AUDITORS' REPORT
TO THE EXECUTIVE COMMITTEE OF
DEUTSCHE BANK AG, INDIA BRANCHES
(Under Section 30 of the Banking Regulation Act, 1949)

1. We have audited the attached Balance Sheet of **DEUTSCHE BANK AG, INDIA BRANCHES** ("the Bank") as at 31 March 2012, the Profit and Loss Account and the Cash Flow Statement of the Bank for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report thereon as follows:

    (a) The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.

    (b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

    (c) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.

    (d) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.

    (e) The financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by the Branches.

    (f) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.

(g) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 in so far as they apply to banks.

(h) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required for banking companies and the Guidelines issued by the Reserve Bank of India from time to time and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of Balance Sheet, of the state of affairs of the Bank as at 31 March 2012;

(ii) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date and

(iii) in case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

4. We report that during the course of our audit we have visited 9 Branches. Since the key operations of the Bank are completely automated with the key applications integrated to the core banking systems, the audit is carried out centrally at the Head Office as all the necessary records and data required for the purposes of our audit are available therein and the Branches are not required to submit any financial returns.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No.117365W)

Sd/-

Kalpesh J. Mehta
Partner
(Membership No. 48791)

MUMBAI, 12 June, 2012
KJM/PG

Deutsche Bank AG, India Branches

(Incorporated in Germany with limited liability)

Balance Sheet as on 31 March 2012

In thousands of Indian Rupees	Schedule	31 March 2012	31 March 2011
Capital and Liabilities			
Capital	1	36,314,087	36,314,087
Reserves and surplus	2	27,668,237	19,435,037
Deposits	3	168,427,144	146,463,658
Borrowings	4	12,702,348	48,078,824
Other liabilities and provisions	5	41,144,995	36,506,454
	Total	**286,256,811**	**286,798,060**
Assets			
Cash and balances with Reserve Bank of India	6	30,278,999	10,821,336
Balances with banks and money at call and short notice	7	3,568,009	3,583,258
Investments	8	84,215,169	85,983,518
Advances	9	125,488,914	142,937,503
Fixed assets	10	1,229,772	1,308,770
Other assets	11	41,475,948	42,163,675
	Total	**286,256,811**	**286,798,060**
Contingent liabilities	12	9,907,282,554	9,296,640,685
Bills for collection		108,069,897	82,585,230
Significant accounting policies and Notes to the financial statements	18		

The accompanying notes form an integral part of this Balance Sheet

In terms of our report attached.

For **DELOITTE HASKINS & SELLS**	For **Deutsche Bank AG**	For **Deutsche Bank AG**
Chartered Accountants	**India Branches**	**India Branches**
Sd/-	Sd/-	Sd/-
Kalpesh J. Mehta	**Shrinath Bolloju**	**Avinash Prabhu**
Partner	*Chief Executive Officer - India*	*Chief Financial Officer - India*

Place : Mumbai
Dated : 12 June, 2012

Deutsche Bank AG, India Branches

(Incorporated in Germany with limited liability)

Profit and Loss Account for the year ended 31 March 2012

In thousands of Indian Rupees	Schedule	Year ended 31 March 2012	Year ended 31 March 2011
Income			
Interest earned	13	23,981,947	18,801,608
Other income	14	7,529,624	9,804,602
	Total	**31,511,571**	**28,606,210**
Expenditure			
Interest expended	15	5,897,673	4,616,103
Operating expenses	16	10,552,141	11,234,412
Provisions and contingencies	17	6,828,557	6,454,360
	Total	**23,278,371**	**22,304,875**
Profit			
Net profit for the year		8,233,200	6,301,335
Profit brought forward		5,553,657	4,321,494
	Total	**13,786,857**	**10,622,829**
Appropriations			
Transfer to statutory reserve		2,058,300	1,575,334
Transfer to/(from) investment reserve		237,718	173,706
Transfer to/(from) contingency reserve		(633,000)	-
Transfer to remittable surplus retained for CRAR requirements		4,552,295	3,320,132
Balance carried over to Balance Sheet		7,571,544	5,553,657
	Total	**13,786,857**	**10,622,829**
Significant accounting policies and Notes to the financial statements	18		

The accompanying notes form an integral part of this Profit and Loss Account

In terms of our report attached.

For **DELOITTE HASKINS & SELLS**	For **Deutsche Bank AG**	For **Deutsche Bank AG**
Chartered Accountants	**India Branches**	**India Branches**
Sd/-	Sd/-	Sd/-
Kalpesh J. Mehta	**Shrinath Bolloju**	**Avinash Prabhu**
Partner	*Chief Executive Officer - India*	*Chief Financial Officer - India*

Place : Mumbai
Dated : 12 June, 2012

Deutsche Bank AG, India Branches
(Incorporated in Germany with limited liability)
Cash Flow Statement for the year ended 31 March 2012

In thousands of Indian Rupees	31 March 2012	31 March 2011
Net profit before taxes and extraordinary items	14,752,851	11,897,326
Add : Extraordinary Items - Income on Sale of Credit Cards Business (refer note 4(u))	188,416	-
Net profit before Taxes	14,941,267	11,897,326
Adjustment for:		
Depreciation charge on fixed assets for the year	280,042	336,962
Provision for depreciation on investments	(546,665)	(400,915)
Provision for loan loss (net)	(219,299)	(130,527)
Provision for contingent credit exposures	(103,169)	103,169
Bad-debts written off	167,924	877,056
Provision for country risk	19,503	(17,914)
Provision for standard assets	794,616	-
Investment written off	7,580	-
Provision made on sale of NPA	-	427,500
Loss on sale of fixed assets (net)	1,156	18,504
	15,342,955	13,111,161
Adjustment for:		
Increase / (Decrease) in other liabilities and provisions	3,927,590	(1,288,536)
(Increase) / Decrease in investments	2,307,434	4,888,743
(Increase) / Decrease in advances	17,499,964	(14,456,113)
(Increase) in other assets	1,186,343	1,311,579
	40,264,286	3,566,834
Advance tax paid (net of refund received)	(7,206,682)	(5,669,695)
Net cash from / (used in) operating activities (A)	33,057,604	(2,102,861)
Cash flows from investing activities		
Purchase of fixed assets	(95,107)	(216,541)
Capital Work-in-progress	(112,688)	-
Proceeds from sale of fixed assets	5,595	10,663
Net cash (used in) investing activities (B)	(202,200)	(205,878)
Cash flows from financing activities		
Remittance of profit to Head Office	-	-
Increase / (Decrease) in deposits	21,963,486	(466,141)
Increase / (Decrease) in borrowings	(35,376,476)	(1,568,221)
Net cash from/(used in) financing activities (C)	(13,412,990)	(2,034,362)
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	19,442,414	(4,343,101)
Cash and cash equivalents at the beginning of the year	14,404,594	18,747,695
Cash and cash equivalents as at the end of the year	33,847,008	14,404,594
Increase / (Decrease) in cash and cash equivalents	19,442,414	(4,343,101)
Notes on cash flow statement		
1. Cash and balances with Reserve Bank of India	30,278,999	10,821,336
Balances with banks and money at call and short notice	3,568,009	3,583,258
Cash and cash equivalents as at 31 March	33,847,008	14,404,594

2. The above cash flow statement has been prepared under the indirect method set out in Accounting Standard 3 prescribed in the Companies (Accounting Standards) Rules, 2006

In terms of our report attached.

For **DELOITTE HASKINS & SELLS**	For **Deutsche Bank AG**	For **Deutsche Bank AG**
Chartered Accountants	India Branches	India Branches
Sd/-	Sd/-	Sd/-
Kalpesh J. Mehta	**Shrinath Bolloju**	**Avinash Prabhu**
Partner	*Chief Executive Officer - India*	*Chief Financial Officer - India*

Place : Mumbai
Dated : 12 June, 2012

Deutsche Bank AG, India Branches

(Incorporated in Germany with limited liability)

Schedules forming part of the Balance Sheet as on 31 March 2012

In thousands of Indian Rupees		31 March 2012	31 March 2011
Schedule 1 - Capital			
Amount of deposit with Reserve Bank of India (at face value) under Section 11 (2) (b) of the Banking Regulation Act, 1949		9,150,000	7,750,000
Head Office Account (including start-up capital of Rs 2 million and remittances from Head office)		36,314,087	36,314,087
	Total	36,314,087	36,314,087
Schedule 2 - Reserves and Surplus			
1 **Statutory reserve**			
Opening Balance		9,005,951	7,430,617
Additions : Transfer from Profit and Loss Account		2,058,300	1,575,334
		11,064,251	9,005,951
2 **Capital reserve**		177,207	177,207
		177,207	177,207
3 **Contingency reserve**			
Opening Balance		633,000	633,000
Transfer to Profit and Loss Account		(633,000)	-
		-	633,000
4 **Investment reserve**			
Opening Balance		173,706	-
Additions : Transfer from Profit and Loss Account		237,718	173,706
		411,424	173,706
5 **Balance in Profit and Loss Account**		7,571,544	5,553,657
		7,571,544	5,553,657
6 **Remittable Surplus retained for CRAR requirements**			
Opening Balance		3,891,516	571,384
Additions : Transfer from Profit and Loss Account		4,552,295	3,320,132
		8,443,811	3,891,516
	Total	27,668,237	19,435,037
Schedule 3 - Deposits			
1 **(a) Demand deposits**			
i. From banks		2,599,133	434,858
ii. From others		96,179,520	86,752,780
		98,778,653	87,187,638
(b) Savings bank deposits		10,667,036	10,072,849
(c) Term deposits			
i. From banks		-	-
ii. From others		58,981,455	49,203,171
		58,981,455	49,203,171
	Total	168,427,144	146,463,658
2 **(i) Deposits of branches in India**		168,427,144	146,463,658
(ii) Deposits of branches outside India		-	-
	Total	168,427,144	146,463,658

Deutsche Bank AG, India Branches

(Incorporated in Germany with limited liability)

Schedules forming part of the Balance Sheet as on 31 March 2012

In thousands of Indian Rupees		31 March 2012	31 March 2011
Schedule 4 - Borrowings			
1 **Borrowings in India**			
(a) Reserve Bank of India		-	-
(b) Banks		17,889	27,528,976
(c) Other institutions and agencies		10,008,552	15,302,395
		10,026,441	**42,831,371**
2 **Borrowings outside India**			
Banks		2,675,907	5,247,453
		2,675,907	**5,247,453**
	Total	**12,702,348**	**48,078,824**
Secured borrowings included in 1 and 2 above		**3,808,552**	**9,102,395**
Schedule 5 - Other Liabilities and Provisions			
1 Bills payable		3,991,469	3,559,243
2 Inter-office adjustments - branches in India (net)		-	32,788
3 Interest accrued		1,110,364	1,233,884
4 Provision for taxation (net of tax paid in advance / tax deducted at source)		-	-
5 Others (including provisions) (Refer Schedule 18 Note-4a)		36,043,162	31,680,539
	Total	**41,144,995**	**36,506,454**
Schedule 6 - Cash and Balances with Reserve Bank of India			
1 Cash in hand (including foreign currency notes)		181,783	153,146
2 Balances with Reserve Bank of India			
(a) in current account		30,097,216	10,668,190
(b) in other accounts			-
	Total	**30,278,999**	**10,821,336**
Schedule 7 - Balances with Banks and Money at Call and Short Notice			
1 **In India**			
(a) Balances with banks			
i. in current accounts		127,878	147,027
ii. in other deposit accounts (including with financial institutions)		-	-
(b) Money at call and short notice			
i. with banks		-	-
ii. with other institutions		-	-
2 **Outside India**			
(a) in current accounts		3,440,131	3,436,231
(b) in deposit accounts		-	-
(c) Money at call and short notice		-	-
	Total	**3,568,009**	**3,583,258**
Schedule 8 - Investments			
Investments in India in:			
1 Government securities		51,349,384	54,130,571
2 Other approved securities		-	50
3 Shares		716,843	497,581
4 Debentures and bonds		7,561,150	8,621,099
5 Others (Includes Commercial Papers, Certificate of Deposit and Security Receipts)		24,730,095	23,423,185
Gross Investments in India		**84,357,472**	**86,672,486**
Less : Provision for depreciation on investments		(142,303)	(688,968)
	Total	**84,215,169**	**85,983,518**

