

Deutsche Bank AG, Pakistan Branches
(Incorporated in the Federal Republic of Germany with Limited Liability)
Condensed Interim Statement of Financial Position
As at 31 March 2014

	<i>Note</i>	31 March 2014 (Un-audited)	31 December 2013 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		6,324,984	6,193,227
Balances with other banks		340,012	208,293
Lendings to financial institutions	7	8,869,227	9,757,121
Investments	8	6,990,043	5,428,718
Advances	9	7,669,700	4,265,335
Other assets		1,378,906	1,562,707
Operating fixed assets		314,913	314,108
Deferred tax assets-net		48,758	74,492
		31,936,543	27,804,001
LIABILITIES			
Bills payable		1,970,761	324,717
Borrowings from financial institutions		3,621,544	4,004,649
Deposits and other accounts		19,409,318	15,849,131
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		1,845,093	2,338,895
Deferred tax liabilities - net		-	-
		26,846,716	22,517,392
NET ASSETS		5,089,827	5,286,609
REPRESENTED BY:			
Head office capital account		4,352,888	4,649,699
Reserves		-	-
Un-remitted profit		736,068	638,687
		5,088,956	5,288,386
Surplus / (Deficit) on revaluation of securities - net of tax		871	(1,777)
		5,089,827	5,286,609

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**

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 three months ended 31 March 2014

	Three months period ended 31 March 2014	Three months period ended 31 March 2014	Three months period ended 31 March 2013	Three months period ended 31 March 2013
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	420,788	420,788	485,340	485,340
Mark-up / return / interest expensed	208,523	208,523	220,479	220,479
Net mark-up / interest income	<u>212,265</u>	<u>212,265</u>	264,861	264,861
Provision against non-performing loans and advances	(15,301)	(15,301)	(19,277)	(19,277)
Reversal / (Provision) against off balance sheet obligation	4,794	4,794	(11,116)	(11,116)
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	<u>(10,507)</u>	<u>(10,507)</u>	(30,393)	(30,393)
Net mark-up / interest income after provisions	<u>201,758</u>	<u>201,758</u>	234,468	234,468
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	124,987	124,987	74,939	74,939
Dividend income	-	-	-	-
Gain from trading in government securities	7,473	7,473	(16,322)	(16,322)
Income from dealing in foreign currencies	87,901	87,901	26,755	26,755
Other income	359	359	3,373	3,373
Total non-mark-up / interest income	<u>220,720</u>	<u>220,720</u>	88,745	88,745
	<u>422,478</u>	<u>422,478</u>	323,213	323,213
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	266,669	266,669	218,444	218,444
Other provisions / write offs	-	-	-	-
Other charges	-	-	30	30
Total non-mark-up / interest expenses	<u>266,669</u>	<u>266,669</u>	218,474	218,474
	<u>155,809</u>	<u>155,809</u>	104,739	104,739
Extra Ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	<u>155,809</u>	<u>155,809</u>	104,739	104,739
Taxation:				
- Current	(34,121)	(34,121)	(11,419)	(11,419)
- Prior years	-	-	-	-
- Deferred	(24,307)	(24,307)	(28,758)	(28,758)
	<u>(58,428)</u>	<u>(58,428)</u>	(40,177)	(40,177)
PROFIT AFTER TAXATION	<u>97,381</u>	<u>97,381</u>	64,562	64,562

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 three months ended 31 March 2014

