



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

Financial statements
for the period ended
30 June 2023



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TO THE DIRECTORS OF DEUTSCHE BANK AG, PAKISTAN OPERATIONS
REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Deutsche Bank AG, Pakistan Operations** (the Pakistan Operations) as at **30 June 2023** and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six-months' period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the three months ended 30 June 2023 and 30 June 2022 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2023.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Arslan Khalid.

Chartered Accountants

Place: Karachi

Date: 30 August 2023

UDIN: RR202310191ioDXxNOG2

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 2023

	30 June 2023 (Un-audited)	31 December 2022 (Audited)
Note	----- Rupees in '000 -----	
ASSETS		
Cash and balances with treasury banks	6 12,758,153	13,413,245
Balances with other banks	7 2,517,240	1,006,967
Lendings to financial institutions	8 34,663,087	9,141,986
Investments	9 2,976,365	32,008,766
Advances	10 6,554,776	5,406,378
Fixed assets	11 962,137	912,374
Intangible assets	-	-
Deferred tax assets	12 205,672	141,580
Other assets	13 1,645,747	1,495,568
	62,283,177	63,526,864
LIABILITIES		
Bills payable	14 8,183,909	1,214,740
Borrowings	-	-
Deposits and other accounts	15 33,580,205	46,016,619
Liabilities against assets subject to finance lease	-	-
Subordinated debt	-	-
Deferred tax liabilities	-	-
Other liabilities	16 5,809,920	5,171,744
	47,574,034	52,403,103
NET ASSETS	14,709,143	11,123,761
REPRESENTED BY		
Head office capital account	10,029,959	7,734,312
Reserves	-	-
Deficit on revaluation of assets	(1,643)	(4,367)
Unremitted profit	4,680,827	3,393,816
	14,709,143	11,123,761
CONTINGENCIES AND COMMITMENTS	18	

The annexed notes 1 to 32 form an integral part of these condensed interim 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)
Condensed Interim Profit and Loss Account (Un-audited)
For six months period ended 30 June 2023

	Note	Three months period ended 30 June 2023	Six months period ended 30 June 2023	Three months period ended 30 June 2022	Six months period ended 30 June 2022
----- Rupees in '000 -----					
Mark-up / return / interest earned	19	2,237,533	4,422,691	979,740	1,756,228
Mark-up / return / interest expensed	20	418,894	1,680,959	471,611	817,321
Net mark-up / interest income		1,818,639	2,741,732	508,129	938,907
NON MARK-UP / INTEREST INCOME					
Fee and commission income	21	108,754	161,785	91,412	177,491
Dividend income		-	-	-	-
Foreign exchange income		159,248	433,387	215,857	407,056
Gain / (loss) on sale of securities	22	-	-	24,322	(4,412)
Other income	23	514	7,310	(603)	127
Total non-markup / interest Income		268,516	602,482	330,988	580,262
Total Income		2,087,155	3,344,214	839,117	1,519,169
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	24	435,396	830,721	437,266	730,523
Workers Welfare Fund		33,235	50,678	8,016	15,752
Other charges	25	-	2	1,030	1,030
Total non-markup / interest expenses		468,631	881,401	446,312	747,305
Profit before provisions		1,618,524	2,462,813	392,805	771,864
Reversal and write offs - net		-	-	-	-
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		1,618,524	2,462,813	392,805	771,864
Taxation	26	(783,996)	(1,172,594)	(256,545)	(422,838)
PROFIT AFTER TAXATION		834,528	1,290,219	136,260	349,026

The annexed notes 1 to 32 form an integral part of these condensed interim 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)
Condensed Interim Statement of Comprehensive Income (Un-audited)
For six months period ended 30 June 2023

	Three months period ended 30 June 2023	Six months period ended 30 June 2023	Three months period ended 30 June 2022	Six months period ended 30 June 2022
	------(Rupees in '000)-----			
Profit after taxation for the period	834,528	1,290,219	136,260	349,026
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	-	2,724	-	(1,629)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain on defined benefit obligations - net of tax	-	(3,208)	-	(1,680)
Total comprehensive income for the period	<u>834,528</u>	<u>1,289,735</u>	<u>136,260</u>	<u>345,717</u>