Deutsche Bank AG, India Branches

(Incorporated in Germany with limited liability)

Schedules forming part of the Balance Sheet as on 31 March 2012

In thousands of Indian Rupees		31 March 2012	31 March 2011
Schedule 9 - Advances			
1 (a) Bills purchased and discounted		12,226,068	37,691,773
(b) Cash credits, overdrafts and loans repayable on demand		79,987,029	77,368,870
(c) Term loans		33,275,817	27,876,860
	Total	125,488,914	142,937,503
2 (a) Secured by tangible assets (includes advances against book debts)		40,249,781	40,178,591
(b) Covered by bank / Government guarantees		13,038,079	5,912,892
(c) Unsecured		72,201,054	96,846,020
	Total	125,488,914	142,937,503
3 Advances in India			
(a) Priority sector (including export finance)		31,234,913	46,112,821
(b) Public sector		882,729	6,012,556
(c) Banks		9,182,591	33,657,073
(d) Others		84,188,681	57,155,053
	Total	125,488,914	142,937,503
Non performing advances (net) as a % of Total advances (net), classified as per Reserve Bank of India guidelines		**0.0906%**	**0.2316%**
Schedule 10 - Fixed Assets			
1 **Premises (including leasehold improvements)**			
(a) Cost as on 31st March of the preceding year		1,519,163	1,481,038
(b) Additions during the year		6,141	62,364
(c) Deductions during the year		(720)	(24,239)
(d) Accumulated depreciation to date (Refer Schedule 18 Note-4o)		(742,548)	(639,132)
		782,036	880,031
2 **Other Fixed Assets (including furniture and fixtures)**			
(a) Cost as on 31st March of the preceding year		1,702,770	1,835,864
(b) Additions during the year		88,966	154,177
(c) Deductions during the year		(28,822)	(287,271)
(d) Accumulated depreciation to date (Refer Schedule 18 Note-4o)		(1,427,866)	(1,274,031)
		335,048	428,739
3 **Capital Work-in-progress**		112,688	-
	Total	1,229,772	1,308,770
Schedule 11 - Other Assets			
1 Inter-office adjustments - branches in India (net)		-	-
2 Interest accrued		2,936,361	2,103,835
3 Tax paid in advance / tax deducted at source (net of provision for taxation)		2,416,469	1,983,808
4 Stationery and stamps		340	2,730
5 Others (including deferred tax - Refer Schedule 18 Note - 4c)		36,122,778	38,073,302
	Total	41,475,948	42,163,675

Deutsche Bank AG, India Branches

(Incorporated in Germany with limited liability)

Schedules forming part of the Balance Sheet as on 31 March 2012

In thousands of Indian Rupees		31 March 2012	31 March 2011
Schedule 12 - Contingent Liabilities			
1	Claims against the Bank not acknowledged as debts (including tax related matters)	1,243,949	1,954,594
2	Liability on account of outstanding forward exchange contracts	4,128,470,326	2,634,952,953
3	Guarantees given on behalf of customers		
	(a) In India	62,353,403	51,481,369
	(b) Outside India	15,361,377	13,237,081
4	Acceptances, endorsements and other obligations	102,149,069	64,673,211
5	Bills rediscounted	50,952,691	22,506,925
6	Other Items for which the Bank is contingently liable		
	(a) Swaps	5,266,269,085	6,215,482,418
	(b) Options	257,644,205	290,027,301
	(c) Futures	22,838,449	2,324,833
	Total	9,907,282,554	9,296,640,685

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2012

In thousands of Indian Rupees		Year ended 31 March 2012	Year ended 31 March 2011
Schedule 13 - Interest Earned			
1 Interest/discounts on advances/bills		17,598,769	11,589,902
2 Income on investments		6,314,003	6,270,208
3 Interest on balances with Reserve Bank of India and other interbank funds		22,577	824,772
4 Others		46,598	116,726
	Total	23,981,947	18,801,608
Schedule 14 - Other Income			
1 Commission, exchange and brokerage (net) (including custodial and depository income)		5,867,386	5,197,740
2 (Loss) on sale of investments (net)		(879,306)	(1,717,387)
3 (Loss) on sale of land, building and other assets (net) including write off		(1,156)	(18,504)
4 Profit on exchange transactions (net)		1,658,618	6,379,531
5 Miscellaneous (Loss) / Income (Refer Schedule 18 Note-4u)		884,082	(36,778)
	Total	7,529,624	9,804,602
Schedule 15 - Interest Expended			
1 Interest on deposits		3,726,998	2,375,581
2 Interest on Reserve Bank of India and other interbank borrowings (including from other money market participants)		2,169,237	2,238,871
3 Others		1,438	1,651
	Total	5,897,673	4,616,103
Schedule 16 - Operating Expenses			
1 Payments to and provisions for employees (Refer Schedule 18 Note-4j) (net of cost recoveries)		4,948,839	5,465,121
2 Rent, taxes and lighting (Refer Schedule 18 Note-4d) (net of cost recoveries)		379,548	475,231
3 Printing and stationery		77,413	73,381
4 Advertisement and publicity		79,415	197,228
5 Depreciation on bank's property		280,042	336,962
6 Auditors' fees and expenses (includes Rs 962 thousands (previous year Rs 3,505 thousands) paid to auditors in the current year for tax representation and advice on taxation matters)		4,371	6,655
7 Legal charges		13,422	39,097
8 Postage, telegrams, telephones, etc.		244,536	340,033
9 Repairs and maintenance		355,308	447,585
10 Insurance		288,360	276,931
11 Head office charges		1,471,183	1,572,813
12 Other expenditure (net of cost recoveries)		2,409,704	2,003,375
	Total	10,552,141	11,234,412
Schedule 17 - Provision and Contingencies			
1 Provision for loan loss (net)		(219,299)	(130,527)
2 Provision / (write back) for contingent credit exposures		(103,169)	103,169
3 Provision made on sale of NPA		-	427,500
4 Provision for standard assets		794,616	-
5 Provision / (write back) for country risk		19,503	(17,914)
6 Bad debts written off (net of recoveries)		167,924	877,056
7 Provision / (write back) for depreciation on investments		(546,665)	(400,915)
8 Investment written off		7,580	-
9 Provision for :			
(a) Income tax		6,774,022	5,508,720
(b) Fringe benefit tax		-	(606)
10 Deferred tax (Refer Schedule 18 Note-4c)		(65,955)	87,877
	Total	6,828,557	6,454,360

Schedule 18 : Notes forming part of the financial statements of the India Branches

for the year ended 31 March 2012

1. Background

The accompanying financial statements for the year ended 31 March 2012 comprise accounts of the India Branches of Deutsche Bank AG (the 'Bank') which is incorporated in Germany with limited liability.

2. Basis of preparation and use of estimates

The financial statements have been prepared and presented under the historical cost convention and on accrual basis of accounting, unless otherwise stated, and are in accordance with the generally accepted accounting principles and statutory provisions prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') and Accounting Standards ('AS') prescribed by the Companies (Accounting Standards) Rules, 2006 ('CASR') to the extent applicable and conform to the statutory requirements prescribed by the Reserve Bank of India ('RBI') from time to time and current practices prevailing within the banking industry in India.

The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent liabilities as at the date of the financial statements. Actual results could differ from those estimates. Any revision to the accounting estimates is recognized in the current and future periods as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Foreign currency translation

Foreign currency assets, liabilities and contingent liabilities on account of guarantees, endorsements and other outstanding are translated at the Balance Sheet date at rates notified by the Foreign Exchange Dealers Association of India ('FEDAI'). Revenue and expenses in foreign currency are translated at the rates prevailing on the date of the transaction. All profits/losses resulting from year-end revaluations are included in the Profit and Loss Account.

b. Investments

i. Investments are categorized as Held to Maturity ('HTM'), Available for Sale ('AFS') and Held for Trading ('HFT') in accordance with the RBI guidelines based on intent at the time of acquisition. However, for disclosure in the Balance Sheet, these are classified as Government securities, other approved securities, Shares, Debentures and bonds, investment in subsidiaries / joint ventures and other investments. These are valued in accordance with extant RBI guidelines.

3. Significant accounting policies *(Continued)*

b. Investments *(Continued)*

ii. Investments under HTM are carried at acquisition cost. The premium, if any, is amortised over the remaining life of the security on a straight line basis, while discount, if any, is ignored. Profit on sale of HTM securities is appropriated to Capital Reserve net of income tax and statutory reserve while loss, if any, is charged to the Profit and Loss Account.

iii. Investments under AFS and HFT categories are revalued periodically at the market price or fair value as declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA"). Securities under each category are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net depreciation, if any, is provided for and net appreciation, if any, is ignored. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification.

iv. Treasury bills, commercial paper and certificate of deposits, being discounted instruments, are valued at carrying cost.

v. The market/ fair value applied for the purpose of periodical valuation of quoted investments included in the AFS and HFT categories is the market price of the scrip as available from the trades/ quotes on the stock exchanges, Subsidiary General Ledger ('SGL') account transactions, the price list published by the RBI or the prices periodically declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA").

vi. The market/ fair value of unquoted government securities included in the AFS and HFT category is determined as per the FIMMDA guidelines. Further, in the case of unquoted fixed income securities (other than government securities), valuation is carried out by applying an appropriate mark-up (reflecting associated credit risk as estimated by the Bank) over the Yield to Maturity ('YTM') rates of government securities of similar tenor. Such mark up and YTM rates applied are as per the relevant rates published by FIMMDA.

vii. Investments in security receipts issued by asset reconstruction companies have been valued at the latest net asset values ("NAV") obtained from the asset reconstruction companies.

viii. Investments in pass through certificates have been valued by adopting base yield curve and corporate bond spread relative to weighted average maturity of the security.

ix. Quoted equity shares are valued at their closing price on a recognized stock exchange. Unquoted equity shares are valued at the book value if the latest balance sheet is available, else, at Re. 1 per company, as per relevant RBI guidelines.

x. Cost of investments is based on the weighted average cost method.

xi. Broken period interest paid at the time of acquisition of the security has been charged to the Profit and Loss Account.

xii. Brokerage, commission, etc. paid at the time of purchase / sale is charged to the Profit and Loss Account.

