



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

**Financial Statements**  
**for the half year ended 30 June 2019**



KPMG Taseer Hadi & Co.  
Chartered Accountants  
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## **Independent auditors' review report to the directors of Deutsche Bank AG – Pakistan Operations**

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Deutsche Bank AG – Pakistan Operations (incorporated in the Federal Republic of Germany with limited liability) as at 30 June 2019 and the related condensed interim profit and loss account, the statement of comprehensive income, interim statement of changes in equity, condensed interim cash flow statement 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 accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

### **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 accounting and reporting standards as applicable in Pakistan for interim financial reporting.

### **Other Matter**

The figures for the quarter ended 30 June 2019 and 30 June 2018 in the condensed interim profit and loss account and statement of comprehensive income have not been reviewed and we do not express a conclusion on them.



KPMG Taseer Hadi & Co.

The engagement partner on the engagement resulting in this independent auditor's review report is Syed Iftikhar Anjum.

**Date:** 28 AUG 2019

**Karachi**

*KPMG Taseer Hadi*  
**KPMG Taseer Hadi &  
Co.  
Chartered Accountants**

# Deutsche Bank AG, Pakistan Operations

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

## Statement of Financial Position

As at 30 June 2019

		30 June 2019 (Un-audited)	31 December 2018 (Audited)
	Note	----- Rupees in '000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	7,533,617	6,961,709
Balances with other banks	7	134,569	220,159
Lendings to financial institutions	8	12,797,663	19,150,856
Investments		-	-
Advances	9	7,901,428	6,249,761
Fixed assets	10	310,382	214,924
Intangible assets		-	-
Deferred tax assets	11	9,393	144
Other assets	12	2,456,832	2,593,673
		31,143,884	35,391,226
<b>LIABILITIES</b>			
Bills payable	13	830,197	1,314,231
Borrowings	14	5,497,455	2,871,553
Deposits and other accounts	15	13,894,728	20,100,376
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	3,264,027	3,508,246
		23,486,407	27,794,406
<b>NET ASSETS</b>		7,657,477	7,596,820
<b>REPRESENTED BY</b>			
Head office capital account		5,843,774	5,091,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		-	-
Unremitted profit		1,813,703	2,505,820
		7,657,477	7,596,820

### CONTINGENCIES AND COMMITMENTS

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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 six months period ended 30 June 2019

	Note	Three months period ended 30 June 2019	Six months period ended 30 June 2019	Three months period ended 30 June 2018	Six months period ended 30 June 2018
----- Rupees in '000 -----					
Mark-up / return / interest earned	18	739,665	1,358,229	358,966	701,546
Mark-up / return / interest expensed	19	282,848	526,253	170,131	323,648
<b>Net mark-up / interest income</b>		<b>456,817</b>	<b>831,976</b>	<b>188,835</b>	<b>377,898</b>
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	20	108,693	215,927	151,000	304,834
Dividend income		-	-	-	-
Foreign exchange income		20,527	39,047	125,450	197,272
Income / (loss) from derivatives		-	-	-	-
Gain / (loss) on securities		-	-	-	-
Other income	21	1,584	2,767	2,188	2,244
Total non-markup / interest Income		130,804	257,741	278,638	504,350
Total Income		587,621	1,089,717	467,473	882,248
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	22	199,381	477,355	341,453	583,115
Workers Welfare Fund		7,765	12,246	2,625	6,087
Other charges	23	-	49	-	-
Total non-markup / interest expenses		207,146	489,650	344,078	589,202
<b>Profit before provisions</b>		<b>380,475</b>	<b>600,067</b>	<b>123,395</b>	<b>293,046</b>
Reversal and write offs - net	24	-	-	(5,224)	(5,224)
Extra ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		<b>380,475</b>	<b>600,067</b>	<b>128,169</b>	<b>298,270</b>
Taxation	25	(145,029)	(276,606)	(57,535)	(116,912)
<b>PROFIT AFTER TAXATION</b>		<b>235,446</b>	<b>323,461</b>	<b>71,084</b>	<b>181,358</b>

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

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**Managing Director**  
**Chief Country Officer**  
**Pakistan**

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**Chief Financial Officer**  
**Pakistan**

