

Deutsche Bank AG, Pakistan Operations
(Incorporated in the Federal Republic of Germany with limited liability)
Condensed Interim Statement of Financial Position
As at 30 June 2018

	Note	30 June 2018 (Un-audited) (Rupees in '000)	31 December 2017 (Audited)
ASSETS			
Cash and balances with treasury bank		6,409,583	5,995,920
Balances with other banks		422,243	396,881
Lendings to financial institutions	7	14,009,676	19,707,230
Investments		-	-
Advances - net	8	4,491,144	5,709,278
Operating fixed assets		251,882	271,894
Deferred tax assets-net		14,065	8,910
Other assets		1,214,216	1,120,022
		26,812,809	33,210,135
LIABILITIES			
Bills payable		4,394,686	932,787
Borrowings from financial institutions		49,858	15,755
Deposits and other accounts		12,911,105	23,212,445
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		2,612,569	2,096,284
		19,968,218	26,257,271
NET ASSETS		6,844,591	6,952,864
REPRESENTED BY:			
Head office capital account		4,537,900	4,238,906
Reserves		-	-
Un-remitted profit		2,306,691	2,713,958
		6,844,591	6,952,864
(Deficit) / surplus on revaluation of securities - net of tax		-	-
		6,844,591	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 six months period ended 30 June 2018

	Three months period ended 30 June 2018	Six months period ended 30 June 2018	Three months period ended 30 June 2017	Six months period ended 30 June 2017
----- (Rupees in '000) -----				
Mark-up / return / interest earned	342,580	701,546	287,966	560,598
Mark-up / return / interest expensed	153,518	323,648	83,498	187,006
Net mark-up / interest income	189,062	377,898	204,468	373,592
Reversal / (provision) against non-performing loans and advances	-	209	(3,853)	(2,590)
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	-	209	(3,853)	(2,590)
Net mark-up / interest income after provisions	189,062	378,107	200,615	371,002
NON MARK-UP / NON INTEREST INCOME				
Fee, commission and brokerage income	153,834	304,834	158,540	308,260
Dividend income	-	-	-	-
Income from trading in government securities	-	-	-	-
Income from dealing in foreign currencies	71,823	197,272	308,668	511,464
Other income	56	2,244	2,136	5,481
Total non mark-up / non interest income	225,713	504,350	469,344	825,205
	414,775	882,457	669,959	1,196,207
NON MARK-UP / NON INTEREST EXPENSES				
Administrative expenses	245,177	589,202	226,838	455,233
(Reversal) / provision against off balance sheet obligation	(5,016)	(5,016)	5,633	6,030
Other charges	-	-	-	-
Total non mark-up / non interest expenses	240,161	584,186	232,471	461,263
	174,614	298,271	437,488	734,944
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	174,614	298,271	437,488	734,944
Taxation:				
- Current	(62,619)	(122,068)	(157,090)	(244,383)
- Prior year	-	-	(28,605)	(28,605)
- Deferred	2,227	5,155	3,970	(12,847)
	(60,392)	(116,913)	(181,725)	(285,835)
PROFIT AFTER TAXATION	114,222	181,358	255,763	449,109

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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 six months period ended 30 June 2018

	Three months period ended 30 June 2018	Six months period ended 30 June 2018	Three months period ended 30 June 2017	Six months period ended 30 June 2017
	----- (Rupees in '000) -----			
Profit after taxation	114,222	181,358	255,763	449,109
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss:</i>				
Exchange adjustment on account of revaluation of Head office capital account	(25,327)	298,994	245,778	289,615
Total Comprehensive income - transferred to equity	88,895	480,352	501,541	738,724

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Managing Director
Chief Country Officer
Pakistan



Chief Financial Officer
Pakistan

Deutsche Bank AG, Pakistan Operations

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

Condensed Interim Cash Flow Statement (Un-audited)

