

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 2010

	Note	30 June 2010 (Un-audited)	31 December 2009 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		4,334,740	4,764,709
Balances with other banks		139,533	128,632
Lendings to financial institutions	7	7,914,472	5,350,170
Investments	8	944,967	490,909
Advances	9	2,356,620	3,457,011
Other assets		818,488	713,336
Operating fixed assets		120,634	120,382
Deferred tax assets-net		165,412	157,863
		16,794,866	15,183,012
LIABILITIES			
Bills payable		319,277	217,050
Borrowings from financial institutions		919,030	1,063,547
Deposits and other accounts		7,614,676	6,005,209
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		2,905,743	2,727,983
Deferred tax liabilities		-	-
		11,758,726	10,013,789
NET ASSETS		5,036,140	5,169,223
REPRESENTED BY:			
Head office capital account		3,338,023	3,877,033
Reserves		-	-
Un-remitted profit		1,699,035	1,292,224
		5,037,058	5,169,257
(Deficit) /Surplus on revaluation of securities - net of tax		(918)	(34)
		5,036,140	5,169,223

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 six months ended 30 June 2010

	Three months period ended 30 June 2010	Six months period ended 30 June 2010	Three months period ended 30 June 2009	Six months period ended 30 June 2009
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	288,147	580,368	243,631	505,879
Mark-up / return / interest expensed	78,129	129,468	60,025	106,994
Net mark-up / interest income	<u>210,018</u>	<u>450,900</u>	183,606	398,885
(Provision) / reversal against non-performing loans and advances	(64,741)	(43,138)	(164,364)	(205,791)
(Provision) / reversal against off balance sheet obligation	(4,151)	2,364	(18,328)	(19,993)
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	<u>(68,892)</u>	<u>(40,774)</u>	<u>(182,692)</u>	<u>(225,784)</u>
Net mark-up / interest income after provisions	<u>141,126</u>	<u>410,126</u>	914	173,101
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	84,680	154,021	70,713	134,301
Dividend income	-	-	-	-
(Loss) /income from trading in government securities	-	-	(2,294)	(2,294)
Income from dealing in foreign currencies	323,150	431,071	807,664	1,221,885
Other income	370	568	238	4,646
Total non-mark-up / interest income	<u>408,200</u>	<u>585,660</u>	876,321	1,358,538
	<u>549,326</u>	<u>995,786</u>	877,235	1,531,639
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	164,165	362,414	155,173	359,302
Other provisions / write offs	-	-	-	-
Other charges	243	253	68	106
Total non-mark-up / interest expenses	<u>164,408</u>	<u>362,667</u>	155,241	359,408
	<u>384,918</u>	<u>633,119</u>	721,994	1,172,231
Extra Ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	<u>384,918</u>	<u>633,119</u>	721,994	1,172,231
Taxation:				
- Current	(146,671)	(233,380)	(305,717)	(480,000)
- Prior years	-	-	-	-
- Deferred	6,904	7,073	52,758	70,000
	<u>(139,767)</u>	<u>(226,307)</u>	<u>(252,959)</u>	<u>(410,000)</u>
PROFIT AFTER TAXATION	<u>245,151</u>	<u>406,812</u>	469,035	762,231

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)
Condensed Interim Cash Flow Statement (Un-audited)
For the six months ended 30 June 2010

