

Deutsche Bank AG, Pakistan Operations

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

Condensed Interim Statement of Financial Position

As at 31 March 2018

	Note	31 March 2018 (Un-audited) (Rupees in '000)	31 December 2017 (Audited)
ASSETS			
Cash and balances with treasury banks		5,638,245	5,995,920
Balances with other banks		524,502	396,881
Lendings to financial institutions	7	16,633,044	19,707,230
Investments		-	-
Advances	8	5,741,222	5,709,278
Operating fixed assets		265,205	271,894
Deferred tax assets-net		11,137	8,910
Other assets		1,239,179	1,120,022
		30,052,534	33,210,135
LIABILITIES			
Bills payable		721,616	932,787
Borrowings from financial institutions		870,845	15,755
Deposits and other accounts		18,663,563	23,212,445
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		2,409,051	2,096,284
		22,665,075	26,257,271
NET ASSETS		7,387,459	6,952,864
REPRESENTED BY:			
Head office capital account		4,563,227	4,238,906
Reserves		-	-
Un-remitted profit		2,824,232	2,713,958
		7,387,459	6,952,864
(Deficit) / surplus on revaluation of securities - net of tax		-	-
		7,387,459	6,952,864

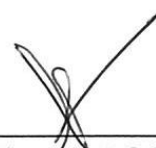
CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 13 form an integral part of the condensed interim financial information.



Managing Director
Chief Country Officer
Pakistan



Chief Financial Officer
Pakistan

Deutsche Bank AG, Pakistan Operations
(Incorporated in the Federal Republic of Germany with limited liability)
Condensed Interim Profit and Loss Account (Un-audited)
For three months period ended 31 March 2018

	Three months period ended 31 March 2018	Three months period ended 31 March 2018	Three months period ended 31 March 2017	Three months period ended 31 March 2017
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	342,580	342,580	272,632	272,632
Mark-up / return / interest expensed	153,517	153,517	103,507	103,507
Net mark-up / interest income	189,063	189,063	169,125	169,125
Reversal of provision against non-performing loans and advances	-	-	1,263	1,263
Provision against off balance sheet obligation	-	-	(398)	(398)
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	-	-	865	865
Net mark-up / interest income after provisions	189,063	189,063	169,990	169,990
NON MARK-UP / INTEREST INCOME				
Fee, Commission and Brokerage Income	153,834	153,834	149,721	149,721
Dividend Income	-	-	-	-
Income from trading in government securities	-	-	-	-
Income from dealing in foreign currencies	71,822	71,822	202,796	202,796
Other income	56	56	3,344	3,344
Total non-mark-up / interest income	225,712	225,712	355,861	355,861
	414,775	414,775	525,851	525,851
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	245,124	245,124	228,395	228,395
Other provisions / write offs	-	-	-	-
Other charges	-	-	-	-
Total non-mark-up / interest expenses	245,124	245,124	228,395	228,395
	169,651	169,651	297,456	297,456
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	169,651	169,651	297,456	297,456
Taxation:				
- Current	(61,603)	(61,603)	(87,293)	(87,293)
- Prior year	-	-	-	-
- Deferred	2,226	2,226	(16,817)	(16,817)
	(59,377)	(59,377)	(104,110)	(104,110)
PROFIT AFTER TAXATION	110,274	110,274	193,346	193,346

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Managing Director
Chief Country Officer
Pakistan


Chief Financial Officer
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Deutsche Bank AG, Pakistan Operations

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

Condensed Interim Statement of Comprehensive Income (Un-audited)

For three months period ended 31 March 2018

	Three months period ended 31 March 2018	Three months period ended 31 March 2018	Three months period ended 31 March 2017	Three months period ended 31 March 2017
------(Rupees in '000)-----				
Profit after taxation	110,274	110,274	193,346	193,346
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss:</i>				
Exchange adjustment on account of revaluation of capital	324,321	324,321	43,837	43,837
Total Comprehensive income - transferred to equity	434,595	434,595	237,183	237,183
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Deficit arising on revaluation of available for sale securities	-	-	-	-
Related deferred tax	-	-	-	-
	434,595	434,595	237,183	237,183

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Managing Director
Chief Country Officer
Pakistan


Chief Financial Officer
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Deutsche Bank AG, Pakistan Operations
(Incorporated in the Federal Republic of Germany with limited liability)
Condensed Interim Cash Flow Statement (Un-audited)
For three months period ended 31 March 2018

