

Deutsche Bank AG, Pakistan Branches
(Incorporated in the Federal Republic of Germany with Limited Liability)
Balance Sheet
As at 31 March 2010

	<i>Note</i>	31 March 2010 (Un-audited) (Rupees in '000)	31 December 2009
ASSETS			
Cash and balances with treasury banks		4,323,310	4,764,709
Balances with other banks		61,149	128,632
Lendings to financial institutions	6	8,809,315	5,350,170
Investments	7	487,618	490,909
Advances	8	2,972,737	3,457,011
Other assets		938,036	713,336
Operating fixed assets		119,105	120,382
Deferred tax assets	9	158,008	157,863
		17,869,278	15,183,012
LIABILITIES			
Bills payable		2,531,521	217,050
Borrowings from financial institutions		1,533,805	1,063,547
Deposits and other accounts		5,795,433	6,005,209
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		2,925,529	2,727,983
		12,786,288	10,013,789
NET ASSETS		5,082,990	5,169,223
REPRESENTED BY:			
Head office capital account		3,629,094	3,877,033
Un-remitted profit		1,453,885	1,292,224
		5,082,979	5,169,257
(Deficit) /Surplus on revaluation of securities - net of tax		11	(34)
		5,082,990	5,169,223

CONTINGENCIES AND COMMITMENTS

10

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

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

**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 2010

	Three months period ended 31 March 2010	Three months period ended 31 March 2010	Three months period ended 31 March 2009	Three months period ended 31 March 2009
	(Rupees in ' 000)			
Mark-up / return / interest earned	292,221	292,221	262,248	262,248
Mark-up / return / interest expensed	51,339	51,339	46,969	46,969
Net mark-up / interest income	240,882	240,882	215,279	215,279
(Provision) / Reversal against non-performing loans and advances	21,603	21,603	(41,427)	(41,427)
(Provision) / Reversal against off balance sheet obligation	6,515	6,515	(1,665)	(1,665)
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	28,118	28,118	(43,092)	(43,092)
Net mark-up / interest income after provisions	269,000	269,000	172,187	172,187
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	69,341	69,341	63,588	63,588
Dividend income	-	-	-	-
(Loss) / Income from trading in government securities	-	-	-	-
Income from dealing in foreign currencies	107,921	107,921	414,221	414,221
Other income	198	198	4,408	4,408
Total non-mark-up / interest income	177,460	177,460	482,217	482,217
	446,460	446,460	654,404	654,404
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	198,249	198,249	204,129	204,129
Other provisions / write offs	-	-	-	-
Other charges	10	10	38	38
Total non-mark-up / interest expenses	198,259	198,259	204,167	204,167
	248,201	248,201	450,237	450,237
Extra Ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	248,201	248,201	450,237	450,237
Taxation:				
- Current	(86,709)	(86,709)	(174,283)	(174,283)
- Prior years	-	-	-	-
- Deferred	169	169	17,242	17,242
	(86,540)	(86,540)	(157,041)	(157,041)
PROFIT AFTER TAXATION	161,661	161,661	293,196	293,196

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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 2010

	2010	2009
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	248,201	450,237
Adjustments for non-cash charges:		
Depreciation	9,356	9,712
Loss on sale of government securities	-	-
Provision against non-performing loans and advances	(21,603)	41,427
Provision against off balance sheet obligation	(6,515)	1,665
Gain on sale of operating fixed assets	(79)	(2,122)
Financial charges on leased assets	-	-
	(18,841)	50,682
	229,360	500,919
Decrease/(Increase) in operating assets		
Lendings to financial institutions	(3,459,145)	1,382,305
Advances	505,877	1,205,929
Others assets (excluding advance taxation)	(250,721)	229,307
	(3,203,989)	2,817,541
(Decrease)/Increase in operating liabilities		
Bills payable	2,314,471	(18,394)
Borrowings from financial institutions	470,258	1,241,916
Deposits and other accounts	(209,776)	(5,973,683)
Other liabilities	204,060	(903,167)
	2,779,013	(5,653,328)
	(424,976)	(2,835,787)
Income tax paid	(60,689)	(62,500)
Net cash flow from operating activities	(256,305)	(2,397,368)
CASH FLOW FROM INVESTING ACTIVITIES		
Encashment / Sale proceeds of available for sale securities	621,404	1,618,497
Additions to operating fixed assets	(8,741)	(23,600)
Investment in available for sale securities	(618,055)	(818,749)
Sale proceeds of operating fixed assets disposed-off	753	7,594
Net cash flow from investing activities	(4,639)	783,742
CASH FLOW FROM FINANCING ACTIVITIES		
Remittance made during the period	-	(504,294)
Effects of exchange rate changes on cash and cash equivalents	(247,939)	(198,833)
Net cash flow from financing activities	(247,939)	(703,127)
Increase in cash and cash equivalents	(508,882)	(2,316,753)
Cash and cash equivalents at beginning of the year	4,893,341	6,382,827
Cash and cash equivalents at end of the period	4,384,459	4,066,074

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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 three months period ended 31 March 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
Profit for the period	-	293,196	293,196
Profit remitted during the period	-	(504,293)	(504,293)
Exchange adjustment on revaluation of capital	(198,833)	-	(198,833)
Balance at 31 March 2009	3,401,869	822,646	4,224,515
Profit for the period	-	512,022	512,022
Exchange adjustment on revaluation of capital	475,164	-	475,164
Actuarial loss on defined benefit plan - net of tax		(42,444)	(42,444)
Balance at 31 December 2009	3,877,033	1,292,224	5,169,257
Profit for the period	-	161,661	161,661
Exchange adjustment on revaluation of capital	(247,939)	-	(247,939)
Balance at 31 March 2010	3,629,094	1,453,885	5,082,979

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 three months period ended 31 March 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. 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 2009.

