



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

Financial Statements
for the nine months period ended
30 September 2019

Deutsche Bank AG, Pakistan Operations
(Incorporated in the Federal Republic of Germany with limited liability)
Condensed Interim Statement of Financial Position
As at 30 September 2019

		30 September 2019	31 December 2018
	<i>Note</i>	(Un-audited)	(Audited)
		----- Rupees in '000 -----	
ASSETS			
Cash and balances with treasury banks	6	6,837,690	6,961,709
Balances with other banks	7	588,825	220,159
Lendings to financial institutions	8	11,587,917	19,150,856
Investments		-	-
Advances	9	6,310,630	6,249,761
Fixed assets	10	363,286	214,924
Intangible assets		-	-
Deferred tax assets	11	12,738	144
Other assets	12	1,596,104	2,593,673
		27,297,190	35,391,226
LIABILITIES			
Bills payable	13	981,660	1,314,231
Borrowings	14	27,051	2,871,553
Deposits and other accounts	15	14,908,117	20,100,376
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	3,977,784	3,508,246
		19,894,612	27,794,406
NET ASSETS		7,402,578	7,596,820
REPRESENTED BY			
Head office capital account		5,477,870	5,091,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		-	-
Unremitted profit		1,924,708	2,505,820
		7,402,578	7,596,820

CONTINGENCIES AND COMMITMENTS

17

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

Managing Director
Chief Country Officer
Pakistan

Chief Financial Officer
Pakistan

Deutsche Bank AG, Pakistan Operations

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

Condensed Interim Profit and Loss Account (Un-audited)

For nine months period ended 30 September 2019

	Note	Three months period ended 30 September 2019	Nine months period ended 30 September 2019	Three months period ended 30 September 2018	Nine months period ended 30 September 2018
----- Rupees in '000 -----					
Mark-up / return / interest earned	18	661,119	2,019,348	399,343	1,100,889
Mark-up / return / interest expensed	19	228,923	755,176	142,435	466,083
Net mark-up / interest income		432,196	1,264,172	256,908	634,806
NON MARK-UP / INTEREST INCOME					
Fee and commission income	20	111,524	327,451	134,270	439,104
Dividend income		-	-	-	-
Foreign exchange income		38,210	77,257	77,094	274,366
Income / (loss) from derivatives		-	-	-	-
Gain / (loss) on securities		-	-	-	-
Other income	21	4,586	7,353	108	2,352
Total non-markup / interest Income		154,320	412,061	211,472	715,822
Total Income		586,516	1,676,233	468,380	1,350,628
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	22	399,644	876,999	286,397	868,505
Workers Welfare Fund		3,824	16,070	2,625	9,719
Other charges	23	49	98	1,390	1,390
Total non-markup / interest expenses		403,517	893,167	290,412	879,614
Profit before provisions		182,999	783,066	177,968	471,014
Reversal and write offs - net	24	-	-	20	(5,205)
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		182,999	783,066	177,948	476,219
Taxation	25	(72,001)	(348,607)	(70,080)	(186,993)
PROFIT AFTER TAXATION		110,998	434,459	107,868	289,226

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

Managing Director
Chief Country Officer
Pakistan

Chief Financial Officer
Pakistan

Deutsche Bank AG, Pakistan Operations

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

Condensed Interim Statement of Comprehensive Income (Un-audited)

For nine months period ended 30 September 2019

	Three months period ended 30 September 2019	Nine months period ended 30 September 2019	Three months period ended 30 September 2018	Nine months period ended 30 September 2018
	----- (Rupees in '000) -----			
Profit after taxation for the year	110,998	434,459	107,868	289,226
Total comprehensive income	110,998	434,459	107,868	289,226

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

Managing Director
Chief Country Officer
Pakistan

Chief Financial Officer
Pakistan

Deutsche Bank AG, Pakistan Operations
(Incorporated in the Federal Republic of Germany with limited liability)
Condensed Interim Cash Flow Statement (Un-audited)
For nine months period ended 30 Sept 2019