	31 March 2018	31 March 2017
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	169,651	297,456
Adjustments for:		
Depreciation	18,658	20,508
Gain on government securities	-	(1,263)
Reversal of provision of against non-performing advances	-	398
Provision against off balance sheet obligation	-	(3,339)
Gain on disposal of operating fixed assets	18,658	16,304
	188,309	313,760
Decrease / (Increase) in operating assets		
Lendings to financial institutions	3,074,186	6,868,912
Advances	(31,944)	(2,080,945)
Others assets (excluding advance taxation)	(118,979)	(52,824)
	2,923,263	4,735,143
(Decrease) / Increase in operating liabilities		
Bills payable	(211,171)	(2,248,192)
Borrowings from financial institutions	855,090	(7,340)
Deposits and other accounts	(4,548,882)	(3,043,250)
Other liabilities	312,766	39,873
	(3,592,197)	(5,258,909)
Income tax paid	(480,625)	(210,006)
	(61,781)	(74,110)
Net cash flows used in operating activities	(542,406)	(284,116)
CASH FLOW FROM INVESTING ACTIVITIES		
Net proceeds from sale of investments	-	-
Purchase of operating fixed assets	(11,969)	(33,705)
Sale proceeds on disposal of operating fixed assets	-	8,260
Net cash flows used in investing activities	(11,969)	(25,445)
CASH FLOW FROM FINANCING ACTIVITIES		
Remittance made to Head office	-	-
Net cash used in financing activities	-	-
Effects of exchange rate changes on cash and cash equivalents	324,321	43,837
Decrease in cash and cash equivalents	(230,054)	(265,724)
Cash and cash equivalents at beginning of the period	6,392,801	5,130,241
Cash and cash equivalents at end of the period	6,162,747	4,864,517

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.


Managing Director
Chief Country Officer
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Deutsche Bank AG, Pakistan Operations
(Incorporated in the Federal Republic of Germany with limited liability)
Condensed Interim Statement of Changes in Equity (Un-audited)
For three months period ended 31 March 2018

	Head office capital account	Un-remitted profit	Total
	----- (Rupees in '000) -----		
Balance as at 01 January 2017	3,544,827	1,993,043	5,537,870
<i>Total Comprehensive income for the period:</i>			
Profit for the three months period ended 31 March 2017	-	193,346	193,346
<i>Other comprehensive income:</i>			
Exchange adjustment on revaluation of Head office capital account	43,837	-	43,837
	43,837	193,346	237,183
Balance as at 31 March 2017	3,588,664	2,186,389	5,775,053
Remittance made to Head office	-	-	-
<i>Total Comprehensive income for the period:</i>			
Profit for the nine months period ended 31 December 2017	-	518,877	518,877
<i>Other comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	8,692	8,692
Exchange adjustment on revaluation of Head office capital account	650,242	-	650,242
	650,242	527,569	1,177,811
Balance as at 31 December 2017	4,238,906	2,713,958	6,952,864
<i>Total Comprehensive income for the period:</i>			
Profit for the three months period ended 31 March 2018	-	110,274	110,274
<i>Other comprehensive income:</i>			
Exchange adjustment on revaluation of Head office capital account	324,321	-	324,321
	324,321	110,274	434,595
Balance as at 31 March 2018	4,563,227	2,824,232	7,387,459

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.


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Deutsche Bank AG, Pakistan Operations

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

Notes to the Condensed Interim Financial Information (Un-audited)

For three months period ended 31 March 2018

1. STATUS AND NATURE OF BUSINESS

Deutsche Bank AG is a foreign banking company incorporated in the Federal Republic of Germany with limited liability. Its operations in Pakistan are carried out through three branches located at Karachi, Lahore and Islamabad ('the Pakistan Operations'). The Pakistan Operations are engaged in banking business as described in the Banking Companies Ordinance, 1962.

The group has decided to close Islamabad branch operations with effect from 30 June 2018 as part of its Global Footprint Rationalization Strategy 2020.

2. STATEMENT OF COMPLIANCE

The condensed interim financial information of the Pakistan Operations for the period ended 31 March 2018 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Act, 2017, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Act, 2017, the Banking Companies Ordinance, 1962 and the said directives have been followed.

The disclosures made in the condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated 12 May 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and the condensed interim financial information should be read in conjunction with the financial statements of the Pakistan Operations for the year ended 31 December 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation followed for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Pakistan Operations for the year ended 31 December 2017.

4. CREDIT RATING

The credit rating provided by Standard & Poor's on 12 April 2018 is A- for long-term and A-2 for short-term, rating by Fitch on 28 September 2017 is BBB+ for long-term and F2 for short-term; and rating by Moody's on 12 December 2017 is Baa2 for long-term and on 06 March 2017 is P-2 for short-term.

5. USE OF ESTIMATES AND JUDGEMENTS

The significant judgements made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied in the annual financial statements of the Pakistan Operations for the year ended 31 December 2017.

6. FINANCIAL RISK MANAGEMENT

The Pakistan Operations' financial risk management objectives and policies are consistent with that disclosed in the annual financial statements for the year ended 31 December 2017.

7. LENDINGS TO FINANCIAL INSTITUTIONS

Note **31 March** 31 December
2018 2017
(Rupees in '000)

Repurchase agreement lendings (Reverse Repo) 7.1 **16,633,044** 19,707,230

7.1 Reverse repos have been made with various commercial banks at rates ranging between 4.74% p.a to 6.34% p.a (31 December 2017: 5.70% to 5.90% p.a) and mature within a month. The market value of these securities amounted to Rs. 16,686 million (31 December 2017: Rs. 19,793 million).