	31 March 2014	31 March 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	155,809	104,739
Adjustments for non-cash charges:		
Depreciation	15,785	15,930
(Gain) / loss on government securities	(7,473)	16,322
Provision against non-performing advances	15,301	19,277
Reversal / (Provision) against off balance sheet obligation	4,794	(11,116)
Gain on sale of operating fixed assets	(351)	(2,922)
	28,056	37,491
	183,865	142,230
(Increase) / decrease in operating assets		
Lendings to financial institutions	887,894	(2,937,128)
Advances	(3,419,666)	(342,143)
Others assets (excluding advance taxation)	200,059	(66,155)
	(2,331,713)	(3,345,426)
Increase / (decrease) in operating liabilities		
Bills payable	1,646,044	52,267
Borrowings from financial institutions	(383,105)	328,977
Deposits and other accounts	3,560,187	(3,231,672)
Other liabilities	(498,595)	766,030
	4,324,531	(2,084,398)
	1,992,818	(5,429,824)
Income tax paid	(50,378)	(67,083)
Net cash flows from operating activities	2,126,305	(5,354,677)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale investments	(1,549,778)	3,398,488
Purchase of operating fixed assets	(16,794)	(5,173)
Sale proceeds on disposal of operating fixed assets	554	3,769
Net cash flows from investing activities	(1,566,018)	3,397,084
CASH FLOW FROM FINANCING ACTIVITIES		
Remittance made during the period	-	-
Effects of exchange rate changes on cash and cash equivalents	(296,811)	(71,129)
Increase / (decrease) in cash and cash equivalents	263,476	(2,028,722)
Cash and cash equivalents at beginning of the year	6,401,520	7,689,402
Cash and cash equivalents at end of the period	6,664,996	5,660,680

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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 three months ended 31 March 2014

	31 March 2014	31 March 2013
	(Rupees in '000)	
Profit for the period	97,381	64,562
Other comprehensive income:		
Actuarial (loss) / gain on defined benefit plans	-	-
Exchange adjustment on account of revaluation of capital	(296,811)	(71,129)
Total comprehensive income for the period	<u>(199,430)</u>	<u>(6,567)</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
For the three months ended 31 March 2014

	Head office capital account	Un-remitted Profit	Total
	----- (Rupees in '000) -----		
Balance at 01 January 2013 (Audited)	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	-	-	-
<i>Comprehensive income for the period:</i>			
Profit for the period	-	64,562	64,562
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	-	-
Exchange adjustment on revaluation of head office capital account	(71,129)	-	(71,129)
	(71,129)	64,562	(6,567)
Balance at 31 March 2013 (Un-audited)	4,044,455	1,919,999	5,964,454
Changes in equity:			
<i>Transactions with owners, recorded directly in equity:</i>			
Remittance made to head office	-	(1,542,529)	(1,542,529)
	-	(1,542,529)	(1,542,529)
<i>Comprehensive income for the period:</i>			
Profit for the period	-	253,201	253,201
<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	605,244	-	605,244
	605,244	261,217	866,461
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	-	97,381	97,381
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	-	-
Exchange adjustment on revaluation of head office capital account	(296,811)	-	(296,811)
	(296,811)	97,381	(199,430)
Balance at 31 March 2014 (Un-audited)	4,352,888	736,068	5,088,956

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

For the three months ended 31 March 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 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 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.

4. CREDIT RATING

The credit rating done by Standard & Poor in January 2014 for Deutsche Bank AG is A for the long term and A-1 for the short term, rating done by Moody's on January 2014 is A2 for the long term and P-1 for the short term and rating done by Fitch in March 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 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 for the year ended 31 December 2013.

7. LENDINGS TO FINANCIAL INSTITUTIONS

		31 March 2014	31 December 2013
		(Un-audited)	(Audited)
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	7.1	<u>8,869,227</u>	<u>9,757,121</u>
		<u>8,869,227</u>	<u>9,757,121</u>

7.1 Reverse repos have been made with various commercial banks at rates ranging from 9.99% p.a to 10.10% p.a (2013: 9.15% p.a to 10.50%) and mature within a month. The market value of these securities at 31 March 2014 amounted to Rs. 8,945 million (2013: Rs. 9,889 million).