	30 September 2019	30 September 2018
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	783,066	476,219
Adjustments for:		
Depreciation	52,355	56,275
Depreciation on right-of-use assets	52,249	-
Reversal / (provisions) - net	-	(209)
Provision against off balance sheet obligation	-	(5,016)
Gain on disposal of operating fixed assets	(7,234)	(2,050)
	97,370	49,000
	880,436	525,219
Decrease / (increase) in operating assets		
Lendings to financial institutions	7,562,939	4,700,486
Advances	(60,869)	70,697
Others assets (excluding advance taxation)	824,523	(313,221)
	8,326,593	4,457,962
(Decrease) / increase in operating liabilities		
Bills payable	(332,571)	30,174
Borrowings from financial institutions	(2,844,502)	74,212
Deposits and other accounts	(5,192,259)	(5,463,295)
Other liabilities	440,822	544,981
	(7,928,510)	(4,813,928)
Income tax paid	(344,441)	(239,021)
Net cash generated from / (used in) operating activities	934,078	(69,768)
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in operating fixed assets	(82,281)	(35,718)
Proceeds from sale of operating fixed assets	21,551	7,223
Net cash used in investing activities	(60,730)	(28,495)
CASH FLOW FROM FINANCING ACTIVITIES		
Remittance made to Head office	(1,015,571)	(588,625)
Net cash used in financing activities	(1,015,571)	(588,625)
Effects of exchange rate changes on cash and cash equivalents	386,870	382,669
Increase / (decrease) in cash and cash equivalents	244,647	(304,219)
Cash and cash equivalents at beginning of the period	7,181,868	6,392,801
Cash and cash equivalents at end of the period	7,426,515	6,088,582

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

Managing Director
Chief Country Officer
Pakistan

Chief Financial Officer
Pakistan

Deutsche Bank AG, Pakistan Operations

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

Condensed Interim Statement of Changes in Equity (Un-audited)

For nine months period ended 30 September 2019

	Head office capital account	Unremitted profit	Total
	----- (Rupees in '000) -----		
Opening balance as at 01 January 2018	4,238,906	2,713,958	6,952,864
Profit for the nine months period ended 30 September 2018	-	289,226	289,226
Other comprehensive income - net of tax	-	-	-
	-	289,226	289,226
Transactions with owners, recorded directly in equity			
Exchange adjustments on revaluation of capital	382,669	-	382,669
Remittance made to Head office	-	(588,619)	(588,619)
Opening balance as at 30 September 2018	4,621,575	2,414,565	7,036,140
Profit after taxation for the three months period ended 31 December 2018	-	76,395	76,395
Other comprehensive income - net of tax	-	14,860	14,860
	-	91,255	91,255
Transactions with owners, recorded directly in equity			
Exchange adjustments on revaluation of capital	469,425	-	469,425
Balance as at 01 January 2019	5,091,000	2,505,820	7,596,820
Profit after taxation for the nine months period ended 30 September 2019	-	434,459	434,459
Other comprehensive income - net of tax	-	-	-
	-	434,459	434,459
Transactions with owners, recorded directly in equity			
Exchange adjustments on revaluation of capital	386,870	-	386,870
Remittance made to Head office	-	(1,015,571)	(1,015,571)
	386,870	(1,015,571)	(628,701)
Closing balance as at 30 September 2019	5,477,870	1,924,708	7,402,578

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

Managing Director
Chief Country Officer
Pakistan

Chief Financial Officer
Pakistan

Deutsche Bank AG, Pakistan Operations

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

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

For the nine months period ended 30 September 2019

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

The credit rating provided by Standard & Poor's on 15 July 2019 is BBB+ for long-term and A-2 for short-term, rating by Fitch on 07 June 2019 is BBB for long-term and F2 for short-term; and rating by Moody's on 03 August 2018 is A3 for long-term.

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These condensed interim 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 Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB) as 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 IAS 34, the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP vide BSD Circular No. 10 dated 26 August 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40). Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) dated 28 April 2008, International Financial Reporting Standard 7, Financial Instruments: Disclosures (IFRS 7) has not been made applicable for banks. Accordingly, the requirements of these standards and their relevant interpretations (issued by the Standards Interpretation Committee - SICs and the International Financial Reporting Interpretations Committee - IFRICs) have not been considered in the preparation of these condensed interim financial statements.

- 2.2 The condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements of the Pakistan Operations for the financial year ended 31 December 2018.

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

On 1 January 2019, the Pakistan Operations adopted IFRS 16 Leases. A number of other new standards, amendments and interpretations are effective from 1 January 2019 but they do not have a material effect on the Pakistan Operations' financial statements.