	30 June 2010	30 June 2009
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	633,119	1,172,231
Adjustments for non-cash charges:		
Depreciation	19,010	19,655
Income on government securities	-	2,294
Provision against non-performing advances	43,138	205,791
(Reversal) / provision against off balance sheet obligation	(2,364)	19,993
Gain on sale of operating fixed assets	(365)	(2,360)
	59,419	245,373
	692,538	1,417,604
Decrease/(increase) in operating assets		
Lendings to financial institutions	(2,564,302)	(680,369)
Advances	1,057,253	2,403,940
Others assets (excluding advance taxation)	(170,361)	1,699,450
	(1,677,410)	3,423,021
Increase/(decrease) in operating liabilities		
Bills payable	102,227	(1,038,523)
Borrowings from financial institutions	(144,517)	207,594
Deposits and other accounts	1,609,467	(2,946,968)
Other liabilities	180,124	(2,426,807)
	1,747,301	(6,204,704)
	69,891	(2,781,683)
Income tax paid	(168,171)	(191,427)
Net cash flows from operating activities	594,258	(1,555,506)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale proceeds from available-for-sale investments - net	2,514,478	997,454
Purchase of operating fixed assets	(22,503)	(31,676)
Investment in available for sale securities	(2,969,897)	-
Sale proceeds on disposal of operating fixed assets	3,606	10,587
Net cash flows from investing activities	(474,316)	976,365
CASH FLOW FROM FINANCING ACTIVITIES		
Remittance made during the period	-	(504,294)
Net cash flows from financing activities	-	(504,294)
Effects of exchange rate changes on cash and cash equivalents	(539,010)	56,709
Decrease in cash and cash equivalents	(419,068)	(1,026,726)
Cash and cash equivalents at beginning of the year	4,893,341	6,382,827
Cash and cash equivalents at end of the period	4,474,273	5,356,101

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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 2010

	30 June 2010	30 June 2009
	(Rupees in '000)	
Profit for the period	406,812	762,231
Other comprehensive income:		
Actuarial (loss) / gain on defined benefit plans	-	-
Total comprehensive income for the period	<u>406,812</u>	<u>762,231</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 six months ended 30 June 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	-	(504,293)	(504,293)
Exchange adjustment on revaluation of head office capital account	56,709	-	56,709
	56,709	(504,293)	(447,584)
<i>Comprehensive income for the period:</i>			
Profit for the period	-	762,231	762,231
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	-	-
	-	762,231	762,231
Balance at 30 June 2009	3,657,411	1,291,681	4,949,092
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	219,622	-	219,622
	219,622	-	219,622
<i>Comprehensive income for the period:</i>			
Profit for the period	-	42,987	42,987
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	(42,444)	(42,444)
	-	543	543
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	-	-	-
Exchange adjustment on revaluation of head office capital account	(539,010)	-	(539,010)
	(539,010)	-	(539,010)
<i>Comprehensive income for the period:</i>			
Profit for the period	-	406,812	406,812
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	-	-
	-	406,812	406,812
Balance at 30 June 2010	3,338,023	1,699,035	5,037,058

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 six months ended 30 June 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 February 2010 for Deutsche Bank AG is A+ for the long term and A-1 for the short term, rating done by Moody's on August 2010 is Aa3 for the long term and P-1 for the short term and rating done by Fitch in October 2009 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 June	31 December
		2010	2009
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	7.1	<u>7,914,472</u>	<u>5,350,170</u>
		<u>7,914,472</u>	<u>5,350,170</u>

7.1 Reverse repos have been made with various commercial banks at rates ranging from 9.76% p.a to 12.40% p.a (2009: 11.99% p.a to 12.39% p.a) and mature within a month. The market value of these securities at 30 June 2010 amounted to Rs. 8,148 million (2009: Rs. 5,639 million).

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

	30 June 2010			31 December 2009		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
------(Rupees in '000)-----						
Market Treasury Bills	<u>7,914,472</u>	<u>-</u>	<u>7,914,472</u>	<u>5,350,170</u>	<u>-</u>	<u>5,350,170</u>

8. **INVESTMENTS**

	30 June 2010			31 December 2009		
	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>946,380</u>	<u>-</u>	<u>946,380</u>	<u>490,961</u>	<u>-</u>	<u>490,961</u>
	<u>946,380</u>	<u>-</u>	<u>946,380</u>	<u>490,961</u>	<u>-</u>	<u>490,961</u>
Deficit on revaluation of available for sale securities	<u>(1,413)</u>	<u>-</u>	<u>(1,413)</u>	<u>(52)</u>	<u>-</u>	<u>(52)</u>
	<u>944,967</u>	<u>-</u>	<u>944,967</u>	<u>490,909</u>	<u>-</u>	<u>490,909</u>

