

# Deutsche Bank AG, Pakistan Branches

(Incorporated in the Federal Republic of Germany with Limited Liability)

## Condensed Interim Balance Sheet

As at 30 September 2009

		(Un-audited) 30 September 2009	(Audited) 31 December 2008
	Note		
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		4,671,243	4,754,734
Balances with other banks		223,447	1,628,093
Lendings to financial institutions	7	6,182,934	5,309,670
Investments		-	999,390
Advances	8	3,083,735	6,334,606
Other assets		770,610	2,552,371
Operating fixed assets		129,081	130,225
Deferred tax assets - (net)		82,525	20,649
		15,143,575	21,729,738

## LIABILITIES

Bills payable	398,801	1,683,524
Borrowings from financial institutions	530,492	532,521
Deposits and other accounts	6,204,546	10,317,214
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Other liabilities	2,636,262	4,562,266
Deferred tax liabilities	-	-
	<b>9,770,101</b>	<b>17,095,525</b>
<b>NET ASSETS</b>	<b>5,373,474</b>	<b>4,634,213</b>

## REPRESENTED BY:

Head office capital account	3,890,126	3,600,702
Un-remitted profit	1,483,348	1,033,743
	<b>5,373,474</b>	<b>4,634,445</b>
Deficit on revaluation of securities - net of deferred tax	-	(232)
	<b>5,373,474</b>	<b>4,634,213</b>

## CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 12 form an integral part of the interim financial information.

Chief Country Officer  
& Head of Global Banking  
Pakistan

Chief Operating Officer &  
Chief Financial Officer  
Pakistan

# Deutsche Bank AG, Pakistan Branches

(Incorporated in the Federal Republic of Germany with Limited Liability)

## Condensed Interim Profit and Loss Account (Un-audited)

For the quarter and nine months ended 30 September 2009

	Three months period ended 30 September 2009	Nine months period ended 30 September 2009	Three months period ended 30 September 2008	Nine months period ended 30 September 2008
	------(Rupees in '000)-----			
Mark-up / return / interest earned	280,867	814,769	282,718	727,102
Mark-up / return / interest expensed	60,065	167,060	97,848	272,480
Net mark-up / interest income	220,802	647,709	184,870	454,622
Provision against non-performing advances	14,838	(218,977)	3,682	(31,452)
(Provision) / reversal against off balance sheet obligations	18,445	(1,548)	10,223	(8,297)
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	33,283	(220,525)	13,905	(39,749)
Net mark-up / interest income after provisions	254,085	427,184	198,775	414,873
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	72,008	206,310	70,462	238,277
Dividend income	-	-	-	-
Income from dealing in foreign currencies	182,329	1,404,213	281,047	992,959
Loss on sale of Government securities	-	(2,294)	10	(197,393)
Other income	963	5,609	24,474	71,603
Total non-mark-up / interest income	255,300	1,613,838	375,993	1,105,446
	509,385	2,041,022	574,768	1,520,319
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	213,400	569,803	190,658	550,557
Other provisions / write offs	-	-	-	-
Other charges	1,214	1,319	763	1,056
Total non-mark-up / interest expenses	214,614	571,122	191,421	551,613
	294,771	1,469,900	383,347	968,706
Extra-ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	294,771	1,469,900	383,347	968,706
Taxation:				
- Current	(89,000)	(578,000)	(418,139)	(1,010,042)
- Prior years	-	-	-	-
- Deferred	(16,000)	62,000	284,242	671,414
	(105,000)	(516,000)	(133,897)	(338,628)
<b>PROFIT AFTER TAXATION</b>	189,771	953,900	249,450	630,078
Accumulated profit brought forward	1,293,577	529,448	884,922	504,294
<b>Accumulated profit carried forward</b>	1,483,348	1,483,348	1,134,372	1,134,372

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# Deutsche Bank AG, Pakistan Branches

*(Incorporated in the Federal Republic of Germany with Limited Liability)*

## Condensed Interim Statement of Comprehensive Income (Un-audited)

*For the nine months ended 30 September 2009*

	2009	2008
	(Rupees in '000)	
Profit after tax	953,900	630,078
Other comprehensive income:		
Actuarial gain / (loss) on defined benefit plans	-	-
<b>Total comprehensive income for the period</b>	<b>953,900</b>	<b>630,078</b>

The actuarial valuations for employee defined benefit plans are carried out at annual intervals. The management considers that there are no events at the balance sheet date which require an update of these valuations. In the absence of updated valuations, no corresponding actuarial gains / losses have been recognised during the period.