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

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

On 1 January 2019, the Pakistan Operations recognised right-of-use asset of Rs. 185,001 million with a corresponding lease liability where the amount of the current leases has been partially prepaid. Right-of-use assets are presented under 'Fixed Assets'. Also, in relation to leases under IFRS 16, the Pakistan Operations have recognized depreciation expense of Rs. 52,249 million on right-of-use assets instead of rent expense.

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

2.4 Standards, interpretations of and amendments to approved accounting standards that are not yet effective in the current period

There are certain standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan that are not yet effective in the current year. These are not expected to have any material impact on the Pakistan Operations' financial statements in the period of their initial application except for the following:

IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2021). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The overall governance of the IFRS 9 implementation has been through the Group IFRS 9 Steering Committee. Pakistan Operations have not conducted any assessments locally. It has been estimated that on the adoption of the standard an reversal in impairment of around Rs. 12,665 million would be required under expected credit loss model as at 30 September 2019.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation followed for the preparation of the condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Pakistan Operations for the year ended 31 December 2018 except for adoption of IFRS 16 - Leases as described below.

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. The Bank recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of the right-of-use asset or end of lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 2018.

5 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 2018.

6 CASH AND BALANCES WITH TREASURY BANKS	<i>Note</i>	30 September 2019	31 December 2018
		----- (Rupees in '000) -----	
In hand			
Local currency		22,473	15,371
Foreign currency		47,934	69,078
		70,407	84,449
With State Bank of Pakistan in			
Local currency current account	6.1	1,032,874	1,561,277
Foreign currency current account	6.2	59,575	52,906
Foreign currency deposit account			
Special cash reserve account	6.3	178,512	156,815
Local US Dollar collection account	6.4	18,452	15,262
Foreign currency capital account		5,477,870	5,091,000
		6,767,283	6,877,260
		6,837,690	6,961,709

- 6.1** This represents current account maintained with SBP under the requirements of section 22 (Cash Reserve Requirement) of the Banking Companies Ordinance, 1962.
- 6.2** This represents statutory cash reserve in the current account maintained with SBP under the requirements of SBP.
- 6.3** This represents statutory cash reserve maintained against foreign currency deposits mobilized under FE 25 Circular issued by the SBP. Profit rates on these deposits are fixed by SBP on a monthly basis and were ranging between 1.09% p.a to 1.51% p.a. (31 December 2018: 0.56% p.a to 1.35% p.a).
- 6.4** This represents US Dollar settlement account opened with the SBP in accordance with FE Circular No. 2.

7 BALANCES WITH OTHER BANKS	<i>Note</i>	30 September 2019	31 December 2018
		----- (Rupees in '000) -----	
In Pakistan			
In current account		1,000	1,000
Outside Pakistan			
In current account			
Interbranch		380,240	146,152
Others	7.1	207,585	73,007
		587,825	219,159
		588,825	220,159

- 7.1** This includes balance with a subsidiary of Deutsche Bank, AG. Rs. 205.521 million (31 December 2018: Rs. 71.784 million).

8 LENDINGS TO FINANCIAL INSTITUTIONS	<i>Note</i>	30 September 2019	31 December 2018
		----- (Rupees in '000) -----	
Repurchase agreement lendings (Reverse Repo)	8.1	11,587,917	19,150,856

- 8.1** Reverse repo transactions have been made with various commercial banks at rates ranging from 13.25% to 13.74% p.a (31 December 2018: 9.99% p.a to 10.30% p.a) and mature within a month. The market value of these securities at 30 September 2019 amounted to Rs. 11,696 million (31 December 2018: Rs. 19,335 million).

9	ADVANCES	Note	Performing		Non Performing		Total	
			30 September	31 December	30 September	31 December	30 September	31 December
			2019	2018	2019	2018	2019	2018
			----- (Rupees in '000) -----					
	Loans, cash credits, running finances, etc.		6,194,465	5,430,653	30,885	30,885	6,225,350	5,461,538
	Bills discounted and purchased		124,163	827,106	65,626	65,626	189,789	892,732
	Advances - gross	9.1	6,318,628	6,257,759	96,511	96,511	6,415,139	6,354,270
	Provision against advances							
	- Specific		-	-	(96,511)	(96,511)	(96,511)	(96,511)
	- General		(7,998)	(7,998)	-	-	(7,998)	(7,998)
		9.3	(7,998)	(7,998)	(96,511)	(96,511)	(104,509)	(104,509)
	Advances - net of provision		6,310,630	6,249,761	-	-	6,310,630	6,249,761