3. Significant accounting policies *(Continued)*

b. Investments *(Continued)*

xiii Repurchase and reverse repurchase transactions are considered as borrowing contracts and lending contracts, respectively, in accordance with the extant RBI guidelines.

xiv. Repurchase and reverse repurchase transactions with the RBI under the Liquidity Adjustment Facility ("LAF") are accounted for as secured borrowing and lending transactions, respectively.

xv. The bank follows value date accounting for valuation of investments.

xvi. Transfer of investments between categories is accounted in accordance with the extent RBI guidelines

a) Transfer from AFS/HFT to HTM is made at the lower of book value or market value at the time of transfer.
b) Transfer from HTM to AFS/HFT is made at acquisition price/book value if originally placed in HTM at a discount and at amortised cost if originally placed in HTM at a premium.
c) Transfer from AFS to HFT category or vice-versa is made at book value and the provisions for the accumulated depreciation, if any, held is transferred to the provisions for depreciation against the HFT securities and vice-versa.

c. Derivatives transactions

i. The Bank enters into derivative contracts such as interest rate swaps, currency swaps, currency futures, foreign currency-rupee options, cross currency options and foreign exchange forward contracts for hedging or trading purposes.

ii. All derivative transactions are reported on a mark to market basis in the financial statements, except in the case of derivatives undertaken as hedges for risk arising from on Balance Sheet / off Balance Sheet exposures. The mark to market is performed based on the valuation procedures described in para 4 (m) of the Notes to the Accounts. The unrealized gains/losses are incorporated in the Profit and Loss Account and the corresponding amounts are reflected as trading assets/liabilities respectively in the Balance Sheet.

iii. The accounting for derivatives transactions undertaken as hedges is as follows:

Derivative contracts that hedge interest bearing assets or liabilities are valued for in the same manner as the underlying asset or liability.

Gains or losses on the termination of derivative transaction would be recognised when the offsetting gain or loss is recognised on the underlying asset or liability. This implies that any gain or loss on the terminated derivative would be deferred and recognised over the shorter of the remaining contractual life of the derivative or the remaining life of the asset/liability.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

3. Significant accounting policies *(Continued)*

c. Derivatives transactions *(Continued)*

iv. Overdue receivables under derivative contracts are identified and recognised through the Profit and Loss Account in accordance with the applicable RBI guidelines.

v. Foreign exchange contracts outstanding at the Balance Sheet date are marked to market at rates notified by FEDAI for specified maturities, suitably interpolated for in-between maturity contracts as specified by FEDAI. Contracts of maturities over 12 months (Long Term Forex Contracts) are marked to market at rates derived from the Reuters curve for that respective currency. The resulting profits or losses are recognized in the Profit and Loss Account.

vi. In case of foreign currency rupee option trades, the premium received / paid is reflected on the Balance Sheet and recognized in the Profit and Loss Account only on maturity of trade.

d. Advances and provision for advances

i. Advances are stated after deduction of borrowings on inter-bank participation certificate with risk, interest in suspense, bills rediscounting and provisions on non-performing advances.

ii. Non-performing advances are identified by periodic appraisals of the portfolio by the management and appropriate provisions are made which meets the prudential accounting norms prescribed by the RBI for asset classification, income recognition, and provisioning after considering subsequent recoveries.

iii. For standard assets, general provision has been made as prescribed by the RBI. In addition, the Bank also maintains a general provision to cover potential credit losses which are inherent in any loan portfolio but, not yet identified, which is disclosed under 'Other liabilities and provisions– Others'.

iv. Purchase / sale of non performing assets are reflected in accordance with the RBI regulations. Provisioning for non performing assets purchased is made appropriate to the asset classification status determined in accordance with the said guidelines. In case of sale of non-performing assets at a price below the net book value, the loss is debited to the Profit and Loss Account whereas in case of a sale at higher than the net book value, the excess provision is not reversed but retained to meet the shortfall / loss on account of sale of other non performing financial assets. Recovery in respect of a non-performing asset purchased is first adjusted against its acquisition cost. Recovery in excess of the acquisition cost is recognized as gain in the Profit and Loss Account.

v. Provision for restructured assets is made in accordance with the applicable RBI guidelines on restructuring of advances by banks.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2012

3. Significant accounting policies *(Continued)*

e. Fixed assets and depreciation

i. Fixed assets are stated at historical cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

ii. Fixed assets other than application software costing less than Rs 30 thousand are written off in the Profit and Loss Account.

iii. Depreciation on fixed assets is provided on straight-line basis over the estimated useful life of the assets as determined by the Management. The rates for this purpose are as follows:

Asset Type	Depreciation rate per annum
Cost of buildings	2.5%
Other fixed assets	
Furniture, fixtures and office equipment	10%
Vehicles	20%
Electronic Data Processing (EDP) hardware	33.33%
Communication equipment	20.00%
Application software	33.33%

iv. Depreciation for the entire month is charged in the month in which the asset is purchased.

v. Depreciation for the entire month is charged in the month of sale if the asset is sold after 15th day of the month. Depreciation is not provided for the month of sale if the asset is sold on or before 15th of the month.

vi. Leasehold improvements are depreciated over the residual period of the lease or over a period of 10 years whichever is shorter.

vii. Software which is capitalized as part of fixed assets is depreciated on a straight-line basis over its estimated useful life.

viii. If at the Balance Sheet date there is an indication that an impairment of fixed assets exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

ix. Leasehold land and building thereon is amortised over the period of lease. The lease period of land, acquired by the Bank from Brihanmumbai Municipal Corporation ('BMC') on which the Bank has two buildings has expired in September 2001 & September 2004 respectively. The Bank has applied for renewal of the lease and the Bank's solicitor has advised that it is a normal market practice that the lease would get renewed at least for another 30 years. Accordingly, the Bank has amortised the leasehold land and building thereon of Rs 689,647 thousands upto September 2031 and September 2034 respectively.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

3. Significant accounting policies *(Continued)*

f. Lease transactions:

Lease of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Profit and Loss Account over the lease term.

g. Income recognition

i Revenue is recognised in accordance with the requirements of AS-9 'Revenue Recognition' prescribed in the CASR to the extent applicable Interest income is recognised in the Profit and Loss Account on an accrual basis, except in the case of interest on non-performing assets which is recognised on receipt basis as per income recognition and asset classification norms of RBI and in accordance with AS 9.

ii. Fee and commission income is recognised when due.

h. Staff benefits

i. The Bank pays gratuity to employees who retire or resign after a minimum period of five years of continuous service. The Bank's Contributory Gratuity Scheme bestows benefits to employees which are generally higher than those under the Payment of Gratuity Act, 1972. The Bank makes contributions to a separate gratuity fund at the rate of 8.33% of the basic salary on monthly basis subject to the adjustment based on an actuarial valuation. This fund is recognized by the Income-tax authorities and administered by a trust. Gratuity Scheme is treated as defined benefit plan and provision for gratuity expenses are made based on independent actuarial valuation conducted by a qualified actuary at year-end.

ii. Bank contributes 12% of basic salary as employer's contribution towards Provident Fund which is administered by a trust. This Provident Fund is classified as a defined benefit plan under AS 15, Employee benefits (revised) as the same is created with a guaranteed return linked with that under Employees Provident Fund ('EPF') Scheme, 1952. The trust retains the amount earned in excess of guaranteed rate in a separate account (Surplus account) to finance the future shortfall, if any. During the year the actuary has estimated the present value obligations (PVO) of the future guaranteed rate(s) of interest as per the guidance from the Institute of Actuaries of India in this regard. The Bank has, accordingly, debited the amount of PVO less the fair value of surplus account to the Profit and Loss Account for the year.

iii. Provision for compensated absences, pre-retirement leave and long term awards are made based on independent actuarial valuation conducted by a qualified actuary at year-end. Provision for compensated absences includes provision for pre-retirement leave.

3. Significant accounting policies *(Continued)*.

h. Staff benefits *(Continued)*

iv. The eligible employees of the Bank have been granted stock awards under various plans of equity shares of the ultimate holding company, Deutsche Bank AG. As per the various plans, these stock awards vest in installments (tranches) over multi year periods. During the year, the Bank has charged an amount pertaining to these under the head "Payments to and provisions for employees" as compensation cost.

v. Actuarial gains/losses are immediately taken to the profit and loss account.

i. Taxation

i. Income tax expense comprises the current tax (i.e. amount of tax for the year, determined in accordance with the Income Tax Act, 1961 and the rules framed there under) and the deferred tax charge or credit comprises the tax effects of timing differences between accounting income and taxable income for the year.

ii. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.

iii. Deferred tax assets are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realised.

j. Provisions and contingent liabilities

i. The Bank creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

ii. Provisions are reviewed at each Balance-Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

3. Significant accounting policies *(Continued)*

k. Debit Card Reward Points

The Bank estimates the probable redemption of debit card reward points using an actuarial method by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

4. Notes to financial statements

a. Provision for standard assets

Other liabilities and provisions – Others (Schedule 5.5) includes

(In Rs.'000)

Particulars	31 March 2012	31 March 2011
Provisions on Standard Assets	1,730,914	936,298

b. Investments

(In Rs.'000)

Items	31 March 2012	31 March 2011
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	84,357,472	86,672,486
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	(142,303)	(688,968)
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	84,215,169	85,983,518
(b) Outside India.	-	-
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance (as on April 1)	688,968	1,089,883
(ii) Add: Provisions made during the year	-	-
(iii) Less: Write-off/ (write-back) of excess provisions during the year	(546,665)	(400,915)
(iv) Closing balance (as on March 31)	142,303	688,968

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

b. Investments *(Continued)*

Investments – Government securities (Schedule 8.1) include:

1) Government securities amounting to Rs. 12,200,000 thousand representing face value (Previous year: Rs. 11,700,000 thousand) are collateral holdings parked with Clearing Corporation of India Limited ('CCIL') for securities segment and Collateralized Borrowing and Lending Obligation ('CBLO') segment.

2) Government securities amounting to Rs Nil (Previous year Rs. Nil representing face value) are repoed under LAF with RBI.

3) Government securities amounting to Rs. 4,700,000 thousand representing face value (Previous year: Rs. 6,750,000 thousand) are deposited with RBI in Intra Day Liquidity (IDL) for availing Real Time Gross Settlement ('RTGS').

c. Deferred tax

Deferred tax are accounted for on the basis of AS 22 - 'Accounting for Taxes on Income' prescribed in the CASR. Component of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

(In Rs.'000)

Particulars	31 March 2012	31 March 2011
Provision for bad and doubtful debts	**1,074,487**	971,682
Depreciation on fixed assets	**12,884**	(5,197)
Expenses allowable in the year of payment of withholding tax	**3,625**	7,329
Provision for staff compensation and benefits	**247,396**	289,832
Others	**304,333**	313,124
Deferred tax asset	**1,642,725**	1,576,770

d. Operating leases

Disclosures as required by AS 19 - 'Leases' prescribed in the CASR pertaining to leasing arrangement entered into by the Bank are given below:-

i. Cancellable leasing arrangement for premises: Total lease rental of Rs.127,704 thousand (Previous year: Rs. 159,392 thousand) has been included under Operating expenses – Rent, taxes and lighting (Schedule 16.2) in the Profit and Loss Account.

ii. Non-cancellable leasing arrangement for premises: Total lease rental of Rs. 122,955 thousand (Previous year: Rs. 180,763 thousand) has been included under the head Operating expenses – Rent, taxes and lighting (Schedule 16.2) in the Profit and Loss Account.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

iii. Non-cancellable leasing arrangement for vehicles: Total lease rental of Rs. 25,913 thousand (Previous year: Rs. 25,404 thousand) has been included under the head Operating expenses – Other expenditure (net of cost recoveries) (Schedule 16.12) in the Profit and Loss Account.