# Deutsche Bank AG, Pakistan Operations

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

## Statement of Comprehensive Income (Un-audited)

*For six months period ended 30 June 2019*

	Three months period ended 30 June 2019	Six months period ended 30 June 2019	Three months period ended 30 June 2018	Six months period ended 30 June 2018
	------(Rupees in '000)-----			
Profit after taxation for the year	235,446	323,461	71,084	181,358
<b>Total comprehensive income</b>	<b>235,446</b>	<b>323,461</b>	<b>71,084</b>	<b>181,358</b>

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

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**Managing Director  
Chief Country Officer  
Pakistan**

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**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 2019*

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>----- (Rupees in '000) -----</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>600,067</b>	298,271
<b>Adjustments for:</b>		
Depreciation	<b>34,996</b>	37,479
Depreciation on right-of-use assets	<b>31,221</b>	-
Reversal / (provisions) - net	-	(209)
Provision against off balance sheet obligation	-	(5,016)
Gain on disposal of operating fixed assets	<b>(2,679)</b>	(1,989)
	<b>63,538</b>	30,265
	<b>663,605</b>	328,536
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	<b>6,353,193</b>	5,697,554
Advances	<b>(1,651,667)</b>	1,218,343
Others assets (excluding advance taxation)	<b>(92,909)</b>	(55,547)
	<b>4,608,617</b>	6,860,350
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	<b>(484,034)</b>	3,461,899
Borrowings from financial institutions	<b>2,625,902</b>	34,103
Deposits and other accounts	<b>(6,205,648)</b>	(10,301,340)
Other liabilities	<b>(244,219)</b>	521,301
	<b>(4,307,999)</b>	(6,284,037)
Income tax paid	<b>(212,391)</b>	(160,716)
<b>Net cash generated from operating activities</b>	<b>751,832</b>	744,133
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in operating fixed assets	<b>(16,454)</b>	(22,528)
Proceeds from sale of operating fixed assets	<b>13,744</b>	7,051
<b>Net cash used in investing activities</b>	<b>(2,710)</b>	(15,477)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Remittance made to Head office	<b>(1,015,578)</b>	<b>(588,625)</b>
<b>Net cash used in financing activities</b>	<b>(1,015,578)</b>	<b>(588,625)</b>
Effects of exchange rate changes on cash and cash equivalents	<b>752,774</b>	298,994
<b>Increase in cash and cash equivalents</b>	<b>486,318</b>	439,025
Cash and cash equivalents at beginning of the period	<b>7,181,868</b>	6,392,801
Cash and cash equivalents at end of the period	<b>7,668,186</b>	6,831,826

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

\_\_\_\_\_  
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**Chief Country Officer**  
**Pakistan**

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**Chief Financial Officer**  
**Pakistan**

**Deutsche Bank AG, Pakistan Operations**  
*(Incorporated in the Federal Republic of Germany with limited liability)*  
**Statement of Changes in Equity (Un-audited)**  
*For six months period ended 30 June 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 six months period ended 30 June 2018	-	181,358	181,358
Other comprehensive income - net of tax	-	-	-
	-	181,358	181,358
<b>Transactions with owners, recorded directly in equity</b>			
Exchange adjustments on revaluation of capital	298,994	-	298,994
Remittance made to Head office	-	(588,619)	(588,619)
<b>Opening balance as at 01 July 2018</b>	<b>4,537,900</b>	<b>2,306,697</b>	<b>6,844,597</b>
Profit after taxation for the six months period ended 31 December 2018	-	184,263	184,263
Other comprehensive income - net of tax	-	14,860	14,860
	-	199,123	199,123
<b>Transactions with owners, recorded directly in equity</b>			
Exchange adjustments on revaluation of capital	553,100	-	553,100
<b>Balance as at 01 January 2019</b>	<b>5,091,000</b>	<b>2,505,820</b>	<b>7,596,820</b>
Profit after taxation for the six months period ended 30 June 2019	-	323,461	323,461
Other comprehensive income - net of tax	-	-	-
	-	323,461	323,461
<b>Transactions with owners, recorded directly in equity</b>			
Exchange adjustments on revaluation of capital	752,774	-	752,774
Remittance made to Head office	-	(1,015,578)	(1,015,578)
	752,774	(1,015,578)	(262,804)
<b>Closing balance as at 30 June 2019</b>	<b>5,843,774</b>	<b>1,813,703</b>	<b>7,657,477</b>

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

\_\_\_\_\_  
**Managing Director**  
**Chief Country Officer**  
**Pakistan**

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**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 Statements (Un-audited)**

*For the six months period ended 30 June 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 on 07 June 2019 is 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 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**

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 are a lessee in property lease contracts. The Pakistan Operations have elected to adopt modified retrospective approach on transition and have not restated comparative information.