The annexed notes 1 to 32 form an integral part of these condensed interim 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)
Condensed Interim Cash Flow Statement (Un-audited)
For six months period ended 30 June 2023

	30 June 2023	30 June 2022
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,462,813	771,864
Adjustments for:		
Depreciation	51,996	49,630
Gain on disposal of operating fixed assets - net	(1,481)	(127)
Finance costs of lease liability	31,266	8,695
	<u>81,781</u>	<u>58,198</u>
	2,544,594	830,062
(Increase) / decrease in operating assets		
Lendings to financial institutions	(25,521,101)	4,431,289
Net investments in held-for-trading securities	-	(1,538,194)
Advances	(1,148,398)	1,072,381
Others assets (excluding advance taxation)	(364,526)	(33,260)
	<u>(27,034,025)</u>	<u>3,932,216</u>
(Decrease) / increase in operating liabilities		
Bills payable	6,969,169	(72,388)
Borrowings from financial institutions	-	5,761
Deposits and other accounts	(12,436,414)	4,422,113
Other liabilities	643,677	422,953
	<u>(4,823,568)</u>	<u>4,778,439</u>
Income tax paid	(1,027,262)	(321,957)
Net cash (used in) / generated from operating activities	<u>(30,340,261)</u>	<u>9,218,760</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in securities - net	29,036,841	(12,329,804)
Investments in operating fixed assets	(107,279)	(34,843)
Proceeds from sale of operating fixed assets	7,001	300
Net cash generated from / (used in) investing activities	<u>28,936,563</u>	<u>(12,364,347)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(36,768)	(12,363)
Net cash used in financing activities	<u>(36,768)</u>	<u>(12,363)</u>
Effects of exchange rate changes on cash and cash equivalents	2,295,647	454,233
Increase in cash and cash equivalents during the period	<u>855,181</u>	<u>(2,703,717)</u>
Cash and cash equivalents at beginning of the period	14,420,212	14,876,272
Cash and cash equivalents at end of the period	<u>15,275,393</u>	<u>12,172,555</u>

The annexed notes 1 to 32 form an integral part of these condensed interim 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)
Condensed Interim Statement of Changes in Equity (Un-audited)
For six months period ended 30 June 2023

	Head office capital account	Deficit on revaluation of investments	Unremitted profit	Total
	------(Rupees in '000) -----			
Balance as at 01 January 2022	6,398,696	(2,730)	2,469,393	8,865,359
Profit for the six months period ended 30 June 2022	-	-	349,026	349,026
Other comprehensive income - net of tax	-	(1,629)	(1,680)	(3,309)
	-	(1,629)	347,346	345,717
Transactions with owners, recorded directly in equity				
Exchange adjustments on revaluation of capital	454,233	-	-	454,233
Remittance made to Head office	-	-	-	-
	454,233	-	-	454,233
Opening balance as at 01 July 2022	6,852,929	(4,359)	2,816,739	9,665,309
Profit after taxation for the six months period ended 31 December 2022	-	-	570,529	570,529
Other comprehensive income - net of tax	-	(8)	6,548	6,540
	-	(8)	577,077	577,069
Transactions with owners, recorded directly in equity				
Exchange adjustments on revaluation of capital	881,383	-	-	881,383
Remittance made to Head office	-	-	-	-
	881,383	-	-	881,383
Balance as at 01 January 2023	7,734,312	(4,367)	3,393,816	11,123,761
Profit after taxation for the six months period ended 30 June 2023	-	-	1,290,219	1,290,219
Other comprehensive income - net of tax	-	2,724	(3,208)	(484)
	-	2,724	1,287,011	1,289,735
Transactions with owners, recorded directly in equity				
Exchange adjustments on revaluation of capital	2,295,647	-	-	2,295,647
Remittance made to Head office	-	-	-	-
	2,295,647	-	-	2,295,647
Balance as at 30 June 2022	10,029,959	(1,643)	4,680,827	14,709,143

The annexed notes 1 to 32 form an integral part of these condensed interim 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 Condensed Interim Financial Information (Un-audited)
For six months period ended 30 June 2023

1. STATUS AND NATURE OF BUSINESS

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

During the period, the Karachi branch has shifted to a new premises with the registered address now as Sky Tower - West Wing, Floor 15, Dolmen City, Marine Drive, Clifton Block 4, Karachi, Pakistan.