The future minimum lease payments under non-cancellable operating lease are as follows:

(In Rs.'000)

Particulars	31 March 2012	31 March 2011
Not later than one year	146,667	170,525
Later than one year and not later than five years	187,701	367,492
Later than five years	-	-

e. **Capital adequacy ratio**

As per the guidelines for implementation of the new capital adequacy framework issued on 27 April 2007, the RBI has directed foreign banks to migrate to the revised framework for capital computation under Basel II with effect from 31 March 2008. The migration is required to be carried out in a phased manner where under, banks are required to compute their capital requirement under Basel I and Basel II. The capital ratio as per Basel II is 14.12% and under Basel I is 15.10%. The minimum capital to be maintained by banks under the revised framework is subject to the prudential floor of 80% of the capital requirement under Basel I

The capital adequacy ratio of the Bank, calculated under the RBI guidelines (Basel II capital requirement being higher) is set out below:

(In Rs.'000)

Year ended	31 March 2012	31 March 2011
Tier I capital	54,326,449	47,792,517
Tier II capital	3,490,230	2,438,394
Total capital	57,816,679	50,230,911
Total risk weighted assets and contingents	409,540,698	334,273,164
Capital ratios (per cent)		
CRAR - Tier I capital	13.27	14.30
CRAR -Tier II capital	0.85	0.73
Total Capital	14.12	15.03
Subordinated debt included in Tier II Capital for Capital adequacy	-	-

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

f. Business ratios/information

Year ended	31 March 2012	31 March 2011
Interest income as a percentage of working funds$	7.50%	5.81%
Non-interest income as a percentage of working funds$	2.36%	3.03%
Operating profit as a percentage of working funds $	4.71%	3.94%
Return on assets #	2.58%	1.95%
Business per employee (in Rs. 000's) *@	215,631	198,876
Profit per employee (in Rs. 000's) *	6,094	4,337

$ Working funds to be reckoned as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.

 # Return on Assets would be with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).

@ For the purpose of computation of business per employee (deposits plus advances) interbank deposits are excluded.

** Productivity ratios are based on year end employee numbers.*

g. Additional disclosure in terms of RBI circulars:

i. Issuer composition of non statutory liquidity ratio ("SLR") investments

(In Rs.'000)

Issuer 31 March 2012	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
Public sector undertakings	781,683	-	-	-	-
Financial Institutions(FIs)	292,709	-	-	-	-
Banks	24,191,555	-	-	-	-
Private Corporates	7,203,601	6,716,791	-	-	-
Subsidiaries / Joint Ventures	-	-		-	-
Others (including SC/ARC)	538,540	538,540	-	-	538,540
Provision held towards depreciation	(89,422)	(85,552)	-	-	-
Total	**32,918,666**	**7,169,779**	-	-	**538,540**

Amounts reported under the above columns are not mutually exclusive

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

g. Additional disclosure in terms of RBI circulars *(continued)*

(In Rs'000)

Issuer 31 March 2011	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
Public sector undertakings	-	-	-	-	-
Financial Institutions(FIs)	5,278,681	-	-	-	-
Banks	22,579,600	-	-	-	-
Private Corporates	4,070,785	5,147,581	-	-	-
Subsidiaries / Joint Ventures	-	-		-	-
Others (including SC/ARC)	612,799	612,799	-	-	612,799
Provision held towards depreciation	(10,816)	(10,580)	-	-	-
Total	**32,531,049**	**5,749,800**	-	-	**612,799**

Amounts reported under the above columns are not mutually exclusive.

ii. Details of repo / reverse repo deals done during the year:

(In Rs. '000)

31 March 2012	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As on 31 March 2012
Securities sold under repos	-	24,665,182	6,385,506	-
(i) Government securities	-	24,665,182	6,385,506	-
(ii) Corporate debt Securities	-	-	-	-
Securities purchased under reverse repo	-	8,330,142	77,857	-
(i) Government securities	-	8,330,142	77,857	-
(ii) Corporate debt Securities	-	-	-	-

(In Rs. '000)

31 March 2011	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As on 31 March 2011
Securities sold under repos	-	25,509,043	8,121,318	-
(i) Government securities	-	25,509,043	8,121,318	-
(ii) Corporate debt Securities	-	-	-	-
Securities purchased under reverse repo	-	56,632,435	13,040,217	-
(i) Government securities	-	56,632,435	13,040,217	-
(ii) Corporate debt Securities	-	-	-	-

The above figures exclude Repo & Reverse Repo transactions under LAF done with RBI.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

g. Additional disclosure in terms of RBI circulars: *(Continued)*

iii. Movement in non-performing non-SLR investments

(In Rs.'000)

Particulars	31 March 2012	31 March 2011
Opening Balance	10,580	10,580
Reductions during the year	7,580	-
Closing Balance	3,000	10,580
Total Provisions held	3,000	10,580

iv. Exposure to Real Estate sectors:

(In Rs.'000)

Category	31 March 2012	31 March 2011
a) Direct exposure		
(i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented [includes an amount of Rs 511,511 thousand (Previous year Rs 494,993 thousand) pertaining to individual housing loans eligible for priority sector advances];	22,223,130	15,867,378
(ii) Commercial Real Estate* – Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	7,291,414	5,803,003
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures – a. Residential, b. Commercial Real Estate.	-	-
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	6,319,241	6,605,120
TOTAL	35,833,785	28,275,501

* *Commercial Real Estate exposure has been computed and reported in accordance with RBI circular 'Guidelines on Classification of Exposures as Commercial Real Estate (CRE) Exposures' reference DBOD.BP BC.No. 42 / 08.12.015/ 2009-10 dated September 9, 2009.*

4. Notes to financial statements *(Continued)*

g. Additional disclosure in terms of RBI circulars: *(Continued)*

v. Exposure to Capital Market

(In Rs.'000)

Items	31 March 2012	31 March 2011
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	716,843	497,581
(ii) advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	19,644	37,860
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds 'does not fully cover the advances;	3,543,463	3,481,770
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	1,400,100	1,410,000
(vi) loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows/issues;	-	-
(viii) underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix) financing to stockbrokers for margin trading;	-	-
(x) all exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	**5,680,050**	5,427,211

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

g. Additional disclosure in terms of RBI circulars: *(Continued)*

vi. There was no restructuring of loans in relation to sub-standard assets during the year. The amount outstanding as on 31 March 2012 in respect of loan assets subjected to restructuring during the year is Rs. 493 thousand (Previous year Rs. 4,878 thousand) in relation to standard assets.

(In Rs.'000)

		31 March 2012			31 March 2011		
	Particulars of Accounts Restructured	CDR Mechanism	SME Debt Restructuring	Others	CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	-	-	1	-	-	51
	Amount outstanding	-	-	493	-	-	4,878
	Sacrifice (diminution in the fair value)	-	-	-	-	-	141
Sub standard advances restructured	No. of Borrowers	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-	-	-	-
Doubtful advances restructured	No. of Borrowers	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-	-	-	-
Total	No. of Borrowers	-	-	1	-	-	51
	Amount outstanding	-	-	493	-	-	4,878
	Sacrifice (diminution in the fair value)	-	-	-	-	-	141

vii. No penalties have been imposed on the Bank during the year by the RBI (previous year Rs 500 thousand).

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

g. Additional disclosure in terms of RBI circulars: ***(Continued)***

viii. Movements in non-performing assets (NPAs):

(In Rs.'000)

Movement in NPAs (funded)	31 March 2012	31 March 2011
(i) Net NPAs to Net Advance (%)	**0.0906%**	0.2316%
(ii) Movement of Gross NPAs		
a) Opening balance	**1,785,162**	2,608,107
b) Additions during the year	**195,763**	946,752
c) Reductions during the year	**(632,430)**	(1,769,697)
d) Closing Balance	**1,348,495**	1,785,162
(iii) Movement of Net NPAs		
a) Opening balance	**331,069**	1,023,487
b) Additions during the year	**113,899**	626,861
c) Reductions during the year	**(331,267)**	(1,319,279)
d) Closing Balance	**113,701**	331,069
(iv) Movement of Provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	**1,454,093**	1,584,620
b) Provisions made during the year	**81,864**	319,891
c) Write off/ write back of excess provisions during the year	**(301,163)**	(450,418)
d) Closing Balance	**1,234,794**	1,454,093

ix. (a) Details of assets sold to securitisation / Reconstruction Company for asset reconstruction

(In Rs.'000)

Item	31 March 2012	31 March 2011
No. of accounts		
Aggregate value(net of provisions) of accounts sold to SC/RC	-	-
Aggregate consideration	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value.	-	-

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

g. Additional disclosure in terms of RBI circulars: *(Continued)*

(b) Details of non-performing financial assets purchased:

(In Rs.'000)

			31 March 2012	31 March 2011
1	(a)	No. of accounts purchased during the year	-	-
	(b)	Aggregate outstanding	-	-
2	(a)	Of these, number of accounts restructured during the year	-	-
	(b)	Aggregate outstanding	-	-

(c) Details of non-performing financial assets sold / settled:

(In Rs.'000)

	31 March 2012	31 March 2011
1. No. of accounts sold settled	-	-
2. Aggregate outstanding	-	-
3. Aggregate consideration received	-	-

x. 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account:

(In Rs.'000)

Particulars	31 March 2012	31 March 2011
Provisions/ (write back) for depreciation on Investment	(546,665)	(400,915)
Provision towards NPA (net)	(219,299)	(130,527)
Provision/ (write back) for contingent credit exposures	(103,169)	103,169
Provision made on sale of NPA	-	427,500
Bad debts written off (net of recoveries)	167,924	877,056
Provision towards standard assets	794,616	-
Provision/ (write back) towards country risk	19,503	(17,914)
Provision made towards Income tax	6,774,022	5,508,720
Investment written off	7,580	-
Other Provision and Contingencies (with details):		
Deferred tax	(65,955)	87,877
Fringe benefit tax	-	(606)
Total	6,828,557	6,454,360

4. Notes to financial statements *(Continued)*

g. Additional disclosure in terms of RBI circulars: *(Continued)*

xi. Maturity pattern of assets and liabilities (based on residual maturity)

(In Rs. '000)

Maturity Bucket (31 Mar 2012)	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	12,816,666	13,439,871	6,529,773	3,850,375	7,448,183	7,742,012	18,252,395	98,273,639	73,268	962	168,427,144
Advances	54,213,911	1,463,668	1,496,126	1,495,198	3,950,941	2,704,974	5,170,336	33,897,236	3,786,297	17,310,227	125,488,914
Investments (Gross)	11,618,394	5,532,130	887,083	2,235,341	7,526,349	1,945,421	22,982,255	24,288,406	5,705,891	1,636,202	84,357,472
Borrowings	18,197	4,876,927	-	-	-	1,026,590	-	6,780,634	-	-	12,702,348
Foreign Currency Assets	5,462,766	29,015	516,662	1,619,529	3,481,157	7,043,715	5,552,248	1,759	-	-	23,706,851
Foreign Currency Liabilities	21,979,713	1,070,534	19,894	214,818	276,482	1,917,300	4,335,352	5,635,738	-	-	35,449,831

(In Rs. '000)

Maturity Bucket (31 Mar 2011)	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	22,161,054	4,874,732	2,606,041	33,202,901	29,762,314	35,839,964	16,738,808	1,236,300	40,338	1,206	146,463,658
Advances	38,710,680	7,226,166	7,165,418	10,935,845	37,303,810	10,319,667	7,914,913	11,093,036	2,570,535	9,697,433	142,937,503
Investments (Gross)	22,387,274	5,539,565	1,389,165	6,823,802	9,321,267	18,468,895	12,518,079	5,068,721	7,908	5,147,810	86,672,486
Borrowings	5,257,654	24,621,170	5,500,000	5,500,000	1,000,000	-	-	6,200,000	-	-	48,078,824
Foreign Currency Assets	11,123,184	5,180,439	4,364,843	6,350,622	1,434,477	1,264,870	51,420	-	-	-	29,769,855
Foreign Currency Liabilities	28,346,409	7,095,838	3,808,707	5,866,643	30,910	56,908	1,265,083	9,432	-	-	46,479,930