On 1 January 2019, the Pakistan Operations recognised right-of-use asset of Rs. 156.286 million with no corresponding lease liability as the amount of the current leases has been fully 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. 31.221 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 July 2018 and 1 January 2019 respectively). 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 additional impairment of around Rs. 10.051 million would be required under expected credit loss model as at 30 June 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**

	Note	30 June 2019	31 December 2018
		----- (Rupees in '000) -----	
In hand			
Local currency		31,011	15,371
Foreign currency		74,134	69,078
		<u>105,145</u>	<u>84,449</u>
With State Bank of Pakistan in			
Local currency current account	6.1	1,322,741	1,561,277
Foreign currency current account	6.2	60,980	52,906
Foreign currency deposit account			
Special cash reserve account	6.3	182,092	156,815
Local US Dollar collection account	6.4	18,887	15,262
Foreign currency capital account		5,843,772	5,091,000
		<u>7,428,472</u>	<u>6,877,260</u>
		<u><u>7,533,617</u></u>	<u><u>6,961,709</u></u>

**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 1.43% 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**

	Note	30 June 2019	31 December 2018
		----- (Rupees in '000) -----	
In Pakistan			
In current account		1,000	1,000
Outside Pakistan			
In current account			
Interbranch		32,320	146,152
Others	7.1	101,249	73,007
		<u>133,569</u>	<u>219,159</u>
		<u><u>134,569</u></u>	<u><u>220,159</u></u>

**7.1** This includes balance with a subsidiary of Deutsche Bank, AG. Rs. 100.476 million (31 December 2018: Rs. 71.784 million).

**8 LENDINGS TO FINANCIAL INSTITUTIONS**

	Note	30 June 2019	31 December 2018
		----- (Rupees in '000) -----	
Repurchase agreement lendings (Reverse Repo)	8.1	<u>12,797,663</u>	<u>19,150,856</u>

**8.1** Reverse repo transactions have been made with various commercial banks at rates ranging from 12.2% to 12.35% 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 June 2019 amounted to Rs. 12,971 million (31 December 2018: Rs. 19,335 million).

9	ADVANCES	Note	Performing		Non Performing		Total	
			30 June	31 December	30 June	31 December	30 June	31 December
			2019	2018	2019	2018	2019	2018
----- (Rupees in '000) -----								
	Loans, cash credits, running finances, etc.		7,651,529	5,465,394	30,885	30,885	7,682,414	5,496,279
	Bills discounted and purchased		257,897	792,365	65,626	65,626	323,523	857,991
	Advances - gross	9.1	7,909,426	6,257,759	96,511	96,511	8,005,937	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		7,901,428	6,249,761	-	-	7,901,428	6,249,761

9.1	Particulars of advances (Gross)	30 June 2019	31 December 2018
(Rupees in '000)			
	In local currency	7,940,311	6,288,644
	In foreign currencies	65,626	65,626
		8,005,937	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 June 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 June 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 June 2019 ----- Rupees in '000 -----	31 December 2018
	Capital work-in-progress	10.1	1,016	6,394
	Property and equipment		184,301	208,530
	Right-of-use assets		125,065	-
			<u>310,382</u>	<u>214,924</u>
10.1	Capital work-in-progress			
	Advances to suppliers		<u>1,016</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>5,891</u>	<u>(3,358)</u>
			5,891	(3,358)
			<u>9,393</u>	<u>144</u>
12	OTHER ASSETS			
	Income / Mark-up accrued in local currency		220,260	149,022
	Income / Mark-up accrued in foreign currency		54,127	51,129
	Advances, deposits, advance service charges / rent and other prepayments		156,965	323,219
	Advance taxation (payments less provisions)		913,232	986,696
	Marked to market gains on forward foreign exchange contracts		727,436	128,505
	Acceptances		380,831	952,346
	Others		8,655	7,430
			<u>2,461,506</u>	<u>2,598,347</u>
	Less: Provision held against other assets	12.1	<u>(4,674)</u>	<u>(4,674)</u>
	Other Assets (Net of Provision)		<u>2,456,832</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>830,197</u>	<u>1,314,231</u>
14	BORROWINGS			
	<b>Unsecured</b>			
	Overdrawn nostro accounts - Interbranch and a subsidiary of Deutsche Bank, AG		1,339	57,245
	Borrowing from Deutsche Bank, AG London Branch	14.1	5,469,702	2,795,535
	Others	14.2	<u>26,414</u>	<u>18,773</u>
	<b>Total unsecured</b>		<u>5,497,455</u>	<u>2,871,553</u>
14.1	These are short term borrowings carrying an interest rate of -0.23% p.a (31 December 2018: -0.22% p.a) maturing on 16 August 2019.			
14.2	These are overdrawn bank balances with commercial banks inside Pakistan.			