The credit rating provided by Standard & Poor's on 31 May 2023 is A- for long-term and A-2 for short-term, rating by Fitch on 24 July 2023 is A- for long-term and F2 for short-term; and rating by Moody's on 11 May 2023 is A1 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 for interim financial reporting. 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 IFRS, the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 2.2** The disclosures made in these condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these condensed interim financial statements should be read in conjunction with the financial statements of the Pakistan Operations for the year ended 31 December 2022.

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

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

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

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2023:

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

The above standards and amendments are not expected to have any material impact on the

IFRS 9 'Financial Instruments' - SBP directed the banks to implement IFRS 9 with effect from 01 January 2024 vide BPRD circular no. 07 of 2023 dated April 13, 2023. 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 bank complies with the requirement of submitting IFRS 9 Pro-forma financial statements of the said circular.

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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 - First-time Adoption of International Financial Reporting Standards	July 01, 2009
IFRS 17 – Insurance Contracts	01 January 2023

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of the condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Pakistan Operations for the year ended 31 December 2022.

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 2022.

5 FINANCIAL RISK MANAGEMENT

The Pakistan Operations continue to follow its current policies for managing credit, liquidity and market as disclosed in the annual financial statement for the period ended 31 December 2022.

6 CASH AND BALANCES WITH TREASURY BANKS	<i>Note</i>	30 June 2023	31 December 2022
		----- (Rupees in '000) -----	
In hand			
Local currency		26,039	22,438
Foreign currency		23,462	26,452
		49,501	48,890
With State Bank of Pakistan in			
Local currency current account	6.1	1,508,387	5,221,034
Foreign currency current account	6.2	423,552	120,234
Foreign currency deposit account			
Special cash reserve account	6.3	711,048	261,642
Local US Dollar collection account	6.4	35,706	27,133
Foreign currency capital account		10,029,959	7,734,312
		12,708,652	13,364,355
		12,758,153	13,413,245

6.1 This represents current account maintained with SBP that includes requirements of section 22 (Cash Reserve Requirement) of the Banking Companies Ordinance, 1962 at a sum not less than such percentage of its demand and time liabilities in Pakistan as may be prescribed by SBP.

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 3.39% to 4.19% p.a during the period (31 December 2022: 0.00% to 3.14% p.a during 2022).

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 June 2023	31 December 2022
		----- (Rupees in '000) -----	
In Pakistan			
Current account		2,000	1,500
Outside Pakistan			
Current account			
Interbranch	7.1	2,510,525	1,001,919
Others		4,715	3,548
		2,515,240	1,005,467
		2,517,240	1,006,967

7.1 This includes Rs. 2,471 million for DB New York, Rs. 28 million for DB Mumbai and various others (31 December 2022: Rs. 960 million for DB New York, Rs. 30 million for DB Mumbai and various others).

8 LENDINGS TO FINANCIAL INSTITUTIONS	<i>Note</i>	30 June 2023	31 December 2022
		----- (Rupees in '000) -----	
Repurchase agreement lendings (Reverse Repo)	8.1	34,663,087	9,141,986

8.1 Reverse repo transactions have been made with a commercial banks at rates of 21.30% to 22.25% p.a and with State Bank of Pakistan at a rate of 21.00% p.a maturing within a week. The market value of these securities at 30 June 2023 amounted to Rs. 36,033 million (2022: Rs. 9,389 million).

9 INVESTMENTS

Note	30 June 2023			31 December 2022		
	Cost	Deficit	Total	Cost	Deficit	Total
	----- (Rupees in '000) -----					
9.1	Investments by type:					
	Available-for-Sale Securities					
	-Treasury bills					
	2,979,586	(3,221)	2,976,365	32,016,427	(7,661)	32,008,766

10 ADVANCES

	Performing		Non Performing		Total	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	----- (Rupees in '000) -----					
Loans, cash credits, running finances, etc.	6,562,774	5,414,376	30,885	30,885	6,593,659	5,445,261
Bills discounted and purchased	-	-	65,626	65,626	65,626	65,626
Advances - gross	6,562,774	5,414,376	96,511	96,511	6,659,285	5,510,887
Provision against advances						
- Specific	-	-	(96,511)	(96,511)	(96,511)	(96,511)
- General	(7,998)	(7,998)	-	-	(7,998)	(7,998)
Advances - net of provision	6,554,776	5,406,378	-	-	6,554,776	5,406,378