9.1	Particulars of advances (Gross)	30 September 2019	31 December 2018
		---- Rupees in '000 ----	
	In local currency	6,349,513	6,288,644
	In foreign currencies	65,626	65,626
		6,415,139	6,354,270

9.2 Advances include Rs.96.511 million (31 December 2018: Rs. 96.511 million) which have been placed under non-performing status as detailed below:

Category of Classification

	30 September 2019		31 December 2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- Rupees in '000 -----				
Domestic	-	-	-	-
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	96,511	96,511	96,511	96,511
	96,511	96,511	96,511	96,511

9.3	Particulars of provision against advances	30 September 2019			31 December 2018		
		Specific	General	Total	Specific	General	Total
		----- Rupees in '000 -----					
	Opening balance	96,511	7,998	104,509	96,511	8,207	104,718
	Charge for the period / year	-	-	-	-	-	-
	Reversals	-	-	-	-	(209)	(209)
		-	-	-	-	(209)	(209)
	Closing balance	96,511	7,998	104,509	96,511	7,998	104,509

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

10	FIXED ASSETS	Note	30 September	31 December
			2019	2018
			----- Rupees in '000 -----	
	Capital work-in-progress	10.1	32,394	6,394
	Property and equipment		198,139	208,530
	Right-of-use assets		132,753	-
			<u>363,286</u>	<u>214,924</u>
10.1	Capital work-in-progress			
	Advances to suppliers		<u>32,394</u>	<u>6,394</u>
11	DEFERRED TAX ASSETS			
	Deductible Temporary Differences on			
	- Post retirement employee benefits		<u>3,502</u>	<u>3,502</u>
			3,502	3,502
	Taxable Temporary Differences on			
	- Accelerated tax depreciation		<u>9,236</u>	<u>(3,358)</u>
			9,236	(3,358)
			<u>12,738</u>	<u>144</u>
12	OTHER ASSETS			
	Income / Mark-up accrued in local currency		257,912	149,022
	Income / Mark-up accrued in foreign currency		52,867	51,129
	Advances, deposits, advance service charges / rent and other prepayments		141,109	323,219
	Advance taxation (payments less provisions)		969,936	986,696
	Marked to market gains on forward foreign exchange contracts		272	128,505
	Acceptances		174,846	952,346
	Others		<u>3,836</u>	<u>7,430</u>
			1,600,778	2,598,347
	Less: Provision held against other assets	12.1	<u>(4,674)</u>	<u>(4,674)</u>
	Other Assets (Net of Provision)		<u>1,596,104</u>	<u>2,593,673</u>
12.1	Provision held against other assets			
	Advances, deposits, advance rent & other prepayments		<u>4,674</u>	<u>4,674</u>
13	BILLS PAYABLE			
	In Pakistan		<u>981,660</u>	<u>1,314,231</u>

14	BORROWINGS	Note	30 September 2019	31 December 2018
			----- Rupees in '000 -----	
	Unsecured			
	Overdrawn nostro accounts - Interbranch and a subsidiary of Deutsche Bank, AG		563	57,245
	Borrowing from Deutsche Bank, AG London Branch	14.1	-	2,795,535
	Others	14.2	26,488	18,773
	Total unsecured		27,051	2,871,553

14.1 Short term borrowings are NIL (31 December 2018: carried an interest rate of -0.22% p.a).

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

15 DEPOSITS AND OTHER ACCOUNTS

	30 September 2019			31 December 2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- Rupees in '000 -----					
Customers						
Non-Remunerative						
Current deposits	5,186,013	912,803	6,098,816	4,212,053	837,898	5,049,951
Margin deposits	744,184	-	744,184	2,417,116	-	2,417,116
Remunerative						
Savings deposits	2,838,900	12,558	2,851,458	6,785,216	13,815	6,799,031
Term deposits	5,206,176	-	5,206,176	5,827,492	-	5,827,492
	13,975,273	925,361	14,900,634	19,241,877	851,713	20,093,590
Financial Institutions						
Non-remunerative deposits - inter branch	7,483	-	7,483	6,786	-	6,786
	7,483	-	7,483	6,786	-	6,786
	13,982,756	925,361	14,908,117	19,248,663	851,713	20,100,376