15 DEPOSITS AND OTHER ACCOUNTS

	30 June 2019			31 December 2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- Rupees in '000 -----					
<b>Customers</b>						
<b>Non-Remunerative</b>						
Current deposits	4,790,631	903,032	5,693,663	4,212,053	837,898	5,049,951
Margin deposits	1,318,394	-	1,318,394	2,417,116	-	2,417,116
<b>Remunerative</b>						
Savings deposits	2,435,372	6,793	2,442,165	6,785,216	13,815	6,799,031
Term deposits	4,431,000	-	4,431,000	5,827,492	-	5,827,492
	12,975,397	909,825	13,885,222	19,241,877	851,713	20,093,590
<b>Financial Institutions</b>						
Non-remunerative						
deposits - inter branch	9,506	-	9,506	6,786	-	6,786
	9,506	-	9,506	6,786	-	6,786
	<u>12,984,903</u>	<u>909,825</u>	<u>13,894,728</u>	<u>19,248,663</u>	<u>851,713</u>	<u>20,100,376</u>

16 OTHER LIABILITIES

	Note	30 June 2019	31 December 2018
		----- Rupees in '000 -----	
Mark-up/ Return/ Interest payable in local currency		52,731	31,483
Unearned commission and income on bills discounted		29,327	31,282
Accrued expenses		58,456	168,059
Acceptances		380,831	952,346
Marked to market loss on forward foreign exchange contracts		201,568	3,963
Payable to DB Singapore		6,195	6,195
Unremitted head office expenses		2,046,447	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	234,799	222,553
Others		215,225	100,474
		<u>3,264,027</u>	<u>3,508,246</u>
<b>16.1 Provision against off-balance sheet obligations</b>			
Opening balance		6,121	11,136
Reversals		-	(5,015)
Closing balance		<u>6,121</u>	<u>6,121</u>

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 Fund 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 June, 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 June 2019	31 December 2018
			----- Rupees in '000 -----	
	-Guarantees	17.1	15,029,641	14,866,130
	-Commitments	17.2	33,260,160	28,073,734
			<u>48,289,801</u>	<u>42,939,864</u>
17.1	<b>Guarantees</b>			
	Financial guarantees		<u>15,029,641</u>	<u>14,866,130</u>
17.2	<b>Commitments</b>			
	Documentary credits and short-term trade-related transactions			
	- letters of credit		2,560,518	2,013,236
	Commitments in respect of:			
	- forward foreign exchange contracts	17.2.1	16,819,590	9,469,893
	- forward lending	17.2.2	13,521,555	15,359,266
	Other commitments	17.2.3	358,497	1,231,339
			<u>33,260,160</u>	<u>28,073,734</u>
17.2.1	<b>Commitments in respect of forward foreign exchange contracts</b>			
	Purchase		11,131,391	6,247,789
	Sale		5,688,199	3,222,104
			<u>16,819,590</u>	<u>9,469,893</u>
	The maturities of above contracts are spread over a period of one year.			
17.2.2	<b>Commitments in respect of forward lending</b>			
	Undrawn formal standby facilities, credit lines and other commitments to lend		<u>13,521,555</u>	<u>15,359,266</u>
17.2.3	Cheques in clearing		<u>358,497</u>	<u>1,231,339</u>
17.3	<b>Other contingent liabilities</b>			
	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	<b>MARK-UP / RETURN / INTEREST EARNED</b>		Six months period ended 30 June 2019	Six months period ended 30 June 2018
			----- Rupees in '000 -----	
	On:			
	Loans and advances		406,202	181,807
	Lendings to financial institutions		946,033	519,394
	Balances with banks		1,197	345
	Others		4,797	-
			<u>1,358,229</u>	<u>701,546</u>
19	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>			
	On:			
	Deposits		525,500	300,261
	Borrowings		753	23,387
			<u>526,253</u>	<u>323,648</u>

