
	Property and equipment	10.2	<u>134,768</u>	<u>241,111</u>				
			<u>277,998</u>	<u>242,064</u>				
10.1	Capital work-in-progress							
	Advances to suppliers		<u>143,230</u>	<u>953</u>				
10.2	Property and Equipment							
			2021					
			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 2021							
	Cost		203,572	171,003	17,540	204,939	191,295	788,349
	Accumulated depreciation		<u>(167,765)</u>	<u>(135,957)</u>	<u>(11,600)</u>	<u>(165,974)</u>	<u>(65,942)</u>	<u>(547,238)</u>
	Net book value		<u>35,807</u>	<u>35,046</u>	<u>5,940</u>	<u>38,965</u>	<u>125,353</u>	<u>241,111</u>
	Year ended December 2021							
	Opening net book value		35,807	35,046	5,940	38,965	125,353	241,111
	Additions		-	39,053	-	28,238	-	67,291
	Disposals - cost		-	-	(51)	(536)	(130,949)	(131,536)
	Disposals - accumulated depreciation		-	-	51	536	60,771	61,358
	Depreciation charge		<u>(17,978)</u>	<u>(42,996)</u>	<u>(1,994)</u>	<u>(19,070)</u>	<u>(21,418)</u>	<u>(103,456)</u>
	Closing net book value		<u>17,829</u>	<u>31,103</u>	<u>3,946</u>	<u>48,133</u>	<u>33,757</u>	<u>134,768</u>
	At 31 December 2021							
	Cost		203,572	210,056	17,489	232,641	60,346	724,104
	Accumulated depreciation		<u>(185,743)</u>	<u>(178,953)</u>	<u>(13,543)</u>	<u>(184,508)</u>	<u>(26,589)</u>	<u>(589,336)</u>
	Net book value		<u>17,829</u>	<u>31,103</u>	<u>3,946</u>	<u>48,133</u>	<u>33,757</u>	<u>134,768</u>
	Rate of depreciation (percentage)		<u>10-20</u>	<u>19-48</u>	<u>10-33</u>	<u>20-33</u>	<u>20</u>	
			2020					
			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 2020							
	Cost		203,572	171,003	12,349	184,483	150,532	721,939
	Accumulated depreciation		<u>(149,788)</u>	<u>(67,771)</u>	<u>(11,128)</u>	<u>(146,576)</u>	<u>(60,484)</u>	<u>(435,747)</u>
	Net book value		<u>53,784</u>	<u>103,232</u>	<u>1,221</u>	<u>37,907</u>	<u>90,048</u>	<u>286,192</u>
	Year ended December 2020							
	Opening net book value		53,784	103,232	1,221	37,907	90,048	286,192
	Additions		-	-	5,191	22,258	74,033	101,482
	Disposals - cost		-	-	-	(1,802)	(33,270)	(35,072)
	Disposals - accumulated depreciation		-	-	-	1,774	29,960	31,734
	Depreciation charge		<u>(17,977)</u>	<u>(68,186)</u>	<u>(472)</u>	<u>(21,172)</u>	<u>(35,418)</u>	<u>(143,225)</u>
	Closing net book value		<u>35,807</u>	<u>35,046</u>	<u>5,940</u>	<u>38,965</u>	<u>125,353</u>	<u>241,111</u>
	At 31 December 2020							
	Cost		203,572	171,003	17,540	204,939	191,295	788,349
	Accumulated depreciation		<u>(167,765)</u>	<u>(135,957)</u>	<u>(11,600)</u>	<u>(165,974)</u>	<u>(65,942)</u>	<u>(547,238)</u>
	Net book value		<u>35,807</u>	<u>35,046</u>	<u>5,940</u>	<u>38,965</u>	<u>125,353</u>	<u>241,111</u>
	Rate of depreciation (percentage)		<u>10-20</u>	<u>22-48</u>	<u>10-33</u>	<u>20-33</u>	<u>20</u>	

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

Improvements on lease hold buildings	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
----- (Rupees in '000) -----				
21,707	9,845	142,713	4,451	178,716

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

Description	Cost	Book value	Sale proceeds	Mode of disposal	Purchaser	Particulars
	----- (Rupees in '000) -----					
Honda Civic VTI Oriel Prosmatec Turbo	1,864,000	372,800	764,240	Bank Policy	Iftikhar Alam	Employee
Mercedes Benz E-200	11,200,000	2,800,000	4,816,000	Bank Policy	Raheel Ahmed	Employee
Honda Civic VTI Oriel Prosmatec	2,588,000	819,533	1,216,360	Bank Policy	Faisal Hashmi	Employee
Mercedes Benz E-200	12,264,000	4,496,800	6,009,360	Bank Policy	Waqar Rizvi	Key Management Personnel
Honda City	1,879,100	751,640	958,341	Bank Policy	Salma Perveen	Employee
Toyota Corolla Altis	2,029,000	811,600	1,034,790	Bank Policy	Fawad Khan	Employee
Toyota Corolla Altis	2,029,000	811,600	1,034,790	Bank Policy	Zeeshan Waheed	Key Management Personnel
Honda Civic VTI Oriel Prosmatec	2,663,000	1,153,967	1,411,390	Bank Policy	Noman Aqeel	Employee
Honda Civic VTI Oriel Prosmatec	2,663,000	1,198,350	1,411,390	Bank Policy	Mukarram Saifee	Employee
Honda Civic VTI Oriel Prosmatec	2,663,000	1,287,117	1,491,280	Bank Policy	Muhammad Ahsan	Employee
Toyota Corolla GLI	2,129,000	1,029,017	1,170,950	Bank Policy	Minahil Haroon	Employee
Toyota Corolla GLI	2,229,000	1,114,500	1,248,240	Bank Policy	Sarah Tariq	Employee
Audi	11,300,000	5,838,333	6,441,000	Bank Policy	Hammad Izz Hamid	Employee
Honda City	2,093,000	1,151,150	1,213,940	Bank Policy	Hasan Kamran	Employee
Honda Civic VTI Oriel Prosmatec	2,974,000	1,734,833	1,784,400	Bank Policy	Mariam Mirza	Employee
Toyota Corolla Altis Grande	2,379,000	1,467,050	1,498,770	Bank Policy	Syed-Qarib	Employee
Toyota Corolla Altis	2,379,000	1,467,050	1,498,770	Bank Policy	Muhammad Salman	Employee
Toyota Corolla GLI	2,855,000	2,046,083	2,084,150	Bank Policy	Omar Naseem	Employee
Honda Civic VTI Oriel Prosmatec	3,767,000	2,950,817	3,013,600	Bank Policy	Khurram Amanullah	Employee
Toyota Corolla GLI	2,855,000	2,236,417	2,284,000	Bank Policy	Salman Naeem	Employee
Toyota Hilux	3,797,000	3,227,450	3,303,390	Bank Policy	Shoaib Sheikh	Key Management Personnel
Honda BRV-TEC	2,831,267	2,500,953	2,548,140	Bank Policy	Uzair Hafeez	Employee
Toyota Yaris	2,875,000	2,587,500	2,645,000	Bank Policy	Aamir Jamshed	Employee
Toyota Land Cruiser	34,314,000	20,016,500	13,725,600	Bank Policy	S-Ahmer Hasan	Key Management Personnel
Honda Civic VTI Prosmatec	2,653,000	1,149,633	1,406,090	Bank Policy	Naveed Asghar	Employee
Honda Civic VTI Prosmatec	2,406,000	1,443,600	1,491,720	Bank Policy	M. Zia Uddin	Employee
HONDA BRV-S	2,406,000	1,563,900	1,612,020	Bank Policy	Razi Hadi	Employee
Honda City	2,865,000	2,721,750	2,779,050	Bank Policy	Atif Khaliq	Employee