10.1 Particulars of advances (Gross)

	30 June 2023	31 December 2022
	----- Rupees in '000 -----	
In local currency	6,593,659	5,445,261
In foreign currencies	65,626	65,626
	6,659,285	5,510,887

10.2 Advances include Rs.96.511 million (31 December 2022: Rs. 96.511 million) which have been placed under non-performing status as detailed below:

Category of Classification

	30 June 2023		31 December 2022	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees in '000 -----			
Domestic Loss	96,511	96,511	96,511	96,511

10.3 Particulars of provision against advances

	30 June 2023			31 December 2022		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	96,511	7,998	104,509	96,511	7,998	104,509
Charge/ (reversal) for the period	-	-	-	-	-	-
Closing balance	96,511	7,998	104,509	96,511	7,998	104,509

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

10.3.2 Particulars of provision against advances

	30 June 2023			31 December 2022		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	96,511	7,998	104,509	96,511	7,998	104,509

	<i>Note</i>	30 June 2023	31 December 2022
		----- Rupees in '000 -----	
11 FIXED ASSETS			
Capital work-in-progress	11.1	370,757	272,681
Property and equipment		591,380	639,693
		962,137	912,374
11.1 Capital work-in-progress			
Advances to suppliers		370,757	272,681
12 DEFERRED TAX ASSETS			
Deductible Temporary Differences on			
- Deficit on revaluation of investments		1,578	3,294
- Accelerated tax depreciation		39,370	15,524
- Workers' Welfare Fund		190,925	145,755
		231,873	164,573
Taxable Temporary Differences on			
- Post retirement employee benefits		(26,201)	(22,993)
		205,672	141,580
13 OTHER ASSETS			
Income / Mark-up accrued in local currency		345,271	203,263
Income / Mark-up accrued in foreign currency		5,189	4,559
Advances, deposits, advance service charges / rent and other prepayments		81,718	80,771
Advance taxation (payments less provisions)		857,267	1,071,615
Receivable from defined benefit plan		23,993	23,993
Acceptances		331,188	106,099
Others		5,795	9,942
		1,650,421	1,500,242
Less: Provision held against other assets	13.1	(4,674)	(4,674)
Other Assets (Net of Provision)		1,645,747	1,495,568
13.1 Provision held against other assets			
Advances, deposits, advance rent & other prepayments		4,674	4,674
14 BILLS PAYABLE			
In Pakistan		8,183,909	1,214,740

15 DEPOSITS AND OTHER ACCOUNTS

	30 June 2023			31 December 2022		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- Rupees in '000 -----						
Customers						
Current deposits	17,960,328	3,604,449	21,564,777	7,427,614	1,390,286	8,817,900
Savings deposits	8,776,851	2,621	8,779,472	28,757,335	1,165	28,758,500
Term deposits	625,000	-	625,000	3,178,500	-	3,178,500
Others	2,610,460	-	2,610,460	5,261,296	-	5,261,296
	29,972,639	3,607,070	33,579,709	44,624,745	1,391,451	46,016,196
Financial Institutions						
Non-remunerative deposits - inter branch	496	-	496	423	-	423
	29,973,135	3,607,070	33,580,205	44,625,168	1,391,451	46,016,619

16 OTHER LIABILITIES

	30 June 2023	31 December 2022
	----- Rupees in '000 -----	
Mark-up/ Return/ Interest payable in local currency	41,901	18,596
Unearned commission and income on bills discounted	23,919	34,854
Accrued expenses	77,270	127,767
Acceptances	331,188	106,099
Dividends payable	15,720	343
Marked to market loss on forward foreign exchange contracts	-	7
Payable to Deutsche Bank Singapore	6,195	6,195
Unremitted head office expenses	4,199,161	3,767,465
Provision against off-balance sheet obligations	6,121	6,121
Workers Welfare Fund	389,642	338,964
Lease liability	472,429	479,598
Others	246,374	285,735
	5,809,920	5,171,744

