

# Deutsche Bank AG, Pakistan Branches

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

## Condensed Interim Statement of Financial Position

As at 30 June 2011

	Note	30 June 2011 (Un-audited) (Rupees in '000)	31 December 2010 (Audited)
<b>ASSETS</b>			
Cash and balances with treasury banks		5,127,978	4,722,669
Balances with other banks		226,734	37,134
Lendings to financial institutions	7	7,529,737	6,223,146
Investments	8	2,384,544	2,046,309
Advances	9	3,358,937	3,245,948
Other assets		955,795	898,722
Operating fixed assets		125,541	110,230
Deferred tax assets-net		123,539	150,725
		<b>19,832,805</b>	<b>17,434,883</b>
<b>LIABILITIES</b>			
Bills payable		323,761	2,640,728
Borrowings from financial institutions		439,412	443,891
Deposits and other accounts		10,220,592	6,065,947
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		2,924,219	3,010,220
Deferred tax liabilities		-	-
		<b>13,907,984</b>	<b>12,160,786</b>
<b>NET ASSETS</b>		<b>5,924,821</b>	<b>5,274,097</b>
<b>REPRESENTED BY:</b>			
Head office capital account		3,991,790	3,667,876
Reserves		-	-
Un-remitted profit		1,933,906	1,606,542
		<b>5,925,696</b>	<b>5,274,418</b>
(Deficit) /Surplus on revaluation of securities - net of tax		(875)	(321)
		<b>5,924,821</b>	<b>5,274,097</b>

## CONTINGENCIES AND COMMITMENTS

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

Managing Director &  
Chief Country Officer  
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 six months ended 30 June 2011

	Three months period ended 30 June 2011	Six months period ended 30 June 2011	Three months period ended 30 June 2010	Six months period ended 30 June 2010
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	377,029	775,012	288,147	580,368
Mark-up / return / interest expensed	135,881	263,428	78,129	129,468
Net mark-up / interest income	241,148	511,584	210,018	450,900
(Provision) / reversal against non-performing loans and advances	42,223	23,467	(64,741)	(43,138)
(Provision) / reversal against off balance sheet obligation	16,944	11,406	(4,151)	2,364
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	59,167	34,873	(68,892)	(40,774)
Net mark-up / interest income after provisions	300,315	546,457	141,126	410,126
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	88,843	172,395	84,680	154,021
Dividend income	-	-	-	-
(Loss) / income from trading in government securities	16,696	16,696	-	-
Income from dealing in foreign currencies	86,889	203,508	323,150	431,071
Other income	578	1,229	370	568
Total non-mark-up / interest income	193,006	393,828	408,200	585,660
	493,321	940,285	549,326	995,786
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	202,888	428,729	164,165	362,414
Other provisions / write offs	-	-	-	-
Other charges	218	242	243	253
Total non-mark-up / interest expenses	203,106	428,971	164,408	362,667
	290,215	511,314	384,918	633,119
Extra Ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	290,215	511,314	384,918	633,119
Taxation:				
- Current	(82,682)	(156,466)	(146,671)	(233,380)
- Prior years	-	-	-	-
- Deferred	(24,181)	(27,484)	6,904	7,073
	(106,863)	(183,950)	(139,767)	(226,307)
<b>PROFIT AFTER TAXATION</b>	183,352	327,364	245,151	406,812

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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 six months ended 30 June 2011*

