

Deutsche Bank (Mauritius) Limited

Interim Unaudited Financial Statements
March 2018



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Management review for the quarter ended 31 March 2018

The interim abridged financial statements of the Bank for the quarter ended 31 March 2018 are set out on pages 5 to 13.

Business overview

Deutsche Bank (Mauritius) Limited ("DBML") has decided to surrender its banking licence and has already informed the Bank of Mauritius. Also, there are a number of M&A (Mergers & Acquisition) transactions which would result in the sale of its remaining businesses. Hence, the Bank has decided to enter into voluntary liquidation.

DBML has entered into the following:

- A decision to surrender its banking licence
- An agreement to sell its Corporate Services (CS) business to Vistra, a leading global corporate service provider
- An agreement to sell its Global Trust Solutions (GTS) business, excluding its US operations, to The Bank of N.T. Butterfield & Son Limited (Butterfield). The change of control date was on 29 March 2018.
- An agreement to sell its Alternative Fund Services business to Apex Fund Services
- An agreement to sell its Financial Intermediary Market business to the Bank of Butterfield

Financial overview

The Bank's net profit after tax for quarter ended 31 March 2018 was USD 770k as compared to USD 2,120,020 for the equivalent period in 2017. This is due to the restructuring activities. Over 90% of the deposit accounts have been closed.

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

In line with the restructuring activities - net interest income dropped by 73%, net fee and commission income dropped by 89% and net trading income dropped by 81%.

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

Cost control

Overall, expenses increased by 8% compared to the quarter ended March 2017. Personnel expenses increased by 17% mainly due to restructuring expenses. Depreciation dropped to nil as assets have been written off for year-end 2017.

Management review for the quarter ended 31 March 2018 (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 2018 USD'000	Mar 2017 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	25,650	22,071
Common Equity Tier 1 capital before regulatory adjustments	41,506	37,927
Regulatory adjustments	-	-
Common Equity Tier 1 (CET1)	41,506	37,927
Additional Tier 1 Capital (AT1)	-	-
Tier 1 capital (CET1 + AT1)	41,506	37,927
Tier 2 Capital		
— Provision or loan-loss reserves	-	106
Total capital base	41,506	38,033
Risk Weighted Assets	42,502	110,779
CET capital ratio	97.66%	34.24%
Tier 1 capital ratio	97.66%	34.24%
Total capital ratio	97.66%	34.33%

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.

Liquidity Coverage Ratio

Bank of Mauritius (BoM) implemented Basel III liquidity standards on Liquidity Coverage Ratio (LCR) for all banks licensed by BoM, effective 03 Nov 2017. For 2018, the minimum LCR is 70% and Deutsche Bank (Mauritius) Limited has prudently set internal warning and trigger level thresholds. For Q1 2018, LCR was 293%.

Management review for the quarter ended 31 March 2018 (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: 7 May 2018

Unaudited statement of profit or loss and other comprehensive income
for the quarter ended 31 March 2018

	March 2018 USD	March 2017 USD	December 2017 USD
Interest income	488,694	1,945,500	7,876,706
Interest expense	(18,336)	(217,594)	(843,782)
Net interest income	470,358	1,727,906	7,032,924
Fee and commission income	54,054	286,496	1,021,579
Fee and commission expense	(26,545)	(42,097)	(172,632)
Net fee and commission income	27,509	244,399	848,947
Net trading income	31,167	161,307	494,119
Revenue	529,034	2,133,612	8,375,990
Other operating income	3,271,224	2,866,972	11,523,239
Total operating income	3,800,258	5,000,584	19,899,229
Personnel expenses	2,216,761	1,887,085	10,162,007
Operating lease expenses	165,644	93,513	610,107
Depreciation	-	116,316	1,146,275
Other expenses	619,865	694,481	4,280,108
	3,002,270	2,791,395	16,198,497
Profit before tax	797,988	2,209,189	3,700,732
Income tax expense	(28,157)	(89,169)	(227,856)
Profit before tax	769,831	2,120,020	3,472,876
Other comprehensive income	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income for the period (all attributable to equity shareholders)	769,831	2,120,020	3,472,876