Classification of assets and liabilities under the different maturity buckets are compiled by management based on the guidelines issued by the RBI and are based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI and which have been relied upon by the Auditors.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

g. Additional disclosure in terms of RBI circulars: *(Continued)*

xii. Customer complaints

Customer complaints	31 March 2012	31 March 2011
(a) No. of complaints pending at the beginning of the year	99	132
(b) No. of complaints received during the year	6,446*	10,811
(c) No. of complaints redressed during the year	6,377*	10,844
(d) No. of complaints pending at the end of the year	168	99
Unimplemented awards of Banking Ombudsman		
(a) No. of unimplemented awards at the beginning of the year	-	-
(b) No. of Awards passed by the Banking Ombudsman during the year	-	-
(c) No. of Awards implemented during the year	-	-
(d) No. of unimplemented Awards at the end of the Year	-	-

* The numbers above do not include 623 requests (Previous year 5,580) for resending the card / PIN / Statement etc. as the customers were not available when these were originally sent.

xiii. Concentration of Deposits

(In Rs. '000)

	31 March 2012	31 March 2011
Total Deposits of twenty largest depositors	59,700,443	61,127,515
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	35.45%	41.74%

xiv. Concentration of Advances*

(In Rs. '000)

	31 March 2012	31 March 2011
Total Advances to twenty largest borrowers	128,324,476	97,919,795
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	36.98%	32.15%

*Advances are computed as per definition of Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms excluding exposure to banks.

xv. Concentration of Exposures**

(In Rs. '000)

	31 March 2012	31 March 2011
Total Exposure to twenty largest borrowers/customers	128,324,476	97,919,795
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	24.76%	24.54%

**Exposures are computed based on credit and investment exposure as prescribed in RBI's Master Circular on Exposure Norms excluding exposure to banks

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

g. Additional disclosure in terms of RBI circulars: ***(Continued)***

xvi. Concentration of NPA

(In Rs. '000)

	31 March 2012	31 March 2011
Total Exposure to top four NPA accounts	1,152,360	1,230,903

xvii. Sectorwise NPAs

Sl. No.	Sector	31 March 2012	31 March 2011
		Percentage of NPAs to Total Advances in that sector	
1	Agriculture & allied activities	-	-
2	Industry (Micro & small, Medium and Large)	1.15%	1. 55%
3	Services	1.07%	0.52%
4	Personal Loans#	0.80%	2.47%

Includes retail loans and advances.

xviii. Movement of NPAs

(In Rs. '000)

Particulars	31 March 2012	31 March 2011
Gross NPAs as on 1st April (Opening Balance)	1,785,162	2,608,107
Additions (Fresh NPAs) during the year	195,763	946,752
Sub-total (A)	1,980,925	3,554,859
Less:-		
(i) Up gradations	119,390	241,213
(ii) Recoveries (excluding recoveries made from upgraded accounts)	262,357	464,912
(iii) Write-offs	250,683	1,063,572
Sub-total (B)	632,430	1,769,697
Gross NPAs as on 31st March (closing balance) (A-B)	1,348,495	1,785,162

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

g. Additional disclosure in terms of RBI circulars: *(Continued)*

xix. Overseas Assets, NPAs and Revenue

(In Rs. '000)

Particulars	31 March 2012	31 March 2011
Total Assets	3,440,131	3,436,231
Total NPAs	-	-
Total Revenue	16,955	17,819

xx. There are no off-balance sheet SPVs sponsored by the Bank.

xxi. Provisioning Coverage Ratio as at 31 March 2012 is 91.57% (Previous year: 81.45%).

xxii. The bank does not have any advances secured by intangible assets (previous year NIL)

xxiii. Fees / remuneration received in respect of bancassurance business during the year is Rs. 499,470 thousand (Previous year: Rs 534,942 thousand).

(In Rs. '000)

Particulars	31 March 2012	31 March 2011
For selling life insurance products	**121,107**	139,618
For selling non life insurance products	**1,801**	1,336
For selling Mutual fund products	**341,499**	344,729
For selling PMS products	**35,063**	49,259
Total	**499,470**	534,942

xxiv. No disclosures are required under AS-21 on Consolidated Financial Statements, AS-23 on Accounting for Investments in Associates in Consolidated Financial Statements & AS-24 on Discontinuing Operations.

h. Country risk exposure

(In Rs.'000)

Risk Category	Exposure(net) as at 31 March 2012	Provision held as at 31 March 2012
Insignificant	23,858,284	49,214
Low	8,152,213	8,790
Moderate	2,432	-
High	-	-
Very High	-	-
Restricted	-	-
Off-credit	-	-
Total	32,012,929	58,004

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

h. Country risk exposure *(Continued)*

(In Rs.'000)

Risk Category	Exposure(net) as at 31 March 2011	Provision held as at 31 March 2011
Insignificant	20,991,893	38,501
Low	1,106,289	-
Moderate	1,154	-
High	-	-
Very High	-	-
Restricted	-	-
Off-credit	-	-
Total	**22,099,336**	**38,501**

i. Details of outstanding interest rate swap agreements

(In Rs.'000)

	Items	31 March 2012	31 March 2011
1.	The Notional principal of swap agreements	**5,058,300,496**	**6,046,225,441**
2.	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**6,753,884**	**5,594,123**
3.	Collateral required by the bank upon entering into swaps	**Nil**	Nil
4.	Concentration of credit risk arising from the Swaps %		
	- Banks	**96.05%**	**97.82%**
	- Others	**3.95%**	**2.18%**
	Total	**100.00%**	**100.00%**
5.	The fair value of the swap book	**1,779,186**	**1,718,092**

- Nature and terms of interest rate swaps

(In Rs.'000)

Items	31 March 2012	31 March 2011
Trading – MIBOR*	**3,006,821,108**	4,288,257,184
Trading - MIFOR **	**497,588,947**	411,836,237
Trading - INBMK ***	**99,351,600**	103,623,000
Trading - Others	**85,425,164**	116,350,060
Trading- LIBOR (Dollar)	**1,369,113,677**	1,126,158,960
Total	**5,058,300,496**	6,046,225,441

** Mumbai Interbank Offer Rate*

*** Mumbai Interbank Forward Offer Rate*

**** India Benchmark*

- There were no rupee forward rate agreements ("FRA's") outstanding as at 31 March 2012 and 31 March 2011.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

- During the year (previous year NIL), the Bank has not entered into exchange traded interest derivatives.

j. Employee Benefits

Employee benefits, included under the head Payment to and Provision for Employees, are given below:

(In Rs.`000)

Items	31 March 2012	31 March 2011
1. Provident Fund Contribution*	170,195	181,241
2. Compensated Absences	(17,386)	22,787
3. Long Term Award	4,949	20,466

*Includes deficiency in the interest payable on the contributions as compared to the interest liability as per the statutory rate of Rs. 25,146 thousand (Previous year Rs. 16,993 thousand)

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity is given below.

Particulars	31 March 2012	31 March 2011
Defined benefit obligation	487,083	521,821
Fair value of plan assets	672,542	575,073
Deficit/(Surplus)	(185,459)	(53,252)
Effect of limit on plan surplus	-	-
Unrecognised past service costs	-	-
Deficit/(Surplus)	(185,459)	(53,252)
Changes in present value of defined benefits obligations		
Opening Balance	521,821	406,699
Current service cost	31,212	38,046
Interest cost	42,372	31,729
Past service cost	-	-
Benefits paid	(59,396)	(15,174)
Actuarial (gain)/Loss recognised during the year	(48,926)	60,520
Closing Balance	487,083	521,821
Changes in fair value of plan assets		
Opening Balance	575,073	501,398
Expected return on plan assets	49,905	43,059
Contributions by the Bank	91,992	52,597
Benefits paid	(59,396)	(15,174)
Actuarial (gain)/Loss recognised during the year	14,969	(6,807)
Closing Balance	672,543	575,073
Actual return on plan assets	-	-
Total expense recognised in the profit and loss account in schedule 16(1)		
Current service cost	31,212	38,046

Interest cost	**42,372**	31,729
Past service cost	-	(94,699)
Expected return on plan assets	**(49,905)**	(43,059)
Effect of limit on plan surplus	-	-
Net actuarial (gain)/loss recognised during the year	**(63,895)**	67,327
Expense recognised in the statement of Profit and Loss	**(40,216)**	(656)
Key Assumptions		
Salary Escalation	**10.00%**	15.00%
Discount rate	**8.61%**	7.95%
Expected rate of return on plan assets	**8.00%**	8.00%
Attrition rate	**20.00%**	20.00%

The above information is as certified by the actuary and relied upon by the auditors.

Gratuity Investment Pattern is as follows :

(In Rs.'000)

Particulars	31 March 2012	31 March 2011
Government of India Securities (Central and State)	**0.67%**	0.04%
Corporate Bonds (Including Public Sector Bonds)	**67.66%**	72.19%
Cash (including Deposits)	**25.10%**	26.14%
Others	**6.57%**	1.63%
Total	**100.00%**	100.00%

k. **Segment reporting:**

Segmental reporting disclosures as required by AS 17 - 'Segment Reporting' prescribed by the CASR and in accordance with the guidelines issued by the Reserve Bank of India are given below:

(In Rs.'000)

Business Segments	**Global Markets**	**Commercial Banking**	**Retail Banking**	**Others**	**Total**
Particulars	**For the year ended 31 March 2012**				
Revenue	8,364,106	14,977,252	3,429,256	4,552,541	31,323,155
Less: Inter-segment revenue	(2,055,612)	(1,259,323)	(1,600,062)	4,914,997	-
Income from operations	10,419,718	16,236,575	5,029,318	(362,456)	31,323,155
Results	3,250,521	7,683,772	(21,153)	3,839,711	14,752,851
Unallocated Expenses					
Operating Profit before tax	-	-	-	-	14,752,851
Income Tax, Deferred Tax and Fringe Benefit Tax	-	-	-	-	(6,708,067)
Extraordinary profit/Loss (pre-tax) (Refer Note 4 u)	-	-	188,416	-	188,416
Net Profit after tax	-	-	-	-	8,233,200
Other Information					
Segment Assets	150,207,299	99,793,127	29,276,350	2,920,841	282,197,617
Unallocated Assets	-	-	-	-	4,059,194
Total Assets	-	-	-	-	286,256,811
Segment Liabilities	35,116,729	151,310,990	30,584,460	69,244,632	286,256,811
Unallocated Liabilities	-	-	-	-	-
Total Liabilities	-	-	-	-	286,256,811

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

k. Segment reporting: *(Continued)*

(In Rs.'000)

Business Segments Particulars	Global Markets	Commercial Banking	Retail Banking	Others	Total
		For the year ended 31 March 2012			
Capital expenditure	**14,726**	**17,658**	**8,854**	**166,557**	**207,795**
Depreciation	**92,046**	**143,536**	**44,460**	-	**280,042**
Non cash expenses	**252,828**	**3,822**	**10,527**	-	**267,177**

(In Rs.'000)

Business Segments Particulars	Global Markets	Commercial Banking	Retail Banking	Others	Total
		For the year ended 31 March 2011			
Revenue	10,712,697	12,235,793	3,266,517	2,391,203	28,606,210
Less: Inter-segment revenue	(3,392,838)	1,766,172	(882,472)	2,509,138	-
Income from operations	14,105,535	10,469,621	4,148,989	(117,935)	28,606,210
Results	5,629,135	5,383,868	(1,418,241)	2,302,564	11,897,826
Unallocated Expenses					
Operating Profit before tax	-	-	-	-	11,897,326
Income Tax, Deferred Tax and Fringe Benefit Tax	-	-	-	-	(5,595,991)
Extraordinary profit/Loss	-	-	-	-	-
Net Profit after tax	-	-	-	-	6,301,335
Other Information					
Segment Assets	130,233,689	118,448,802	29,524,357	5,030,634	283,237,482
Unallocated Assets	-	-	-	-	3,560,578
Total Assets	-	-	-	-	286,798,060
Segment Liabilities	89,231,437	123,855,344	19,904,553	53,806,726	286,798,060
Unallocated Liabilities	-	-	-	-	-
Total Liabilities	-	-	-	-	286,798,060
Capital expenditure	11,160	11,612	8,310	185,459	216,541
Depreciation	165,472	122,819	48,671	-	336,962
Non cash expenses	190,407	233,863	776,245	-	1,200,515

In computing the above information, certain estimates, assumptions and adjustments have been made by the Management which has been relied upon by the Auditors.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

k. Segment reporting: *(Continued)*

The Bank has classified its business groups into following segments:

- Global Markets (Treasury)
- Commercial banking
- Retail
- Others

The Bank's operations predominantly comprise of its wholesale business encompassing Global Markets, Lending and Transaction Banking services, retail banking and private and wealth management services.