**20 FEE & COMMISSION INCOME**

Note

	Six months period ended 30 June 2019	Six months period ended 30 June 2018
	----- Rupees in '000 -----	
Commission on trade	55,982	42,642
Commission on guarantees	35,923	38,223
Commission on cash management	965	7,822
Commission on remittances including home remittances	165	308
Commission on custodial services	122,519	215,429
Others	373	410
	<u>215,927</u>	<u>304,834</u>

**21 OTHER INCOME**

Gain on sale of fixed assets - net	2,679	1,970
Others	88	274
	<u>2,767</u>	<u>2,244</u>

**22 OPERATING EXPENSES**

Total compensation expense	200,777	205,277
----------------------------	---------	---------

**Property expense**

Rent & taxes	15,688	55,169
Insurance	4,141	5,665
Utilities cost	4,151	8,429
Security (including guards)	6,886	5,807
Repair & maintenance (including janitorial charges)	1,665	1,020
Depreciation	9,161	9,395
Depreciation on right-of-use assets	31,221	-
	<u>72,913</u>	<u>85,485</u>

**Information technology expenses**

Hardware maintenance	4,258	4,071
Depreciation	8,939	11,638
Network charges	11,987	12,062
	<u>25,184</u>	<u>27,771</u>

**Other operating expenses**

Legal & professional charges	4,173	4,714
Outsourced services costs	37,978	31,136
Travelling & conveyance	7,123	12,393
NIFT clearing charges	680	900
Depreciation	16,896	16,447
Training & development	555	10
Postage & courier charges	685	466
Communication	(451)	2,419
Head office / regional office expenses	92,854	156,532
Stationery & printing	8,154	5,932
Marketing, advertisement & publicity	250	17
Auditors Remuneration	1,742	1,701
Others	7,842	31,915
	<u>178,481</u>	<u>264,582</u>
	<u>477,355</u>	<u>583,115</u>

**23 OTHER CHARGES**

Penalties imposed by State Bank of Pakistan	49	-
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**24 PROVISIONS - NET**

Provisions against loans & advances	9.3	-	(209)
Provisions against off balance sheet obligator	16.1	-	(5,015)
		<u>-</u>	<u>(5,224)</u>

**25 TAXATION**

Current		240,326	122,067
Prior periods	25.1	45,529	-
Deferred		(9,249)	(5,155)
		<u>276,606</u>	<u>116,912</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 June 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) -----				
<b>On balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
Other Assets									
- Unrealized gain on forward foreign exchange contracts	727,436	-	-	-	727,436	-	727,436	-	727,436
	727,436	-	-	-	727,436				
<b>Financial assets not measured at fair value</b>									
Cash and balances with treasury banks	-	-	7,533,617	-	7,533,617				
Balances with other banks	-	-	134,569	-	134,569				
Lendings to financial institutions	-	-	12,797,663	-	12,797,663				
Advances	-	-	7,901,428	-	7,901,428				
Other assets	-	-	545,219	-	545,219				
	727,436	-	28,912,496	-	29,639,932				
<b>Financial Liabilities measured at fair value</b>									
Other Liabilities									
- Unrealized loss on forward foreign exchange contracts	201,568	-	-	-	201,568	-	201,568	-	201,568
	201,568	-	-	-	201,568				
<b>Financial liabilities not measured at fair value</b>									
Bills payable	-	-	-	830,197	830,197				
Borrowings from financial institutions	-	-	-	5,497,455	5,497,455				
Deposits and other accounts	-	-	-	13,894,728	13,894,728				
Other liabilities	-	-	-	3,062,459	3,062,459				
	201,568	-	-	23,284,839	23,486,407				
<b>Off-balance sheet financial instruments measured at fair value</b>									
Forward purchase of foreign exchange				11,131,391	11,131,391	-	11,858,827	-	11,858,827
Forward sale of foreign exchange				5,688,199	5,688,199	-	5,889,767	-	5,889,767

