

**Deutsche Bank AG, Pakistan Branches**  
*(Incorporated in the Federal Republic of Germany with Limited Liability)*  
**Balance Sheet**  
*As at 31 March 2011*

	<i>Note</i>	<b>31 March 2011 (Un-audited) (Rupees in '000)</b>	31 December 2010 (Audited)
<b>ASSETS</b>			
Cash and balances with treasury banks		<b>4,823,177</b>	4,722,669
Balances with other banks		<b>112,144</b>	37,134
Lendings to financial institutions	7	<b>11,888,722</b>	6,223,146
Investments	8	<b>2,313,514</b>	2,046,309
Advances	9	<b>3,482,026</b>	3,245,948
Other assets		<b>1,045,457</b>	898,722
Operating fixed assets		<b>121,828</b>	110,230
Deferred tax assets		<b>147,337</b>	150,725
		<b>23,934,205</b>	17,434,883
<b>LIABILITIES</b>			
Bills payable		<b>2,856,868</b>	2,640,728
Borrowings from financial institutions		<b>4,405,361</b>	443,891
Deposits and other accounts		<b>8,168,505</b>	6,065,947
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		<b>2,862,990</b>	3,010,220
		<b>18,293,724</b>	12,160,786
<b>NET ASSETS</b>		<b>5,640,481</b>	5,274,097
<b>REPRESENTED BY:</b>			
Head office capital account		<b>3,890,090</b>	3,667,876
Un-remitted profit		<b>1,750,555</b>	1,606,542
		<b>5,640,645</b>	5,274,418
Deficit on revaluation of securities - net of tax		<b>(164)</b>	(321)
		<b>5,640,481</b>	5,274,097

**CONTINGENCIES AND COMMITMENTS**

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

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**Managing Director &  
Chief Country Officer  
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 three months period ended 31 March 2011

	Three months period ended 31 March 2011	Three months period ended 31 March 2011	Three months period ended 31 March 2010	Three months period ended 31 March 2010
	(Rupees in ' 000)			
Mark-up / return / interest earned	397,983	397,983	292,221	292,221
Mark-up / return / interest expensed	127,547	127,547	51,339	51,339
Net mark-up / interest income	270,436	270,436	240,882	240,882
(Provision) / Reversal against non-performing loans and advances	(18,756)	(18,756)	21,603	21,603
(Provision) / Reversal against off balance sheet obligation	(5,538)	(5,538)	6,515	6,515
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	(24,294)	(24,294)	28,118	28,118
Net mark-up / interest income after provisions	246,142	246,142	269,000	269,000
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	83,552	83,552	69,341	69,341
Dividend income	-	-	-	-
(Loss) / Income from trading in government securities	-	-	-	-
Income from dealing in foreign currencies	116,619	116,619	107,921	107,921
Other income	651	651	198	198
Total non-mark-up / interest income	200,822	200,822	177,460	177,460
	446,964	446,964	446,460	446,460
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	225,841	225,841	198,249	198,249
Other provisions / write offs	-	-	-	-
Other charges	24	24	10	10
Total non-mark-up / interest expenses	225,865	225,865	198,259	198,259
	221,099	221,099	248,201	248,201
Extra Ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	221,099	221,099	248,201	248,201
Taxation:				
- Current	(73,784)	(73,784)	(86,709)	(86,709)
- Prior years	-	-	-	-
- Deferred	(3,303)	(3,303)	169	169
	(77,087)	(77,087)	(86,540)	(86,540)
<b>PROFIT AFTER TAXATION</b>	144,012	144,012	161,661	161,661

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Chief Country Officer  
Pakistan**

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**Chief Operating Officer &  
Chief Financial Officer  
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**Deutsche Bank AG, Pakistan Branches**  
*(Incorporated in the Federal Republic of Germany with Limited Liability)*  
**Cash Flow Statement (un-audited)**  
*For the three months period ended 31 March 2011*