8.1 Market Treasury Bills carry a rate of 12.13%-12.38 p.a (2009: 12.078% p.a) and mature in Sep 2010 to April 2011

9. **ADVANCES**

	30 June 2010	31 December 2009
(Rupees in '000)		
Loans, cash credits, running finances, etc.		
- In Pakistan	<u>2,532,106</u>	<u>2,957,328</u>
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	<u>183,543</u>	<u>564,790</u>
- Payable outside Pakistan	<u>65,626</u>	<u>316,410</u>
	<u>249,169</u>	<u>881,200</u>
	<u>2,781,275</u>	<u>3,838,528</u>
Provision for non-performing advances	9.2 <u>(424,655)</u>	<u>(381,517)</u>
	<u>2,356,620</u>	<u>3,457,011</u>

9.1 Advances include Rs. 384.117 million (31 December 2009: Rs. 312.566) have been placed under non-performing status as detailed below:

Category of Classification	30 June 2010			31 December 2009		
	Classified advances domestic	Provision required	Provision held	Classified advances domestic	Provision required	Provision held
	(Rupees in '000)			(Rupees in '000)		
Substandard	53,500	13,375	13,375	-	-	-
Doubtful	-	-	-	87,068	43,535	43,535
Loss	330,617	330,617	330,617	225,498	225,498	225,498
	384,117	343,992	343,992	312,566	269,033	269,033

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

	30 June 2010			31 December 2009		
	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	(31,821)	74,959	43,138	72,141	269,033	341,174
Closing balance	80,663	343,992	424,655	112,484	269,033	381,517

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	7,057,296	13,123,547
- Financial institutions	4,644	61,812
- Others	650,766	1,824,675

10.2 Trade-related contingent liabilities

Acceptances	773,746	729,193
Letters of credit	2,405,554	3,763,257

10.3 Commitments in respect of forward exchange contracts

Purchase:

- from the State Bank of Pakistan	2,160,000	3,425,000
- from others	1,768,009	4,525,077

Sale:

- to others	8,419,979	3,662,748
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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. 79.014 million. The bank is vigorously contesting its appeals and is confident that no additional liability would arise.

10.5 Cheques in clearing 600,172 649,727

10.6 Commitments in respect of forward lendings

Repurchase agreement lendings 7,914,472 -

10.7 Other commitments

FX Options - notional amounts	115,304	-
Forward Rate Agreements - notional amounts	-	-
Cross currency swaps - notional amounts	2,738,173	2,738,173
Interest rate swaps - notional amounts	6,631,962	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:

	Six months period ended	
	30 June	30 June
	2010	2009
	(Rupees in '000)	
Profit and loss items		
Mark-up / Interest / Income earned	11	442
Mark-up / Interest / Income expensed	2	5
Head office expenses	80,558	93,804
All risk insurance premium	-	407
Balance sheet items	30 June	31 December
	2010	2009
	(Rupees in '000)	
Deposits and other accounts		
Opening balance	7,674	52,794
Deposits during the year	716,272	3,984,418
Withdrawals during the year	(721,042)	(4,029,538)
Closing balance	<u>2,904</u>	<u>7,674</u>
Balances with DB branches	11,746	14,687
Borrowings from DB branches	512	2,139
Interbranch deposits and other accounts	12,154	4,569
Off balance sheet items		
Counter guarantees to branches	6,044,745	6,120,243
Forward purchase of foreign exchange	336,400	346,409
Forward sale of foreign exchange	178,976	346,376
Interest Rate Swap	6,180,536	6,200,105
FX Options	57,652	-

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 _____

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

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