7.2 Securities held as collateral against lending to financial institutions

	31 March 2018			31 December 2017		
	Held by Pakistan Operations	Further given as collateral	Total	Held by Pakistan Operations	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	16,633,044	-	16,633,044	19,707,230	-	19,707,230

8. ADVANCES

Note **31 March** 31 December
2018 2017
(Rupees in '000)

Loans, cash credits, running finances, etc.

- In Pakistan

4,506,636 4,757,619

Bills discounted and purchased (excluding treasury bills)

- Payable in Pakistan

- Payable outside Pakistan

1,273,678	990,751
65,626	65,626
1,339,304	1,056,377
5,845,940	5,813,996

Provision for non-performing advances

8.2 **(104,718)** (104,718)
5,741,222 5,709,278

8.1 Advances include Rs. 96.511 million (31 December 2017: Rs. 96.511 million) which have been placed under non-performing status as detailed below:

	31 March 2018			31 December 2017		
	Classified advances domestic	Provision required	Provision held	Classified advances domestic	Provision required	Provision held
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Category of Classification						
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	96,511	96,511	96,511	96,511	96,511	96,511

8.2 Particulars of provision against non-performing advances - in local currency

	Three months period ended 31 March 2018			Year ended 31 December 2017		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Opening balance	96,511	8,207	104,718	96,511	7,079	103,590
Charge made during the period / year	-	-	-	-	1,128	1,128
Closing balance	96,511	8,207	104,718	96,511	8,207	104,718

8.2.1 General provision represents amounts recognised in line with the instructions received from Head office.

9.	CONTINGENCIES AND COMMITMENTS	31 March 2018	31 December 2017
		(Rupees in '000)	
9.1	Transaction-related contingent liabilities		
	Contingent liability in respect of performance bonds, bid bonds, shipping guarantees, etc. favouring:		
	- Government	11,614,095	12,689,390
	- Financial institutions	151,078	128,359
	- Others	1,082,690	448,875
9.2	Trade-related contingent liabilities		
	Acceptances	1,323,092	1,089,422
	Letters of credit	2,015,608	1,966,910
9.3	Commitments in respect of forward lending		
	Forward repurchase agreement lending (Reverse repo)	16,633,044	19,707,230
	Commitments to extend credit	17,951,281	16,585,433
9.4	Commitments in respect of forward exchange contracts		
	Purchase	500,393	262,219
	Sale	691,487	376,465
9.5	Cheques in clearing	674,805	582,992
10.8	Commitments in respect of forward Purchase of Govt. Securities		-
10.7	Commitments in respect of forward Sale of Govt. Securities		-
9.6	Other contingencies		

Appeals for various assessment years are pending before Income Tax Appellate Authorities / High Courts. Out of these appeals, decisions against additional demands of Rs. 638 million (31 December, 2017: Rs. 638 million) have been made by the CIRA in favor of Pakistan Operations; however, appeal affects are yet to be issued. Additionally, Pakistan Operations are vigorously contesting the appeals for demands of Rs. 42 million (31 December, 2017: Rs. 42 million) and are confident that no additional liability would arise.

10. 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 are summarised as follows:

	Three months period ended	
	31 March	31 March
	2018	2017
	(Rupees in '000)	
Profit and loss items		
Deutsche Bank AG.		
Mark-up / Interest / Income expensed	1	36
Head office expenses	42,243	34,838
Key management personnel		
Salaries and benefits including post retirement benefits	31,412	24,559
Mark-up / Interest / Income earned	174	161
Mark-up / Interest / Income expensed	96	224
Balance sheet items	31 March	31 December
	2018	2017
	(Rupees in '000)	
Deutsche Bank AG.		
Balances with other branches and a subsidiary of		
Deutsche Bank, AG	524,385	16,151
Borrowings from other branches and a subsidiary of		
Deutsche Bank, AG	640	594
Inter-branch deposits and other accounts	6,394	5,883
Un-remitted Head office expenses	1,659,342	1,585,736
Key management personnel		
Loans and advances	21,426	23,185
Deposits	28,878	20,859
Deposits and other accounts		
Opening balance	3,050	984
Deposits during the period	1,215,359	1,952,012
Withdrawals during the period	(823,069)	(1,949,946)
Closing balance	395,341	3,050
Off balance sheet items		
Counter guarantees to branches	7,134,990	7,527,336
Forward purchase of foreign exchange	139,807	185,681
Forward sale of foreign exchange	139,807	128,679

11. The Pakistan Operations calculate the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as per the SBP Basel III Liquidity Standards issued under BPRD circular no 08 dated June 23, 2016. As of 31 March, 2018, the Pakistan Operations' LCR stood at 360% (31 December, 2017: 362%) and NSFR stood at 162% (31 December, 2017: 180%) against SBP requirement of 90% and 100% respectively.

12. GENERAL

- 12.1 Figures have been rounded off to the nearest thousand rupees.

13. DATE OF AUTHORISATION

These condensed interim financial information were authorised for issue on April 25, 2018


Managing Director
Chief Country Officer
Pakistan


Chief Financial Officer
Pakistan