Global Markets activities encompass trading in forex, derivatives, corporate bonds, government securities, placement of corporate debt in the market and also offering such products to the Bank's corporate and institutional customers.

Commercial banking encompasses transaction banking services, catering to working capital requirement of corporate and custodial services. Principal products offered include loans, deposits, custodial services, trade services and cash management services.

Retail banking activities encompasses raising of deposits from retail customers and catering to loan requirements of such customers. Principal products offered include personal and housing loan, deposits and advisory services.

Others in segment revenue includes revenue earned on account of the notional capital charge and notional cost of fixed asset usage charged to other segments based on internal funds transfer pricing policy of the Bank.

Segment result is net of expenses both directly attributed as well as allocated costs from internal service providers supporting the respective business groups.

Extraordinary income includes profit on sale of credit card business aggregating to Rs. 188,416 thousand (Previous Year: Nil) [Refer Note 4 (u) below].

Assets employed by a segment or assets that are directly attributable to that segment are included in segment assets.

Others in segment assets includes fixed assets, security deposits and pre-paid expenses, the related charge of which are included in the respective segments either as directly attributable or allocated on a reasonable basis.

Liabilities that result from operations of a segment are included in segment liabilities.

Others in segment liabilities include capital, the related notional charges of which are included under the respective segment. The Bank renders its services within one geographical segment and has no offices or significant operations outside India.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

I. Related party disclosure

Related party disclosures as required by AS 18 - 'Related Party Disclosures' prescribed by the CASR and in accordance with the guidelines issued by the Reserve Bank of India are given below:-

Relationships during the year

i. **Head office**

Deutsche Bank AG.

ii. **Associate**

Comfund Consulting Limited

iii. **Other related parties of Deutsche Bank Group where common control exists at group level***

Deutsche Securities (India) Private Limited, Deutsche Trustee Services (India) Private Limited, Deutsche Asset Management (India) Private Limited, Deutsche Investments India Private Limited, Deutsche Investor Services Private Limited, RREEF India Advisors Private Limited, Deutsche CIB Centre Private Limited, Deutsche Equities India Private Limited, Deutsche India Holdings Private Limited, DBOI Global Services Private Limited, Gemini Technology Services Inc., B.V. Matura Handelmaatschappij, DB Servicios México, S.A. de C.V., Deutsche Investment Management Americas Inc., Deutsche Bank (Mauritius) Limited, Deutsche Bank Securities Inc., Deutsche International Corporate Services (Ireland) Limited, Deutsche Group Services Pty Limited, Finanza & Futuro Banca SpA, Deutsche Bank Limited, Moscow, Deutsche Securities Mauritius Limited, Deutsche Securities Korea Co., Deutsche New Zealand Limited, Deutsche Bank (China) Co., Ltd., Deutsche Bank Trust Company Americas, DB Services New Jersey, Inc., Deutsche Bank National Trust Company, DB International (Asia) Limited, DB Service Centre Limited, Deutsche Bank, Sociedad Anónima Española, DWS Investment S.A., Deutsche Bank Securities Limited, Deutsche Bank (Malaysia) Berhad, Deutsche Bank S.A. - Banco Alemão, DB HR Solutions GmbH, DB Group Services (EURO), Deutsche Bank Luxembourg S.A., Deutsche Securities Inc., Deutsche Bank Polska Spólka Akcyjna, Deutsche Bank (Suisse) SA, DB Energy Trading LLC, Deutsche Bank Società per Azioni, DWS Investment GmbH, Deutsche Knowledge Services Pte. Ltd., Deutsche Knowledge Services Pte. Ltd., Manila Branch, Deutsche Asset Management Investmentgesellschaft mbH vormals DEGEF Deutsche Gesellschaft für Fondsverwaltung mbH, Deutsche Bank (China) Co., Ltd., Beijing Branch, Deutsche Bank (China) Co., Ltd., Guangzhou Branch, Deutsche Bank (China) Co., Ltd., Shanghai Branch, DWS Holding & Service GmbH, Deutsche Bank Privat- und Geschäftskunden AG, DB Securities Services NJ Inc., Hanoi Building Commercial Joint Stock Bank, DBOI Global Services (UK) Limited, Deutsche Bank Nederland N.V., DB Consorzio S. Cons. a r. l., DB HedgeWorks, LLC, Deutsche Bank S.A. / N.V., DB Services Americas, Inc., DB Global Processing Services, Inc., DEUTSCHE BANK A.S., Deutsche Bank International Limited,

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

l. Related party disclosure *(Continued)*

Deutsche Bank (Portugal), S.A., Deutsche Bank Zártkörüen Müködö Részvénytársaság, Deutsche Bank S.A., Deutsche Asia Pacific Holdings Pte Ltd, Deutsche Bank Saar AG

*Identification of the above related parties has been performed by the Management which has been relied upon by the Auditors.

iv. **Key management personnel**

Gunit Chadha, Chief Executive Officer, India.

v. Transactions with the related parties in the ordinary course of business (Current year figures are shown in bold. Previous year's figures are shown in brackets) :

(In Rs.'000)

Items/Related Party	Head Office (as per ownership or control) *Note*	Associates / Joint Venture *Note*	Other related party in Deutsche Bank Group	Key Management Personnel *Note*	Relatives of Key Management Personnel	Total
Sale of fixed assets	-	-	-	-	-	-
	-	-	(4,036)	-	-	(4,036)
Purchase of fixed assets	-	-	-	-	-	-
	-	-	-	-	-	-
Interest paid	-	-	**1,596,618**	-	-	**1,596,618**
	-	-	(1,040,030)	-	-	(1,040,030)
Interest received	-	-	**7,095**	-	-	**7,095**
	-	-	(25,517)	-	-	(25,517)
Rendering of services-receipt	-	-	**132,864**	-	-	**132,864**
	-	-	(136,987)	-	-	(136,987)
Receiving of services-payment	-	-	**242,313**	-	-	**242,313**
	-	-	(331,849)	-	-	(331,849)
Management contracts	-	-	**474,353**	-	-	**474,353**
	-	-	(142,504)	-	-	(142,504)
Loss on Derivatives (IRS)	-	-	**39,810**	-	-	**39,810**
	-	-	(3,774)	-	-	(3,774)
Purchase of Securities	-	-	**54,596,741**	-	-	**54,596,741**
	-	-	(228,725,694)	-	-	(228,725,694)
Sale of Securities	-	-	**33,357,371**	-	-	**33,357,371**
	-	-	(191,136,672)	-	-	(191,136,672)
Amount borrowed on repo	-	-	**3,082,248**	-	-	**3,082,248**
	-	-	(7,999,138)	-	-	(7,999,138)
Call Lending	-	-	**2,600,000**	-	-	**2,600,000**
	-	-	(19,744,000)	-	-	(19,744,000)
Amount lent on Reverse Repo	-	-	**1,029,456**	-	-	**1,029,456**
	-	-	(27,957,823)	-	-	(27,957,823)

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2011

4. Notes to financial statements *(Continued)*

l. Related party disclosure *(Continued)*

vi. Balances with related parties are as follows (Current year figures are shown in bold. Previous year's figures are shown in brackets) :

(In Rs.'000)

Items/Related Party	Head office (as per ownership or control) *Note*	Associates /Joint Venture *Note*	Other related party in Deutsche Bank Group	Key Management Personnel *Note*	Relatives of Key Management Personnel	Total
Borrowings	-	-	-	-	-	-
	-	-	(787,953)	-	-	(787,953)
Deposits	-	-	**31,596,746**	-	-	**31,596,746**
	-	-	(23,694,428)	-	-	(23,694,428)
Placement of deposits	-	-	-	-	-	-
	-	-	-	-	-	-
Advances	-	-	**30,525**	-	-	**30,525**
	-	-	(50,000)	-	-	(50,000)
Investments	-	-	-	-	-	-
	-	-	-	-	-	-
Balances with Banks	-	-	**1,477,034**	-	-	**1,477,034**
	-	-	(7,651)	-	-	(7,651)
Non-funded commitments	-	-	**24,932,077**	-	-	**24,932,077**
	-	-	(16,437,899)	-	-	(16,437,899)
Leasing / HP arrangements availed	-	-	-	-	-	-
	-	-	-	-	-	-
Leasing / HP arrangements provided	-	-	-	-	-	-
	-	-	-	-	-	-
Other Asset	-	-	**632,121**	-	-	**632,121**
	-	-	(815,855)	-	-	(815,855)
Other Liability	-	-	**879,481**	-	-	**879,481**
	-	-	(804,321)	-	-	(804,321)

Note: As per the guidance on compliance with the accounting standards by banks issued by the Reserve Bank of India on 01 July 2009, the Bank has not disclosed the details pertaining to the related party where there is only one entity / person in any category of related parties.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

l. Related party disclosure *(Continued)*

vii. Details of maximum balances outstanding with related parties during financial year ended 31 March 2012. (Current year figures are shown in bold. Previous year's figures are shown in brackets):

(In Rs.'000)

Items/Related Party	Head office (as per ownership or control)	Associates/Joint Venture	Other related party in Deutsche Bank Group	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	-	-	**741,121**	-	-	**741,121**
	-	-	(7,427,025)	-	-	(7,427,025)
Deposits	-	-		-	-	
	-	-	**34,204,456**	-		**34,204,456**
			(225,019,121)		-	(225,019,121)
Advances	-	-	**2,832,355**	-	-	**2,832,355**
	-	-	(1,511,206)	-	-	(1,511,206)
Balances with	-	-	**4,290,469**			**4,290,469**
Banks			(225,055,219)	-	-	(225,055,219)
Non-funded	-	-	**32,249,970**	-	-	**32,249,970**
commitments	-	-	(17,817,215)	-	-	(17,817,215)
Other Asset	-	-	**1,449,799**	-	-	**1,449,799**
	-	-	(946,942)	-	-	(946,942)
Other	-	-	**1,599,864**	-	-	**1,599,864**
Liability	-	-	(1,414,639)	-	-	(1,414,639)

Maximum amounts outstanding for the year have been computed based on month-end balances outstanding.

m. Derivatives

The Bank undertakes transactions in derivative products in accordance with the guidelines issued by the Reserve Bank of India. As required by RBI circular DBOD. No. BP. BC.72/21.04.018/2004-05 dated 3 March 2005 the broad risk management framework giving the Bank's business is covered in the below paragraphs.

Risk Management Framework

The wide variety of the Bank's businesses requires it to identify, measure, aggregate and manage its risks effectively, and to allocate capital among the businesses appropriately. The Bank operates as an integrated group through its divisions, business units and infrastructure functions. Risk and capital are managed via a framework of principles, organizational structures and measurement and monitoring processes that are closely aligned with the activities of the divisions and business units:

4. Notes to financial statements *(Continued)*

m. Derivatives *(Continued)*

The Management Board provides overall risk and capital management supervision for its consolidated Group.