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 2009.

3. 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 March 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.

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 re-cognised 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 2009.

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, 2009.

6. LENDINGS TO FINANCIAL INSTITUTIONS

	31 March 2010	31 December 2009
	(Rupees in '000)	
Repurchase agreement lending (Reverse Repo)	8,809,315	5,350,170
	<u>8,809,315</u>	<u>5,350,170</u>

7. INVESTMENTS

	Held by bank	Given as collateral (Rupees in '000)	Total
Available for sale securities			
- Market Treasury Bills	487,618	-	487,618
	<u>487,618</u>	<u>-</u>	<u>487,618</u>
31 December 2009	490,909	-	490,909

8. ADVANCES

	31 March 2010	31 December 2009
	(Rupees in '000)	
Loans, cash credits, running finances, etc.		
- In Pakistan	2,747,236	2,957,328
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	542,989	564,790
- Payable outside Pakistan	42,426	316,410
	<u>585,415</u>	<u>881,200</u>
	3,332,651	3,838,528
Provision for non-performing advances	8.2 (359,914)	(381,517)
	<u>2,972,737</u>	<u>3,457,011</u>

8.1 Advances Rs. 278.351 million (31 December 2009: Rs. 312.566) have been placed under non-performing status.

8.2 Particulars of provision against non-performing advances

	31 March 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
Charge made during the period	(30,921)	9,318	(21,603)	72,141	269,033	341,174
Closing balance	81,563	278,351	359,914	112,484	269,033	381,517

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

9. DEFERRED TAX ASSET

	31 March 2010	31 December 2009
	(Rupees in '000)	
Deferred tax debits arising in respect of:		
- Acturial Gains and losses	25,377	25,377
- Provision for general loan loss	140,513	140,513
- Defecit on revaluation of securities	-	18
	165,890	165,908
Deferred tax credits arising in respect of:		
- Difference between accounting book value of fixed assets and tax base	7,876	8,045
- Increase on revaluation of securities	6	-
	7,882	8,045
Net deferred tax asset	158,008	157,863

10. CONTINGENCIES AND COMMITMENTS

10.1 Transaction-related contingent liabilities

Contingent liability in respect of guarantees given favouring:

- Government	10,868,424	13,123,547
- Financial institutions	66,500	61,812
- Others	4,659,388	1,824,675

10.2 Trade-related contingent liabilities

Acceptances	833,213	729,193
Letters of credit	4,019,896	3,763,257

10.3 Commitments in respect of forward exchange contracts

Purchase		
- From the State Bank of Pakistan	2,178,000	3,425,000
- From others	6,367,991	4,525,077
Sale		
- From others	5,311,981	3,662,748

10.4 Other contingencies

Appeals for various assessment years are pending before Income Tax Appellate Authorities contesting additional demands of Rs. 138.414 million. The bank is vigorously contesting its appeals and is confident that no additional liability would arise.

10.5 Cheques in clearing	2,602,422	649,727
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10.6 Commitments in respect of forward lendings

Repurchase agreement lendings	8,809,315	-
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10.7 Other commitments

FX Options - notional amounts	54,054	-
Forward Rate Agreements - notional amounts	-	-
Cross currency swaps - notional amounts	2,738,173	2,738,173
Interest rate swaps - notional amounts	6,743,689	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, are summarised as follows:

	Three months period ended	
	31 March 2010	31 March 2009
	(Rupees in '000)	
Profit and loss items		
Mark-up / Interest / Income earned	4	360
Mark-up / Interest / Income expensed	1	2
Head office expenses	71,222	65,745
All risk insurance premium	-	138
Balance sheet items	31 March 2010	31 December 2009
Deposits and other accounts		
At 1 January 2010	7,674	52,794
Deposits during the year	635,180	3,984,418
Withdrawals during the year	(635,170)	(4,029,538)
At 31 March 2010	<u>7,684</u>	<u>7,674</u>
Balances with DB branches	16,229	14,687
Borrowings from DB branches	981,705	2,139
Interbranch deposits and other accounts	8,943	4,569
Off balance sheet items		
Counter guarantees to branches	6,948,965	6,120,243
Forward purchase of foreign exchange	1,252,690	346,409
Forward sale of foreign exchange	1,259,260	346,376
Interest Rate Swap	6,188,786	6,200,105
FX Options	27,027	-

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, 2010.

Chief Country Officer
Head of Global Banking
Pakistan

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