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**Deutsche Bank AG, Pakistan Branches**  
*(Incorporated in the Federal Republic of Germany with Limited Liability)*  
**Condensed Interim Cash Flow Statement (Un-audited)**  
*For the nine months ended 30 September 2009*

	2009	2008
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,469,900	968,706
<i>Adjustments for:</i>		
Depreciation	29,274	22,422
Provision against non-performing advances	218,977	197,393
Loss on sale of Government Securities	2,294	31,452
Provision against off balance sheet obligations	1,548	8,297
Gain on sale of operating fixed assets	(3,135)	(1,336)
	<u>248,958</u>	<u>258,228</u>
	1,718,858	1,226,934
Decrease / (increase) in operating assets		
Lendings to financial institutions	(873,264)	2,068,594
Advances	3,031,894	(1,876,599)
Others assets (excluding advance taxation)	1,628,870	(1,492,517)
	<u>3,787,500</u>	<u>(1,300,522)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(1,284,723)	(273,847)
Borrowings from financial institutions	(2,029)	(6,040,434)
Deposits and other accounts	(4,112,668)	2,068,314
Other liabilities (excluding current taxation)	(1,981,722)	2,171,954
	<u>(7,381,142)</u>	<u>(2,074,013)</u>
	(3,593,642)	(3,374,535)
Income tax paid	(370,938)	(399,534)
<i>Net cash used in operating activities</i>	<u>(2,245,722)</u>	<u>(2,547,135)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of available-for-sale securities	997,453	7,751,413
Purchase of operating fixed assets	(37,876)	(38,333)
Investment in available-for-sale securities	-	(4,247,247)
Sale proceeds on disposal of operating fixed assets	12,879	11,099
<i>Net cash flow from investing activities</i>	<u>972,456</u>	<u>3,476,932</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Remittances made to head office	(504,294)	(198,625)
<i>Net cash used in financing activities</i>	<u>(504,294)</u>	<u>(198,625)</u>
Effects of exchange rate changes on cash and cash equivalents	289,423	745,631
<b>Increase in cash and cash equivalents</b>	<u>(1,488,137)</u>	<u>1,476,803</u>
Cash and cash equivalents at beginning of the period	6,382,827	3,649,739
Cash and cash equivalents at end of the period	<u><u>4,894,690</u></u>	<u><u>5,126,542</u></u>

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**Deutsche Bank AG, Pakistan Branches**  
*(Incorporated in the Federal Republic of Germany with Limited Liability)*  
**Statement of Changes in Equity (Un-audited)**  
*For the nine months ended 30 September 2009*

	<b>Head office capital account</b>	<b>Un-remitted profit</b>	<b>Total</b>
	<b>----- (Rupees in ' 000) -----</b>		
Balance as at 01 January 2008	2,853,853	714,811	3,568,664
<b>Changes in equity for the nine months ended 30 September 2008</b>			
Comprehensive income for the nine months period ended 30 September 2008	0	630,078	630,078
Remittances made to head office	0	(198,625)	(198,625)
Exchange adjustment on revaluation of head office capital account	745,631		745,631
Balance as at 30 September 2008	<u>3,599,484</u>	<u>1,146,264</u>	<u>4,745,748</u>
<b>Changes in equity for the three months ended 31 December 2008</b>			
Comprehensive income for the three months period from 1 October 2008 to 31 December 2008	0	(112,521)	(112,521)
Exchange adjustment on revaluation of head office capital account	1,218	0	1,218
Balance as at 31 December 2008	<u>3,600,702</u>	<u>1,033,743</u>	<u>4,634,445</u>
<b>Changes in equity for the nine months ended 30 September 2009</b>			
Comprehensive income for the nine months period ended 30 September 2009	0	953,900	953,900
Remittances made to head office	0	(504,294)	(504,294)
Exchange adjustment on revaluation of head office capital account	289,423	0	289,423
<b>Balance as at 30 September 2009</b>	<b><u><u>3,890,125</u></u></b>	<b><u><u>1,483,349</u></u></b>	<b><u><u>5,373,474</u></u></b>

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# Deutsche Bank AG, Pakistan Branches

*(Incorporated in the Federal Republic of Germany with Limited Liability)*

## Notes to the Condensed Interim Financial Information (Un-audited)

*For the nine months ended 30 September 2009*

### **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 are carried out through three branches located at Karachi, Lahore and Islamabad. Pakistan Branches are engaged in banking business as described in the Banking Companies Ordinance, 1962.

