

Deutsche Bank (Mauritius) Limited

Interim Unaudited Financial Statements
March 2017



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Management review for the quarter ended 31 March 2017

The interim abridged financial statements of the Bank for the quarter ended 31 March 2017 are set out on pages 5 to 13.

Financial overview

The Bank's net profit after tax for quarter ended 31 March 2017 was USD 2,120,020 as compared to USD 994,807 for the equivalent period in 2016. This represents a 113% increase mainly due to an improvement in net interest income.

Risk profile

The Bank maintained a prudent risk profile during the quarter. Interest rate risks as well as the maturity gap were kept within the limits authorised by the Deutsche Bank Group and by the Board of Directors. The Bank's credit risk profile continues to be sound.

Revenue Growth

Net interest income increased by 87% compared to the equivalent period in 2016. This is due to higher returns earned on longer term placement and the improvement in USD rates towards the end of 2016.

FX income increased by 17%. This is directly linked to level of investments into India.

Other operating income represents the recharges to other group companies and the liquidity premium awarded by Group Treasury.

Cost control

Overall, expenses increased by 7% compared to the quarter ended March 2016. Personnel expenses increased in line with fixed pay increases.

Credit quality

Deutsche Bank (Mauritius) Limited offers credit facilities in the form of buyers credit. The Bank's policy is to require suitable collateral to be provided by customers prior to the disbursement of the approved loans. These facilities are guaranteed by Deutsche Bank AG. The Bank's policy is governed by the Guideline in Credit Concentration limits issued by the Bank of Mauritius.

The table below shows a breakdown of credit concentration by sector:

	Mar 2017 USD	Mar 2016 USD
Sectors:		
Manufacturing	10,609,840	22,109,773
Traders	-	36,400,534
Information Communication and Technology	-	62,724,083
	10,609,840	121,234,390

Management review for the quarter ended 31 March 2017 (continued)

Capital

The Bank manages its capital base to maintain capital ratio and to support business growth.

Total regulatory capital consists of:

- Tier 1 capital which comprises of
 - (a) Common Equity Tier (CET) 1
 - (b) Additional Tier 1 Capital (AT)
- Tier 2 capital

The capital adequacy ratio (CAR) for March 2017 was as follows:

	Mar 2017 USD'000	Mar 2016 USD'000
Common Equity Tier 1 capital : instruments and reserves		
— Ordinary shares (paid-up) capital	7,800	7,800
— Statutory reserves	8,056	8,056
— Retained earnings	22,071	20,075
Common Equity Tier 1 capital before regulatory adjustments	37,927	35,931
Regulatory adjustments	-	-
Common Equity Tier 1 (CET1)	37,927	35,931
Additional Tier 1 Capital (AT1)	-	-
Tier 1 capital (CET1 + AT1)	37,927	35,931
Tier 2 Capital		
— Provision or loan-loss reserves	106	1,212
Total capital base	38,033	37,143
Risk Weighted Assets	110,779	144,521
CET capital ratio	34.24%	24.86%
Tier 1 capital ratio	34.24%	24.86%
Total capital ratio	34.33%	25.70%

Liquidity Management

The Bank maintains a diversified funding base and is able to call upon funding from members of the Deutsche Bank Group if required.

Management review for the quarter ended 31 March 2017 (continued)

Forward-Looking Statements

This Interim Financial Statement contains forward-looking statements. Forward-looking statements are statements that are not historical facts, including statements about our beliefs and expectations. Any statement in this Interim Financial Statement that states our intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. These statements are based on plans, estimates and projections as they are currently available to the management of Deutsche Bank (Mauritius) Limited. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financials, the reliability of our risk management policies, procedures and methods.

Friedrich Philipps
Chief Country Officer

Date: 09 May 2017

Unaudited statement of profit or loss and other comprehensive income for the quarter ended 31 March 2017

	March 2017 USD	March 2016 USD	December 2016 USD
Interest income	1,945,500	1,090,081	4,701,139
Interest expense	(217,594)	(165,942)	(581,687)
Net interest income	1,727,906	924,139	4,119,452
Fee and commission income	286,496	262,010	1,090,583
Fee and commission expense	(42,097)	(57,382)	(177,039)
Net fee and commission income	244,399	204,628	913,544
Net trading income	161,307	137,397	693,273
Revenue	2,133,612	1,266,164	5,726,269
Other operating income	2,866,972	2,385,179	10,479,555
Total operating income	5,000,584	3,651,343	16,205,824
Personnel expenses	1,887,085	1,783,883	7,038,376
Operating lease expenses	93,513	115,327	556,876
Depreciation	116,316	110,563	490,504
Other expenses	694,481	603,630	3,057,711
	2,791,395	2,613,403	11,143,467
Profit before tax	2,209,189	1,037,940	5,062,357
Income tax expense	(89,169)	(43,133)	(151,395)
Profit before tax	2,120,020	994,807	4,910,962
Other comprehensive income	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income for the period (all attributable to equity shareholders)	2,120,020	994,807	4,910,962