11 DEFERRED TAX ASSETS

	2021			
	At 01 January 2021	Recognised in Profit Loss Account	Recognised in OCI	At 31 December 2021
----- Rupees in 000-----				
Deductible Temporary Differences on				
- Deficit on revaluation of investments	-	-	1,746	1,746
- Accelerated tax depreciation	26,872	(6,849)	-	20,023
	26,872	(6,849)	1,746	21,769
Taxable Temporary Differences on				
- Post retirement employee benefits	2,255	-	(18,629)	(16,374)
	29,127	(6,849)	(16,883)	5,395
----- Rupees in 000-----				
	2020			
	At 01 Jan 2020	Recognised in Profit Loss Account	Recognised in OCI	At 31 Dec 2020
----- Rupees in 000-----				
Deductible Temporary Differences on				
- Post retirement employee benefits	13,474	-	(11,219)	2,255
- Deficit on revaluation of investments	-	-	-	-
- Accelerated tax depreciation	11,870	15,002	-	26,872
	25,344	15,002	(11,219)	29,127

12 OTHER ASSETS

	Note	2021	2020
		----- Rupees in 000-----	
Income/ Mark-up accrued in local currency		101,636	67,271
Income/ Mark-up accrued in foreign currency		37,386	45,028
Advances, deposits, advance rent and other prepayments		26,118	80,784
Advance taxation (payments less provisions)		1,177,799	973,339
Receivable from defined benefit plan		9,450	-
Mark to market gain on forward foreign exchange contracts		36,121	241,065
Acceptances		184,988	9,272
Others		4,371	7,743
		1,577,869	1,424,502
Less: Provision held against other assets	12.1	(4,674)	(4,674)
Other Assets (net of provision)		1,573,195	1,419,828

12.1 Provision held against other assets

Advances, deposits, advance rent & other prepayments	4,674	4,674
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13 BILLS PAYABLE

In Pakistan	775,747	972,657
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14 BORROWINGS

Unsecured

Overdrawn nostro accounts - Interbranch	9,334	20,819
Repurchase agreement borrowings	-	177,589
Others	-	42,639
Total unsecured	9,334	241,047

14.1 Particulars of borrowings with respect to currencies

	2021	2020
	----- Rupees in '000 -----	
In local currency	-	220,228
In foreign currencies	<u>9,334</u>	<u>20,819</u>
	<u>9,334</u>	<u>241,047</u>

15 DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- Rupees in '000 -----					
Customers						
Non-Remunerative						
Current deposits	<u>9,257,542</u>	<u>966,184</u>	<u>10,223,726</u>	10,147,857	802,589	10,950,446
Others	<u>1,028,436</u>	-	<u>1,028,436</u>	697,761	-	697,761
Remunerative						
Savings deposits	<u>11,571,572</u>	<u>35,982</u>	<u>11,607,554</u>	11,046,505	9,306	11,055,811
Term deposits	<u>3,019,500</u>	-	<u>3,019,500</u>	8,261,000	-	8,261,000
	<u>24,877,050</u>	<u>1,002,166</u>	<u>25,879,216</u>	30,153,123	811,895	30,965,018
Financial Institutions						
Non-remunerative deposit – inter branch	-	-	-	89	-	89
	-	-	-	89	-	89
	<u>24,877,050</u>	<u>1,002,166</u>	<u>25,879,216</u>	<u>30,153,212</u>	<u>811,895</u>	<u>30,965,107</u>

	Note	2021	2020
		----- Rupees in '000 -----	
15.1 Composition of deposits			
- Individuals		70,024	24,252
- Non-Banking Financial Institutions		-	45,020
- Private Sector		<u>25,809,192</u>	<u>30,895,834</u>
	15.2	<u>25,879,216</u>	<u>30,965,106</u>
15.2 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs 296.382 million (2020: Rs 1,418.939 million).			

16 OTHER LIABILITIES

	2021	2020
	--- Rupees in '000 ---	
Mark-up / Return / Interest payable in local currency	12,358	1,676
Unearned commission and income on bills discounted	26,060	24,735
Accrued expenses	129,037	99,790
Acceptances	184,988	9,272
Dividends payable	56,675	189,682
Mark to market loss on forward foreign exchange contracts	36,708	230,620
Payable to DB Singapore	6,195	6,195
Unremitted head office and branches	3,290,170	2,887,317
Payable to defined benefit plan	-	39,516
Provision against off-balance sheet obligations	6.1	6,121
Workers welfare fund	16.2	294,755
Lease liability	34,029	4,259
Others	<u>258,342</u>	<u>144,249</u>
	<u>4,335,438</u>	<u>3,920,451</u>

16.1 Provision against off-balance sheet obligations

Opening balance		6,121	6,121
Reversals / (Charge)		-	-
Closing balance	16.1.1	<u>6,121</u>	<u>6,121</u>

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

16.2 Workers' Welfare Fund payable (WWF)

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

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

A legal advice has been obtained by the Pakistan Banks Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive or final till the review petitions are decided. Accordingly, the Pakistan Operations have continued to maintain the provision for WWF from the date of its levy till December 31, 2021. No allocation between the Federal Government Levy and Sindh WWF has been made.