16	OTHER LIABILITIES	Note	30 September 2019	31 December 2018
			----- Rupees in '000 -----	
	Mark-up/ Return/ Interest payable in local currency		130,103	31,483
	Unearned commission and income on bills discounted		27,588	31,282
	Accrued expenses		72,095	168,059
	Acceptances		174,846	952,346
	Marked to market loss on forward foreign exchange contracts		15,086	3,963
	Payable to DB Singapore		6,195	6,195
	Unremitted head office expenses		2,229,877	1,953,443
	Payable to defined benefit plan		32,327	32,327
	Provision against off-balance sheet obligations	16.1	6,121	6,121
	Workers Welfare Fund	16.2	238,623	222,553
	Lease liability		25,485	-
	Others		1,019,438	100,474
			3,977,784	3,508,246
16.1	Provision against off-balance sheet obligations			
	Opening balance		6,121	11,136
	Reversals		-	(5,015)
	Closing balance		6,121	6,121

16.2 Worker's Welfare Fund

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 unlawful 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 30 September, 2019. No allocation between the Federal Government Levy and Sindh WWF has been made.

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

17	CONTINGENCIES AND COMMITMENTS	Note	30 September 2019	31 December 2018
			----- Rupees in '000 -----	
	-Guarantees	17.1	14,243,232	14,866,130
	-Commitments	17.2	19,682,093	28,073,734
			<u>33,925,325</u>	<u>42,939,864</u>
17.1	Guarantees			
	Financial guarantees		<u>14,243,232</u>	<u>14,866,130</u>
17.2	Commitments			
	Documentary credits and short-term trade-related transactions			
	- letters of credit		1,885,029	2,013,236
	Commitments in respect of:			
	- forward foreign exchange contracts	17.2.1	611,626	9,469,893
	- forward lending	17.2.2	16,951,018	15,359,266
	Other commitments	17.2.3	234,420	1,231,339
			<u>19,682,093</u>	<u>28,073,734</u>
17.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		300,820	6,247,789
	Sale		310,806	3,222,104
			<u>611,626</u>	<u>9,469,893</u>
	The maturities of above contracts are spread over a period of one year.			
17.2.2	Commitments in respect of forward lending			
	Undrawn formal standby facilities, credit lines and other commitments to lend		<u>16,951,018</u>	<u>15,359,266</u>
17.2.3	Cheques in clearing		<u>234,420</u>	<u>1,231,339</u>
17.3	Other contingent liabilities			
	Appeals for various assessment years are pending before Income Tax Appellate Authorities / High Courts. Out of these appeals, decisions against demands of Rs. 638 million (31 December 2018: Rs. 638 million) have been made by the CIRA in favor of Pakistan Operations in respect of tax years 2011 to 2014. However, the tax department has filed appeals against the decisions of CIRA for tax years 2013 and 2014 involving demand of Rs. 513 million while no appeal effect orders have been passed by taxation officer for the remaining years. Further, Pakistan Operations are vigorously contesting the appeals for additional demands of Rs. 45 million against various issues (31 December 2018: Rs. 45 million) and the Pakistan Operations are confident that no additional liability would arise.			
18	MARK-UP / RETURN / INTEREST EARNED		Nine months period ended 30 September 2019	Nine months period ended 30 September 2018
			----- Rupees in '000 -----	
	On:			
	Loans and advances		664,266	297,511
	Lendings to financial institutions		1,345,189	802,756
	Balances with banks		1,815	622
	Others		8,078	-
			<u>2,019,348</u>	<u>1,100,889</u>
19	MARK-UP / RETURN / INTEREST EXPENSED			
	On:			
	Deposits		752,592	441,825
	Borrowings		2,171	24,258
	Finance cost of lease liability		413	-
			<u>755,176</u>	<u>466,083</u>