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) -----				
<b>On balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
Other Assets									
- Unrealized gain on forward foreign exchange contracts	128,505	-	-	-	128,505	-	128,505	-	128,505
	128,505	-	-	-	128,505				
<b>Financial assets not measured at fair value</b>									
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				
<b>Financial Liabilities measured at fair value</b>									
Other Liabilities									
- Unrealized loss on forward foreign exchange contracts	3,963	-	-	-	3,963	-	3,963	-	3,963
	3,963	-	-	-	3,963				
<b>Financial liabilities not measured at fair value</b>									
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				
<b>Off-balance sheet financial instruments measured at fair value</b>									
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.

#### **Global Transaction Banking**

Global Transaction Banking provides commercial banking products and services for both corporates and financial institutions worldwide, including domestic and cross-border payments, cash management, risk mitigation and international trade finance, depository, custody and related services. The Foreign Exchange business is also a part of GTB (GTB FX).

#### **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 2019		
	Global Transaction Banking	Infrastructure & Regional Management	Total
	(Rupees in '000)		
<b>Profit &amp; Loss</b>			
Net mark-up / return	(33,565)	865,541	831,976
Inter segment revenue - net	522,011	(522,011)	-
Non mark-up / return / interest income	898,643	(640,902)	257,741
Total Income	1,387,089	(297,372)	1,089,717
Segment direct expenses	(91,818)	(397,832)	(489,650)
Inter segment expense allocation	(341,971)	341,971	-
Total expenses	(433,789)	(55,861)	(489,650)
Reversals / (Provisions)	-	-	-
Profit before tax	953,300	(353,233)	600,067
	30 June 2019		
	Global Transaction Banking	Infrastructure & Regional Management	Total
	(Rupees in '000)		
<b>Balance Sheet</b>			
Cash & bank balances	-	7,668,186	7,668,186
Net inter segment lending	8,273,184	(8,273,184)	-
Lendings to financial institutions	-	12,797,663	12,797,663
Advances - performing	7,804,917	-	7,804,917
- non-performing	96,511	-	96,511
Others	1,363,936	1,412,671	2,776,607
<b>Total Assets</b>	17,538,548	13,605,336	31,143,884
Borrowings	-	5,497,455	5,497,455
Deposits & other accounts	13,885,222	9,506	13,894,728
Net inter segment borrowing	(8,273,184)	8,273,184	-
Others	1,638,450	2,455,774	4,094,224
<b>Total liabilities</b>	7,250,488	16,235,919	23,486,407
Head office account	-	7,657,477	7,657,477
<b>Total Equity &amp; liabilities</b>	7,250,488	23,893,396	31,143,884
<b>Contingencies &amp; Commitments</b>	48,289,801	-	48,289,801

	Six months period ended 30 June 2018		
	Global Transaction Banking	Infrastructure & Regional Management	Total
	----- (Rupees in '000) -----		
<b>Profit &amp; Loss</b>			
Net mark-up / return	(102,489)	480,387	377,898
Inter segment revenue - net	360,413	(360,413)	-
Non mark-up / return / interest income	496,924	7,426	504,350
Total Income	754,848	127,400	882,248
Segment direct expenses	(96,830)	(492,372)	(589,202)
Inter segment expense allocation	(359,165)	359,165	-
Total expenses	(455,995)	(133,207)	(589,202)
Reversals / (Provisions)	5,224	-	5,224
Profit before tax	304,077	(5,807)	298,270
	31 December 2018		
	Global Transaction Banking	Infrastructure & Regional Management	Total
	----- (Rupees in '000) -----		
<b>Balance Sheet</b>			
Cash & bank balances	-	7,181,868	7,181,868
Net inter segment lending	8,273,184	(8,273,184)	-
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
<b>Total Assets</b>	15,776,040	19,615,186	35,391,226
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
<b>Total liabilities</b>	14,164,146	13,630,260	27,794,406
Head office account	-	7,596,820	7,596,820
<b>Total Equity &amp; liabilities</b>	14,164,146	21,227,080	35,391,226
<b>Contingencies &amp; Commitments</b>	42,939,864	-	42,939,864

