

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 2014

	Note	30 September 2014 (Un-audited) (Rupees in '000)	31 December 2013 (Audited)
ASSETS			
Cash and balances with treasury banks		5,828,937	6,193,227
Balances with other banks		2,132,741	208,293
Lendings to financial institutions	7	5,379,410	9,757,121
Investments	8	312	5,428,718
Advances	9	7,093,918	4,265,335
Operating fixed assets		305,382	314,108
Deferred tax assets-net		59,176	74,492
Other assets		1,400,536	1,562,707
		22,200,412	27,804,001
LIABILITIES			
Bills payable		561,164	324,717
Borrowings from financial institutions		342,658	4,004,649
Deposits and other accounts		13,916,681	15,849,131
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		2,182,275	2,338,895
		17,002,778	22,517,392
NET ASSETS		5,197,634	5,286,609
REPRESENTED BY:			
Head office capital account		4,147,357	4,649,699
Reserves		-	-
Un-remitted profit		1,050,277	638,687
		5,197,634	5,288,386
Surplus / (Deficit) on revaluation of securities - net of tax		-	(1,777)
		5,197,634	5,286,609

CONTINGENCIES AND COMMITMENTS

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

**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 Profit and Loss Account (Un-audited)
For the quarter and Nine months ended 30 September 2014

	Three months period ended 30 September 2014	Nine months period ended 30 September 2014	Three months period ended 30 September 2013	Nine months period ended 30 September 2013
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	325,976	1,167,046	370,091	1,265,486
Mark-up / return / interest expensed	142,466	567,880	143,501	543,063
Net mark-up / interest income	<u>183,510</u>	<u>599,166</u>	226,590	722,423
(Provision) / reversal against non-performing loans and advances	6,479	(6,425)	8,095	(8,795)
Reversal / (Provision) against off balance sheet obligation	(453)	5,427	1,726	(6,346)
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	<u>6,026</u>	<u>(998)</u>	9,821	(15,141)
Net mark-up / interest income after provisions	<u>189,536</u>	<u>598,168</u>	236,411	707,282
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	121,787	362,948	90,904	261,240
Dividend income	-	-	-	-
Gain from trading in government securities	1,741	12,977	12,344	26,887
Income from dealing in foreign currencies	124,310	405,559	74,953	243,541
Other income	1,302	3,715	3,783	9,766
Total non-mark-up / interest income	<u>249,140</u>	<u>785,199</u>	181,984	541,434
	<u>438,676</u>	<u>1,383,367</u>	418,395	1,248,716
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	283,360	748,223	246,520	724,383
Other provisions / write offs	-	-	-	-
Other charges	1,213	1,256	-	165
Total non-mark-up / interest expenses	<u>284,573</u>	<u>749,479</u>	246,520	724,548
	<u>154,103</u>	<u>633,888</u>	171,875	524,168
Extra Ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	<u>154,103</u>	<u>633,888</u>	171,875	524,168
Taxation:				
- Current	(52,596)	(207,940)	(65,937)	(169,190)
- Prior years	-	-	-	-
- Deferred	(1,763)	(14,358)	6,362	(17,025)
	<u>(54,359)</u>	<u>(222,298)</u>	(59,575)	(186,215)
PROFIT AFTER TAXATION	<u>99,744</u>	<u>411,590</u>	112,300	337,953

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Chief Country Officer
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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 2014

	30 September 2014	30 September 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	633,888	524,168
Adjustments for non-cash charges:		
Depreciation	47,572	48,103
(Gain) on government securities	(12,977)	(26,887)
Provision against non-performing advances	6,425	8,795
(Reversal) against off balance sheet obligation	(5,427)	(6,346)
(Gain) on sale of operating fixed assets	(3,674)	(5,544)
	31,919	18,121
	665,807	542,289
Decrease / (Increase) in operating assets		
Lendings to financial institutions	4,377,711	(545,354)
Advances	(2,835,007)	(947,992)
Others assets (excluding advance taxation)	191,451	39,479
	1,734,155	(1,453,867)
(Decrease) / Increase in operating liabilities		
Bills payable	236,447	3,334
Borrowings from financial institutions	(3,661,991)	1,751,722
Deposits and other accounts	(1,932,450)	(2,498,722)
Other liabilities	(151,194)	(167,681)
	(5,509,188)	(911,347)
	(3,775,033)	(2,365,214)
Income tax paid	(237,219)	(143,282)
Net cash flows from operating activities	(3,346,445)	(1,966,207)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available-for-sale investments	5,444,117	691,909
Purchase of operating fixed assets	(44,128)	(27,467)
Sale proceeds on disposal of operating fixed assets	8,956	11,303
Net cash flows from investing activities	5,408,945	675,745
CASH FLOW FROM FINANCING ACTIVITIES		
Remittance made during the period	-	(834,293)
Net cash flows from financing activities	-	(834,293)
Effects of exchange rate changes on cash and cash equivalents	(502,342)	472,205
Decrease in cash and cash equivalents	1,560,158	(1,652,550)
Cash and cash equivalents at beginning of the year	6,401,520	7,689,402
Cash and cash equivalents at end of the period	7,961,678	6,036,852