	2011	2010
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	221,099	248,201
Adjustments for non-cash charges:		
Depreciation	8,660	9,356
Loss on sale of government securities	-	-
Provision against non-performing loans and advances	18,756	(21,603)
Provision against off balance sheet obligation	5,538	(6,515)
Gain on sale of operating fixed assets	(252)	(79)
Financial charges on leased assets	-	-
	<u>32,702</u>	<u>(18,841)</u>
	253,801	229,360
(Increase) / Decrease in operating assets		
Lendings to financial institutions	(5,665,576)	(3,459,145)
Advances	(254,834)	505,877
Others assets (excluding advance taxation)	(135,301)	(250,721)
	<u>(6,055,711)</u>	<u>(3,203,989)</u>
Increase / (Decrease) in operating liabilities		
Bills payable	216,140	2,314,471
Borrowings from financial institutions	3,961,470	470,258
Deposits and other accounts	2,102,558	(209,776)
Other liabilities	(152,768)	204,060
	<u>6,127,400</u>	<u>2,779,013</u>
	71,689	(424,976)
Income tax paid	(85,217)	(60,689)
<b>Net cash flow from operating activities</b>	<u>240,273</u>	<u>(256,305)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Encashment / Sale proceeds of available for sale securities	3,082,468	621,404
Additions to operating fixed assets	(22,129)	(8,741)
Investment in available for sale securities	(3,349,431)	(618,055)
Sale proceeds of operating fixed assets disposed-off	2,123	753
<b>Net cash flow from investing activities</b>	<u>(286,969)</u>	<u>(4,639)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Remittance made during the period	-	-
Effects of exchange rate changes on cash and cash equivalents	222,214	(247,939)
Repayment of finance lease obligations	-	-
<b>Net cash flow from financing activities</b>	<u>222,214</u>	<u>(247,939)</u>
<b>Increase in cash and cash equivalents</b>	<u>175,518</u>	<u>(508,882)</u>
Cash and cash equivalents at beginning of the year	4,759,803	4,893,341
Cash and cash equivalents at end of the period	<u>4,935,321</u>	<u>4,384,459</u>

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 Statement of Comprehensive Income (Un-audited)

For the three months ended 31 March 2011

	<b>31 March 2011</b>	31 March 2010
	<b>(Rupees in '000)</b>	
<b>Profit for the period</b>	<b>144,012</b>	161,661
<b>Other comprehensive income:</b>		
Actuarial (loss) / gain on defined benefit plans	-	-
Related deferred tax	-	-
	-	-
Exchange adjustment on account of revaluation of capital	222,214	(247,939)
<b>Total comprehensive income for the period</b>	<b><u>366,226</u></b>	(86,278)

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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Chief Country Officer  
Pakistan**

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Chief Financial Officer  
Pakistan**

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 three months ended 31 March 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>Total comprehensive income for the period:</i>			
Profit for the period	-	161,661	161,661
<i>Other Comprehensive income:</i>			
Exchange adjustment on revaluation of head office capital account	(247,939)	-	(247,939)
Total comprehensive income for the period:	(247,939)	161,661	(86,278)
Balance at 31 March 2010	3,629,094	1,453,885	5,082,979
<b>Changes in equity:</b>			
<i>Transactions with owners, recorded directly in equity:</i>			
Remittance made to head office	-	(534,131)	(534,131)
<i>Total comprehensive income for the period:</i>			
Profit for the period	-	672,633	672,633
<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	38,782	-	38,782
Total comprehensive income for the period:	38,782	686,789	725,571
Balance at 31 December 2010	3,667,876	1,606,543	5,274,419
<b>Changes in equity:</b>			
<i>Transactions with owners, recorded directly in equity:</i>			
Remittance made to head office	-	-	-
<i>Total comprehensive income for the period:</i>			
Profit for the period	-	144,012	144,012
<i>Other Comprehensive income:</i>			
Exchange adjustment on revaluation of head office capital account	222,214	-	222,214
Total comprehensive income for the period:	222,214	144,012	366,226
Balance at 31 March 2011	<u>3,890,090</u>	<u>1,750,555</u>	<u>5,640,645</u>

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

\_\_\_\_\_  
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Chief Country Officer  
Pakistan**

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**Chief Operating Officer &  
Chief Financial Officer  
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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 three months period ended 31 March 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 2010.

**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 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 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**

	<b>31 March 2011 (Un-audited) (Rupees in '000)</b>	31 December 2010 (Audited)
Repurchase agreement lendings (Reverse Repo)	<u>11,888,722</u>	<u>6,223,146</u>

7.1 Reverse repos have been made with various commercial banks at rates ranging from 12.90%-13.90% p.a (2010: 12.49% - 13.00% p.a) and mature within a month. The market value of these securities at 31 March 2011 amounted to Rs. 12,234 million (2010: Rs. 6,254 million).

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

	31 March 2011 (Un-audited)			31 December 2010 (Audited)		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	------(Rupees in '000)-----					
Market Treasury Bills	<u>11,888,722</u>	<u>-</u>	<u>11,888,722</u>	<u>6,223,146</u>	<u>-</u>	<u>6,223,146</u>

**8. INVESTMENTS**

	31 March 2011 (Un-audited)			31 December 2010 (Audited)		
	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>2,313,766</u>	<u>-</u>	<u>2,313,766</u>	<u>2,046,803</u>	<u>-</u>	<u>2,046,803</u>
	<u>2,313,766</u>	<u>-</u>	<u>2,313,766</u>	<u>2,046,803</u>	<u>-</u>	<u>2,046,803</u>
Deficit on revaluation of available for sale securities	(252)	-	(252)	(494)	-	(494)
	<u>2,313,514</u>	<u>-</u>	<u>2,313,514</u>	<u>2,046,309</u>	<u>-</u>	<u>2,046,309</u>