The Pakistan Operations have also obtained a stay order against SWWF from Honourable Sindh High Court dated 9 March 2018.

17 HEAD OFFICE CAPITAL ACCOUNT	Note	2021	2020
		----- Rupees in '000 ----	
Balance at the beginning of the year	17.1	6,302,781	5,563,663
Revaluation surplus allowed by the State Bank of Pakistan during the year		95,915	739,118
		<u>6,398,696</u>	<u>6,302,781</u>
17.1 Capital held in interest free deposit in approved foreign exchange represents Euro 32,048,165 (2020: Euro 32,048,165).			
18 CONTINGENCIES AND COMMITMENTS	Note	2021	2020
		----- Rupees in '000 -----	
-Guarantees	18.1	13,910,081	11,754,910
-Commitments	18.2	30,784,166	36,513,133
		<u>44,694,247</u>	<u>48,268,043</u>
18.1 Guarantees:			
Financial guarantees		<u>13,910,081</u>	<u>11,754,910</u>
18.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		2,848,779	519,812
Commitments in respect of:			
- forward foreign exchange contracts	18.2.1	12,296,671	15,019,020
- forward lending	18.2.2	15,072,227	20,720,534
- forward sale of investments		440,759	-
Commitments for acquisition of:			
- operating fixed assets		-	134,847
Other commitments	18.2.3	125,730	118,920
		<u>30,784,166</u>	<u>36,513,133</u>
18.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		3,879,298	5,157,668
Sale		8,417,373	9,861,352
		<u>12,296,671</u>	<u>15,019,020</u>

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

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

18.2.3	Cheques in clearing	<u>125,730</u>	<u>118,920</u>
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18.3 Other contingent liabilities

Appeals for various assessment years are pending before Income Tax Appellate Authorities / High Courts. Out of these appeals, decisions against demands of Rs. 638 million (31 December 2020: Rs. 638 million) have been made by the CIRA in favor of Pakistan Operations in respect of tax years 2011 to 2014. However, the tax department has filed appeals against the decisions of CIRA for tax years 2013 and 2014 involving demand of Rs. 513 million while no appeal effect orders have been passed by taxation officer for the remaining years. Further, Pakistan Operations are vigorously contesting the appeals for additional demands of Rs. 45 million against various issues (31 December 2020: Rs. 45 million) and the Pakistan Operations are confident that no additional liability would arise.

19	MARK-UP / RETURN / INTEREST EARNED	Note	2021	2020
			----- Rupees in '000 -----	
	On:			
	Loans and advances		290,545	604,122
	Investments		90,768	20,831
	Lendings to financial institutions		2,467,473	2,021,727
	Balances with banks		-	2
	Others		-	403
			<u>2,848,786</u>	<u>2,647,085</u>
20	MARK-UP / RETURN / INTEREST EXPENSED			
	Deposits		1,541,951	1,227,547
	Borrowings		2,155	8,139
	Finance costs against lease		4,220	1,550
			<u>1,548,326</u>	<u>1,237,236</u>
21	FEE & COMMISSION INCOME			
	Commission on trade		101,719	99,731
	Commission on guarantees		74,447	75,913
	Commission on cash management		1,721	3,646
	Commission on remittances including home remittances		53,574	408
	Commission on custodial services		108,049	286,291
			<u>339,510</u>	<u>465,989</u>
22	GAIN / (LOSS) ON SECURITIES			
	Realised gain / (loss)	22.1	2,714	(1,804)
	Unrealized loss on revaluation of investments classified as held for trading	8.1	(699)	-
			<u>2,015</u>	<u>(1,804)</u>
22.1	Realised gain / (loss) on:			
	Federal Government Securities		<u>2,714</u>	<u>(1,804)</u>
23	OTHER INCOME			
	Gain on sale of fixed assets - net		1,989	10,001
	Others		99	14,590
			<u>2,088</u>	<u>24,591</u>
24	DEFICIT ON REVALUATION OF ASSETS			
	Deficit on revaluation of:			
	- Available for sale securities		(4,476)	-
	Deferred tax on deficit on revaluation of:			
	- Available for sale securities		1,746	-
			<u>(2,730)</u>	<u>-</u>

25 OPERATING EXPENSES	Note	2021 ----- Rupees in '000 -----	2020
Total compensation expense	25.1	689,502	457,297
Property expense			
Rent & taxes		83,340	50,081
Insurance		7,409	9,008
Utilities cost		30,719	17,288
Security (including guards)		8,391	8,951
Repair & maintenance (including janitorial charges)		7,079	2,910
Depreciation		17,977	17,977
Depreciation on right-of-use assets		42,996	68,186
		197,911	174,401
Information technology expenses			
Software maintenance		4,518	325
Hardware maintenance		29,718	11,916
Depreciation		14,185	15,314
Network charges		19,235	34,281
		67,656	61,836
Other operating expenses			
Legal & professional charges		21,872	10,943
Outsourced services costs	25.2	86,927	97,497
Travelling & conveyance		1,892	2,891
NIFT clearing charges		796	1,030
Depreciation		28,298	41,748
Training & development		446	205
Postage & courier charges		2,546	1,520
Communication		109	3,796
Head office / regional office expenses	25.3	410,006	528,393
Stationery & printing		11,585	10,183
Marketing, advertisement & publicity		328	295
Auditors remuneration	25.4	3,517	3,618
Others		16,548	11,938
		584,870	714,057
		1,539,939	1,407,591

25.1 Total compensation expense

Managerial Remuneration			
i) Fixed		206,029	174,739
ii) Variable of which;			
a) Cash bonus / awards etc.		44,288	49,721
b) Bonus & awards in shares etc.		16,227	8,422
Charge for defined benefit plan		31,597	31,318
Contribution to defined contribution plan		31,383	33,207
Rent & house maintenance		85,507	77,820
Utilities		19,002	17,293
Medical		7,595	7,133
Conveyance		4,040	3,897
Others	25.1.1	92,554	46,819
Sub-total		538,222	450,369
Severance Allowance	25.1.2	151,280	6,928
Grand Total		689,502	457,297

25.1.1 Others

	2021 ----- (Rupees in '000) -----	2020
Maintenance cars - general repair expenses	3,134	914
Car allowance	43,205	-
COLA - Cost of Living Adjustment	19,002	17,293
Employee recognition awards	3,090	4,725
Notice buyouts	1,622	2,201
Maintenance cars - petrol expenses	8,928	7,338
Health insurance	6,983	7,515
Consumption allowance	1,959	1,866