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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 2014

	30 September 2014	30 September 2013
	(Rupees in '000)	
Profit for the period	411,590	337,953
Other comprehensive income:		
Exchange adjustment on account of revaluation of capital	(502,342)	472,205
Total comprehensive income for the period	<u>(90,752)</u>	<u>810,158</u>

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 2014

	Head office capital account	Un-remitted Profit	Total
	----- (Rupees in '000) -----		
Balance at 01 January 2013	4,115,584	1,855,437	5,971,021
Changes in equity:			
<i>Transactions with owners, recorded directly in equity:</i>			
Remittance made to head office	-	(834,293)	(834,293)
	-	(834,293)	(834,293)
<i>Comprehensive income for the period:</i>			
Profit for the period	-	337,953	337,953
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	-	-
Exchange adjustment on revaluation of head office capital account	472,205	-	472,205
	472,205	337,953	810,158
Balance at 30 September 2013 (Un-audited)	4,587,789	1,359,097	5,946,886
Changes in equity:			
<i>Transactions with owners, recorded directly in equity:</i>			
Remittance made to head office	-	(708,236)	(708,236)
	-	(708,236)	(708,236)
<i>Comprehensive income for the period:</i>			
Loss for the period	-	(20,190)	(20,190)
<i>Other Comprehensive income:</i>			
Actuarial gain on defined benefit plan - net of tax	-	8,016	8,016
Exchange adjustment on revaluation of head office capital account	61,910	-	61,910
	61,910	(12,174)	49,736
Balance at 31 December 2013 (Audited)	4,649,699	638,687	5,288,386
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	-	411,590	411,590
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	-	-
Exchange adjustment on revaluation of head office capital account	(502,342)	-	(502,342)
	(502,342)	411,590	(90,752)
Balance at 30 September 2014 (Un-audited)	4,147,357	1,050,277	5,197,634

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

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Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months ended 30 September 2014

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 in Pakistan 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 2013.

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 2013.

The new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after 1 January 2014 and are not considered to be relevant or have any significant effect on the Bank's operations, are not detailed in these condensed interim financial statements.

4. CREDIT RATING

The credit rating done by Standard & Poor in August 2014 for Deutsche Bank AG is A for the long term and A-1 for the short term, rating done by Moody's on July 2014 is A3 for the long term and P-2 for the short term and rating done by Fitch in July 2014 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 annual financial statements of the Bank's Pakistan Branches as at and for the year ended 31 December 2013.

6. FINANCIAL RISK MANAGEMENT

The Bank's financial risk management objectives and policies are consistent with that disclosed in the annual financial statements of the Bank for the year ended 31 December 2013.

7. LENDINGS TO FINANCIAL INSTITUTIONS

		30 September 2014	31 December 2013
		(Un-audited)	(Audited)
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	7.1	<u>5,379,410</u>	<u>9,757,121</u>
		<u>5,379,410</u>	<u>9,757,121</u>

7.1 Reverse repos have been made with various commercial banks at rates ranging from 10.00% p.a to 10.25% p.a (2013: 9.15% p.a to 10.50%) and mature within a month. The market value of these securities at 30 September 2014 amounted to Rs. 5,586 million (2013: Rs. 9,889 million).