8.1 Market Treasury Bills carry a rate of 13.13%-13.62% p.a (2010: 12.65% p.a to 13.12% p.a) and mature in April 2011 to September

**9. ADVANCES**

	<b>31 March 2011 (Un-audited) (Rupees in '000)</b>	31 December 2010 (Audited)
Loans, cash credits, running finances, etc.		
- In Pakistan	<u>2,990,465</u>	<u>2,867,146</u>
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	<u>856,077</u>	<u>721,188</u>
- Payable outside Pakistan	<u>73,505</u>	<u>76,879</u>
	<u>929,582</u>	<u>798,067</u>
	<u>3,920,047</u>	<u>3,665,213</u>
Provision for non-performing advances	8.2 (438,021)	(419,265)
	<u>3,482,026</u>	<u>3,245,948</u>

- 9.1 Advances include Rs. 357.569 million (31 December 2010: Rs. 361.537 million) have been placed under non-performing status as detailed below:

Category of Classification	31 March 2011 (Un-audited)			31 December 2010 (Audited)		
	Classified advances domestic	Provision required	Provision held	Classified advances domestic	Provision required	Provision held
	(Rupees in '000)			(Rupees in '000)		
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	357,569	357,569	357,569	361,537	361,537	361,537
	<b>357,569</b>	<b>357,569</b>	<b>357,569</b>	<b>361,537</b>	<b>361,537</b>	<b>361,537</b>

9.2 Particulars of provision against non-performing advances

	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
Charge made during the period	22,724	-	22,724	-	120,030	120,030
Reversals/Recoveries	-	(3,968)	(3,968)	(54,756)	(27,526)	(82,282)
	22,724	(3,968)	18,756	(54,756)	92,504	37,748
Closing balance	80,452	357,569	438,021	57,728	361,537	419,265

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

10. CONTINGENCIES AND COMMITMENTS	31 March 2010 (Un-audited)	31 December 2010 (Audited)
	(Rupees in '000)	
<b>10.1 Transaction-related contingent liabilities</b>		
Contingent liability in respect of guarantees given favouring:		
- Government	10,113,240	11,622,842
- Financial institutions	75,209	80,347
- Others	23,896,538	25,731,789
<b>10.2 Trade-related contingent liabilities</b>		
Acceptances	1,156,606	1,248,282
Letters of credit	4,607,618	3,081,534
<b>10.3 Commitments in respect of forward exchange contracts</b>		
Purchase		
- From the State Bank of Pakistan	-	885,500
- From others	11,385,469	7,711,277
Sale		
- From others	3,849,423	3,674,497
<b>10.4 Other contingencies</b>		
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>	944,295	1,312,474
<b>10.6 Capital expenditure commitments</b>	3,002	3,002
<b>10.7 Commitments in respect of forward lendings</b>		
Repurchase agreement lendings	11,888,721	-
<b>10.8 Other commitments</b>		
Cross currency swaps - notional amounts	2,738,173	2,738,173
Interest rate swaps - notional amounts	8,597,375	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, are summarised as follows:

	<b>Three months period ended</b>	
	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>----- (Un-audited) -----</b>	
	<b>(Rupees in '000)</b>	
<b>Profit and loss items</b>		
Mark-up / Interest / Income earned	<b>16</b>	4
Mark-up / Interest / Income expensed	-	1
Head office expenses	<b>32,296</b>	71,222
All risk insurance premium	-	-
<b>Balance sheet items</b>	<b>31 March 2011</b>	<b>31 December 2010</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
	<b>(Rupees in '000)</b>	
<b>Deposits and other accounts</b>		
Opening balance	<b>880</b>	7,674
Deposits during the year	<b>706,510</b>	1,490,871
Withdrawals during the year	<b>(707,360)</b>	(1,497,665)
Closing balance	<b>30</b>	880
Balances with DB branches	<b>52,346</b>	11,507
Borrowings from DB branches	<b>2,961,737</b>	-
Interbranch deposits and other accounts	<b>6,306</b>	6,375
<b>Off balance sheet items</b>		
Counter guarantees to branches	<b>8,790,169</b>	10,519,706
Forward purchase of foreign exchange	<b>231,567</b>	1,002,805
Forward sale of foreign exchange	<b>245,707</b>	1,001,620
Interest Rate Swap	<b>7,158,213</b>	7,181,447

## 12. GENERAL

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

## 13. DATE OF AUTHORIZATION

These financial statements were authorised by the Chief Country Officer on April 26, 2011.

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**Managing Director &  
Chief Country Officer  
Pakistan**

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**Chief Operating Officer &  
Chief Financial Officer  
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