			Nine months period ended 30 September 2019	Nine months period ended 30 September 2018
			----- Rupees in '000 -----	
20 FEE & COMMISSION INCOME	<i>Note</i>			
Commission on trade			85,786	69,446
Commission on guarantees			57,792	63,865
Commission on cash management			7,028	7,452
Commission on remittances including home remittances			251	406
Commission on custodial services			176,117	297,398
Others			477	537
			<u>327,451</u>	<u>439,104</u>
21 OTHER INCOME				
Gain on sale of fixed assets - net			7,234	2,050
Others			119	302
			<u>7,353</u>	<u>2,352</u>
22 OPERATING EXPENSES				
Total compensation expense			303,036	306,843
Property expense				
Rent & taxes			26,345	85,611
Insurance			6,103	8,139
Utilities cost			7,377	14,330
Security (including guards)			9,452	8,225
Repair & maintenance (including janitorial charges)			2,322	2,208
Depreciation			13,741	17,257
Depreciation on right-of-use assets			52,249	-
			<u>117,589</u>	<u>135,771</u>
Information technology expenses				
Hardware maintenance			12,820	6,540
Depreciation			13,355	14,266
Network charges			18,132	15,795
			<u>44,307</u>	<u>36,601</u>
Other operating expenses				
Legal & professional charges			9,329	6,979
Outsourced services costs			65,168	49,338
Travelling & conveyance			10,624	14,492
NIFT clearing charges			1,001	1,211
Depreciation			25,259	24,751
Training & development			555	10
Postage & courier charges			868	614
Communication			4,693	7,061
Head office / regional office expenses			276,734	243,700
Stationery & printing			12,203	9,325
Marketing, advertisement & publicity			555	857
Auditors Remuneration			2,666	2,692
Others			2,412	28,261
			<u>412,067</u>	<u>389,291</u>
			<u>876,999</u>	<u>868,505</u>
23 OTHER CHARGES				
Penalties imposed by State Bank of Pakistan			87	1,390
Others			11	-
			<u>98</u>	<u>1,390</u>
24 PROVISIONS - NET				
Provisions against loans & advances	9.3		-	(189)
Provisions against off balance sheet obligation	16.1		-	(5,016)
			<u>-</u>	<u>(5,205)</u>
25 TAXATION				
Current			315,672	198,092
Prior periods	25.1		45,529	-
Deferred			(12,594)	(11,099)
			<u>348,607</u>	<u>186,993</u>

25.1 The Finance Supplementary (Second Amendment) Act, 2019 has levied super tax at 4% for tax year 2018 which was previously not chargeable.

26 FAIR VALUE MEASUREMENTS

26.1 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:

	30 September 2019								
	Carrying Value					Fair Value			
	Held for trading	Available for Sale	Loans and Receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----					----- (Rupees in '000) -----			
On balance sheet financial instruments									
Financial assets measured at fair value									
Other Assets									
- Unrealized gain on forward foreign exchange contracts	272	-	-	-	272	-	272	-	272
	272	-	-	-	272				
Financial assets not measured at fair value									
Cash and balances with treasury banks	-	-	6,837,690	-	6,837,690				
Balances with other banks	-	-	588,825	-	588,825				
Lendings to financial institutions	-	-	11,587,917	-	11,587,917				
Advances	-	-	6,310,630	-	6,310,630				
Other assets	-	-	355,943	-	355,943				
	272	-	25,681,005	-	25,681,277				
Financial Liabilities measured at fair value									
Other Liabilities									
- Unrealized loss on forward foreign exchange contracts	15,086	-	-	-	15,086	-	15,086	-	15,086
	15,086	-	-	-	15,086				
Financial liabilities not measured at fair value									
Bills payable	-	-	-	981,660	981,660				
Borrowings from financial institutions	-	-	-	27,051	27,051				
Deposits and other accounts	-	-	-	14,908,117	14,908,117				
Other liabilities	-	-	-	3,962,698	3,962,698				
	15,086	-	-	19,879,526	19,894,612				
Off-balance sheet financial instruments measured at fair value									
Forward purchase of foreign exchange				300,820	300,820	-	301,092	-	301,092
Forward sale of foreign exchange				310,806	310,806	-	325,892	-	325,892