17 DEFICIT ON REVALUATION OF ASSETS

Deficit on revaluation of:		
- Available for sale securities	(3,221)	(7,661)
Deferred tax on deficit on revaluation of:		
- Available for sale securities	1,578	3,294
	(1,643)	(4,367)

18 CONTINGENCIES AND COMMITMENTS

	30 June 2023	31 December 2022
	----- Rupees in '000 -----	
-Guarantees	18.1	13,705,771
-Commitments	18.2	20,425,838
		34,131,609
		13,155,230
		20,420,573
		33,575,803

18.1 Guarantees

Financial guarantees		13,705,771	13,155,230
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18.2 Commitments

Documentary credits and short-term trade-related transactions		1,570,811	1,968,960
- letters of credit			
Commitments in respect of:			
- forward foreign exchange contracts	18.2.1	-	3,178
- forward lending	18.2.2	18,529,229	17,537,069
Commitments for acquisition of:			
- operating fixed assets		121,588	484,253
Other commitments	18.2.3	204,210	427,113
		20,425,838	20,420,573

18.2.1 Commitments in respect of forward foreign exchange contracts

30 June 2023 (Un-audited)	31 December 2022 (Audited)
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----- Rupees in '000 -----

Purchase	-	<u>3,178</u>
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The maturities of above contracts are spread over a period of six months.

18.2.2 Commitments in respect of forward lending

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

18.2.3 Cheques in clearing	<u>204,210</u>	<u>427,113</u>
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18.3 Other contingent liabilities

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

Six months period ended 30 June 2023	Six months period ended 30 June 2022
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----- Rupees in '000 -----

19 MARK-UP / RETURN / INTEREST EARNED

On:

Loans and advances	503,655	243,086
Investments	948,493	898,475
Lendings to financial institutions	2,906,514	614,663
Balances with banks	64,017	-
Others	12	4
	<u>4,422,691</u>	<u>1,756,228</u>

20 MARK-UP / RETURN / INTEREST EXPENSED

On:

Deposits	1,649,692	805,069
Borrowings	1	3,557
Finance cost of lease liability	31,266	8,695
	<u>1,680,959</u>	<u>817,321</u>

21 FEE & COMMISSION INCOME

Commission on trade	104,559	48,769
Commission on guarantees	36,898	31,538
Commission on cash management	1,890	1,942
Commission on remittances including home remittances	146	57,843
Commission on custodial services	18,292	37,399
	<u>161,785</u>	<u>177,491</u>

	Six months period ended 30 June 2023	Six months period ended 30 June 2022
	----- Rupees in '000 -----	
22 GAIN / (LOSS) ON SALE OF SECURITIES		
Realised loss on sale of government securities - net	-	(4,412)
23 OTHER INCOME		
Gain on sale of fixed assets - net	1,481	127
Prior years refunds on utilities costs	5,829	-
	7,310	127
24 OPERATING EXPENSES		
Total compensation expense	335,528	315,077
Property expense		
Rent & taxes	37,202	81,158
Insurance	6,054	4,091
Utilities cost	9,987	9,548
Security (including guards)	4,557	4,154
Repair & maintenance (including janitorial charges)	15,409	9,234
Depreciation	5,893	11,765
Depreciation on right-of-use assets	27,692	17,259
	106,794	137,209
Information technology expenses		
Software maintenance	1,005	611
Hardware maintenance	9,724	8,623
Depreciation	9,863	10,935
Network charges	14,296	15,212
	34,888	35,381
Other operating expenses		
Legal & professional charges	7,827	9,839
Outsourced services costs	35,767	30,022
Travelling & conveyance	4,005	2,994
NIFT clearing charges	745	614
Depreciation	8,548	9,671
Training & development	463	86
Postage & courier charges	864	1,665
Communication	3,851	4,131
Head office / regional office expenses	264,493	162,835
Stationery & printing	18,364	3,676
Marketing, advertisement & publicity	273	1,493
Auditors Remuneration	1,535	1,784
Others	6,776	14,046
	353,511	242,856
	830,721	730,523
25 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	-	1,030
Others	2	-
	2	1,030
26 TAXATION		
Current	1,241,610	414,145
Prior period	-	3,182
Deferred	(69,016)	5,511
	1,172,594	422,838

27 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.