Unaudited statement of financial position as at 31 March 2018

	March 2018 USD	March 2017 USD	December 2017 USD
Assets:			
Cash and cash equivalents	69,387,656	455,197,443	188,255,834
Loans and advances to banks	-	165,253,440	4,948,121
Loans and advances to customers	-	10,609,840	-
Other assets	13,423,434	3,487,574	44,974,227
Property, plant and equipment	-	960,512	-
Total assets	82,811,090	635,508,809	238,178,182
Liabilities:			
Deposits from customers	34,771,485	579,499,360	186,651,744
Current tax liabilities	168,054	231,194	139,898
Other liabilities	5,595,063	15,624,454	9,879,883
Total liabilities	40,534,602	595,355,008	196,671,525
Equity:			
Share capital	7,800,330	7,800,330	7,800,330
Revenue reserves	26,419,809	24,191,024	25,649,978
Other reserves	8,056,349	8,162,447	8,056,349
Total equity attributable to equity holders of the Bank	42,276,488	40,153,801	41,506,657
Total liabilities and equity	82,811,090	635,508,809	238,178,182

Unaudited statement of changes in shareholders' equity
for the year ended 31 March 2018

	Share Capital USD	Revenue reserves USD	Other Reserves		Total USD
			General Banking reserve USD	Statutory reserve USD	
Balance at 01 January 2017	7,800,330	21,549,824	627,278	8,056,349	38,033,781
Profit and total comprehensive income for the year	-	3,472,876	-	-	3,472,876
Transfer from general banking reserve	-	627,278	(627,278)	-	-
Balance at 31 December 2017	7,800,330	25,649,978	-	8,056,349	41,506,657
Profit and total comprehensive income for the period	-	769,831	-	-	769,831
Transfer from general banking reserve	-	-	-	-	-
Balance at 31 March 2018	7,800,330	26,419,809	-	8,056,349	42,276,488

Unaudited abridged statement of cash flows
for the year ended 31 March 2018

	March 2018 USD	March 2017 USD	December 2017 USD
Profit before income tax	797,987	2,209,189	3,700,732
Cash flows from operating activities:			
Income tax paid	-	-	(231,476)
Depreciation	-	116,316	1,146,275
	797,987	2,325,505	4,615,531
Adjustments for net change in assets and liabilities:			
Change in loans and advances to banks	4,948,121	(15,280,963)	145,024,356
Change in loans and advances to customers	-	52,118,006	62,727,846
Change in deposits from customers	(151,880,259)	14,531,447	(378,316,169)
Change in other assets	31,550,793	(136,153)	(41,622,806)
Change in other liabilities	(4,284,820)	14,061,315	8,316,744
Net cash (used in) / from operating activities	(118,868,178)	67,619,157	(199,254,498)
Cash flows from investing activities:			
Acquisition of property, plant and equipment	-	(9,403)	(77,357)
Net cash (used in) investing activities	-	(9,403)	(77,357)
Net (decrease) / increase in cash and cash equivalents	(118,868,178)	67,609,754	(199,331,855)
Cash and cash equivalents at beginning of year	188,255,834	387,587,689	387,587,689
Cash and cash equivalents at end of period /year	69,387,656	455,197,443	188,255,834

Notes to interim financial statements for the quarter ended 31 March 2018

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 2017.

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

Cash and cash equivalents

	March 2018 USD	March 2017 USD	December 2017 USD
Cash and cash equivalents			
Balances with local banks	90,533	37,640	29,909
Balances with banks abroad	6,301,700	8,877,132	15,044,574
Money market placements	62,995,423	446,282,671	173,181,351
Total	69,387,656	455,197,443	188,255,834

	March 2018 USD	March 2017 USD	December 2017 USD
Cash and cash equivalents as per statement of cash flows			
Cash and cash equivalent as above	69,387,656	455,197,443	188,255,834
Total	69,387,656	455,197,443	188,255,834

Notes to interim financial statements for the quarter ended 31 March 2018(continued)