### **2. STATEMENT OF COMPLIANCE**

The condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting and are presented in accordance with BSD Circular Letter No. 2 dated 12 May 2004 issued by State Bank of Pakistan. The condensed interim financial information does not include the information required for the full annual financial statements, and should be read in conjunction with the financial statements for the year ended 31 December 2008.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Pakistan branches for the year ended 31 December 2008, except that International Accounting Standard 1 (Revised) 'Presentation of Financial Statements' became effective for financial periods beginning on or after 1 January 2009. The application of this standard has resulted in increased disclosure regarding the statement of comprehensive income which has been included in the Bank's financial statements.

### **4. CREDIT RATING**

The credit rating done by Standard & Poor in January 2009 for Deutsche Bank AG is A+ for the long term and A-1 for the short term, rating done by Moody's in February 2009 is Aa1 for the long term and P-1 for the short term and rating done by Fitch in January 2009 is AA- for the long term and F1+ for the short term.

### **5. USE OF ESTIMATES AND JUDGEMENTS**

The significant estimates and judgements made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements of the Bank's Pakistan Branches for the year ended 31 December 2008.

## 6. FINANCIAL RISK MANAGEMENT

The Bank's financial risk management objectives and policies are consistent with that disclosed in the annual financial statements for the year ended 31 December 2008.

## 7. LENDINGS TO FINANCIAL INSTITUTIONS

**30 September 2009**      31 December 2008  
(Rupees in '000)

Repurchase agreement lendings (Reverse repos)	7.1	<b>6,182,934</b>	<b>5,309,670</b>
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**7.1** Reverse repo have been made with banks at rates ranging from 12.2% p.a to 12.9% p.a (2008: 13% p.a to 13.25% p.a) and mature within a month. The market value of these securities at 30 September 2009 amounted to Rs. 6,206 million (2008: Rs. 5,347 million).

### 7.2 Securities held as collateral against lending to financial institutions

	30 September 2009			31 December 2008		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	<b>6,182,934</b>	<b>-</b>	<b>6,182,934</b>	5,309,670	<b>-</b>	5,309,670

## 8. ADVANCES

**30 September 2009**      31 December 2008  
(Rupees in '000)

Loans, cash credits, running finances, etc. - In Pakistan		<b>2,703,275</b>	<b>5,005,801</b>
Bills discounted and purchased			
- Payable in Pakistan		<b>415,460</b>	1,346,348
- Payable outside Pakistan		<b>224,320</b>	22,800
		<b>639,780</b>	1,369,148
Advances - gross		<b>3,343,055</b>	6,374,949
Provision for non-performing advances - specific	8.3	<b>(148,235)</b>	-
Provision for non-performing advances - general	8.3	<b>(111,085)</b>	(40,343)
		<b>(259,320)</b>	(40,343)
Advances - net of provision		<b>3,083,735</b>	6,334,606

**8.1** Advances include Rs. 287.366 million (2008: nil) which have been placed under non-performing status.

### 8.2 Category of classification

	30 September 2009		
	Domestic	Provision required	Provision held
	----- (Rupees in '000) -----		
Substandard	76,445	19,111	19,111
Doubtful	163,593	81,796	81,796
Loss	47,328	47,328	47,328
	<b>287,366</b>	<b>148,235</b>	<b>148,235</b>

### 8.3 Particulars of provision against non-performing advances

	30 September 2009			31 December 2008		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	-	40,343	40,343	-	16,162	16,162
Charge for the period	<b>148,235</b>	<b>70,742</b>	<b>218,977</b>	-	24,181	24,181
Closing balance	<b>148,235</b>	<b>111,085</b>	<b>259,320</b>	-	40,343	40,343

