

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 2012

	<i>Note</i>	30 June 2012 (Un-audited)	31 December 2011 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		4,716,304	4,590,065
Balances with other banks		30,019	38,505
Lendings to financial institutions	7	6,475,104	7,640,386
Investments	8	4,673,045	5,587,411
Advances	9	4,279,260	2,987,018
Other assets		1,427,599	1,068,497
Operating fixed assets		277,381	199,014
Deferred tax assets-net		104,853	130,675
		21,983,565	22,241,571
LIABILITIES			
Bills payable		168,905	238,907
Borrowings from financial institutions		1,485,286	1,523,062
Deposits and other accounts		11,273,087	11,118,869
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		3,387,126	3,324,934
Deferred tax liabilities		-	-
		16,314,404	16,205,772
NET ASSETS		5,669,161	6,035,799
REPRESENTED BY:			
Head office capital account		3,813,973	3,724,146
Reserves		-	-
Un-remitted profit		1,855,895	2,323,191
		5,669,868	6,047,337
(Deficit) /Surplus on revaluation of securities - net of tax		(707)	(11,538)
		5,669,161	6,035,799

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**

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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 2012

	Three months period ended 30 June 2012	Six months period ended 30 June 2012	Three months period ended 30 June 2011	Six months period ended 30 June 2011
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	474,023	999,923	377,029	775,012
Mark-up / return / interest expensed	209,508	403,653	135,881	263,428
Net mark-up / interest income	264,515	596,270	241,148	511,584
(Provision) / reversal against non-performing loans and advances	19,809	11,975	42,223	23,467
(Provision) / reversal against off balance sheet obligation	(1,800)	(568)	16,944	11,406
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	18,009	11,407	59,167	34,873
Net mark-up / interest income after provisions	282,524	607,677	300,315	546,457
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	67,148	132,865	88,843	172,395
Dividend income	-	-	-	-
(Loss) / income from trading in government securities	(8,103)	(16,283)	16,696	16,696
Income from dealing in foreign currencies	108,416	177,352	86,889	203,508
Other income	4,394	7,884	578	1,229
Total non-mark-up / interest income	171,855	301,818	193,006	393,828
	454,379	909,495	493,321	940,285
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	158,556	386,395	202,888	428,729
Other provisions / write offs	-	-	-	-
Other charges	1	126	218	242
Total non-mark-up / interest expenses	158,557	386,521	203,106	428,971
	295,822	522,974	290,215	511,314
Extra Ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	295,822	522,974	290,215	511,314
Taxation:				
- Current	(97,893)	(165,067)	(82,682)	(156,466)
- Prior years	-	-	-	-
- Deferred	(5,539)	(19,990)	(24,181)	(27,484)
	(103,432)	(185,057)	(106,863)	(183,950)
PROFIT AFTER TAXATION	192,390	337,917	183,352	327,364

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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 2012

	30 June 2012	30 June 2011
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	522,974	511,314
Adjustments for non-cash charges:		
Depreciation	17,189	19,010
Income on government securities	(16,283)	-
Provision against non-performing advances	(11,975)	43,138
(Reversal) / provision against off balance sheet obligation	568	(2,364)
Gain on sale of operating fixed assets	(681)	(365)
	(11,182)	59,419
	511,792	570,733
Decrease/(increase) in operating assets		
Lendings to financial institutions	1,165,282	(2,564,302)
Advances	(1,280,266)	1,057,253
Others assets (excluding advance taxation)	(39,748)	(170,255)
	(154,732)	(1,677,304)
Increase/(decrease) in operating liabilities		
Bills payable	(70,002)	102,227
Borrowings from financial institutions	(37,776)	(144,517)
Deposits and other accounts	154,218	1,609,467
Other liabilities	61,624	180,124
	108,064	1,747,301
	(46,668)	69,997
Income tax paid	(484,417)	(168,277)
Net cash flows from operating activities	(19,293)	472,453
CASH FLOW FROM INVESTING ACTIVITIES		
Sale proceeds from available-for-sale investments - net	28,736,404	2,514,478
Purchase of operating fixed assets	(97,348)	(22,503)
Investment in available for sale securities	(27,789,092)	(2,969,897)
Sale proceeds on disposal of operating fixed assets	2,471	3,606
Net cash flows from investing activities	852,435	(474,316)
CASH FLOW FROM FINANCING ACTIVITIES		
Remittance made during the period	(805,216)	-
Net cash flows from financing activities	(805,216)	-
Effects of exchange rate changes on cash and cash equivalents	89,827	323,914
Decrease in cash and cash equivalents	117,753	322,051
Cash and cash equivalents at beginning of the year	4,628,570	4,893,341
Cash and cash equivalents at end of the period	4,746,323	5,215,392

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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 2012

	30 June 2012	30 June 2011
	(Rupees in '000)	
Profit for the period	337,917	327,364
Other comprehensive income:		
Actuarial (loss) / gain on defined benefit plans	-	-
Exchange adjustment on account of revaluation of capital	89,827	323,914
Total comprehensive income for the period	<u>427,744</u>	<u>651,278</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 2012

	Head office capital account	Un-remitted Profit	Total
	----- (Rupees in '000) -----		
Balance at 01 January 2011 (Audited)	3,667,876	1,606,543	5,274,419
Changes in equity:			
<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 (Un-audited)	3,991,790	1,933,907	5,925,697
Changes in equity:			
<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	-	380,874	380,874
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	8,413	8,413
Exchange adjustment on revaluation of head office capital account	(267,644)	-	(267,644)
	(267,644)	389,287	121,643
Balance at 31 December 2011 (Audited)	3,724,146	2,323,194	6,047,340
Changes in equity:			
<i>Transactions with owners, recorded directly in equity:</i>			
Remittance made to head office	-	(805,216)	(805,216)
	-	(805,216)	(805,216)
<i>Comprehensive income for the period:</i>			
Profit for the period	-	337,917	337,917
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	-	-
Exchange adjustment on revaluation of head office capital account	89,827	-	89,827
	89,827	337,917	427,744
Balance at 30 June 2011 (Un-audited)	3,813,973	1,855,895	5,669,868

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(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 2012

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 (The Bank). The Bank is 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 2011.