Loans and advances to Banks

	March 2018 USD	March 2017 USD	December 2017 USD
Loans and advances to banks			
Outside Mauritius	62,995,423	165,253,440	4,948,121
Less: specific allowance for impairment	-	-	-
Total	62,995,423	165,253,440	4,948,121

Remaining terms to maturity

	March 2018 USD	March 2017 USD	December 2017 USD
Loans and advances to banks – remaining terms to maturity			
Up to three months	62,995,423	9,004,737	-
Over 3 months and up to 6 months	-	156,248,703	3,448,121
Over 6 months and up to 12 months	-	-	1,500,000
Total	62,995,423	165,253,440	4,948,121

Loans and advances to customers

	March 2018 USD	March 2017 USD	December 2017 USD
Loans and advances to customers			
Outside Mauritius	-	10,609,840	-
Less: specific allowance for impairment	-	-	-
Total	-	10,609,840	-

	March 2018 USD	March 2017 USD	December 2017 USD
Remaining terms to maturity			
Loans and advances to customers – remaining terms to maturity			
Up to three months	-	10,609,840	-
Total	-	10,609,840	-

Notes to interim financial statements for the quarter ended 31 March
2018(continued)

Other assets

	March 2018 USD	March 2017 USD	December 2017 USD
Other assets			
Mandatory balances with Central Banks	10,255,484	436,996	40,431,601
Accrued interest receivable	23,097	783,063	143,063
Other receivables	2,924,421	2,150,787	4,283,187
Prepayments	94,475	49,068	44,917
Other (VAT & others)	125,957	67,660	71,459
Total	13,423,434	3,487,574	44,974,227

Deposits from customers

	March 2018 USD	March 2017 USD	December 2017 USD
Deposits from customers			
Corporate customers:			
— Current accounts	34,771,485	486,039,994	181,703,622
— Time deposits			
Up to 3 months	-	79,919,291	3,448,122
Over 3 months and up to 6 months	-	8,489,445	1,500,000
Over 6 months and up to 12 months	-	5,050,630	-
Total	34,771,485	579,499,360	186,651,744

Notes to interim financial statements for the quarter ended 31 March 2018(continued)

Other liabilities

	March 2018 USD	March 2017 USD	December 2017 USD
Other liabilities			
Accrued interest payable	22	53,214	36,739
Accrued expenses	4,783,185	1,026,529	625,150
Balances in clearing	328,399	14,251,232	326,836
Balances due to related parties	194,404	174,566	131,745
Provision for restructuring costs	-	-	3,931,450
Other	289,053	118,913	4,827,963
Total	5,595,063	15,624,454	9,879,883

Shareholders' equity

	March 2018 USD	March 2017 USD	December 2017 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, deposits as well as other normal banking transactions. These transactions were carried out on commercial terms and at market rates. As at 31 March 2018, no specific charge for bad and doubtful debts had to be made on these balances (31 March 2017 – 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 2018 are as follows:

Notes to interim financial statements for the quarter ended 31 March 2018(continued)

Related party transactions (continued)

	March 2018 USD	March 2017 USD	December 2017 USD
(All are under 'Other related parties' classification as per IAS 24)			
Balances and placements with banks:			
— At beginning of the year	188,486,125	537,508,053	537,508,083
— Net movement during the period/year	(119,188,954)	82,905,132	(349,021,928)
— At end of the period/year	69,297,171	620,413,185	188,486,125
Interest income earned	363,094	1,589,479	7,102,475
Deposits:			
— At beginning of the year	6,408,753	89,637,020	89,637,020
— Net movement during the period/year	(4,291,980)	(82,611,579)	(83,228,267)
— At end of the period/year	2,116,773	7,025,441	6,408,753
Interest expense	608	2,638	4,813
Other revenues – operating income	3,271,224	2,866,972	11,523,239
Other expenses – fee and commission expense	26,087	41,663	170,932
Other expenses - overhead recharges	-	51,218	37,942
Guarantees received from DB AG	-	10,609,840	-
Amount receivable/payable from/to related companies	2,924,788	2,325,353	4,414,933

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 94,058 (period ended March 2017 - USD 82,429).