

**Deutsche Bank AG, Pakistan Branches**  
*(Incorporated in the Federal Republic of Germany with Limited Liability)*  
**Balance Sheet**  
*As at 30 June 2009*

	<i>Note</i>	<b>30 June 2009 (Un-audited) (Rupees in '000)</b>	<b>31 December 2008</b>
<b>ASSETS</b>			
Cash and balances with treasury banks		<b>4,685,093</b>	4,754,734
Balances with other banks		<b>671,008</b>	1,628,093
Lendings to financial institutions	6	<b>5,990,039</b>	5,309,670
Investments	7	-	999,390
Advances	8	<b>3,724,875</b>	6,334,606
Other assets		<b>700,029</b>	2,552,371
Operating fixed assets		<b>134,018</b>	130,225
Deferred tax assets	9	<b>90,525</b>	20,649
		<b>15,995,587</b>	21,729,738
<b>LIABILITIES</b>			
Bills payable		<b>645,001</b>	1,683,524
Borrowings from financial institutions		<b>740,115</b>	532,521
Deposits and other accounts		<b>7,370,246</b>	10,317,214
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		<b>2,291,133</b>	4,562,266
		<b>11,046,495</b>	17,095,525
<b>NET ASSETS</b>		<b>4,949,092</b>	4,634,213
<b>REPRESENTED BY:</b>			
Head office capital account		<b>3,657,411</b>	3,600,702
Un-remitted profit		<b>1,291,681</b>	1,033,743
		<b>4,949,092</b>	4,634,445
(Deficit) /Surplus on revaluation of securities - net of tax		-	(232)
		<b>4,949,092</b>	4,634,213

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes 1 to 13 form an integral part of these financial statements.

\_\_\_\_\_  
**Chief Country Officer  
& Head of Global Banking  
Pakistan**

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**Chief Operating Officer &  
Chief Financial Officer  
Pakistan**

# Deutsche Bank AG, Pakistan Branches

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

## Profit and Loss Account (un-audited)

For the six months period ended 30 June 2009

Note	Three months period ended 30 June 2009	Six months period ended 30 June 2009	Three months period ended 30 June 2008	Six months period ended 30 June 2008
	(Rupees in ' 000)			
Mark-up / return / interest earned	271,654	505,879	215,585	444,384
Mark-up / return / interest expensed	60,026	106,994	75,344	174,632
Net mark-up / interest income	211,628	398,885	140,241	269,752
(Provision) / Reversal against non-performing loans and advances	(192,388)	(205,792)	(6,976)	(35,133)
(Provision) / Reversal against off balance sheet obligation	(18,328)	(19,993)	831	(18,520)
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	(210,716)	(225,785)	(6,145)	(53,653)
Net mark-up / interest income after provisions	912	173,100	134,096	216,099
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	70,713	134,301	102,460	167,815
Dividend income	-	-	-	-
(Loss) / Income from trading in government securities	-	-	145,295	711,913
Income from dealing in foreign currencies	807,663	1,221,885	(115,900)	(197,402)
Other income	(2,055)	2,352	44,897	47,128
Total non-mark-up / interest income	876,321	1,358,538	176,752	729,454
	877,233	1,531,638	310,848	945,553
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	155,172	359,300	159,964	359,899
Other provisions / write offs	-	-	-	-
Other charges	68	106	292	293
Total non-mark-up / interest expenses	155,240	359,406	160,256	360,192
	721,993	1,172,232	150,592	585,361
Extra Ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	721,993	1,172,232	150,592	585,361
Taxation:				
- Current	(305,717)	(480,000)	(462,974)	(591,904)
- Prior years	-	-	-	-
- Deferred	52,758	70,000	410,339	387,171
	(252,959)	(410,000)	(52,635)	(204,733)
<b>PROFIT AFTER TAXATION</b>	469,034	762,232	97,957	380,628

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**Deutsche Bank AG, Pakistan Branches**  
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**Cash Flow Statement (un-audited)**  
*For the six months period ended 30 June 2009*