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 November 2011 for Deutsche Bank AG is A+ for the long term and A-1 for the short term, rating done by Moody's on June 2012 is A2 for the long term and P-1 for the short term and rating done by Fitch in December 2011 is A+ 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 2011.

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 2011.

7. LENDINGS TO FINANCIAL INSTITUTIONS

		30 June 2012	31 December 2011
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	7.1	6,475,104	7,640,386
		6,475,104	7,640,386

- 7.1** Reverse repos have been made with various commercial banks at rates ranging from 8.98% p.a to 11.92% p.a (2011: 11.25% p.a to 11.85% p.a) and mature within a month. The market value of these securities at 30 June 2012 amounted to Rs. 6,739 million (2011: Rs. 7,921 million).

7.2 Securities held as collateral against lending to financial institutions

	30 June 2012			31 December 2011		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	6,475,104	-	6,475,104	7,640,386	-	7,640,386

8. INVESTMENTS

	30 June 2012			31 December 2011		
	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	4,674,133	-	4,674,133	5,356,156	-	5,356,156
Pakistan Investment Bonds	-	-	-	249,006	-	249,006
	4,674,133	-	4,674,133	5,605,162	-	5,605,162
 Deficit on revaluation of available for sale securities	(1,088)	-	(1,088)	(17,751)	-	(17,751)
	4,673,045	-	4,673,045	5,587,411	-	5,587,411

- 8.1** Market Treasury Bills carry a rate of 11.55% - 12% p.a (2011: 11.77% - 12.75% p.a.) and mature in July 2012 to November 2012.

9. ADVANCES

	30 June 2012	31 December 2011
	(Rupees in '000)	
Loans, cash credits, running finances, etc.		
- In Pakistan	3,669,170	2,118,717
 Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	932,653	1,202,840
- Payable outside Pakistan	65,626	65,626
	998,279	1,268,466
	4,667,449	3,387,183
 Provision for non-performing advances	9.2	
	(388,189)	(400,165)
	4,279,260	2,987,018

- 9.1** Advances include Rs. 384.3 million (31 December 2011: Rs. 376.923 million) have been placed under non-performing status as detailed below:

Category of Classification	30 June 2012			31 December 2011		
	Classified advances domestic	Provision required	Provision held	Classified advances domestic	Provision required	Provision held
	(Rupees in '000)			(Rupees in '000)		
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	388,189	388,189	388,189	376,923	376,923	376,923
	388,189	388,189	388,189	376,923	376,923	376,923

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

	30 June 2012			31 December 2011		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)			(Rupees in '000)		
Opening balance	376,923	23,242	400,165	361,537	57,728	419,265
(Reversal) / charge made during the period	7,377	(19,353)	(11,976)	15,386	(34,486)	(19,100)
Closing balance	384,300	3,889	388,189	376,923	23,242	400,165

- 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	11,689,721	9,878,099
- Financial institutions	48,249	52,487
- Others	13,984,625	30,875,763

10.2 Trade-related contingent liabilities

Acceptances	1,854,947	1,263,703
Letters of credit	2,352,208	2,781,192

10.3 Commitments in respect of forward lending

Forward repurchase agreement lending (Reverse repo)	6,475,104	7,640,386
Commitments to extend credit	13,219,826	14,003,786

10.4 Commitments in respect of forward exchange contracts

Purchase:		
- from others	6,028,573	12,148,774
Sale:		
- to others	1,295,896	7,399,526

10.5 Other contingencies

Appeals for various assessment years are pending before Income Tax Appellate Authorities contesting additional demands of Rs. 171.196 million. The bank is vigorously contesting its appeals and is confident that no additional liability would arise.

10.6 Cheques in clearing	452,131	840,931
10.7 Capital expenditures commitments	103,885	81,069
10.8 Other commitments		
FX Options - notional amounts	6,592	53,172
Cross currency swaps - notional amounts	3,952,947	3,903,678
Interest rate swaps - notional amounts	10,949,246	10,489,066

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 2012	30 June 2011
	(Rupees in '000)	
Profit and loss items		
Mark-up / Interest / Income earned	57	18
Mark-up / Interest / Income expensed	52	-
Head office expenses	66,179	82,563
Balance sheet items	30 June 2012	31 December 2011
	(Rupees in '000)	
Deposits and other accounts		
Opening balance	50	880
Deposits during the year	762,516	2,817,645
Withdrawals during the year	(762,566)	(2,818,475)
Closing balance	-	50
Balances with DB branches	28,193	11,507
Borrowings from DB branches	989,605	-
Interbranch deposits and other accounts	8,705	6,375
Off balance sheet items		
FX Options	3,596	26,586
Interest Rate Swap	8,766,566	8,339,766
Counter guarantees to branches	15,486,042	14,234,986
Forward purchase of foreign exchange	144,238	2,586,134
Forward sale of foreign exchange	144,238	2,608,794

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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