For six months period ended 30 June 2018

	2018	2017
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	298,271	734,944
Adjustments for:		
Depreciation	37,479	40,908
(Reversal) / provision against non-performing loans and advances	(209)	2,590
(Reversal) / provision against off balance sheet obligation	(5,016)	6,030
Gain on disposal of operating fixed assets	(1,989)	(5,476)
	30,265	44,052
	328,536	778,996
Decrease / (increase) in operating assets		
Lendings to financial institutions	5,697,554	3,845,496
Advances	1,218,343	(3,678,325)
Others assets (excluding advance taxation)	(55,547)	35,503
	6,860,350	202,674
(Decrease) / increase in operating liabilities		
Bills payable	3,461,899	(2,206,950)
Borrowings from financial institutions	34,103	1,003,061
Deposits and other accounts	(10,301,340)	957,592
Other liabilities	521,301	498,497
	(6,284,037)	252,200
	904,849	1,233,870
Income tax paid	(160,716)	(214,772)
Net cash generated from operating activities	744,133	1,019,098
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of operating fixed assets	(22,528)	(44,273)
Sale proceeds on disposal of operating fixed assets	7,051	15,387
Net cash used in investing activities	(15,477)	(28,886)
CASH FLOW FROM FINANCING ACTIVITIES		
Remittance made to Head office	(588,625)	-
Net cash used in financing activities	(588,625)	-
Effects of exchange rate changes on cash and cash equivalents	298,994	289,615
Increase in cash and cash equivalents	439,025	1,279,827
Cash and cash equivalents at beginning of the period	6,392,801	5,130,241
Cash and cash equivalents at end of the period	<u>6,831,826</u>	<u>6,410,068</u>

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 Managing Director
 Chief Country Officer
 Pakistan


 Chief Financial Officer
 Pakistan

Deutsche Bank AG, Pakistan Operations

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

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

For six months period ended 30 June 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 six months period ended 30 June 2017	-	449,109	449,109
<i>Other comprehensive income:</i>			
Exchange adjustment on revaluation of Head office capital account	289,615	-	289,615
	289,615	449,109	738,724
Balance as at 30 June 2017	3,834,442	2,442,152	6,276,594
<i>Total Comprehensive income for the period:</i>			
Profit for the six months period ended 31 December 2017	-	263,114	263,114
<i>Other comprehensive income:</i>			
Actuarial gain on defined benefit plan - net of tax	-	8,692	8,692
Exchange adjustment on revaluation of Head office capital account	404,464	-	404,464
	404,464	271,806	676,270
Balance as at 31 December 2017	4,238,906	2,713,958	6,952,864
<i>Transactions with owners, recorded directly in equity:</i>			
Remittance made to Head office	-	(588,625)	(588,625)
<i>Total Comprehensive income for the period:</i>			
Profit for the six months period ended 30 June 2018	-	181,358	181,358
<i>Other comprehensive income:</i>			
Exchange adjustment on revaluation of Head office capital account	298,994		298,994
	298,994	181,358	480,352
Balance as at 30 June 2018	4,537,900	2,306,691	6,844,591

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


Managing Director
Chief Country Officer
Pakistan


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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 six months period ended 30 June 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 two branches (2017: three 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 group had 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 six months period ended 30 June 2018 has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting 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 Companies Act, 2017;
- Banking Companies Ordinance, 1962; and the directives issues by SBP.

In case the requirement of Companies Act, 2017, Banking Companies Ordinance, 1962, directives issued by SBP differ from the requirements of IAS 34, the requirements of Companies Act, 2017, Banking Companies Ordinance, 1962 and directives issued by SBP 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; hence, 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.

2.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

- **IFRS 9 'Financial Instruments' - effective date: 1 July, 2018**

The Pakistan Operations are currently awaiting instructions from the SBP as applicability of IAS 39 was deferred by the SBP till further instructions; however, the SBP has instructed banks to prepare potential qualitative and quantitative impact assessment. Such an exercise is being undertaken.

- **IFRS 15 'Revenue from contracts with customers' - effective date: 1 July, 2018**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 'Revenue' which covers contracts for goods and services and IAS 11 'Construction Contracts' which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. A new five-step process has been introduced which must be applied before revenue can be recognised. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The Pakistan Operations are currently in the process of assessing the potential impacts of changes required in revenue recognition policies upon adoption of the standard.

- IFRS 16 'Leases' - effective date: 1 January, 2019

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting for lessors will not significantly change.

The Pakistan Operations are currently in the process of assessing the potential impacts of changes as a result of adoption of IFRS 16.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Pakistan Operations' for accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or will not have any significant effect on the operations and are therefore not detailed in the condensed interim financial information.

Standards, interpretations and amendments to approved accounting standards that are effective in the current year.

There are certain new and amended standards, interpretations and amendments that are mandatory for the Pakistan Operations' for accounting periods beginning on or after January 1, 2018 but are considered not to be relevant and have not resulted in any change in the accounting policies.

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 for Deutsche Bank Group on 01 June 2018 is BBB+ for long-term and A-2 for short-term, rating by Fitch on 21 June 2018 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 27 April 2018 is P-2 for short-term.