	31 December 2018								
	Carrying Value					Fair Value			
	Held for trading	Available for Sale	Loans and Receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----					----- (Rupees in '000) -----			
On balance sheet financial instruments									
Financial assets measured at fair value									
Other Assets									
- Unrealized gain on forward foreign exchange contracts	128,505	-	-	-	128,505	-	128,505	-	128,505
	128,505	-	-	-	128,505				
Financial assets not measured at fair value									
Cash and balances with treasury banks	-	-	6,961,709	-	6,961,709				
Balances with other banks	-	-	220,159	-	220,159				
Lendings to financial institutions	-	-	19,150,856	-	19,150,856				
Advances	-	-	6,249,761	-	6,249,761				
Other assets	-	-	1,164,940	-	1,164,940				
	128,505	-	33,747,425	-	33,875,930				
Financial Liabilities measured at fair value									
Other Liabilities									
- Unrealized loss on forward foreign exchange contracts	3,963	-	-	-	3,963	-	3,963	-	3,963
	3,963	-	-	-	3,963				
Financial liabilities not measured at fair value									
Bills payable	-	-	-	1,314,231	1,314,231				
Borrowings from financial institutions	-	-	-	2,871,553	2,871,553				
Deposits and other accounts	-	-	-	20,100,376	20,100,376				
Other liabilities	-	-	-	3,504,283	3,504,283				
	3,963	-	-	27,790,443	27,794,406				
Off-balance sheet financial instruments measured at fair value									
Forward purchase of foreign exchange				6,247,789	6,247,789	-	6,376,294	-	6,376,294
Forward sale of foreign exchange				3,222,104	3,222,104	-	3,226,067	-	3,226,067

27 SEGMENT INFORMATION

27.1 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. The Foreign Exchange business GTB Fx is also a part of Corporate Bank.

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.

	Nine months period ended 30 September 2019		
	Corporate Bank	Infrastructure & Regional Management	Total
	----- (Rupees in '000) -----		
Profit & Loss			
Net mark-up / return	88,735	1,175,437	1,264,172
Inter segment revenue - net	712,987	(712,987)	-
Non mark-up / return / interest income	621,483	(209,422)	412,061
Total Income	1,423,205	253,028	1,676,233
Segment direct expenses	(189,649)	(703,518)	(893,167)
Inter segment expense allocation	(655,197)	655,197	-
Total expenses	(844,846)	(48,321)	(893,167)
Reversals / (Provisions)	-	-	-
Profit before tax	578,359	204,707	783,066
	30 September 2019		
	Corporate Bank	Infrastructure & Regional Management	Total
	----- (Rupees in '000) -----		
Balance Sheet			
Cash & Bank balances	-	7,426,515	7,426,515
Net inter segment lending	8,273,184	(8,273,184)	-
Lendings to financial institutions	-	11,587,917	11,587,917
Advances - performing	6,214,119	-	6,214,119
- non-performing	96,511	-	96,511
Others	475,989	1,496,139	1,972,128
Total Assets	15,059,803	12,237,387	27,297,190
Borrowings	-	27,051	27,051
Deposits & other accounts	14,900,634	7,483	14,908,117
Net inter segment borrowing	(8,273,184)	8,273,184	-
Others	2,290,519	2,668,925	4,959,444
Total liabilities	8,917,969	10,976,643	19,894,612
Head office account	-	7,402,578	7,402,578
Total Equity & liabilities	8,917,969	18,379,221	27,297,190
Contingencies & Commitments	33,925,325	-	33,925,325

	Nine months period ended 30 September 2018		
	Corporate Bank	Infrastructure & Regional Management	Total
	----- (Rupees in '000) -----		
Profit & Loss			
Net mark-up / return	(138,978)	773,784	634,806
Inter segment revenue - net	543,814	(543,814)	-
Non mark-up / return / interest income	720,639	(4,817)	715,822
Total Income	<u>1,125,475</u>	<u>225,153</u>	<u>1,350,628</u>
Segment direct expenses	(315,545)	(564,069)	(879,614)
Inter segment expense allocation	(488,918)	488,918	-
Total expenses	<u>(804,463)</u>	<u>(75,151)</u>	<u>(879,614)</u>
Reversals / (Provisions)	5,205	-	5,205
Profit before tax	<u>326,217</u>	<u>150,002</u>	<u>476,219</u>
	31 December 2018		
	Corporate Bank	Infrastructure & Regional Management	Total
	----- (Rupees in '000) -----		
Balance Sheet			
Cash & Bank balances	-	7,181,868	7,181,868
Net inter segment lending	8,273,184	(8,273,184)	(0)
Lendings to financial institutions	-	19,150,856	19,150,856
Advances - performing	6,153,250	-	6,153,250
- non-performing	96,511	-	96,511
Others	1,253,095	1,555,646	2,808,741
Total Assets	<u>15,776,040</u>	<u>19,615,186</u>	<u>35,391,226</u>
Borrowings	-	2,871,553	2,871,553
Deposits & other accounts	20,093,590	6,786	20,100,376
Net inter segment borrowing	(8,273,184)	8,273,184	-
Others	2,343,740	2,478,737	4,822,477
Total liabilities	<u>14,164,146</u>	<u>13,630,260</u>	<u>27,794,406</u>
Head office account	-	7,596,820	7,596,820
Total Equity & liabilities	<u>14,164,146</u>	<u>21,227,080</u>	<u>35,391,226</u>
Contingencies & Commitments	<u>42,939,864</u>	<u>-</u>	<u>42,939,864</u>