- The Bank operates a three-line of defense risk management model whereby business management, risk management oversight and assurance roles are played by functions independent of one another.
- Risk strategy and risk appetite are defined based on the strategic plans in order to align risk, capital, and performance targets.
- Reviews will be conducted across the Group to verify that sound risk management practices and a holistic awareness of risk exists across the organisation and to help each business manage the balance between their risk appetite and reward.
- All major risk classes are managed via risk management processes, including: credit risk, market risk, operational risk, liquidity risk, business risk, reputational risk and risk concentrations.
- Where applicable modeling and measurement approaches for quantifying risk and capital demand are implemented across the major risk classes.
- Effective systems, processes and policies are a critical component of our risk management capability

Risk Management Organisation

The Group's Risk Committee of the Supervisory Board regularly monitors the risk and capital profile of the Group.

The Group's Management Board is responsible for independently managing the company with the objective of creating sustainable value in the interest of its shareholders, employees and other stakeholders. The Board has exclusive responsibility for the day-to-day management of Deutsche Bank Group. It is responsible for defining and implementing comprehensive and aligned business and risk strategies for the Group, as well as establishing well-defined risk management functions and guidelines. The Management Board has delegated certain functions and responsibilities to relevant governance committees, in particular the Capital and Risk Committee (CaR) and Risk Executive Committee (Risk ExCo) chaired by our Chief Risk Officer.

The Group's Chief Risk Officer (CRO), who is a member of the Management Board, and is responsible for the identification, assessment, management and reporting of risks arising within operations across all businesses and risk types. The below functional committees are central to the Risk function.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

m. Derivatives ***(Continued)***

i. The Group's Capital and Risk Committee oversees and controls integrated planning and monitoring of our risk profile and capital capacity, ensuring an alignment of risk appetite, capitalisation requirements and funding needs with the Group, divisional and sub-divisional business strategies.

ii. The Group's Risk Executive Committee identifies controls and manages all risks including risk concentrations at the Group. To fulfill this mandate, the Risk Executive Committee is supported by sub-committees that are responsible for dedicated areas of risk management, including several policy committees and the Group Reputational Risk Committee.

iii. The Group's Cross Risk Review Committee supports the Risk Executive Committee and the Capital and Risk Committee with particular emphasis on the management of Group wide risk patterns. The Cross Risk Review Committee, under a delegation of authority from the Capital and Risk Committee has responsibility for the day-to-day oversight and control of Deutsche Bank Group's Internal Capital Adequacy Assessment Process ("ICAAP") ensuring compliance with respective regulatory requirements and policy setting for local ICAAPs.

Multiple members of the Group's Capital and Risk Committee are also members of the Group Investment Committee, ensuring a close link between both committees as proposals for strategic investments are analyzed by the Group Investment Committee. Depending on the size of the strategic investment it may require approval from the Group Investment Committee, the Management Board or even the Supervisory Board. The development of the strategic investments is monitored by the Group Investment Committee on a regular basis.

Dedicated Risk units are established with the mandate to:

i. Ensure that the business conducted within each division is consistent with the risk appetite that the Capital and Risk Committee has set within a framework established by the Management Board;

ii. Formulate and implement risk and capital management policies, procedures and methodologies that are appropriate to the businesses within each division;

iii. Approve credit, market and liquidity risk limits;

iv. Conduct periodic portfolio reviews to ensure that the portfolio of risks is within acceptable parameters; and

v. Develop and implement risk and capital management infrastructures and systems that are appropriate for each division.

The heads of the Group's Risk units, who are members of the Group's Risk Executive Committee, are responsible for the performance of the risk management units and report directly to the Group's Chief Risk Officer.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

m. Derivatives *(Continued)*

An Enterprise-wide Risk Management ("ERM") unit plays a role in monitoring the portfolio of risk against the appetite articulated in the Group's capital plan and manages cross-risk initiatives in the Group. The objectives of the ERM unit are to:

i. Develop a comprehensive view of the risks across the businesses in the bank and to focus on cross-risk concentrations and risk-reward "hotspots";

ii. Provide a strategic and forward-looking perspective on the key risk issues for discussion at senior levels within the bank (risk appetite, stress testing framework);

iii. Strengthen risk culture in the bank; and

iv. Foster the implementation of consistent risk management standards across our local entities.

The Group's Finance and Audit departments operate independently of both the group divisions and of the Risk function. The role of the Finance department is to help quantify and verify the risk that the Group assumes and ensure the quality and integrity of the Group's risk-related data. The Group's Audit department performs risk-oriented reviews of the design and operating effectiveness of the Group's system of internal controls.

The Group's Treasury function is responsible for the management of liquidity and funding risk of Deutsche Bank globally as defined in the liquidity risk strategy. The Group's liquidity risk management framework is designed to identify, measure and manage the liquidity risk position of the Group. Treasury reports the Group's overall liquidity and funding to the Management Board at least weekly via a Liquidity Scorecard.

The Group's liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payments queue, forecasting cash flows and factoring in the Group's access to Central Banks. It then covers tactical liquidity risk management dealing with access to secured and unsecured funding sources. Finally, the strategic perspective comprises the maturity profile of all assets and liabilities (Funding Matrix) and the Group's issuance strategy.

The Group's cash-flow based reporting system provides daily liquidity risk information to global and regional management.

Stress testing and scenario analysis plays a central role in our liquidity risk management framework. This also incorporates an assessment of asset liquidity, i.e. the characteristics of our asset inventory, under various stress scenarios as well as contingent funding requirements from off-balance-sheet commitments. The monthly stress testing results are used in setting our short-term wholesale funding limits (both unsecured and secured) and thereby ensuring we remain within the Group's Management Board's overall liquidity risk tolerance.

4. Notes to financial statements *(Continued)*

m. Derivatives *(Continued)*

Specific Banking Risks

The Group's risk management processes distinguish among four kinds of specific banking risks: credit risk, market risk, operational risk and liquidity risk.

- Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower or obligor (which we refer to collectively as "counterparties") exist, including those claims that we plan to distribute (see below in the more detailed section Credit Risk). These transactions are typically part of our traditional non-traded lending activities (such as loans and contingent liabilities), or our direct trading activity with clients (such as OTC derivatives, FX forwards and Forward Rate Agreements). We distinguish between three kinds of credit risk:

  Default risk is the risk that counterparties fail to meet contractual payment obligations.

  Country risk is the risk that we may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to non-residents due to direct sovereign intervention.

  Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

- Market risk is defined as the potential for change in the market value of our trading and investing positions. Risk can arise from adverse changes in interest rates, credit spreads, foreign exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility and market implied default probabilities.

- Operational risk is the potential for failure (including from legal risk) in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. Operational risk excludes business and reputational risk.

- Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs.

Other risks such as Reputational Risk, Business Risk and Insurance Risk are also monitored by the Group.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

m. Derivatives *(Continued)*

Risk Management Tools

The Bank uses a comprehensive range of quantitative and qualitative methodologies for assessing and managing risks. As a matter of policy, the Group continually assesses the appropriateness and the reliability of its quantitative tools and metrics in light of the Group's changing risk environment. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories.

The following are the most important quantitative tools and metrics currently used to measure, manage and report market risk:

- Value-at-Risk: The Bank uses the value-at-risk approach to derive quantitative measures for trading book market risks under normal market conditions. The value-at-risk figures play a role in both internal and external (regulatory) reporting. For a given portfolio, value-at-risk measures the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded with a defined confidence level in a defined period. The value-at-risk for a total portfolio represents a measure of diversified market risk (aggregated using pre-determined correlations) in that portfolio.
- Stress Testing: The Bank supplements analysis of market risk with stress testing. The Bank performs stress tests because value-at-risk calculations are based on 261 day historical data and only purport to estimate risk up to a defined confidence level. Therefore, they only reflect possible losses under relatively normal market conditions. Stress tests help to determine the effects of potentially extreme market developments on the value of market risk sensitive exposures.

Credit exposure from derivatives

To reduce derivatives-related credit risk, the Bank regularly seeks the execution of master agreements (such as the International Swap Dealers Association contract) with clients. A master agreement allows the offsetting of the obligations arising under all of the derivatives contracts that the agreement covers upon the counterparty's default, resulting in one single net claim against the counterparty (called "close-out netting").

For credit exposure measurement purposes, as the replacement values of the portfolios fluctuate with movements in market rates and with changes in the transactions in the portfolios, the Bank also estimates the potential future replacement costs of the portfolios over their lifetimes.

Market risk

Substantially all of the Bank's businesses are subject to the risk that market prices and rates will move and result in profits or losses. The Bank distinguishes among four types of market risk:

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

m. **Derivatives *(Continued)***

- Interest rate risk including credit spread;
- Equity price risk (where applicable);
- Foreign exchange risk; and
- Commodity price risk (where applicable).

The interest rate and equity price risks consist of two components each. The general risk describes value changes due to general market movements, while the specific risk has issuer-related causes.

Market risk Management Framework

The Bank uses a combination of risk sensitivities, value-at-risk, stress testing and economic capital metrics to manage market risks and establish limits. Value-at-risk is a common metric used in the management of trading market risks.

The Management Board and Group Risk Committee, supported by Group Market Risk Management, which is part of the independent risk management function, set a Group-wide value-at-risk limit for the market risks in the trading book. Group Market Risk Management sub-allocates this overall limit to the Group Divisions. Below that, limits are allocated to specific business lines and trading portfolio groups and geographical regions.

The Bank's value-at-risk for the trading businesses is based on internal model. In October 1998, the German Banking Supervisory Authority (now the BaFin) approved the internal value-at-risk model for calculating market risk capital for the general and specific market risks. Since then the model has been periodically refined and approval has been maintained.

Value-at-Risk Analysis

The value-at-risk approach derives a quantitative measure for the trading book market risks under normal market conditions, estimating the potential future loss (in terms of market value) that will not be exceeded in a defined period of time and with a defined confidence level. The value-at-risk measure enables to apply a constant and uniform measure across all of the trading businesses and products. It also facilitates comparisons of market risk estimates both over time and against the daily trading results.

The Bank calculates value-at-risk for both internal and regulatory reporting using a 99% confidence level, in accordance with BIS rules. For internal reporting, the Bank uses a holding period of one day.

The bank's value-at-risk model is designed to take into account the following risk factors: interest rates, credit spreads, equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities and common basis risk. The model incorporates both linear and, especially for derivatives, nonlinear effects of the risk factors on the portfolio value. The statistical parameters required for the value-at-risk calculation are based on a 261 trading day history (corresponding to at least one calendar year of trading days) with equal weighting being given to each observation.

4. Notes to financial statements *(Continued)*

m. Derivatives *(Continued)*

The Bank generally calculates value-at-risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution.

To determine the aggregated value-at-risk, the Bank uses historically observed correlations between the different general market risk classes. However, when aggregating general and specific market risks, it is assumed that there is zero correlation between them.

Back-Testing

The Bank uses back-testing in the trading units to verify the predictive power of the value-at-risk calculations. In back-testing, the hypothetical daily profits and losses are compared under the buy-and-hold assumption with the estimates from the value-at-risk model. The Bank analyzes performance fluctuations and assesses the predictive power of the value-at-risk model, which in turn allows improvement of the risk estimation process.

Hedging

The Bank manages its risk from derivatives activity on a portfolio basis. Specific hedges undertaken, if any are ring fenced from the transactions undertaken for trading/market making purposes and held in separate designated portfolio for easy identification and control.

Accounting & Valuation

Accounting

Refer para 3(c) of Notes to financial statements.