## 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 June 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)								
<b>Balances with other banks</b>								
In current accounts	32,320	-	100,477	-	146,152	-	71,784	-
In deposit accounts	-	-	-	-	-	-	-	-
	<b>32,320</b>	<b>-</b>	<b>100,477</b>	<b>-</b>	<b>146,152</b>	<b>-</b>	<b>71,784</b>	<b>-</b>
<b>Advances</b>								
Opening balance	-	16,171	-	-	-	5,912	-	-
Addition during the year	-	78,281	-	-	-	19,877	-	-
Repaid during the year	-	(17,921)	-	-	-	(9,618)	-	-
Closing balance	-	<b>76,531</b>	-	-	-	<b>16,171</b>	-	-
<b>Other Assets</b>								
Interest / mark-up accrued	4,797	-	-	-	1,018	-	-	-
<b>Borrowings</b>								
Opening balance	2,852,780	-	-	-	594	-	-	-
Borrowings during the year	10,228,713	-	-	-	37,906,708	-	-	-
Settled during the year	(7,611,153)	-	-	-	(35,054,522)	-	-	-
Closing balance	<b>5,470,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,852,780</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deposits and other accounts</b>								
Opening balance	6,786	13,164	-	8,978	5,883	20,701	-	3,050
Received during the year	101,534	238,619	-	1,689,545	164,356	202,409	-	4,648,454
Withdrawn during the year	(98,814)	(245,582)	-	(1,434,617)	(163,453)	(209,946)	-	(4,642,526)
Closing balance	<b>9,506</b>	<b>6,201</b>	<b>-</b>	<b>263,906</b>	<b>6,786</b>	<b>13,164</b>	<b>-</b>	<b>8,978</b>
<b>Other Liabilities</b>								
Interest / mark-up payable	-	-	-	-	-	-	-	-
Payable to staff retirement fund	32,327	-	-	-	32,327	-	-	-
Other liabilities	2,052,642	-	-	-	1,959,638	-	-	-
<b>Contingencies and Commitments</b>								
Other contingencies	20,025,062	-	-	-	14,913,691	-	-	-
					Six months period ended 30 June 2019		Six months period ended 30 June 2018	
					Head office and branches	Key management personnel	Head office and branches	Key management personnel
(Rupees in '000)								
<b>Income</b>								
Mark-up / return / interest earned					4,797	1,090	2	349
<b>Expense</b>								
Mark-up / return / interest paid					2	116	-	201
Operating expenses					92,854	47,964	156,532	65,859

**29 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**

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

**Minimum Capital Requirement (MCR):**

Paid-up capital (net of losses) 7,657,477      7,596,820

**Capital Adequacy Ratio (CAR):**

Eligible Common Equity Tier 1 (CET 1) Capital	7,657,475	7,596,820
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	7,657,475	7,596,820
Eligible Tier 2 Capital	14,119	14,119
Total Eligible Capital (Tier 1 + Tier 2)	7,671,594	7,610,939

**Risk Weighted Assets (RWAs):**

Credit Risk	20,343,389	20,965,212
Market Risk	5,961,956	2,997,488
Operational Risk	3,635,301	3,635,301
Total	29,940,646	27,598,001

Common Equity Tier 1 Capital Adequacy Ratio

25.58%      27.53%

Tier 1 Capital Adequacy Ratio

25.58%      27.53%

Total Capital Adequacy Ratio

25.62%      27.58%

**Leverage Ratio (LR):**

Eligible Tier-1 Capital	7,657,475	7,596,820
Total Exposure	81,027,902	92,213,880
Leverage Ratio	9.45%	8.24%

**Liquidity Coverage Ratio (LCR):**

Total High Quality Liquid Assets	17,407,641	18,642,722
Total Net Cash Outflow	8,361,119	6,361,939
Liquidity Coverage Ratio	208%	293%

**Net Stable Funding Ratio (NSFR):**

Total Available Stable Funding	15,380,293	17,951,845
Total Required Stable Funding	13,009,500	11,167,704
Net Stable Funding Ratio	118%	161%

**30 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**31 DATE OF AUTHORISATION**

These condensed interim financial information were authorised for issue on 27 August 2019.

\_\_\_\_\_  
Managing Director  
Chief Country Officer  
Pakistan

\_\_\_\_\_  
Chief Financial Officer  
Pakistan