Canteen expenses
Others

	2,119	1,354
	<u>2,512</u>	<u>3,612</u>
	<u><u>92,554</u></u>	<u><u>46,819</u></u>

25.1.2 Number of person to whom severance cost paid is 4 (2020: 1).

25.2 The total cost for the year included in other operating expenses relating to outsourced activities is Rs. 86.93 million (2020: Rs 97.5 million). The total amount pertains to companies incorporated in Pakistan and has been fully paid. Outsourcing expenses incurred with DB Group are separately disclosed in note 25.3 of these financial statements for which no payments were made. The material outsourcing arrangements with companies incorporated in Pakistan along with their nature are as follows:

Supplier Name	Services	Note	2021 ----- (Rupees in '000) -----	2020
CBRE	Facility management services		50,394	56,156
HRSG	Manpower outsourcing staff services		27,095	31,799

25.3 Head office expenses / regional expenses

SAP expenses	(11)	657
Management leadership charges	89,628	223,273
Ben / Acorn charges	302,552	246,125
Global HR product	13,241	23,375
TP Coverage	-	27,202
Shareholder expense	4,596	7,761
	<u>410,006</u>	<u>528,393</u>
Less: Other income	-	-
	<u>410,006</u>	<u>528,393</u>

25.4 Auditors' remuneration

Audit fee (including out-of-pocket)	2,662	2,763
Fee for other statutory certifications	855	855
	<u>3,517</u>	<u>3,618</u>

26 TAXATION

Current	346,003	631,606
Prior years	-	-
Deferred	6,849	(15,004)
	<u>352,852</u>	<u>616,602</u>

26.1 Relationship between tax expense and accounting profit

Profit before tax		<u>869,081</u>	<u>1,522,139</u>
Tax calculated at the rate of 39% (2020: 35%)	26.1.1	338,941	532,748
Effect of :			
- Additional tax @ 5% on additional income from Federal Government Securities		1,061	-
- super tax charge		-	64,780
- others		12,850	19,074
Tax charge for the year		<u>352,852</u>	<u>616,602</u>

26.1.1 Inline with recent change in law for applicability of Super tax in future years, the Pakistan Operations has changed the the rate of corporate tax from 35% to 39% during the year 2021.

27 CASH AND CASH EQUIVALENTS	2021	2020
	----- (Rupees in '000) -----	
Cash and balance with treasury banks	9,550,738	8,645,015
Balance with other banks	5,334,868	5,268,843
Overdrawn nostros	(9,334)	(63,458)
	<u>14,876,272</u>	<u>13,850,400</u>

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

	2021			
	Liabilities	Equity		
	Lease Liabilities	Head office capital account	Un-remitted profit	Total
	----- (Rupees in '000) -----			
Balance as at 1 January 2021	4,259	6,302,781	1,918,567	8,225,607
Change from financing cash flow				
Payment of lease liabilities	(25,550)	-	-	(25,550)
The effect of changes due to foreign exchange translation	-	95,915	-	95,915
Other changes				
Finance costs against lease	4,220	-	-	4,220
Addition in lease liabilities	39,053	-	-	39,053
Transfer of profit to reserve	-	-	550,826	550,826
	43,273	-	550,826	594,099
Balance as at 31 December 2021	<u>21,982</u>	<u>6,398,696</u>	<u>2,469,393</u>	<u>8,890,071</u>

	2020			
	Liabilities	Equity		
	Lease Liabilities	Head office capital account	Un-remitted profit	Total
	----- (Rupees in '000) -----			
Balance as at 1 January 2020	9,408	5,563,663	1,704,418	7,277,489
Change from financing cash flow				
Remittance made to Head office	-	-	(712,223)	(712,223)
Payment of lease liabilities	(6,699)	-	-	(6,699)
Total change from financing cash flows	(6,699)	-	(712,223)	(718,922)
The effect of changes due to foreign exchange translation	-	739,118	-	739,118
Other changes				
Finance costs against lease	1,550	-	-	1,550
Transfer of profit to reserve	-	-	926,372	926,372
	1,550	-	926,372	927,922
Balance as at 31 December 2020	<u>4,259</u>	<u>6,302,781</u>	<u>1,918,567</u>	<u>8,225,607</u>

29 STAFF STRENGTH	2021	2020
	----- (Number) -----	
Permanent	84	66
Others (Outsourced)	8	20
Bank's own staff strength at the end of the year	<u>92</u>	<u>86</u>

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 84 (2020: 67).

30.2 Principal actuarial assumptions

The actuarial valuation of the defined benefit plan was carried out at 31 December 2021. Projected Unit Credit Method is used for the calculation and the key assumptions used for actuarial valuation were as follows:

		2021 ----- (Per annum) -----	2020
Discount rate		12.41%	10.25%
Expected rate of return on plan assets		10.25%	12.50%
Expected rate of salary increase		12.16%	10.00%
Expected rate of increase in pension		6.28%	4.90%
	Note	2021	2020
		----- Rupees in '000 -----	
30.3 Reconciliation of payable to defined benefit plans			
Present value of obligations	30.4	839,507	835,613
Fair value of plan assets	30.5	(849,183)	(796,097)
	30.6	<u>(9,676)</u>	<u>39,516</u>
30.4 Movement in defined benefit obligations			
Obligations at the beginning of the year		835,613	750,678
Current service cost		27,526	23,399
Interest cost		85,336	93,328
Benefits paid		(31,406)	(27,420)
Re-measurement gain		(77,562)	(4,372)
Obligations at end of the year		<u>839,507</u>	<u>835,613</u>
30.5 Movement in fair value of plan assets			
Fair value at the beginning of the year		796,097	685,351
Interest income on plan assets		81,265	85,409
Contributions		27,563	25,075
Benefits paid		(31,406)	(27,420)
Return on plan assets		(24,336)	27,682
Fair value at end of the year	30.8	<u>849,183</u>	<u>796,097</u>
30.6 Movement in payable under defined benefit schemes			
Opening balance		39,516	65,327
Charge for the year	30.7.1	31,597	31,318
Contribution		(27,563)	(25,075)
Re-measurement gain recognised in OCI during the year	30.7.2	(53,226)	(32,054)
Closing balance		<u>(9,676)</u>	<u>39,516</u>
30.7 Charge for defined benefit plans			
30.7.1 Cost recognised in profit and loss			
Current service cost		27,526	23,399
Net interest on defined benefit asset / liability		4,071	7,919
		<u>31,597</u>	<u>31,318</u>
30.7.2 Re-measurements recognised in OCI during the year			
Loss / (gain) on obligation			
- Financial assumptions		(63,543)	46,921
- Experience adjustment		(14,019)	(51,293)
Return on plan assets over interest income		24,336	(27,682)
Total re-measurements recognised in OCI		<u>(53,226)</u>	<u>(32,054)</u>
30.8 Components of plan assets			
Cash and cash equivalents - net		66,365	2,862
Government Securities		782,818	793,235
		<u>849,183</u>	<u>796,097</u>