7.2 Securities held as collateral against lending to financial institutions

	31 March 2014			31 December 2013		
	Held by bank	Further given as collateral (Un-audited)	Total	Held by bank	Further given as collateral (Audited)	Total
	------(Rupees in '000)-----					
Market Treasury Bills	8,869,227	-	8,869,227	9,757,121	-	9,757,121

8. INVESTMENTS

	31 March 2014			31 December 2013		
	Held by bank	Further given as collateral (Un-audited)	Total	Held by bank	Further given as collateral (Audited)	Total
	------(Rupees in '000)-----					
Available for sale securities						
Market Treasury Bills	5,718,318	-	5,718,318	5,431,452	-	5,431,452
Pakistan Investment Bonds	1,270,385	-	1,270,385	-	-	-
	6,988,703	-	6,988,703	5,431,452	-	5,431,452
Surplus / (Deficit) on revaluation of available for sale securities	1,340	-	1,340	(2,734)	-	(2,734)
	6,990,043	-	6,990,043	5,428,718	-	5,428,718

8.1 The Market Treasury Bills carry a rate ranging from 9.90% p.a to 10.15% p.a (2013: 9.39% p.a to 10.40% p.a) and having maturity within one year.

8.2 The Pakistan Investment Bonds carry a rate ranging from 11.18% p.a to 12.89% p.a (2013: 0% p.a to 0% p.a) and having maturity within 9 years.

9. ADVANCES

	31 March 2014	31 December 2013
	(Un-audited)	(Audited)
	(Rupees in '000)	
Loans, cash credits, running finances, etc.		
- In Pakistan	7,340,129	3,852,123
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	671,589	739,929
- Payable outside Pakistan	65,626	65,626
	737,215	805,555
	8,077,344	4,657,678
Provision for non-performing advances	9.2	(407,644)
	7,669,700	4,265,335

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

	31 March 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	357,570	357,570	357,570	357,570	357,570	357,570
	357,570	357,570	357,570	357,570	357,570	357,570

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

	31 March 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	-	15,301	15,301	-	2,659	2,659
Closing balance	357,570	50,074	407,644	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

	31 March 2014 (Un-audited)	31 December 2013 (Audited)
	(Rupees in '000)	

10.1 Transaction-related contingent liabilities

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

- Government	18,400,576	17,437,315
- Financial institutions	86,338	105,829
- Others	718,958	533,628

10.2 Trade-related contingent liabilities

Acceptances	900,045	831,006
Letters of credit	2,548,695	1,901,338

10.3 Commitments in respect of forward lending

Forward repurchase agreement lending (Reverse repo)	8,869,227	9,757,121
Commitments to extend credit	13,471,739	15,727,446

10.4 Commitments in respect of forward exchange contracts

Purchase:		
- from others	27,850,190	22,289,015
Sale:		
- to others	25,078,955	18,102,073

10.5 Other contingencies

Appeals for various assessment years are pending before Income Tax Appellate Authorities contesting additional demands of Rs. 334 million (2013: Rs. 306 million). The bank is vigorously contesting its appeals and is confident that no additional liability would arise.

	31 March 2014 (Un-audited)	31 December 2013 (Audited)
	(Rupees in '000)	

10.6 Cheques in clearing 5,415,631 5,500,250

10.7 Other commitments

Interest rate swaps - notional amounts	3,033,164	4,059,082
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These 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:

	Three months period ended	
	31 March 2014 (Un-audited) (Rupees in '000)	31 March 2013 (Audited)
Profit and loss items		
Mark-up / Interest / Income earned	5	6
Mark-up / Interest / Income expensed	18	6
Head office expenses	65,828	52,171
Balance sheet items		
	31 March 2014 (Un-audited) (Rupees in '000)	31 December 2013 (Audited)
Deposits and other accounts		
Opening balance	40	5,530
Deposits during the year	663,257	1,145,922
Withdrawals during the year	(663,289)	(1,151,412)
Closing balance	<u>8</u>	<u>40</u>
Balances with other branches and a subsidiary of Deutsche Bank, AG	36,025	37,982
Borrowings from other branches and a subsidiary of Deutsche Bank, AG	3,306,913	3,557,179
Interbranch deposits and other accounts	14,610	7,939
Off balance sheet items		
Interest rate swaps	1,115,332	1,973,677
Counter guarantees to branches	12,665,130	11,611,640
Forward purchase of foreign exchange	413,038	735,945
Forward sale of foreign exchange	413,038	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 28 April 2014.

**Managing Director &
Chief Country Officer
Pakistan**

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