Unaudited statement of financial position as at 31 March 2017

	March 2017 USD	March 2016 USD	December 2016 USD
Assets:			
Cash and cash equivalents	455,197,443	458,878,618	387,587,689
Loans and advances to banks	165,253,440	123,632,199	149,972,477
Loans and advances to customers	10,609,840	121,234,390	62,727,846
Other assets	3,487,574	3,454,793	3,351,421
Property, plant and equipment	960,512	1,284,686	1,068,918
Total assets	635,508,809	708,484,686	604,708,351
Liabilities:			
Deposits from customers	579,499,360	640,025,187	564,967,913
Current tax liabilities	231,194	236,861	143,518
Other liabilities	15,624,454	30,084,188	1,563,139
Total liabilities	595,355,008	670,346,236	566,674,570
Equity:			
Share capital	7,800,330	7,800,330	7,800,330
Revenue reserves	24,191,024	21,069,427	21,549,824
Other reserves	8,162,447	9,268,693	8,683,627
Total equity attributable to equity holders of the Bank	40,153,801	38,138,450	38,033,781
Total liabilities and equity	635,508,809	708,484,686	604,708,351

Unaudited statement of changes in shareholders' equity for the year ended 31 March 2017

	Share Capital USD	Revenue reserves USD	Other Reserves		Total USD
			General Banking reserve USD	Statutory reserve USD	
Balance at 01 January 2016	7,800,330	19,984,440	1,302,524	8,056,349	37,143,643
Profit and total comprehensive income for the year	-	4,910,962	-	-	4,910,962
Transfer from general banking reserve	-	675,246	(675,246)	-	-
Transaction with owners of the Bank:					
Dividend paid to equity shareholders	-	(4,020,824)	-	-	(4,020,824)
Balance at 31 December 2016	7,800,330	21,549,824	627,278	8,056,349	38,033,781
Profit and total comprehensive income for the period	-	2,120,020	-	-	2,120,020
Transfer from general banking reserve	-	521,180	(521,180)	-	-
Transaction with owners of the Bank:					
Dividend paid to equity shareholders	-	-	-	-	-
Balance at 31 March 2017	7,800,330	24,191,024	106,098	8,056,349	40,153,801

Unaudited abridged statement of cash flows for the year ended 31 March 2017

	March 2017 USD	March 2016 USD	December 2016 USD
Profit before income tax	2,209,189	1,037,940	5,062,357
Cash flows from operating activities:			
Income tax paid	-	-	(203,097)
Depreciation	116,316	110,563	490,504
Profit /(loss) on sale of property, plant and equipment	-	-	56
	2,325,505	1,148,503	5,349,820
Adjustments for net change in assets and liabilities:			
Change in loans and advances to banks	(15,280,963)	(12,168)	(26,352,446)
Change in loans and advances to customers	52,118,006	9,018,024	67,524,568
Change in deposits from customers	14,531,447	(47,023,987)	(122,081,261)
Change in other assets	(136,153)	(637,755)	(534,383)
Change in other liabilities	14,061,315	28,476,672	(44,378)
Net cash from/(used in) operating activities	67,619,157	(9,030,711)	(76,138,080)
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(9,403)	(25,520)	(188,256)
Net cash (used in) investing activities	(9,403)	(25,520)	(188,256)
Cash flows from financing activities:			
Dividend paid	-	-	(4,020,824)
Net cash (used in) financing activities	-	-	(4,020,824)
Net increase/(decrease) in cash and cash equivalents	67,609,754	(9,056,231)	(80,347,160)
Cash and cash equivalents at beginning of year	387,587,689	467,934,849	467,934,849
Cash and cash equivalents at end of period	455,197,443	458,878,618	387,587,689

Notes to interim financial statements for the quarter ended 31 March 2017

Accounting policies

(a) Statement of compliance

The interim financial statements are unaudited and have been prepared in accordance with International Accounting Standards (IAS) 34 – Interim Financial Reporting and with the Bank of Mauritius guideline on Public Disclosure of Information.

(b) Basis of preparation

The financial statements are presented in USD and are prepared using the same accounting policies as those adopted in the financial statements for the year ended 31 December 2016.

The taxation charge for the quarter is based on the estimated effective tax rate for the full year.

Cash and cash equivalents

	March 2017 USD	March 2016 USD	December 2016 USD
Cash and cash equivalents			
Balances with local banks	37,640	69,973	51,982
Balances with banks abroad	8,877,132	12,700,707	5,746,006
Money market placements	446,282,671	446,107,938	381,789,701
Total	455,197,443	458,878,618	387,587,689

	March 2017 USD	March 2016 USD	December 2016 USD
Cash and cash equivalents as per statement of cash flows			
Cash and cash equivalent as above	455,197,443	458,878,618	387,587,689
Total	455,197,443	458,878,618	387,587,689

Notes to interim financial statements for the quarter ended 31 March 2017(continued)

Loans and advances to Banks

	March 2017 USD	March 2016 USD	December 2016 USD
Loans and advances to banks			
Outside Mauritius	165,253,440	123,632,199	149,972,477
Less: specific allowance for impairment	-	-	-
Total	165,253,440	123,632,199	149,972,477