7.2 Securities held as collateral against lending to financial institutions

	30 September 2014			31 December 2013		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
------(Rupees in '000)-----						
Market Treasury Bills	5,379,410	-	5,379,410	9,757,121	-	9,757,121

8. INVESTMENTS

	30 September 2014			31 December 2013		
	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	312	-	312	5,431,452	-	5,431,452
Pakistan Investment Bonds	-	-	-	-	-	-
	312	-	312	5,431,452	-	5,431,452
Deficit on revaluation of available for sale securities	-	-	-	(2,734)	-	(2,734)
	312	-	312	5,428,718	-	5,428,718

8.1 The Market Treasury Bills carry a rate 9.93% p.a (2013: ranging from 9.39% p.a to 10.40% p.a) and having maturity within one month to six months.

9. ADVANCES

	30 September 2014 (Un-audited)	31 December 2013 (Audited)
(Rupees in '000)		
Loans, cash credits, running finances, etc. - In Pakistan	6,549,892	3,852,123
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	877,167	739,929
- Payable outside Pakistan	65,626	65,626
	942,793	805,555
	7,492,685	4,657,678
Provision for non-performing advances	9.2 (398,767)	(392,343)
	7,093,918	4,265,335

- 9.1 Advances include Rs. 347.570 million (31 December 2013: Rs. 357.570 million) have been placed under non-performing status as detailed below:

	30 September 2014			31 December 2013		
	Classified advances domestic	Provision required	Provision held	Classified advances domestic	Provision required	Provision held
	(Un-audited) (Rupees in '000)			(Audited) (Rupees in '000)		
Category of Classification						
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	347,570	347,570	347,570	357,570	357,570	357,570
	347,570	347,570	347,570	357,570	357,570	357,570

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

	30 September 2014			31 December 2013		
	Specific	General	Total	Specific	General	Total
	(Un-audited) (Rupees in '000)			(Audited) (Rupees in '000)		
Opening balance	357,570	34,773	392,343	357,570	32,114	389,684
(Reversal) / charge made during the period	(10,000)	16,424	6,424	-	2,659	2,659
Closing balance	347,570	51,197	398,767	357,570	34,773	392,343

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

10. CONTINGENCIES AND COMMITMENTS

30 September	31 December
2,014	2013
(Un-audited)	(Audited)
(Rupees in '000)	

10.1 Transaction-related contingent liabilities

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

- Government	18,721,742	17,437,315
- Financial institutions	69,954	105,829
- Others	877,017	533,628

10.2 Trade-related contingent liabilities

Acceptances	1,309,108	831,006
Letters of credit	1,860,019	1,901,338

10.3 Commitments in respect of forward lending

Forward repurchase agreement lending (Reverse repo)	5,379,410	9,757,121
Commitments to extend credit	16,372,348	15,727,446

10.4 Commitments in respect of forward exchange contracts

Purchase:		
- from others	24,821,017	22,289,015
Sale:		
- From the State Bank of Pakistan		-
- to others	22,975,437	18,102,073

10.5 Other contingencies

Appeals for various assessment years are pending before Income Tax Appellate Authorities contesting additional demands of Rs. 504.122 million (2013: Rs. 306 million). The bank is vigorously contesting its appeals and is confident that no additional liability would arise.

	30 September	31 December
	(Un-audited)	(Audited)
10.6 Other commitments		
Interest rate swaps - notional amounts	2,860,968	4,059,082

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 2014	30 September 2013
	(Un-audited)	
	(Rupees in '000)	
Profit and loss items		
Mark-up / Interest / Income earned	13	14
Mark-up / Interest / Income expensed	224	19
Head office expenses	172,769	235,724
Balance sheet items	30 September 2014	31 December 2013
	(Un-audited)	(Audited)
	(Rupees in '000)	
Deposits and other accounts		
Opening balance	40	5,530
Deposits during the year	1,093,033	1,145,922
Withdrawals during the year	(1,093,073)	(1,151,412)
Closing balance	-	40
Balances with other branches and a subsidiary of Deutsche Bank, AG	107,848	37,982
Borrowings from other branches and a subsidiary of Deutsche Bank, AG	2,781	3,557,179
Interbranch deposits and other accounts	395,177	7,939
Unremitted head office expenses	1,345,953	1,164,309
Off balance sheet items		
Interest rate swaps	1,075,734	1,973,677
Counter guarantees to branches	12,787,065	11,611,640
Forward purchase of foreign exchange	91,776	735,945
Forward sale of foreign exchange	195,698	790,786

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 23 October 2014.

**Chief Country Officer
Pakistan**

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& Chief Financial Officer
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