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:

	2021 Rupees in '000
1% increase in discount rate	(95,660)
1% decrease in discount rate	113,919
1 % increase in expected rate of salary increase	25,194
1 % decrease in expected rate of salary increase	(25,311)
1% increase in expected rate of pension increase	83,837
1% decrease in expected rate of pension increase	(74,342)

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

	2021	2020	2019	2018	2017
	----- (Rupees in '000) -----				
Present value of obligations	<u>839,507</u>	835,613	750,678	656,937	686,977
Fair value of plan assets	<u>849,183</u>	796,097	685,351	624,610	635,786
(Surplus) / Deficit	<u>(9,676)</u>	39,516	65,327	32,327	51,191
Experience adjustment on plan liabilities - loss / (gain)	<u>(14,019)</u>	(51,293)	5,915	(12,031)	(16,889)

30.11 Expected contributions to be paid to the fund in the next financial year

2021 Rupees in '000
<u>28,810</u>

30.12 Expected charge for the next financial year

<u>28,468</u>

30.13 Maturity profile

The weighted average duration of the obligation (in years)	12.4
--	------

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.

32 COMPENSATION OF CHIEF COUNTRY OFFICER AND EXECUTIVES

	Chief Country Officer		Executives	
	2021	2020	2021	2020
	------(Rupees in '000)-----			
Managerial remuneration	203,490	59,953	333,702	285,392
Contribution for defined benefit plan	3,714	4,285	23,681	20,791
Contribution to defined contribution plan	2,561	5,726	28,822	27,429
Medical	336	97	7,259	7,036
	<u>210,101</u>	<u>70,061</u>	<u>393,464</u>	<u>340,648</u>
	------(Number)-----			
Number of persons	<u>1</u>	<u>1</u>	<u>83</u>	<u>66</u>

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:

	2021			
	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	-	440,759	-	440,759
Other Assets				
- Unrealized gain on forward foreign exchange contracts	-	36,121	-	36,121
Financial Liabilities - measured at fair value				
Other Liabilities				
- Unrealized loss on forward foreign exchange contracts	-	36,708	-	36,708
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	3,915,419	-	3,915,419
Forward sale of foreign exchange	-	8,454,081	-	8,454,081
	2020			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Financial assets - measured at fair value				
Other Assets				
- Unrealized gain on forward foreign exchange contracts	-	241,065	-	241,065
Financial Liabilities - measured at fair value				
Other Liabilities				
- Unrealized loss on forward foreign exchange	-	230,620	-	230,620
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	12,764,979	-	12,764,979
Forward sale of foreign exchange	-	12,754,534	-	12,754,534

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 (MTBs) / Pakistan Investment Bonds (PIBs)	The fair value of MTBs and PIBs are derived using PKRV

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 and institutional flows.

Infrastructure and Regional Management

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

	2021			
	Corporate Bank	Investment Bank	Infrastructure & Regional Management	Total
	------(Rupees in '000)-----			
Profit & Loss				
Net mark-up/return/profit	(1,265,577)	14,290	2,551,747	1,300,460
Inter segment revenue - net	2,281,568	(88,848)	(2,192,720)	-
Non mark-up / return / interest income	519,450	584,394	22,452	1,126,296
Total income	<u>1,535,441</u>	<u>509,836</u>	<u>381,479</u>	<u>2,426,756</u>
Segment direct expenses	(516,896)	(19,082)	(1,021,697)	(1,557,675)
Inter segment expense allocation	(980,410)	(98,294)	1,078,704	-
Total expenses	<u>(1,497,306)</u>	<u>(117,376)</u>	<u>57,007</u>	<u>(1,557,675)</u>
Provisions	-	-	-	-
Profit before tax	<u>38,135</u>	<u>392,460</u>	<u>438,486</u>	<u>869,081</u>
Balance Sheet				
Cash and bank balances	-	-	14,885,606	14,885,606
Net inter segment lending	22,333,256	-	-	22,333,256
Lendings to financial institutions	-	-	4,431,289	4,431,289
Investments	-	440,759	13,911,333	14,352,092
Advances - performing	4,347,517	-	-	4,347,517
- non-performing	96,511	-	-	96,511
- provision against advances	(104,509)	-	-	(104,509)
Others	324,874	36,121	1,495,593	1,856,588
Total Assets	<u>26,997,649</u>	<u>476,880</u>	<u>34,723,821</u>	<u>62,198,350</u>
Borrowings	-	-	9,334	9,334
Deposits & other accounts	25,879,216	-	-	25,879,216
Net inter segment borrowing	-	440,172	21,893,084	22,333,256
Others	1,118,433	36,708	3,956,044	5,111,185
Total liabilities	<u>26,997,649</u>	<u>476,880</u>	<u>25,858,462</u>	<u>53,332,991</u>
Equity	-	-	8,865,359	8,865,359
Total Equity & liabilities	<u>26,997,649</u>	<u>476,880</u>	<u>34,723,821</u>	<u>62,198,350</u>