	2009 (Rupees in '000)	2008
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,172,232	150,592
Adjustments for non-cash charges:		
Depreciation	19,655	7,174
Loss on sale of government securities	-	81,502
Provision against non-performing loans and advances	205,792	28,157
Provision against off balance sheet obligation	19,993	19,351
Gain on sale of operating fixed assets	(2,360)	(1,336)
Financial charges on leased assets	-	-
	<b>243,080</b>	134,848
	<b>1,415,312</b>	285,440
Decrease/(Increase) in operating assets		
Lendings to financial institutions	(680,369)	(3,075,663)
Advances	2,403,940	142,633
Others assets (excluding advance taxation)	1,699,451	(308,465)
	<b>3,423,022</b>	(3,241,495)
(Decrease)/Increase in operating liabilities		
Bills payable	(1,038,523)	2,402,855
Borrowings from financial institutions	207,594	(5,282,949)
Deposits and other accounts	(2,946,968)	4,366,050
Other liabilities	(2,456,807)	374,814
	<b>(6,234,704)</b>	1,860,770
	<b>(2,811,682)</b>	(1,380,725)
Income tax paid	<b>(161,070)</b>	(164,572)
<i>Net cash flow from operating activities</i>	<b>(1,557,441)</b>	(1,259,857)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Encashment / Sale proceeds of available for sale securities	999,390	5,362,854
Additions to operating fixed assets	(31,677)	(16,658)
Investment in available for sale securities	-	(4,117,193)
Sale proceeds of operating fixed assets disposed-off	10,587	3,946
<i>Net cash flow from investing activities</i>	<b>978,300</b>	1,232,949
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Remittance made during the period	(504,294)	-
Effects of exchange rate changes on cash and cash equivalents	56,709	-
<i>Net cash flow from financing activities</i>	<b>(447,585)</b>	-
<b>Increase in cash and cash equivalents</b>	<b>(1,026,725)</b>	(26,908)
Cash and cash equivalents at beginning of the year	6,382,827	3,649,739
Cash and cash equivalents at end of the period	<b>5,356,102</b>	<b>3,622,831</b>

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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 six months period ended 30 June 2009

	Head office capital account	Un-remitted Profit	Total
( Rupees in ' 000 )			
Balance at 01 January 2008	2,853,853	714,811	3,568,664
Profit for the period	-	368,736	368,736
Profit remitted during the period	-	(198,625)	(198,625)
Balance at 30 June 2008	2,853,853	884,922	3,738,775
Profit for the period	-	148,821	148,821
Exchange adjustment on revaluation of capital	746,849	-	746,849
Balance at 31 December 2008	3,600,702	1,033,743	4,634,445
Profit for the period	-	762,232	762,232
Profit remitted during the period	-	(504,294)	(504,294)
Exchange adjustment on revaluation of capital	56,709	-	56,709
Balance at 30 June 2009	3,657,411	1,291,681	4,949,092

The annexed notes 1 to 13 form an integral part of these financial statements.

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# Deutsche Bank AG, Pakistan Branches

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

## Notes to the Accounts (un-audited)

For the six months period ended 30 June 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements 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.

These condensed interim financial statements are unaudited and being presented in condensed form in accordance with the requirements prescribed by State Bank of Pakistan vide BSD Circular Letter No. 2 dated 12 May 2004 and International Accounting Standards 34, 'Interim Financial Reporting'. They do not include the information required for the full annual financial statements, and should be read in conjunction with the financial statements as at and for the year ended 31 December 2008.

### 3. CREDIT RATING

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

### 4. USE OF ESTIMATE AND JUDGEMENT

The preparation of these condensed interim financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the result of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual result may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

### 5. 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 December 31, 2008.

### 6. LENDINGS TO FINANCIAL INSTITUTIONS

	30 June 2009	31 December 2008
	(Rupees in '000)	
Repurchase agreement lending ( Reverse Repo )	5,990,039	5,309,670
	<u>5,990,039</u>	<u>5,309,670</u>

### 7. INVESTMENTS

	Held by	Given as	Total
	( Rupees in '000 )		
<b>Available for sale securities</b>			
- Market Treasury Bills	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
31 December 2008	999,390	-	999,390

### 8. ADVANCES

	30 June 2009	31 December 2008
	(Rupees in '000)	
Loans, cash credits, running finances, etc.		
- In Pakistan	3,591,515	5,005,801
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	336,459	1,346,348
- Payable outside Pakistan	43,035	22,800
	<u>379,494</u>	<u>1,369,148</u>
	<u>3,971,009</u>	<u>6,374,949</u>
Provision for non-performing advances - specific	(75,545)	-
Provision for non-performing advances - general	(170,589)	(40,343)
	<u>(246,134)</u>	<u>(40,343)</u>
	<u>3,724,875</u>	<u>6,334,606</u>

