

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 2014

Note **30 June** 31 December
2014 2013
(Un-audited) **(Audited)**
(Rupees in '000)

ASSETS

Cash and balances with treasury banks		5,983,203	6,193,227
Balances with other banks		132,245	208,293
Lendings to financial institutions	7	5,086,699	9,757,121
Investments	8	993,655	5,428,718
Advances	9	5,656,733	4,265,335
Operating fixed assets		304,404	314,108
Deferred tax assets-net		54,122	74,492
Other assets		1,463,240	1,562,707
		19,674,301	27,804,001

LIABILITIES

Bills payable		430,044	324,717
Borrowings from financial institutions		411,263	4,004,649
Deposits and other accounts		11,251,645	15,849,131
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		2,293,026	2,338,895
		14,385,978	22,517,392
NET ASSETS		5,288,323	5,286,609

REPRESENTED BY:

Head office capital account		4,325,128	4,649,699
Reserves		-	-
Un-remitted profit		950,534	638,687
		5,275,662	5,288,386
Surplus / (Deficit) on revaluation of securities - net of tax		12,661	(1,777)
		5,288,323	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 Six months ended 30 June 2014

	Three months period ended 30-Jun 2014	Six months period ended 30-Jun 2014	Three months period ended 30-Jun 2013	Six months period ended 30-Jun 2013
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	420,282	841,070	410,055	895,395
Mark-up / return / interest expensed	216,890	425,413	179,083	399,562
Net mark-up / interest income	203,392	415,657	230,972	495,833
(Provision) / reversal against non-performing loans and advances	2,397	(12,903)	2,387	(16,890)
Reversal / (Provision) against off balance sheet obligation	1,087	5,880	3,044	(8,072)
Provision for diminution in value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	3,484	(7,023)	5,431	(24,962)
Net mark-up / interest income after provisions	206,876	408,634	236,403	470,871
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	116,174	241,161	95,397	170,336
Dividend income	-	-	-	-
Gain from trading in government securities	3,764	11,237	30,865	14,543
Income from dealing in foreign currencies	193,348	281,249	141,833	168,588
Other income	2,054	2,413	2,610	5,983
Total non-mark-up / interest income	315,340	536,060	270,705	359,450
	522,216	944,694	507,108	830,321
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	198,195	464,864	259,420	477,863
Other provisions / write offs	-	-	-	-
Other charges	43	43	135	165
Total non-mark-up / interest expenses	198,238	464,907	259,555	478,028
	323,978	479,787	247,553	352,293
Extra Ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	323,978	479,787	247,553	352,293
Taxation:				
- Current	(121,223)	(155,344)	(91,833)	(103,252)
- Prior years	-	-	-	-
- Deferred	11,711	(12,596)	5,372	(23,386)
	(109,512)	(167,940)	(86,461)	(126,638)
PROFIT AFTER TAXATION	214,466	311,847	161,092	225,655

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Managing Director &
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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 2014

	30 June 2014	30 June 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	479,787	352,293
Adjustments for non-cash charges:		
Depreciation	31,711	32,130
(Gain) / Loss on government securities	(11,237)	(14,543)
Provision / (reversal) against non-performing advances	12,903	16,890
Provision / (reversal) against off balance sheet obligation	(5,880)	8,072
(Gain) on sale of operating fixed assets	(2,372)	(5,531)
	25,125	37,018
	504,912	389,311
(Increase) / decrease in operating assets		
Lendings to financial institutions	4,670,422	1,128,821
Advances	(1,404,301)	(1,579,306)
Others assets (excluding advance taxation)	94,126	276,646
	3,360,247	(173,839)
Increase/(decrease) in operating liabilities		
Bills payable	105,327	(81,759)
Borrowings from financial institutions	(3,593,386)	3,469,562
Deposits and other accounts	(4,597,486)	(7,602,627)
Other liabilities	(39,990)	(714,848)
	(8,125,535)	(4,929,672)
	(4,765,288)	(5,103,511)
Income tax paid	(150,002)	(97,163)
Net cash flows from operating activities	(4,410,378)	(4,811,363)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available-for-sale investments	4,468,512	3,045,782
Purchase of operating fixed assets	(24,542)	(26,516)
Sale proceeds on disposal of operating fixed assets	4,907	11,259
Net cash flows from investing activities	4,448,877	3,030,525
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	(324,571)	56,751
Decrease in cash and cash equivalents	(286,072)	(2,558,380)
Cash and cash equivalents at beginning of the year	6,401,520	7,689,402
Cash and cash equivalents at end of the period	6,115,448	5,131,022

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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 2014

