

Deutsche Bank AG, Pakistan Branches

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

Condensed Interim Statement of Financial Position

As at 30 September 2010

	Note	30 September 2010 (Un-audited) (Rupees in '000)	31 December 2009 (Audited)
ASSETS			
Cash and balances with treasury banks		4,433,724	4,764,709
Balances with other banks		451,086	128,632
Lendings to financial institutions	7	5,955,790	5,350,170
Investments	8	2,097,840	490,909
Advances	9	2,698,702	3,457,011
Other assets		1,063,472	713,336
Operating fixed assets		115,829	120,382
Deferred tax assets-net		262,481	157,863
		<u>17,078,924</u>	<u>15,183,012</u>
LIABILITIES			
Bills payable		278,381	217,050
Borrowings from financial institutions		944,664	1,063,547
Deposits and other accounts		7,161,624	6,005,209
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		3,518,452	2,727,983
Deferred tax liabilities		-	-
		<u>11,903,121</u>	<u>10,013,789</u>
NET ASSETS		<u><u>5,175,803</u></u>	<u><u>5,169,223</u></u>
REPRESENTED BY:			
Head office capital account		3,768,147	3,877,033
Reserves		-	-
Un-remitted profit		1,409,060	1,292,224
		<u>5,177,207</u>	<u>5,169,257</u>
Deficit on revaluation of securities - net of tax		(1,404)	(34)
		<u><u>5,175,803</u></u>	<u><u>5,169,223</u></u>

CONTINGENCIES AND COMMITMENTS

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

**Acting - Chief Country Officer, Chief Operating Officer
 & Chief Financial Officer
 Pakistan**

**Deputy Head of Finance
 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 2010

	Three months period ended 30 September 2010	Nine months period ended 30 September 2010	Three months period ended 30 September 2009	Nine months period ended 30 September 2009
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	296,941	877,309	280,867	814,769
Mark-up / return / interest expensed	77,839	207,307	60,065	167,060
Net mark-up / interest income	<u>219,102</u>	<u>670,002</u>	220,802	647,709
(Provision) / reversal against non-performing loans and advances	7,785	(35,353)	14,838	(218,977)
(Provision) / reversal against off balance sheet obligation	(11,771)	(9,407)	18,445	(1,548)
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	<u>(3,986)</u>	<u>(44,760)</u>	33,283	(220,525)
Net mark-up / interest income after provisions	<u>215,116</u>	<u>625,242</u>	254,085	427,184
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	107,117	261,138	72,008	206,310
Dividend income	-	-	-	-
Loss from trading in government securities	-	-	-	(2,294)
Income from dealing in foreign currencies	260,488	691,559	182,329	1,404,213
Other income	(1,368)	(800)	963	5,609
Total non-mark-up / interest income	<u>366,237</u>	<u>951,897</u>	255,300	1,613,838
	<u>581,353</u>	<u>1,577,139</u>	509,385	2,041,022
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	212,923	575,337	213,400	569,803
Other provisions / write offs	-	-	-	-
Other charges	9	262	1,214	1,319
Total non-mark-up / interest expenses	<u>212,932</u>	<u>575,599</u>	214,614	571,122
	<u>368,421</u>	<u>1,001,540</u>	294,771	1,469,900
Extra Ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	<u>368,421</u>	<u>1,001,540</u>	294,771	1,469,900
Taxation:				
- Current	(221,074)	(454,454)	(89,000)	(578,000)
- Prior years	-	-	-	-
- Deferred	96,808	103,881	(16,000)	62,000
	<u>(124,266)</u>	<u>(350,573)</u>	(105,000)	(516,000)
PROFIT AFTER TAXATION	<u>244,155</u>	<u>650,967</u>	189,771	953,900

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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 2010

	30 September 2010	30 September 2009
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,001,540	1,469,900
Adjustments for non-cash charges:		
Depreciation	29,120	29,274
Income on government securities	-	2,294
Provision against non-performing advances	35,353	218,977
Provision against off balance sheet obligation	9,407	1,548
Loss / (Gain) on sale of operating fixed assets	1,243	(3,135)
	75,123	248,958
	1,076,663	1,718,858
(Increase) / decrease in operating assets		
Lendings to financial institutions	(605,620)	(873,264)
Advances	722,955	3,031,894
Others assets (excluding advance taxation)	(91,780)	1,628,870
	25,555	3,787,500
Increase/(decrease) in operating liabilities		
Bills payable	61,331	(1,284,723)
Borrowings from financial institutions	(118,883)	(2,029)
Deposits and other accounts	1,156,415	(4,112,668)
Other liabilities	781,062	(1,981,722)
	1,879,925	(7,381,142)
	1,905,480	(3,593,642)
Income tax paid	(712,807)	(370,938)
Net cash flows from operating activities	2,269,336	(2,245,722)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale proceeds from available-for-sale investments - net	4,724,086	997,453
Purchase of operating fixed assets	(29,508)	(37,876)
Investment in available for sale securities	(6,333,125)	-
Sale proceeds on disposal of operating fixed assets	3,697	12,879
Net cash flows from investing activities	(1,634,850)	972,456
CASH FLOW FROM FINANCING ACTIVITIES		
Remittance made during the period	(534,131)	(504,294)
Net cash flows from financing activities	(534,131)	(504,294)
Effects of exchange rate changes on cash and cash equivalents	(108,886)	289,423
Decrease in cash and cash equivalents	(8,531)	(1,488,137)
Cash and cash equivalents at beginning of the year	4,893,341	6,382,827
Cash and cash equivalents at end of the period	4,884,810	4,894,690