27.1 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 June 2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal Government Securities	-	2,976,365	-	2,976,365
Financial Liabilities measured at fair value				
Other Liabilities				
- Unrealized loss on forward foreign exchange contracts	-	-	-	-
Off-balance sheet financial instruments measured at fair value				
Forward purchase of foreign exchange	-	-	-	-
31 December 2022				
	Fair Value			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal Government Securities	-	32,008,766	-	32,008,766
Financial Liabilities measured at fair value				
Other Liabilities				
- Unrealized loss on forward foreign exchange contracts	-	7	-	7
Off-balance sheet financial instruments measured at fair value				
Forward purchase of foreign exchange	-	3,178	-	3,178

27.2 Valuation techniques used in determination of fair values:

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

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

28 SEGMENT INFORMATION

28.1 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 unexpe cash requirements.

Within this transfer pricing framework we allocate funding and liquidity risk costs and benefits to the business units and set financial incentives in line with the liquidity risk guidelines. Transfer prices are subject to liquidity (term) premiums depending on market conditions. Liquidity premiums are set by Treasury and picked up by a segregated liquidity account. The Treasury liquidity account is the aggregator of long- term liquidity costs. The management and cost allocation of the liquidity account is the key variable for transfer pricing funding costs within Deutsche Bank.

Corporate Bank

Corporate Bank provides commercial banking products and services for both corporates and financial institutions worldwide, including domestic and cross-border payments, cash management, international trade finance, depository, custody and related services.

Investment Bank

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

Infrastructure and Regional Management

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

	Six months period ended 30 June 2023			
	Corporate Bank	Investment Bank	Infrastructure & Regional Management	Total
	----- (Rupees in '000) -----			
Profit & Loss				
Net mark-up / return	(1,157,021)	62,083	3,836,670	2,741,732
Inter segment revenue - net	3,166,707	(675)	(3,166,032)	-
Non mark-up / return / interest income	174,366	405,656	22,460	602,482
Total Income	2,184,052	467,064	693,098	3,344,214
Segment direct expenses	(324,567)	(22,343)	(534,491)	(881,401)
Inter segment expense allocation	(267,466)	(33,962)	301,428	-
Total expenses	(592,033)	(56,305)	(233,063)	(881,401)
Reversals / (Provisions)	-	-	-	-
Profit before tax	1,592,019	410,759	460,035	2,462,813
	30 June 2023			
	Corporate Bank	Investment Bank	Infrastructure & Regional Management	Total
	----- (Rupees in '000) -----			
Balance Sheet				
Cash & Bank balances	-	-	15,275,393	15,275,393
Net inter segment lending	35,010,438	-	-	35,010,438
Lendings to financial institutions	-	-	34,663,087	34,663,087
Investments	-	-	2,976,365	2,976,365
Advances - performing	6,562,774	-	-	6,562,774
- non-performing	96,511	-	-	96,511
- provision against advances	(104,509)	-	-	(104,509)
Others	633,135	-	2,180,421	2,813,556
Total Assets	42,198,349	-	55,095,266	97,293,615
Borrowings	-	-	-	-
Deposits & other accounts	33,579,709	-	496	33,580,205
Net inter segment borrowing	-	-	35,010,438	35,010,438
Others	8,618,640	-	5,375,189	13,993,829
Total liabilities	42,198,349	-	40,386,123	82,584,472
Equity	-	-	14,709,143	14,709,143
Total Equity & liabilities	42,198,349	-	55,095,266	97,293,615
Contingencies & Commitments	34,010,021	-	121,588	34,131,609