Contingencies & Commitments

<u>32,271,846</u>	<u>12,422,401</u>	<u>-</u>	<u>44,694,247</u>
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	2020			
	Global Transaction Banking	Investment Bank	Infrastructure & Regional Management	Total
	----- (Rupees in '000) -----			
Profit & Loss				
Net mark-up/return/profit	(447,205)	425,719	1,431,336	1,409,850
Inter segment revenue - net	1,770,695	(390,912)	(1,379,783)	-
Non mark-up / return / interest income	805,340	604,657	140,947	1,550,944
Total income	<u>2,128,830</u>	<u>639,464</u>	<u>192,500</u>	<u>2,960,794</u>
Segment direct expenses	(379,564)	(61,902)	(997,189)	(1,438,655)
Inter segment expense allocation	(837,343)	(50,643)	887,986	-
Total expenses	<u>(1,216,907)</u>	<u>(112,545)</u>	<u>(109,203)</u>	<u>(1,438,655)</u>
Provisions	-	-	-	-
Profit before tax	<u>911,923</u>	<u>526,919</u>	<u>83,297</u>	<u>1,522,139</u>
Balance Sheet				
Cash and bank balances	-	-	13,913,858	13,913,858
Investments	-	-	-	-
Net inter segment lending	29,549,606	-	-	29,549,606
Lendings to financial institutions	-	-	26,209,833	26,209,833
Advances - performing	2,513,897	-	-	2,513,897
- non-performing	96,511	-	-	96,511
- provision against advances	(104,509)	-	-	(104,509)
Others	113,657	241,065	1,336,297	1,691,019
Total Assets	<u>32,169,161</u>	<u>241,065</u>	<u>41,459,988</u>	<u>73,870,214</u>
Borrowings	-	-	241,047	241,047
Subordinated debt	-	-	-	-
Deposits & other accounts	30,965,018	-	88	30,965,106
Net inter segment borrowing	-	10,445	29,539,161	29,549,606
Others	1,204,143	230,620	3,458,345	4,893,108
Total liabilities	<u>32,169,161</u>	<u>241,065</u>	<u>33,238,640</u>	<u>65,648,866</u>
Equity	-	-	8,221,348	8,221,348
Total Equity & liabilities	<u>32,169,161</u>	<u>241,065</u>	<u>41,459,988</u>	<u>73,870,214</u>
Contingencies & Commitments	<u>28,075,577</u>	<u>20,057,618</u>	<u>134,847</u>	<u>48,268,042</u>

35 TRUST ACTIVITIES

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

	2021	2020
	----- (Rupees in '000) -----	
Type of security		
Government Securities	25,142,810	18,964,550
TFCs and Sukuks	14,061	27,000
Shares	70,254,384	112,778,742
	<u>95,411,255</u>	<u>131,770,292</u>

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:

	2021			2020		
	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	5,331,327	-	-	5,265,153	-	-
Advances						
Opening balance	-	73,105	-	-	70,383	-
Addition during the year	-	38,950	-	-	16,655	-
Repaid during the year	-	(84,932)	-	-	(13,933)	-
Closing balance	-	27,123	-	-	73,105	-
Other Assets						
Receivable from staff retirement fund	-	-	9,450	-	-	-
Borrowings						
Opening balance	20,819	-	-	559	-	-
Borrowings during the year	29,141,085	-	-	53,213,546	-	-
Settled during the year	(29,152,570)	-	-	(53,193,285)	-	-
Closing balance	9,334	-	-	20,819	-	-
Deposits and other accounts						
Opening balance	89	12,345	26,220	7,783	8,764	32,621
Received during the year	1,208,401	349,497	3,798,474	144,673	85,640	530,802
Withdrawn during the year	(1,208,490)	(354,679)	(3,804,510)	(152,367)	(82,059)	(537,203)
Closing balance	-	7,163	20,184	89	12,345	26,220
Other Liabilities						
Payable to staff retirement fund	-	-	-	-	-	39,516
Other liabilities	3,296,365	-	-	2,893,512	-	-
Contingencies and Commitments						
Other contingencies	6,733,125	-	-	7,952,350	-	-

	2021		2020	
	Head office and branches	Key management personnel	Head office and branches	Key management personnel
----- (Rupees in '000) -----				
Income				
Mark-up / return / interest earned	-	1,958	403	2,824
Operating expenses	410,006	124,396	528,393	107,331

37 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	2021	2020
	----- (Rupees in '000) -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>8,868,089</u>	<u>8,221,348</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>8,855,909</u>	8,221,348
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>8,855,909</u>	8,221,348
Eligible Tier 2 Capital	<u>14,119</u>	14,119
Total Eligible Capital (Tier 1 + Tier 2)	<u>8,870,028</u>	8,235,467
Risk Weighted Assets (RWAs):		
Credit Risk	<u>11,227,480</u>	10,382,202
Market Risk	<u>280,222</u>	372,713
Operational Risk	<u>4,837,150</u>	4,531,025
Total	<u>16,344,852</u>	15,285,940
Common Equity Tier 1 Capital Adequacy ratio	<u>54.18%</u>	53.78%
Tier 1 Capital Adequacy Ratio	<u>54.18%</u>	53.78%
Total Capital Adequacy Ratio	<u>54.27%</u>	53.88%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>8,855,909</u>	8,221,348
Total Exposures	<u>71,027,492</u>	60,831,235
Leverage Ratio	<u>12.47%</u>	13.52%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>27,565,828</u>	24,676,669
Total Net Cash Outflow	<u>8,763,782</u>	7,456,446
Liquidity Coverage Ratio	<u>315%</u>	331%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>27,057,001</u>	23,751,216
Total Required Stable Funding	<u>9,422,550</u>	10,355,490
Net Stable Funding Ratio	<u>287%</u>	229%

37.1 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time are available at <https://country.db.com/mea/company/country-profiles/deutsche-bank-pakistan-financial-statements>.

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. The Supervisory Board regularly monitors the risk and capital profile.
- We operate a three-line of risk management model whereby front office functions, risk management oversight and assurance roles are played by functions independent of one another.
- Risk strategy is approved by the Management Board on an annual basis and is defined based on the Group Strategic and Capital Plan and Risk Appetite in order to align risk, capital and performance targets.
- Cross-risk analysis reviews are conducted across the Group to validate that sound risk management practices and a holistic awareness of risk exist.
- All major risk classes are managed via risk management processes, including: credit risk, market risk, operational

risk, liquidity risk, business risk and reputational risk. Modeling and measurement approaches for quantifying risk and capital demand are implemented across the major risk classes.

- Monitoring, stress testing tools and escalation processes are in place for key capital and liquidity thresholds and metrics.
- Systems, processes and policies are critical components of our risk management capability.
- Recovery planning provides for the escalation path for crisis management governance and supplies Senior Management with a list of actions designed to improve the capital and liquidity positions in a stress event.
- Resolution planning is closely supervised by the BaFin. It provides for a strategy to manage Deutsche Bank in case of default. It is designed to prevent the need for tax payer bailout and strengthen financial stability by the continuation of critical services delivered to the wider economy.

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 (“NFRFC”) 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; and
- 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.