**8.3.1** General provision represents amount recognised inline with the instructions received from the head office.

## **9. CONTINGENCIES AND COMMITMENTS**

### **9.1 Transaction - related contingent liabilities**

Contingent liability in respect of performance, bid bonds, shipping guarantee, etc. favouring:

	<b>30 September 2009</b>	<b>31 December 2008</b>
	<b>(Rupees in '000)</b>	
Government	<b>10,467,807</b>	8,333,739
Banking Companies and other financial institutions	<b>56,346</b>	20,781
Others	<b>3,605,900</b>	16,340,456

### **9.2 Trade - related contingent liabilities**

Acceptances	<b>2,111,977</b>	1,192,351
Letters of credit	<b>3,911,865</b>	3,893,592

### **9.3 Commitments in respect of forward exchange contracts**

Purchase:		
- State Bank of Pakistan	<b>788</b>	1,074
- Others	<b>12,311,351</b>	24,441,796
Sale:		
- Others	<b>12,311,388</b>	16,738,175

### **9.4 Other contingencies**

Appeals for various assessment years are pending before Income Tax Appellate Authorities contesting additional demands of Rs. 121.345 million. The bank is vigorously contesting its appeals and is confident that no additional liability would arise.

	<b>30 September 2009</b>	<b>31 December 2008</b>
	<b>(Rupees in '000)</b>	
<b>9.5 Cheques in clearing</b>	<b>2,315,420</b>	1,316,127
<b>9.6 Commitments in respect of forward lendings</b>		
Repurchase agreement lendings (Reverse repos)	<b>6,182,934</b>	5,309,670
<b>9.7 Other commitments</b>		
FX options - notional amounts	-	5,860,544
Forward rate agreements - notional amounts	-	250,000
Cross currency swaps - notional amounts	<b>2,738,173</b>	6,085,525
Interest rate swaps - notional amounts	<b>10,149,455</b>	14,322,603



- 9.7.1** These options and swaps have been covered with back to back contracts with the branches of the bank outside Pakistan.

## **9.8 Taxation**

The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. Through these amendments the deduction for provisions for advances and off balance sheet items will be allowed upto 1% of total advances as at 31 December of that year. Provisioning in excess of 1% would be allowed to be carried over to succeeding years. The amount of bad debts classified as Substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. The amendments are applicable for financial year ending 31 December 2009.

The management has carried out an exercise at period end and concluded that they would be able to get deduction of provision in excess of 1% of total advances and have recognized deferred tax asset on such provision amounting to Rs. 33.493 million. No such deferred tax asset was recognised through 31 December 2008.

## **10. RELATED PARTY TRANSACTIONS**

Related parties comprise of head office, other branches of the bank and employees' retirement benefit funds. The transactions with related parties are conducted under normal course of business at arm's length prices. The bank also provides 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 disclosed elsewhere, are summarised as follows:

	<b>Nine months period ended</b>	
	<b>30 September</b>	<b>30 September</b>
<b>Profit and loss items</b>	<b>(Rupees in '000)</b>	
Mark-up / interest / income earned	<b>458</b>	1,966
Mark-up / interest / income expensed	<b>6</b>	41
Head office expenses	<b>164,119</b>	195,221
All risk insurance premium	<b>-</b>	284

	30 September 2009	31 December 2008
<b>Balance sheet items</b>	<b>(Rupees in '000)</b>	
<b>Deposits and other accounts</b>		
Opening balance	52,794	51,808
Deposits during the period / year	3,461,326	1,762,998
Withdrawals during the period / year	(3,512,943)	(1,762,012)
Closing balance	<u>1,177</u>	<u>52,794</u>
<b>Balance sheet items</b>		
Balances with DB branches	84,616	-
Borrowings from DB branches	4,075	-
Interbranch deposits and other accounts	4,114	5,831
<b>Off balance sheet items</b>		
Counter guarantees to branches	4,289,866	5,027,775
Forward purchase of foreign exchange	2,089,850	1,201,451
Forward sale of foreign exchange	2,089,850	1,201,451
Interest Rate Swap	6,229,372	10,434,588
FX Options	-	2,930,272

## 11. GENERAL

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

## 12. DATE OF AUTHORIZATION

The condensed interim financial information was authorised for issue on October 29, 2009.

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