	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>(Rupees in '000)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>511,314</b>	633,119
Adjustments for non-cash charges:		
Depreciation	<b>18,027</b>	19,010
Income on government securities	-	-
Provision against non-performing advances	<b>(23,467)</b>	43,138
(Reversal) / provision against off balance sheet obligation	<b>(11,406)</b>	(2,364)
Gain on sale of operating fixed assets	<b>(819)</b>	(365)
	<b>(17,665)</b>	59,419
	<b>493,649</b>	692,538
Decrease/(increase) in operating assets		
Lendings to financial institutions	<b>(1,306,591)</b>	(2,564,302)
Advances	<b>(89,523)</b>	1,057,253
Others assets (excluding advance taxation)	<b>(52,989)</b>	(170,255)
	<b>(1,449,103)</b>	(1,677,304)
Increase/(decrease) in operating liabilities		
Bills payable	<b>(2,316,967)</b>	102,227
Borrowings from financial institutions	<b>(4,479)</b>	(144,517)
Deposits and other accounts	<b>4,154,645</b>	1,609,467
Other liabilities	<b>(74,595)</b>	180,124
	<b>1,758,604</b>	1,747,301
	<b>309,501</b>	69,997
Income tax paid	<b>(160,548)</b>	(168,277)
<b>Net cash flows from operating activities</b>	<b>642,602</b>	594,258
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale proceeds from available-for-sale investments - net	<b>5,782,820</b>	2,514,478
Purchase of operating fixed assets	<b>(36,364)</b>	(22,503)
Investment in available for sale securities	<b>(6,121,907)</b>	(2,969,897)
Sale proceeds on disposal of operating fixed assets	<b>3,844</b>	3,606
<b>Net cash flows from investing activities</b>	<b>(371,607)</b>	(474,316)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Remittance made during the period	-	-
<b>Net cash flows from financing activities</b>	-	-
Effects of exchange rate changes on cash and cash equivalents	<b>323,914</b>	(539,010)
<b>Decrease in cash and cash equivalents</b>	<b>594,909</b>	(419,068)
Cash and cash equivalents at beginning of the year	<b>4,759,803</b>	4,893,341
Cash and cash equivalents at end of the period	<b>5,354,712</b>	4,474,273

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

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Pakistan**

**Chief Operating Officer  
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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 six months ended 30 June 2011*

	<b>30 June 2011 (Rupees in '000)</b>	<b>30 June 2010</b>
<b>Profit for the period</b>	<b>327,364</b>	406,812
<b>Other comprehensive income:</b>		
Actuarial (loss) / gain on defined benefit plans	-	-
Exchange adjustment on account of revaluation of capital	<b>323,914</b>	(539,010)
<b>Total comprehensive income for the period</b>	<b><u>327,364</u></b>	<b><u>(132,198)</u></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.

Surplus / deficit on revaluation of 'Available for Sale' securities is presented below equity in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated 04 August 2000 and BSD circular 10 dated 13 July 2004 and hence is not reported in other comprehensive income.

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# Deutsche Bank AG, Pakistan Branches

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## Condensed Interim Statement of Changes in Equity (Un-audited)

For the six months ended 30 June 2011

	Head office capital account	Un-remitted Profit	Total
	----- (Rupees in '000) -----		
Balance at 01 January 2010	3,877,033	1,292,224	5,169,257
<b>Changes in equity:</b>			
<i>Transactions with owners, recorded directly in equity:</i>			
Remittance made to head office	-	-	-
	-	-	-
<i>Comprehensive income for the period:</i>			
Profit for the period	-	406,811	406,811
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	-	-
Exchange adjustment on revaluation of head office capital account	(539,010)	-	(539,010)
	(539,010)	406,811	(132,199)
Balance at 30 June 2010	3,338,023	1,699,035	5,037,058
<b>Changes in equity:</b>			
<i>Transactions with owners, recorded directly in equity:</i>			
Remittance made to head office	-	(534,131)	(534,131)
	-	(534,131)	(534,131)
<i>Comprehensive income for the period:</i>			
Profit for the period	-	427,482	427,482
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	14,156	14,156
Exchange adjustment on revaluation of head office capital account	329,853	-	329,853
	329,853	441,638	771,491
Balance at 31 December 2010	3,667,876	1,606,542	5,274,418
<b>Changes in equity:</b>			
<i>Transactions with owners, recorded directly in equity:</i>			
Remittance made to head office	-	-	-
	-	-	-
<i>Comprehensive income for the period:</i>			
Profit for the period	-	327,364	327,364
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	-	-
Exchange adjustment on revaluation of head office capital account	323,914	-	323,914
	323,914	327,364	651,278
Balance at 30 June 2011	<b>3,991,790</b>	<b>1,933,906</b>	<b>5,925,696</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 six months ended 30 June 2011*