Remaining terms to maturity

	March 2017 USD	March 2016 USD	December 2016 USD
Loans and advances to banks – remaining terms to maturity			
Up to three months	9,004,737	-	93,713,218
Over 3 months and up to 6 months	156,248,703	10,504,217	51,208,629
Over 6 months and up to 12 months	-	113,127,982	5,050,630
Total	165,253,440	123,632,199	149,972,477

Loans and advances to customers

	March 2017 USD	March 2016 USD	December 2016 USD
Loans and advances to customers			
Outside Mauritius	10,609,840	121,234,390	62,727,846
Less: specific allowance for impairment	-	-	-
Total	10,609,840	121,234,390	62,727,846

	March 2017 USD	March 2016 USD	December 2016 USD
Remaining terms to maturity			
Loans and advances to customers – remaining terms to maturity			
Up to three months	10,609,840	91,169,830	55,317,507
Over 3 months and up to 6 months	-	30,064,560	7,410,339
Total	10,609,840	121,234,390	62,727,846

Notes to interim financial statements for the quarter ended 31 March 2017(continued)

Other assets

	March 2017 USD	March 2016 USD	December 2016 USD
Other assets			
Mandatory balances with Central Banks	436,996	586,517	367,008
Accrued interest receivable	783,063	601,027	765,520
Other receivables	2,150,787	1,807,246	2,070,088
Prepayments	49,068	268,835	68,895
Other (VAT & others)	67,660	191,168	79,910
Total	3,487,574	3,454,793	3,351,421

Deposits from customers

	March 2017 USD	March 2016 USD	December 2016 USD
Deposits from customers			
Corporate customers:			
— Current accounts	486,039,994	512,725,524	513,358,367
— Time deposits			
Up to 3 months	79,919,291	115,374,239	45,350,285
Over 3 months and up to 6 months	8,489,445	5,925,424	1,208,632
Over 6 months and up to 12 months	5,050,630	6,000,000	5,050,629
Total	579,499,360	640,025,187	564,967,913

Notes to interim financial statements for the quarter ended 31 March 2017(continued)

Other liabilities

	March 2017 USD	March 2016 USD	December 2016 USD
Other liabilities			
Accrued interest payable	53,214	28,898	279,918
Accrued expenses	1,026,529	499,132	710,619
Balances in clearing	14,251,232	29,355,465	323,516
Balances due to related parties	174,566	35,808	88,003
Other (VAT, TDS & Group Provision)	118,913	164,885	161,083
Total	15,624,454	30,084,188	1,563,139

Shareholders' equity

	March 2017 USD	March 2016 USD	December 2016 USD
Share capital			
Authorised issued and fully paid			
5,000,000 ordinary shares of no par value	7,800,330	7,800,330	7,800,330

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank.

All shares rank equally with regard to the Bank's residual assets.

Related Party Transactions

The Bank has a related party relationship with Deutsche Bank AG, the ultimate holding Company, and its group companies. The Bank also has a related party relationship with its directors. The Bank has entered into a number of banking transactions with its related parties in the normal course of business. These include placements or loans to/from banks, deposits as well as other normal banking transactions. These transactions were carried out on commercial terms and at market rates. As at 31 March 2017, no specific charge for bad and doubtful debts had to be made on these balances (31 March 2016 – nil provision).

The Bank, as the main operating entity of Deutsche Bank in Mauritius, provides certain central support functions to other Deutsche Bank entities incorporated in Mauritius. The costs associated with any such support are charged out by the Bank on a cost basis in line with the policy of the Group. The net volumes of related party transactions, outstanding balances, the relating expenses and income for the quarter ended 31 March 2017 are as follows:

Notes to interim financial statements for the quarter ended 31 March 2017(continued)

Related party transactions (continued)

	March 2017 USD	March 2016 USD	December 2016 USD
(All are under 'Other related parties' classification as per IAS 24)			
Balances and placements with banks:			
— At beginning of the year	537,508,053	591,524,965	591,524,965
— Net movement during the period/year	82,905,132	(9,089,886)	(54,016,912)
— At end of the period/year	620,413,185	582,435,079	537,508,053
Interest income earned	1,589,479	750,154	3,365,840
Deposits:			
— At beginning of the year	89,637,020	27,081,498	27,081,498
— Net movement during the period/year	(82,611,579)	75,022	62,555,522
— At end of the period/year	7,025,441	27,156,520	89,637,020
Interest expense	2,638	4,078	17,298
Other revenues – operating income	2,866,972	2,385,179	10,479,555
Other expenses – fee and commission expense	41,663	56,908	175,916
Other expenses - overhead recharges	51,218	10,785	287,454
Guarantees received from DB AG	10,609,840	121,234,390	62,727,846
Amount receivable/payable from/to related companies	2,325,353	1,807,246	2,152,876

All related party balances and placements are arm's length transactions and there is no specific provisions recognised in respect of these assets.

Total remuneration of the directors for the period amounted to USD 82,429 (period ended March 2016 - USD 82,293).