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		Non-performing lendings		Provision held	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in '000) -----					
Public/ Government	-	-	-	-	-	-
Private	4,431,289	26,209,833	-	-	-	-
	<u>4,431,289</u>	<u>26,209,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

38.6.1.2 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in '000) -----					
Electronics and electrical appliances	-	-	-	-	-	-
Chemical and pharmaceuticals	1,018,306	1,036,024	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Manufacture of soap, detergents, cleaning polish	-	-	-	-	-	-
Combustibles, fuel, gas station	-	-	-	-	-	-
Textile composite	96,511	96,511	96,511	96,511	96,511	96,511
Canned foods, deep frozen food	-	-	-	-	-	-
Manufacture of tobacco products	-	-	-	-	-	-
Manufacture of basic chemicals (organic / inorganic)	-	-	-	-	-	-
Manufacture of paper stationery	-	-	-	-	-	-
Manufacturer of sweets including chocolate and cocoa	-	-	-	-	-	-
Other - cosmetics	27	297,543	-	-	-	-
Technical and business consultancies	-	-	-	-	-	-
Manufacture of electro tech art	494	27,043	-	-	-	-
Electricity, gas and water & sanitary services	-	-	-	-	-	-
Manufacture of paper board	-	-	-	-	-	-
Manufacture of dairy products	25,574	36,202	-	-	-	-
Combustibles, fuel, gas stations	-	-	-	-	-	-
Import and sale of agricultural products	-	-	-	-	-	-
Wholesale and retail trade	2,988,365	867,743	-	-	-	-
Power (electricity), Gas, Water, Sanitary	57,366	-	-	-	-	-
Individuals	257,385	249,342	-	-	-	-
	<u>4,444,028</u>	<u>2,610,408</u>	<u>96,511</u>	<u>96,511</u>	<u>96,511</u>	<u>96,511</u>

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in '000) -----					
Private	4,444,028	2,610,408	96,511	96,511	96,511	96,511
	<u>4,444,028</u>	<u>2,610,408</u>	<u>96,511</u>	<u>96,511</u>	<u>96,511</u>	<u>96,511</u>

38.6.1.3 Contingencies and Commitments

	2021	2020
	----- Rupees in '000 -----	
Credit risk by industry sector		
Electronics and electrical appliances	1,669,603	1,150,126
Chemical and pharmaceuticals	689,786	422,154
Automobile and transportation equipment	22,706	22,706
Manufacture of soap, detergents, cleaning polish	112,978	1,075,969
Combustibles, fuel, gas station	503,637	485,637
Canned foods, deep frozen food	-	79,517
Manufacture of tobacco products	75,382	11,328
Manufacture of paper stationery	19,286	18,238
Manufacturer of sweets including chocolate and cocoa	16,141	52,036
Other - cosmetics	-	2,367
Manufacture of electro tech art	-	20,863
Textile others	35,113	268
Manufacture of chemicals and chemical products	-	427,069
Manufacture of basic pharmaceutical products	-	40,592
Wholesale and Retail Trade	2,367	12,865
Electricity, gas and water & sanitary services	-	58,202
Financial	9,523,733	8,394,788
Manufacture and distributes of food and beverage products	4,084,820	-
Other Manufacturing	3,308	-
	<u>16,758,860</u>	<u>12,274,722</u>
Credit risk by public / private sector		
Private	<u>16,758,860</u>	<u>12,274,722</u>

38.6.1.4 **Concentration of Advances**

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

Funded	4,006,671	1,844,522
Non Funded	6,584,765	3,009,939
Total Exposure	<u>10,591,436</u>	<u>4,854,461</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 19.434 billion (2020: 14.904 billion).

38.6.1.5 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2021			
	(Rupees in '000)			
	Disbursements	Utilization		
	Punjab	Sindh		
Punjab	115,746,169	115,746,169	-	
Sindh	118,021,624	-	118,021,624	
Total	233,767,793	115,746,169	118,021,624	

Province / Region	2020			
	(Rupees in '000)			
	Disbursements	Utilization		
	Punjab	Sindh		
Punjab	100,426,301	100,426,301	-	
Sindh	84,964,022	-	84,964,022	
Total	185,390,323	100,426,301	84,964,022	

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

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
(Rupees in '000)						
Cash and balances with treasury banks	9,550,738	-	9,550,738	8,645,015	-	8,645,015
Balances with other banks	5,334,868	-	5,334,868	5,268,843	-	5,268,843
Lendings to financial institutions	4,431,289	-	4,431,289	26,209,833	-	26,209,833
Investments	13,911,333	440,759	14,352,092	-	-	-
Advances	4,339,519	-	4,339,519	2,505,899	-	2,505,899
Fixed assets	277,998	-	277,998	242,064	-	242,064
Intangible assets	-	-	-	-	-	-
Deferred tax assets	5,395	-	5,395	29,127	-	29,127
Other assets	1,537,074	36,121	1,573,195	1,178,763	241,065	1,419,828
	<u>39,388,214</u>	<u>476,880</u>	<u>39,865,094</u>	<u>44,079,544</u>	<u>241,065</u>	<u>44,320,609</u>

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.

	2021				2020			
	Assets	Liabilities and Head office capital	Off-balance sheet items	Net foreign currency exposure	Assets	Liabilities and Head office capital account	Off-balance sheet items	Net foreign currency exposure
(Rupees in '000)								
United States Dollar	5,955,092	1,130,125	(4,516,290)	308,678	5,726,981	814,532	(4,550,455)	361,994
Great Britain Pound Sterling	11,086	156	(9,575)	1,355	8,494	5,128	-	3,366
Euro	6,478,233	6,464,903	(12,211)	1,119	6,328,914	6,325,112	(153,229)	(149,427)
Japanese Yen	3,336	-	-	3,336	3,717	-	-	3,717
Other currencies	3,114	-	-	3,114	3,636	-	-	3,636
	<u>12,450,861</u>	<u>7,595,184</u>	<u>(4,538,076)</u>	<u>317,602</u>	<u>12,071,742</u>	<u>7,144,772</u>	<u>(4,703,684)</u>	<u>223,286</u>

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
(Rupees in '000)				
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	3,176	-	2,233	-

38.6.2.3 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Base 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.