	Six months period ended 30 June 2022			
	Corporate Bank	Investment Bank	Infrastructure & Regional Management	Total
	----- (Rupees in '000) -----			
Profit & Loss				
Net mark-up / return	(564,815)	4,842	1,498,880	938,907
Inter segment revenue - net	1,209,376	(91,577)	(1,117,799)	-
Non mark-up / return / interest income	240,534	349,126	(9,398)	580,262
Total Income	885,095	262,391	371,683	1,519,169
Segment direct expenses	(204,311)	(81,311)	(461,683)	(747,305)
Inter segment expense allocation	(342,621)	(27,593)	370,214	-
Total expenses	(546,932)	(108,904)	(91,469)	(747,305)
Reversals / (Provisions)	-	-	-	-
Profit before tax	338,163	153,487	280,214	771,864
	31 December 2022			
	Corporate Bank	Investment Bank	Infrastructure & Regional Management	Total
	----- (Rupees in '000) -----			
Balance Sheet				
Cash & Bank balances	-	-	14,420,212	14,420,212
Net inter segment lending	41,684,447	-	-	41,684,447
Lendings to financial institutions	-	-	9,141,986	9,141,986
Investments	-	-	32,008,766	32,008,766
Advances - performing	5,414,376	-	-	5,414,376
- non-performing	96,511	-	-	96,511
- provision against advances	(104,509)	-	-	(104,509)
Others	306,596	-	2,242,926	2,549,522
Total Assets	47,397,421	-	57,813,890	105,211,311
Borrowings	-	-	-	-
Deposits & other accounts	46,016,195	-	424	46,016,619
Net inter segment borrowing	-	-	41,684,447	41,684,447
Others	1,381,226	7	5,005,251	6,386,484
Total liabilities	47,397,421	7	46,690,122	94,087,550
Head office account (Equity)	-	-	11,123,761	11,123,761
Total Equity & liabilities	47,397,421	7	57,813,883	105,211,311
Contingencies & Commitments	32,661,259	3,178	911,366	33,575,803

29 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 June 2023			31 December 2022		
	Head office and branches	Key management personnel	Other related parties	Head office and branches	Key management personnel	Other related parties
----- (Rupees in '000) -----						
Balances with other banks						
In current accounts	2,510,524	-	-	1,001,919	-	-
Advances						
Opening balance	-	34,775	-	-	27,123	-
Addition during the period	-	5,069	-	-	14,268	-
Repaid during the period	-	(3,654)	-	-	(6,616)	-
Closing balance	-	36,190	-	-	34,775	-
Other Assets						
Receivable from staff retirement fund	-	-	23,993	-	-	9,450
Borrowings						
Opening balance	-	-	-	9,334	-	-
Borrowings during the period	-	-	-	162,977	-	-
Settled during the period	-	-	-	(172,311)	-	-
Closing balance	-	-	-	-	-	-
Deposits and other accounts						
Opening balance	423	2,085	31,485	-	7,163	20,184
Received during the period	5,012	50,475	504,489	198,659	150,399	1,511,406
Withdrawn during the period	(4,938)	(48,542)	(514,636)	(198,236)	(155,477)	(1,500,105)
Closing balance	496	4,018	21,338	423	2,085	31,485
Other Liabilities						
Other liabilities	4,205,356	-	-	3,773,660	-	-
Contingencies and Commitments						
Other contingencies	5,146,314	-	-	5,508,803	-	-

	Six months period ended			
	30 June 2023		30 June 2022	
	Head office and branches	Key management personnel	Head office and branches	Key management personnel
----- (Rupees in '000) -----				
Income				
Mark-up / return / interest earned	55,449	425	-	282
Expense				
Operating expenses	264,493	59,704	162,835	-
Compensation expenses	-	-	-	60,675

	30 June 2023	31 December 2022
	----- (Rupees in '000) -----	
30 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	14,694,507	11,109,125
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	14,694,507	11,109,125
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	14,694,507	11,109,125
Eligible Tier 2 Capital	14,119	14,119
Total Eligible Capital (Tier 1 + Tier 2)	14,708,626	11,123,244
Risk Weighted Assets (RWAs):		
Credit Risk	13,753,210	11,540,655
Market Risk	168,183	198,488
Operational Risk	5,701,773	5,701,773
Total	19,623,166	17,440,916
Common Equity Tier 1 Capital Adequacy Ratio	74.88%	63.70%
Tier 1 Capital Adequacy Ratio	74.88%	63.70%
Total Capital Adequacy Ratio	74.96%	63.78%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	14,694,507	11,109,125
Total Exposure	80,155,180	78,634,415
Leverage Ratio	18.33%	14.13%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	42,419,722	34,514,986
Total Net Cash Outflow	13,296,704	12,336,781
Liquidity Coverage Ratio	319%	280%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	37,632,917	31,342,973
Total Required Stable Funding	13,652,332	8,057,490
Net Stable Funding Ratio	276%	389%

31 GENERAL

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

32 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on August 30, 2023.

Chief Country Officer
Pakistan

Chief Financial Officer
Pakistan