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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 2010

	30 September 2010	30 September 2009
	(Rupees in '000)	
Profit for the period	650,967	953,900
Other comprehensive income:		
Actuarial (loss) / gain on defined benefit plans	-	-
Total comprehensive income for the period	<u>650,967</u>	<u>953,900</u>

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

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

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

For the nine months ended 30 September 2010

	Head office capital account	Un-remitted Profit	Total
	----- (Rupees in '000) -----		
Balance at 01 January 2009	3,600,702	1,033,743	4,634,445
Changes in equity:			
<i>Transactions with owners, recorded directly in equity:</i>			
Remittance made to head office	-	(504,294)	(504,294)
Exchange adjustment on revaluation of head office capital account	289,423	-	289,423
	289,423	(504,294)	(214,871)
<i>Comprehensive income for the period:</i>			
Profit for the period	-	953,900	953,900
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	-	-
	-	953,900	953,900
Balance at 30 September 2009	3,890,125	1,483,349	5,373,474
Changes in equity:			
<i>Transactions with owners, recorded directly in equity:</i>			
Remittance made to head office	-	-	-
Exchange adjustment on revaluation of head office capital account	(13,092)	-	(13,092)
	(13,092)	-	(13,092)
<i>Comprehensive income for the period:</i>			
Profit for the period	-	(148,681)	(148,681)
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	(42,444)	(42,444)
	-	(191,125)	(191,125)
Balance at 31 December 2009	3,877,033	1,292,224	5,169,257
Changes in equity:			
<i>Transactions with owners, recorded directly in equity:</i>			
Remittance made to head office	-	(534,131)	(534,131)
Exchange adjustment on revaluation of head office capital account	(108,886)	-	(108,886)
	(108,886)	(534,131)	(643,017)
<i>Comprehensive income for the period:</i>			
Profit for the period	-	650,967	650,967
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	-	-
	-	650,967	650,967
Balance at 30 September 2010	3,768,147	1,409,060	5,177,207

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 Condensed Interim Financial Information (Un-audited)

For the nine months ended 30 September 2010

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 2009.

4. CREDIT RATING

The credit rating done by Standard & Poor in September 2010 for Deutsche Bank AG is A+ for the long term and A-1 for the short term, rating done by Moody's on September 2010 is Aa3 for the long term and P-1 for the short term and rating done by Fitch in September 2010 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 2009.

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 2009.

7. LENDINGS TO FINANCIAL INSTITUTIONS

		30 September 2010	31 December 2009
		(Un-audited)	(Audited)
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	7.1	<u>5,955,790</u>	<u>5,350,170</u>
		<u>5,955,790</u>	<u>5,350,170</u>

7.1 Reverse repos have been made with various commercial banks at rates ranging from 12.13%-12.38% p.a (2009: 11.99% - 12.39% p.a) and mature within a month. The market value of these securities at 30 September 2010 amounted to Rs. 6,152 million (2009: Rs. 6,206 million).

7.2 Securities held as collateral against lending to financial institutions

	30 September 2010 (Un-audited)			31 December 2009 (Audited)		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
------(Rupees in '000)-----						
Market Treasury Bills	<u>5,955,790</u>	<u>-</u>	<u>5,955,790</u>	<u>5,350,170</u>	<u>-</u>	<u>5,350,170</u>

8. INVESTMENTS

	30 September 2010 (Un-audited)			31 December 2009 (Audited)		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
------(Rupees in '000)-----						
Available for sale securities						
- Market Treasury Bills	<u>2,100,000</u>	<u>-</u>	<u>2,100,000</u>	<u>490,961</u>	<u>-</u>	<u>490,961</u>
	<u>2,100,000</u>	<u>-</u>	<u>2,100,000</u>	<u>490,961</u>	<u>-</u>	<u>490,961</u>
Deficit on revaluation of available for sale securities	<u>(2,160)</u>	<u>-</u>	<u>(2,160)</u>	<u>(52)</u>	<u>-</u>	<u>(52)</u>
	<u>2,097,840</u>	<u>-</u>	<u>2,097,840</u>	<u>490,909</u>	<u>-</u>	<u>490,909</u>