5. USE OF ESTIMATES AND JUDGEMENTS

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 those disclosed in the annual financial statements for the year ended 31 December 2017.

7. LENDINGS TO FINANCIAL INSTITUTIONS

Note

30 June 2018
31 December 2017
(Rupees in '000)

Repurchase agreement lendings (Reverse Repo) 7.1 14,009,676 19,707,230

7.1 Reverse repos have been made with various commercial banks at rates ranging between 6.51% p.a to 6.90% 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. 14,087 million (31 December 2017: Rs. 19,793 million).

7.2 Securities held as collateral against lending to financial institutions

	30 June 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	<u>14,009,676</u>	<u>-</u>	<u>14,009,676</u>	<u>19,707,230</u>	<u>-</u>	<u>19,707,230</u>

8. ADVANCES - NET

Note

30 June 2018
31 December 2017
(Rupees in '000)

Loans, cash credits, running finances, etc.
- In Pakistan 2,983,339 4,757,619

Bills discounted and purchased (excluding treasury bills)

- Payable in Pakistan	<u>1,546,688</u>	<u>990,751</u>
- Payable outside Pakistan	<u>65,626</u>	<u>65,626</u>
	<u>1,612,314</u>	<u>1,056,377</u>
	<u>4,595,653</u>	<u>5,813,996</u>

Provision for non-performing advances 8.2 (104,509) (104,718)
4,491,144 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:

	30 June 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	<u>96,511</u>	<u>96,511</u>	<u>96,511</u>	<u>96,511</u>	<u>96,511</u>	<u>96,511</u>

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

	Six months period ended 30 June 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
(Reversal) / charge made during the period / year	-	(209)	(209)	-	1,128	1,128
Closing balance	<u>96,511</u>	<u>7,998</u>	<u>104,509</u>	<u>96,511</u>	<u>8,207</u>	<u>104,718</u>

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

9. CONTINGENCIES AND COMMITMENTS	30 June 2018	31 December 2017
9.1 Transaction-related contingent liabilities	(Rupees in '000)	
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees, etc. favouring:		
- Government	12,691,947	12,689,390
- Financial institutions	157,836	128,359
- Others	445,367	448,875
9.2 Trade-related contingent liabilities		
Acceptances	1,813,593	1,089,422
Letters of credit	1,586,102	1,966,910
9.3 Commitments in respect of forward lending		
Forward repurchase agreement lending (Reverse repo)	14,009,676	19,707,230
Commitments to extend credit	19,566,098	16,585,433
9.4 Commitments in respect of forward exchange contracts		
Purchase	193,691	262,219
Sale	423,807	376,465
9.5 Cheques in clearing	3,670,812	582,992
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 Commissioner Inland Revenue Authority 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:

	Six months period ended	
	30 June 2018	30 June 2017
	(Rupees in '000)	
Profit and loss items		
Deutsche Bank AG.		
Mark-up / Interest / Income expensed	2	13
Head office expenses	156,532	59,279
Key management personnel		
Salaries and benefits including post retirement benefits	65,859	46,527
Mark-up / Interest / Income earned	349	323
Mark-up / Interest / Income expensed	201	485

Balance sheet items	As at	
	30 June 2018	31 December 2017
	(Rupees in '000)	
Deutsche Bank AG.		
Balances with other branches and a subsidiary of Deutsche Bank, AG	421,047	16,151
Borrowings from other branches and a subsidiary of Deutsche Bank, AG	456	594
Inter-branch deposits and other accounts	80,971	5,883
Un-remitted Head office expenses	1,742,249	1,585,736
Key management personnel		
Loans and advances	44,901	23,185
Deposits	18,651	20,859
Deposits and other accounts		
Opening balance	3,050	984
Deposits during the period	2,055,442	1,952,012
Withdrawals during the period	(2,049,561)	(1,949,946)
Closing balance	<u>8,931</u>	<u>3,050</u>
Off balance sheet items		
Counter guarantees to branches	7,686,957	7,527,336
Forward purchase of foreign exchange	158,556	185,681
Forward sale of foreign exchange	158,556	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 30 June, 2018, the Pakistan Operations' LCR stood at 332% (31 December, 2017: 362%) and NSFR stood at 158% (31 December, 2017: 180%) against SBP requirement of 90% and 100% respectively.

12. GENERAL

Figures have been rounded off to the nearest thousand rupees.

13. DATE OF AUTHORISATION

These condensed interim financial information were authorised for issue on August 20, 2018


 Managing Director
 Chief Country Officer
 Pakistan


 Chief Financial Officer
 Pakistan