### 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

These financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These condensed Interim Financial Statements do not include all of the information required for full financial statements and should be read in conjunction with the financial statements of the Bank's Pakistan Branches for the year ended 31 December 2009.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation followed for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank's Pakistan Branches for the year ended 31 December 2010.

### 4. CREDIT RATING

The credit rating done by Standard & Poor in October 2010 for Deutsche Bank AG is A+ for the long term and A-1 for the short term, rating done by Moody's on May 2010 is Aa3 for the long term and P-1 for the short term and rating done by Fitch in July 2011 is AA- for the long term and F1+ for the short term.

### 5. USE OF ESTIMATE AND JUDGEMENT

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's Pakistan Branches as at and for the year ended 31 December 2010.

### 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 2010.

### 7. LENDINGS TO FINANCIAL INSTITUTIONS

		30 June 2011	31 December 2010
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	7.1	<u>7,529,737</u>	<u>6,223,146</u>
		<u>7,529,737</u>	<u>6,223,146</u>

- 7.1** Reverse repos have been made with various commercial banks at rates ranging from 13% p.a to 13.90% p.a (2010: 12.49% p.a to 13% p.a) and mature within a month. The market value of these securities at 30 June 2011 amounted to Rs. 7,548 million (2010: Rs. 6,254 million).

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

	30 June 2011			31 December 2010		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
----- (Rupees in '000) -----						
Market Treasury Bills	<u>7,529,737</u>	<u>-</u>	<u>7,529,737</u>	<u>6,223,146</u>	<u>-</u>	<u>6,223,146</u>

**8. INVESTMENTS**

	30 June 2011			31 December 2010		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
----- (Rupees in '000) -----						
<b>Available for sale securities</b>						
- Market Treasury Bills	<u>2,385,890</u>	<u>-</u>	<u>2,385,890</u>	<u>2,046,803</u>	<u>-</u>	<u>2,046,803</u>
	<u>2,385,890</u>	<u>-</u>	<u>2,385,890</u>	<u>2,046,803</u>	<u>-</u>	<u>2,046,803</u>
 Deficit on revaluation of available for sale securities	<u>(1,346)</u>	<u>-</u>	<u>(1,346)</u>	<u>(494)</u>	<u>-</u>	<u>(494)</u>
	<u>2,384,544</u>	<u>-</u>	<u>2,384,544</u>	<u>2,046,309</u>	<u>-</u>	<u>2,046,309</u>

- 8.1** Market Treasury Bills carry a rate of 12.98% - 13.8% p.a (2010: 12.65% - 13.12% p.a.) and mature in July 2011 to April 2012.

**9. ADVANCES**

	30 June 2011	31 December 2010
(Rupees in '000)		
Loans, cash credits, running finances, etc.		
- In Pakistan	<u>2,676,708</u>	<u>2,867,146</u>
 Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	<u>1,025,762</u>	<u>721,188</u>
- Payable outside Pakistan	<u>52,266</u>	<u>76,879</u>
	<u>1,078,028</u>	<u>798,067</u>
	<u>3,754,736</u>	<u>3,665,213</u>
 Provision for non-performing advances	9.2	
	<u>(395,799)</u>	<u>(419,265)</u>
	<u>3,358,937</u>	<u>3,245,948</u>

- 9.1** Advances include Rs. 357.570 million (31 December 2010: Rs. 361.537 million) have been placed under non-performing status as detailed below:

Category of Classification	30 June 2011			31 December 2010		
	Classified advances domestic	Provision required	Provision held	Classified advances domestic	Provision required	Provision held
	(Rupees in '000)			(Rupees in '000)		
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	357,570	357,570	357,570	361,537	361,537	361,537
	<b>357,570</b>	<b>357,570</b>	<b>357,570</b>	<b>361,537</b>	<b>361,537</b>	<b>361,537</b>

**9.2 Particulars of provision against non-performing advances - in local currency**

	30 June 2011			31 December 2010		
	General	Specific	Total	General	Specific	Total
	(Rupees in '000)			(Rupees in '000)		
Opening balance	57,728	361,537	419,265	112,484	269,033	381,517
(Reversal) / charge made during the period	(19,499)	(3,967)	(23,466)	(54,756)	92,504	37,748
Closing balance	<b>38,229</b>	<b>357,570</b>	<b>395,799</b>	<b>57,728</b>	<b>361,537</b>	<b>419,265</b>

- 9.2.1** General provision represents amounts recognised inline with the instructions received from head office.

**10. CONTINGENCIES AND COMMITMENTS**

**10.1 Transaction-related contingent liabilities**

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

- Government	<b>9,489,439</b>	11,622,842
- Financial institutions	<b>23,187,922</b>	80,347
- Others	<b>86,078</b>	25,731,789

**10.2 Trade-related contingent liabilities**

Acceptances	<b>1,311,095</b>	1,248,282
Letters of credit	<b>3,352,491</b>	3,081,534

**10.3 Commitments in respect of forward exchange contracts**

Purchase:

- from the State Bank of Pakistan	-	885,500
- from others	<b>15,528,069</b>	7,711,277

Sale:

- to others	<b>10,955,852</b>	3,674,497
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**10.4 Other contingencies**

Appeals for various assessment years are pending before Income Tax Appellate Authorities contesting additional demands of Rs. 136.018 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>4,174,123</b>	1,312,474
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<b>10.6 Capital expenditures commitments</b>	<b>19,378</b>	3,002
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**10.7 Other commitments**

FX Options - notional amounts	<b>236,686</b>	-
Cross currency swaps - notional amounts	<b>2,888,096</b>	2,738,173
Interest rate swaps - notional amounts	<b>9,431,413</b>	8,625,235

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, other than those under the terms of employment and those disclosed elsewhere are summarised as follows:

	<b>Six months period ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>(Rupees in '000)</b>	
<b>Profit and loss items</b>		
Mark-up / Interest / Income earned	<b>18</b>	<b>11</b>
Mark-up / Interest / Income expensed	<b>-</b>	<b>2</b>
Head office expenses	<b>82,563</b>	<b>80,558</b>
<b>Balance sheet items</b>	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<b>(Rupees in '000)</b>	
<b>Deposits and other accounts</b>		
Opening balance	<b>880</b>	<b>7,674</b>
Deposits during the year	<b>1,318,397</b>	<b>1,490,871</b>
Withdrawals during the year	<b>(1,317,460)</b>	<b>(1,497,665)</b>
Closing balance	<b>1,817</b>	<b>880</b>
Balances with DB branches	<b>75,296</b>	<b>11,507</b>
Borrowings from DB branches	<b>329</b>	<b>-</b>
Interbranch deposits and other accounts	<b>4,995</b>	<b>6,375</b>
<b>Off balance sheet items</b>		
FX Options	<b>118,343</b>	<b>-</b>
Interest Rate Swap	<b>7,095,544</b>	<b>7,181,447</b>
Counter guarantees to branches	<b>7,337,568</b>	<b>10,519,706</b>
Forward purchase of foreign exchange	<b>1,745,731</b>	<b>1,002,805</b>
Forward sale of foreign exchange	<b>1,756,659</b>	<b>1,001,620</b>

## 12. GENERAL

12.1 Figures have been rounded off to the nearest thousand rupees.

## 13. DATE OF AUTHORIZATION

These condensed interim financial information were authorised for issue on \_\_\_\_\_

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**Managing Director &  
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**Chief Operating Officer  
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Pakistan**