28 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:

	30 September 2019				31 December 2018			
	Head office and branches	Key management personnel	Subsidiary	Other related parties	Head office and branches	Key management personnel	Subsidiary	Other related parties
	(Rupees in '000)							
Balances with other banks								
In current accounts	380,240	-	205,521	-	146,152	-	71,784	-
In deposit accounts	-	-	-	-	-	-	-	-
	380,240	-	205,521	-	146,152	-	71,784	-
Advances								
Opening balance	-	16,171	-	-	-	5,912	-	-
Addition during the year	-	78,281	-	-	-	19,877	-	-
Repaid during the year	-	(20,995)	-	-	-	(9,618)	-	-
Closing balance	-	73,457	-	-	-	16,171	-	-
Other Assets								
Interest / mark-up accrued	-	-	-	-	1,018	-	-	-
Borrowings								
Opening balance	2,852,780	-	-	-	594	-	-	-
Borrowings during the year	10,242,516	-	-	-	37,906,708	-	-	-
Settled during the year	(13,094,733)	-	-	-	(35,054,522)	-	-	-
Closing balance	563	-	-	-	2,852,780	-	-	-
Deposits and other accounts								
Opening balance	6,786	13,164	-	8,978	5,883	20,701	-	3,050
Received during the year	152,671	219,106	-	3,113,483	164,356	202,409	-	4,648,454
Withdrawn during the year	(151,973)	(220,891)	-	(3,122,461)	(163,453)	(209,946)	-	(4,642,526)
Closing balance	7,483	11,379	-	-	6,786	13,164	-	8,978
Other Liabilities								
Interest / mark-up payable	-	72	-	-	-	-	-	-
Payable to staff retirement fund	-	-	32,327	-	-	-	-	32,327
Other liabilities	2,236,072	-	-	-	1,959,638	-	-	-
Contingencies and Commitments								
Other contingencies	8,806,854	-	-	-	14,913,691	-	-	-

	Nine months period ended			
	30 September 2019		30 September 2018	
	Head office and branches	Key management personnel	Head office and branches	Key management personnel
	(Rupees in '000)			
Income				
Mark-up / return / interest earned	6,373	1,678	3	697
Expense				
Mark-up / return / interest paid	9	188	-	246
Foreign exchange loss	(41,160)	-	-	-
Operating expenses	276,734	67,516	243,700	98,675

29 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

30 September 2019 **31 December 2018**
 ----- (Rupees in '000) -----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses) 7,402,578 7,596,820

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	7,402,578	7,596,820
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	7,402,578	7,596,820
Eligible Tier 2 Capital	14,119	14,119
Total Eligible Capital (Tier 1 + Tier 2)	7,416,697	7,610,939

Risk Weighted Assets (RWAs):

Credit Risk	21,003,670	20,965,212
Market Risk	94,350	2,997,488
Operational Risk	3,635,301	3,635,301
Total	24,733,321	27,598,001

Common Equity Tier 1 Capital Adequacy Ratio

29.93% 27.53%

Tier 1 Capital Adequacy Ratio

29.93% 27.53%

Total Capital Adequacy Ratio

29.99% 27.58%

Leverage Ratio (LR):

Eligible Tier-1 Capital	7,402,578	7,596,820
Total Exposure	70,203,829	92,213,880
Leverage Ratio	10.54%	8.24%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	14,213,075	18,642,722
Total Net Cash Outflow	6,964,248	6,361,939
Liquidity Coverage Ratio	204%	293%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	13,643,394	17,951,845
Total Required Stable Funding	12,451,298	11,167,704
Net Stable Funding Ratio	110%	161%

30 GENERAL

30.1 Figures have been rounded off to the nearest thousand rupees.

31 DATE OF AUTHORISATION

These condensed interim financial information were authorised for issue on 29 October 2019

Managing Director
Chief Country Officer
Pakistan

Chief Financial Officer
Pakistan