8.1 Market Treasury Bills carry a rate of 12.30%-12.67% p.a (2009: 12.078% p.a) and mature in Nov 2010 to Mar 2011.

9. ADVANCES

	30 September 2010 (Un-audited)	31 December 2009 (Audited)
(Rupees in '000)		
Loans, cash credits, running finances, etc.		
- In Pakistan	<u>2,904,865</u>	<u>2,957,328</u>
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	<u>145,718</u>	<u>564,790</u>
- Payable outside Pakistan	<u>64,990</u>	<u>316,410</u>
	<u>210,708</u>	<u>881,200</u>
	<u>3,115,573</u>	<u>3,838,528</u>
Provision for non-performing advances	9.2 <u>(416,871)</u>	<u>(381,517)</u>
	<u>2,698,702</u>	<u>3,457,011</u>

9.1 Advances include Rs. 361.543 million (31 December 2009: Rs. 312.566 million) have been placed under non-performing status as detailed below:

Category of Classification	30 September 2010 (Un-audited)			31 December 2009 (Audited)		
	Classified advances domestic	Provision required	Provision held	Classified advances domestic	Provision required	Provision held
	(Rupees in '000)			(Rupees in '000)		
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	87,068	43,535	43,535
Loss	361,543	361,543	361,543	225,498	225,498	225,498
	361,543	361,543	361,543	312,566	269,033	269,033

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

	30 September 2010 (Un-audited)			31 December 2009 (Audited)		
	General	Specific	Total	General	Specific	Total
	(Rupees in '000)			(Rupees in '000)		
Opening balance	112,484	269,033	381,517	40,343	-	40,343
(Reversal) / charge made during the period	(57,156)	92,510	35,354	72,141	269,033	341,174
Closing balance	55,328	361,543	416,871	112,484	269,033	381,517

9.2.1 General provision represents amounts recognised in line with the instructions received from head office.

10. CONTINGENCIES AND COMMITMENTS

30 September 2010 (Un-audited) 31 December 2009 (Audited)
(Rupees in '000)

10.1 Transaction-related contingent liabilities

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

- Government	8,672,687	13,123,547
- Banking Companies and Other Financial institutions	56,600	61,812
- Others	662,081	1,824,675

10.2 Trade-related contingent liabilities

Acceptances	528,356	729,193
Letters of credit	2,640,144	3,763,257

10.3 Commitments in respect of forward exchange contracts

Purchase:

- from the State Bank of Pakistan	2,644,000	3,425,000
- from others	12,482,511	4,525,077

Sale:

- to others	12,984,538	3,662,748
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The maturities of above contracts are spread over a period of one year.

10.4 Other contingencies

Appeals for various assessment years are pending before Income Tax Appellate Authorities contesting additional demands of Rs. 79.014 million. The bank is vigorously contesting its appeals and is confident that no additional liability would arise.

10.5 Cheques in clearing 740,710 649,727

10.6 Commitments in respect of forward lendings

Repurchase agreement lendings 5,955,790 -

10.7 Other commitments

FX Options - notional amounts	129,322	-
Cross currency swaps - notional amounts	2,738,173	2,738,173
Interest rate swaps - notional amounts	6,694,924	6,756,023

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:

	Nine months period ended	
	30 September 2010	30 September 2009
	------(Un-audited)-----	
	(Rupees in '000)	
Profit and loss items		
Mark-up / Interest / Income earned	19	458
Mark-up / Interest / Income expensed	6	6
Head office expenses	120,710	164,119
Balance sheet items	30 September 2010	31 December 2009
	(Un-audited)	(Audited)
	(Rupees in '000)	
Deposits and other accounts		
Outstanding at the beginning	7,674	52,794
Deposits during the year	1,045,710	3,984,418
Withdrawals during the year	(1,053,375)	(4,029,538)
Outstanding at end	9	7,674
Balances with DB branches	216,231	14,687
Borrowings from DB branches	703	2,139
Interbranch deposits and other accounts	12,773	4,569
Off balance sheet items		
Counter guarantees to branches	11,030,562	6,120,243
Forward purchase of foreign exchange	6,270,945	346,409
Forward sale of foreign exchange	6,268,998	346,376
Interest Rate Swaps	6,239,212	6,200,105
FX Options	64,661	-

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 October 27, 2010.

**Chief Country Officer, Chief Operating Officer
& Chief Financial Officer
Pakistan**

**Deputy Head of Finance
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