	30 June 2014	30 June 2013
	(Rupees in '000)	
Profit for the period	311,847	225,655
Other comprehensive income:		
Actuarial (loss) / gain on defined benefit plans	-	-
Exchange adjustment on account of revaluation of capital	(324,571)	56,751
Total comprehensive income for the period	<u>(12,724)</u>	<u>282,406</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 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 six months ended 30 June 2013	-	225,655	225,655
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	-	-
Exchange adjustment on revaluation of head office capital account	56,751	-	56,751
	56,751	225,655	282,406
Balance at 30 June 2013	4,172,335	1,246,799	5,419,134
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>			
Profit for the six months ended 31 December 2013	-	92,108	92,108
<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	477,364	-	477,364
	477,364	100,124	577,488
Balance at 31 December 2013	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 six months ended 30 June 2014	-	311,847	311,847
<i>Other Comprehensive income:</i>			
Actuarial loss on defined benefit plan - net of tax	-	-	-
Exchange adjustment on revaluation of head office capital account	(324,571)	-	(324,571)
	(324,571)	311,847	(12,724)
Balance at 30 June 2014	4,325,128	950,534	5,275,662

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 (Un-audited)

For the Six months ended 30 June 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 June 2014	31 December 2013
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	7.1	5,086,699	9,757,121
		<u>5,086,699</u>	<u>9,757,121</u>

- 7.1** Reverse repos have been made with various commercial banks at rates ranging from 7.49% p.a to 9.75% p.a (2013: 9.15% p.a to 10.50%) and mature within a month. The market value of these securities at 30 June 2014 amounted to Rs. 5,396 million (2013: Rs. 9,889 million).

7.2 Securities held as collateral against lending to financial institutions

	30 June 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	5,086,699	-	5,086,699	9,757,121	-	9,757,121

8. INVESTMENTS

	30 June 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	0	-	0	5,431,452	-	5,431,452
Pakistan Investment Bonds	974,177	-	974,177	-	-	-
	974,177	-	974,177	5,431,452	-	5,431,452
Deficit on revaluation of available for sale securities	19,478	-	19,478	(2,734)	-	(2,734)
	993,655	-	993,655	5,428,718	-	5,428,718

- 8.1** The Pakistan Investment Bonds carry a rate ranging from 12.05% p.a to 12.89% p.a (2013: Nil) and having maturity upto Nine years.

9. ADVANCES

	30 June 2014	31 December 2013
	(Rupees in '000)	
Loans, cash credits, running finances, etc.		
- In Pakistan	5,105,421	3,852,123
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	888,692	739,929
- Payable outside Pakistan	67,866	65,626
	956,558	805,555
	6,061,979	4,657,678
Provision for non-performing advances	9.2	
	(405,246)	(392,343)
	5,656,733	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:

Category of Classification	30 June 2014			31 December 2013		
	Classified advances domestic	Provision required	Provision held	Classified advances domestic	Provision required	Provision held
	(Rupees in '000)			(Rupees in '000)		
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

	30 June 2014			31 December 2013		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)			(Rupees in '000)		
Opening balance	357,570	34,773	392,343	357,570	32,114	389,684
(Reversal) / charge made during the period	-	12,903	12,903	-	2,659	2,659
Closing balance	357,570	47,676	405,246	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 June **31 December**
2,014 **2013**
(Rupees in '000)

10.1 Transaction-related contingent liabilities

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

- Government	18,737,732	17,437,315
- Financial institutions	68,621	105,829
- Others	690,389	533,628

10.2 Trade-related contingent liabilities

Acceptances	973,934	831,006
Letters of credit	1,963,204	1,901,338

10.3 Commitments in respect of forward lending

Forward repurchase agreement lending (Reverse repo)	5,086,699	9,757,121
Commitments to extend credit	16,660,601	15,727,446

10.4 Commitments in respect of forward exchange contracts

Purchase:		
- from others	21,988,943	22,289,015
Sale:		
- to others	22,209,022	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 June **31 December**
2,014 **2013**
(Rupees in '000)

10.6 Cheques in clearing	1,015,855	5,500,250
10.7 Other commitments		
Cross currency swaps - notional amounts	-	-
Interest rate swaps - notional amounts	2,910,040	4,059,082

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 2014	30 June 2013
	(Rupees in '000)	
Profit and loss items		
Mark-up / Interest / Income earned	10	9
Mark-up / Interest / Income expensed	43	14
Head office expenses	122,622	144,391
Balance sheet items	30 June 2014	31 December 2013
	(Rupees in '000)	
Deposits and other accounts		
Opening balance	40	5,530
Deposits during the year	903,363	1,145,922
Withdrawals during the year	(900,492)	(1,151,412)
Closing balance	2,911	40
Balances with other branches and a subsidiary of Deutsche Bank, AG	131,095	37,982
Borrowings from other branches and a subsidiary of Deutsche Bank, AG	109,004	3,557,179
Interbranch deposits and other accounts	296,148	7,939
Unremitted head office expenses	1,286,931	1,164,309
Off balance sheet items		
Interest rate swaps	1,077,020	1,973,677
Counter guarantees to branches	12,709,049	11,611,640
Forward purchase of foreign exchange	57,228	735,945
Forward sale of foreign exchange	57,228	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 26 August 2014.

Faizan Mitha
Managing Director &
Chief Country Officer
Pakistan

Mahmood A. Qureshi
Chief Operating Officer
& Chief Financial Officer
Pakistan