	2021		2020	
	Banking	Trading book	Banking book	Trading book
Impact of 1% increase in interest rates on - Profit and loss account	86,983	-	93,843	-

38.6.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
		(Rupees in '000)										
On-balance sheet financial instruments												
<i>Assets</i>												
Cash and balances with treasury banks	0.00%	9,550,738	202,455	-	-	-	-	-	-	-	-	9,348,283
Balances with other banks	0.00%	5,334,868	-	-	-	-	-	-	-	-	-	5,334,868
Lending to financial institutions	7.25%	4,431,289	4,431,289	-	-	-	-	-	-	-	-	-
Investments	7.10%	14,352,092	14,352,092	-	-	-	-	-	-	-	-	-
Advances	7.47%	4,339,519	619,073	937,599	1,516,560	1,022,873	11,833	5,399	77,986	83,530	64,666	-
Other assets	0.00%	1,550,104	-	-	-	-	-	-	-	-	-	1,550,104
		39,558,610	19,604,909	937,599	1,516,560	1,022,873	11,833	5,399	77,986	83,530	64,666	16,233,254
<i>Liabilities</i>												
Bills payable	0.00%	775,747	-	-	-	-	-	-	-	-	-	775,747
Borrowings	7.34%	9,334	-	-	-	-	-	-	-	-	-	9,334
Deposits and other accounts	6.20%	25,879,216	4,958,433	4,353,401	3,189,132	2,126,088	-	-	-	-	-	11,252,162
Other liabilities	0.00%	4,335,438	-	-	-	-	-	-	-	-	-	4,335,438
		30,999,735	4,958,433	4,353,401	3,189,132	2,126,088	-	-	-	-	-	16,372,681
On-balance sheet gap		8,558,875	14,646,476	(3,415,802)	(1,672,572)	(1,103,215)	11,833	5,399	77,986	83,530	64,666	(139,427)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions												
- letters of credit		2,848,779	-	-	-	-	-	-	-	-	-	2,848,779
Commitments in respect of:												
- Forward Purchase Contracts		3,879,298	-	-	-	-	-	-	-	-	-	3,879,298
- Forward Sales Contracts		(8,417,373)	-	-	-	-	-	-	-	-	-	(8,417,373)
- Forward agreement lending		15,072,227	12,041,564	-	-	-	-	-	-	-	-	3,030,663
- Forward sale of investments		(440,759)	(440,759)	-	-	-	-	-	-	-	-	-
- Other commitments		125,730	-	-	-	-	-	-	-	-	-	125,730
Off-balance sheet gap		13,949,420	11,600,805	-	-	-	-	-	-	-	-	1,467,097
Total Yield/Interest Risk Sensitivity Gap		26,247,281	(3,415,802)	(1,672,572)	(1,103,215)	11,833	5,399	77,986	83,530	64,666	1,327,670	
Cumulative Yield/Interest Risk Sensitivity Gap		26,247,281	22,831,479	21,158,907	20,055,692	20,067,525	20,072,924	20,150,910	20,234,440	20,299,106	21,626,776	
2020												
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
		(Rupees in '000)										
On-balance sheet financial instruments												
<i>Assets</i>												
Cash and balances with treasury banks	0.00%	8,645,015	183,325	-	-	-	-	-	-	-	-	8,461,690
Balances with other banks	0.00%	5,268,843	-	-	-	-	-	-	-	-	-	5,268,843
Lending to financial institutions	8.94%	26,209,833	26,209,833	-	-	-	-	-	-	-	-	-
Investments	0.00%	-	-	-	-	-	-	-	-	-	-	-
Advances	9.74%	2,505,899	-	444	1,179,363	1,079,103	9,043	2,992	19,688	83,530	131,736	-
Other assets	0.00%	1,350,314	-	-	-	-	-	-	-	-	-	1,350,314
		43,979,904	26,393,158	444	1,179,363	1,079,103	9,043	2,992	19,688	83,530	131,736	15,080,847
<i>Liabilities</i>												
Bills payable	0.00%	972,657	-	-	-	-	-	-	-	-	-	972,657
Borrowings	8.82%	241,047	197,977	-	-	-	-	-	-	-	-	43,070
Deposits and other accounts	8.05%	30,965,106	10,547,509	6,542,263	1,336,223	890,816	-	-	-	-	-	11,648,295
Liabilities against assets subject to finance lease	0.00%	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	0.00%	3,920,451	-	-	-	-	-	-	-	-	-	3,920,451
		36,099,261	10,745,486	6,542,263	1,336,223	890,816	-	-	-	-	-	16,584,473
On-balance sheet gap		7,880,643	15,647,672	(6,541,819)	(156,860)	188,287	9,043	2,992	19,688	83,530	131,736	(1,503,626)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions												
- letters of credit		519,812	-	-	-	-	-	-	-	-	-	519,812
Commitments in respect of:												
- Forward Purchase Contracts		12,523,914	-	-	-	-	-	-	-	-	-	12,523,914
- Forward Sales Contracts		(12,523,914)	-	-	-	-	-	-	-	-	-	(12,523,914)
- Forward agreement lending		20,720,534	-	-	-	-	-	-	-	-	-	20,720,534
- Other commitments		118,920	-	-	-	-	-	-	-	-	-	118,920
Off-balance sheet gap		21,359,266	-	-	-	-	-	-	-	-	-	21,359,266
Total Yield/Interest Risk Sensitivity Gap		15,647,672	(6,541,819)	(156,860)	188,287	9,043	2,992	19,688	83,530	131,736	19,855,640	
Cumulative Yield/Interest Risk Sensitivity Gap		15,647,672	9,105,853	8,948,993	9,137,280	9,146,323	9,149,315	9,169,003	9,252,533	9,384,269	29,239,909	

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 Risk.

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

Organizational Structure

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, Asset-Liability Committee and Credit Forum. 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 2021.

38.6.3.2 Covid - 19

The outbreak of COVID-19 has significantly impacted the daily life, economic conditions, business and consumers' activities across the globe. While the spread of COVID-19 has affected countries and economies across the world including Pakistan, swift action by the Government has contained the crises and number of deaths from COVID-19 remained low. The Pakistan Operation's management is fully cognisant of the business challenges posed by the COVID-19 outbreak due to rapidly changing economic conditions and operating environment. The Pakistan Operations continues to serve customers through its branches and the digital channels by observing the Government instructions and adopting all possible precautionary measures for safety of its employees.

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 tolerance.

Being DB's EMEA hub, Treasury & Capital Management (TCM) team in EMEA oversees the liquidity risk and capital management for the whole of EMEA. Currently, there is one Treasurer and one Treasury analyst who manage day to day liquidity risk and capital management for Pakistan. Liquidity and capital managers of TCM's 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.

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 30 March 2022.

40 GENERAL

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

40.2 Certain corresponding figures have been re-arranged / reclassified to reflect more appropriate presentation that are not material in nature.

**Chief Country Officer
Pakistan**

**Chief Financial Officer
Pakistan**