8.1 Advances Rs. 231.825 million (31 December 2008:Nil) have been placed under non-performing status.

	30 June 2009			31 December 2008		
<b>8.2 Particulars of provision against non-performing advances</b>						
	<b>General</b>	<b>Specific</b>	<b>Total</b>	<b>General</b>	<b>Specific</b>	<b>Total</b>
	( Rupees in '000 )			( Rupees in '000 )		
Opening balance	40,343	-	40,343	16,162	-	16,162
Charge made during the period	130,246	75,545	205,791	24,181	-	24,181
Closing balance	<u>170,589</u>	<u>75,545</u>	<u>246,134</u>	<u>40,343</u>	<u>-</u>	<u>40,343</u>

8.2.1 General provision represents amounts recognised inline with the instructions received from head office.

<b>9. DEFERRED TAX ASSET</b>	<b>30 June 2009</b>	<b>31 December 2008</b>
<b>Deferred tax debits arising in respect of:</b>	( Rupees in '000 )	
- Acturial Gains and losses	2,522	2,522
- Provision for general loan loss	82,504	29,921
- Provision against other assets		408
- Provision against doubtful debts	36,249	-
- Defecit on revaluation of securities		125
- Others	(242)	-
	<u>121,033</u>	<u>32,976</u>
<b>Deferred tax credits arising in respect of:</b>		
- Difference between accounting book value of fixed assets and tax base	8,508	12,327
Net deferred tax asset	<u>112,525</u>	<u>20,649</u>

## 10. CONTINGENCIES AND COMMITMENTS

### 10.1 Transaction-related contingent liabilities

Contingent liability in respect of guarantees given favouring:

- Government	13,116,806	8,333,739
- Financial institutions	33,785	20,781
- Others	11,680,270	16,340,456

### 10.2 Trade-related contingent liabilities

Acceptances	1,525,770	1,192,351
Letters of credit	3,413,099	3,893,592

### 10.3 Commitments in respect of forward exchange contracts

Purchase		
- From the State Bank of Pakistan	788	1,074
- From others	8,877,929	24,441,796
Sale		
- From others	4,846,404	16,738,175

### 10.4 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>10.5 Cheques in clearing</b>	<b>14,393,028</b>	1,316,127
<b>10.6 Commitments in respect of forward lendings</b>		
Repurchase agreement lendings	5,990,039	-
<b>10.7 Other commitments</b>		
FX Options - notional amounts	1,086,712	5,860,544
Forward Rate Agreements - notional amounts	-	250,000
Cross currency swaps - notional amounts	2,738,173	6,085,525
Interest rate swaps - notional amounts	10,009,369	14,322,603

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

## 11. 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, are summarised as follows:

	<b>Three months period ended</b>	
	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>(Rupees in '000)</b>	
<b>Profit and loss items</b>		
Mark-up / Interest / Income earned	<b>442</b>	1,051
Mark-up / Interest / Income expensed	<b>5</b>	34
Head office expenses	<b>93,804</b>	126,079
All risk insurance premium	<b>407</b>	181
<b>Balance sheet items</b>	<b>30 June 2009</b>	<b>31 December 2008</b>
<b>Deposits and other accounts</b>		
At 1 January	<b>52,794</b>	51,808
Deposits during the year	<b>3,282,818</b>	1,762,998
Withdrawals during the year	<b>(3,334,961)</b>	(1,762,012)
At 30 June / 31 December	<b>651</b>	52,794
Balances with DB branches	<b>12,993</b>	-
Borrowings from DB branches	<b>2,353</b>	-
Interbranch deposits and other accounts	<b>9,457</b>	5,831
<b>Off balance sheet items</b>		
Counter guarantees to branches	<b>5,933,033</b>	5,027,775
Forward purchase of foreign exchange	<b>269,534</b>	1,201,451
Forward sale of foreign exchange	<b>269,534</b>	1,201,451
Interest Rate Swap	<b>6,102,677</b>	10,434,588
FX Options	<b>543,356</b>	2,930,272

12.

### GENERAL

12.1

Figures have been rounded off to the nearest thousand rupees.

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### DATE OF AUTHORIZATION

These financial statements were authorised by the Chief Country Officer on July 30, 2009.

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**Chief Country Officer**  
**: Head of Global Banking**  
**Pakistan**

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**Chief Operating Officer &**  
**Chief Financial Officer**  
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