Valuation

All instruments in derivatives portfolio are valued on the basis of a common methodology, consistent with generally accepted practices. The valuation takes into consideration all relevant market factors (e.g. prices, interest rates, currency exchange rates, volatility, liquidity, etc.). The accuracy and integrity of the market prices are verified independently of trading personnel.

All linear OTC instruments are valued on a discounted cash flow basis, i.e. all future cash flows (receipts and payments) are discounted to their present value using mid market data. Market prices are be obtained from established and reliable information services.

OTC option instruments are valued using proprietary option models. In case of foreign currency-rupee options, the volatility used for valuation is as given by FEDAI.

In case the market prices do not accurately represent the fair value that would actually be realized for a position or portfolio, valuation adjustments such as market risk close-out costs, large position liquidity adjustments are made to arrive at the appropriate fair value. These adjustments may be calculated on a portfolio basis, and are reported together with or as a part of the carrying value of the positions being valued, thus reducing trading assets or increasing trading liabilities.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

m. Derivatives *(Continued)*

Quantitative Disclosures

(In Rs. '000)

Sr. No	Particulars	31 March 2012 Currency Derivatives	31 March 2012 Interest Rate Derivatives	31 March 2011 Currency Derivatives	31 March 2011 Interest Rate Derivatives
1.	Derivatives (Notional Principal Amounts)				
	a) For hedging	-	-	-	-
	b) For Trading	4,616,921,569	5,058,300,496	3,096,562,064	6,046,225,441
2.	Marked to Market Positions (net)				
	a) Asset (+)	28,473	1,779,186	5,880,846	1,718,092
	b) Liability (-)	-	-	-	-
3.	Credit Exposure #	203,960,340	90,766,709	140,534,238	118,508,962
4.	Likely impact of one percentage upward change in interest rates (100 * PV01)				
	a) On hedging	-	-	-	-
	b) On Trading	(95,497)	937,814	(142,891)	(1,162,828)
5.	Maximum of 100*PV01 observed during the year @				
	a) On hedging	-	-	-	-
	b) On Trading	171,123	1,922,898	405,444	1,726,109
6.	Minimum of 100*PV01 observed during the year @				
	a) On hedging	-	-	-	-
	b) On Trading	(758,663)	219,917	(400,655)	(1,552,458)

Based on Current Exposure Method prescribed vide RBI master circular on Exposure norms.

@ Maximum & Minimum of PV01 as disclosed above is based on daily risk data and relates to an increase of 100 basis points.

4. Notes to financial statements *(Continued)*

n. Single and Group Borrower Exposures

Presently, banks are allowed to assume single and group borrower credit exposure up to 15 and 40 per cent of capital funds (i.e. Tier I & Tier II Capital) respectively, with an additional allowance of 5 and 10 per cent of capital funds for infrastructure sector exposure. RBI has, vide circular DBOD No. Dir. BC. 14/13.03.00/2010-11 dated 1 July 2010, permitted banks to enhance the credit exposure by an additional 5 per cent of Capital funds, provided the approval of the management has been obtained.

The Bank has enhanced the credit exposure by an additional 5 per cent of Capital funds in respect of the below mentioned entities with the approval of the management during the year.

- BHARAT PETROLEUM CORPORATION LIMITED
- RELIANCE INDUSTRIES LIMITED
- INDIAN OIL CORPORATION LIMITED
- DB INTERNATIONAL (ASIA) LIMITED
- HINDUSTAN PETROLEUM CORPORATION LIMITED
- LARSEN & TOUBRO LIMITED
- BHARAT HEAVY ELECTRICALS LIMITED
- CARGILL INDIA PRIVATE LIMITED

o. i) Movement in Accumulated depreciation:

(In Rs'000)

Depreciation to date	31 March 2012	31 March 2011
PREMISES		
Beginning of the year	(639,132)	(548,242)
Additions during the year	(103,748)	(102,315)
Deductions during the year	332	11,425
Closing balance	(742,548)	(639,132)
OTHER FIXED ASSETS		
Beginning of the year	(1,274,031)	(1,310,302)
Additions during the year	(176,294)	(234,647)
Deductions during the year	22,459	270,918
Closing balance	(1,427,866)	(1,274,031)

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

ii) Other Fixed Assets (including furniture and fixtures)

It includes amount capitalized on software having useful life of three years. Details regarding the same are tabulated below:

(In Rs'000)

Particulars	31 March 2012	31 March 2011
Cost as on 31st March of the preceding year	**203,884**	192,903
Addition during the year	**25,141**	18,922
Deduction during the year	**(150)**	(7,941)
Accumulated depreciation to date	**(198,693)**	(184,411)
Net Value as at 31st March of the current year	**30,182**	19,473

p. Floating provision

(In Rs'000)

Particulars	31 March 2012	31 March 2011
Opening balance	**712,260**	712,260
Add: Quantum of floating provisions made during the year	-	-
Less: Amount of draw down made during the year	-	-
Closing balance	**712,260**	712,260

q. Amount of provision made for income-tax during the year

(In Rs'000)

Particulars	31 March 2012	31 March 2011
Provision for current income-tax	**6,744,022**	**5,508,720**
Provision for deferred-tax	**(65,955)**	**87,877**
Provision for Fringe benefit tax	-	**(606)**

r. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with the management and confirmation sought from suppliers on registration with specified authority under MSMED, principal amount, interest accrued and remaining unpaid and interest paid during the year to such enterprise is NIL.

s. Drawdown on reserves

The Bank has drawn down contingency reserve of Rs. 633,000 thousand during the year ended March 31, 2012 (Previous year: Nil).

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

t. Letter of comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2012 and (Previous year Rs.NIL).

u. Sale of credit card business

Effective June 1, 2011, the bank has transferred its credit card business division as a going concern, on a slump sale basis as it intends to focus its retail banking efforts in India around its core strengths of deposits, wealth management and loan business, in-line with its global strategy. Miscellaneous income (Schedule 14.5) includes profit on sale of credit card business aggregating to Rs. 188,416 thousand.

v. Provisions, Contingent liabilities and contingent Asset

Sr. No	Contingent Liabilities	Brief
1)	Claims against the Bank not acknowledged as debts	The Bank is a party to various legal proceedings in the normal course of business. It also includes claims / demands raised by Income tax authorities, which are disputed by the bank and possible to be held against the bank
2)	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps, currency futures and interest rate swaps with interbank participants/customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Currency futures are standardized foreign exchange derivatives contracts traded in a recognized stock exchange to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are typically amounts used as benchmark for the calculation of the interest component of the contracts.
3)	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

for the year ended 31 March 2012

4. Notes to financial statements *(Continued)*

w. Movement in provision for credit card/debit card reward points

(In Rs'000)

Particulars	31 March 2012	31 March 2011
Opening provision	**96,982**	65,988
Provision made during the year	**700**	63,586
Utilization/(write back) of provision during the year	**(96,982)**	(32,592)
Closing provision	**700**	96,982

Refer Note 4 u with respect to credit card reward points.

x. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Signatures to Schedule 1 to 18 forms part of the Financial Statements and to the above notes.

The schedules referred to above and the attached notes form an integral part of the Financial Statements.

Sd/-

Shrinath Bolloju
Chief Executive Officer – India
For **Deutsche Bank AG**
India Branches

Sd/-

Avinash Prabhu
Chief Financial Officer - India
For **Deutsche Bank AG**
India Branches

Mumbai

Date: 12 June, 2012

Deutsche Bank AG - India Branches
(Incorporated in Germany with limited liability)

Management disclosures under Pillar 3 of the New Capital Adequacy framework vide RBI circular reference RBI/2011-12/61 DBOD.No.BP.BC.11/21.06.001/2011-12

1. Scope of application

Pillar 3 disclosures apply to Deutsche Bank AG India Branches ('the Bank'). No entities are required to be consolidated with Deutsche Bank AG India Branches for the purpose of accounting/disclosure requirements.

2. Summary information on the terms and conditions of the main features of all capital instruments

a. Summary information on the terms and conditions of the main features of all capital instruments

Tier I Capital primarily comprises of interest free capital received from the Head Office, balance in statutory reserves and Capital reserves, and remittable surplus retained for CRAR requirement.

The Tier II Capital mainly comprises of the Provision on Standard Assets, General Loan Loss Provision and NPA provision reversal on sale of NPA which are created in accordance with the extant RBI guidelines.

b. Details of Capital Funds

(In Rs.'000)

Particulars	31 March 2012	31 March 2011
Capital - Head Office Account	36,314,087	36,314,087
Statutory Reserve	11,064,251	9,005,951
Capital Reserve	177,207	177,207
Remittable Surplus Retained for CRAR requirement	8,443,811	3,891,516
Less: Deferred Tax asset	(1,642,725)	(1,576,770)
Less: Intangible assets	(30,182)	(19,473)
Tier I Capital	**54,326,449**	**47,792,518**
Investment Reserve	411,424	173,706
Provision on Standard Assets & Country Risk	1,788,918	974,799
General Loan Loss Provision	712,260	712,260
Provision Made on Sale of NPA	577,628	577,628
Tier II Capital	**3,490,230**	**2,438,393**
Total (Tier I + Tier II Capital)	**57,816,679**	**50,230,911**

3. Capital adequacy

a. Approach to assessing capital adequacy for current and future activities

The Bank is committed to maintaining its sound capitalisation. Therefore, overall capital demand and supply are constantly monitored and adjusted as necessary. It should be noted that Deutsche Bank operates as an integrated Group through its business divisions and infrastructure functions. The local Asset and Liability Committee (ALCO) for the Bank is the primary platform for providing strategic direction and follow through action relating to the management of the entity's financial resources. Specifically, the ALCO ensures adequate capitalisation to meet current and future business and regulatory requirements and sets limits for capital usage by business. If required, capital requests are prepared and presented to Deutsche Bank Group's Investment Committee for approval.

b. Capital requirements for credit risk, market risk, operational risk, and Capital ratios per New Capital Adequacy framework

As per the guidelines for implementation of the new capital adequacy framework issued on 27 April 2007, the RBI has directed foreign banks to migrate to the revised framework for capital computation under Basel II with effect from 31 March 2008. The migration was required to be carried out in a phased manner where under, banks were required to compute their capital requirement under Basel I and Basel II.

The capital ratio as per Basel II is 14.12% and under Basel I is 15.10%. The minimum capital to be maintained by banks under the revised framework is subject to the prudential floor of 80% of the capital requirement under Basel I.

The capital requirements as per Basel II are tabulated below.

(In Rs.'000)

Particulars	31 March 2012	31 March 2011
Capital requirement for credit risk - Portfolios subject to standardised approach	29,755,014	23,287,116
Capital requirement for credit risk - Portfolios subject to securitisation exposures	-	-
Capital requirement for market risk (Standardised duration approach)		
- Interest rate risk	3,266,848	3,179,209
- Foreign exchange risk (including gold)	360,000	360,000
- Equity risk	128,492	87,660
Capital requirement for operational risk (Basic Indicator approach)	3,348,309	3,170,600
Total	**36,858,663**	**30,088,585**
Tier I Capital adequacy ratio	**13.27%**	**14.30%**
Total (Tier I + Tier II) Capital adequacy ratio	**14.12%**	**15.03%**

4. Risk Exposure & Assessment

Risk Management Framework

The wide variety of the Bank's businesses requires it to identify, measure, aggregate and manage its risks effectively, and to allocate capital among the businesses appropriately. The Bank operates as an integrated group through its divisions, business units and infrastructure functions. Risk and capital are managed via a framework of principles, organizational structures and measurement and monitoring processes that are closely aligned with the activities of the divisions and business units:

The Management Board provides overall risk and capital management supervision for its consolidated Group.

- The Bank operates a three-line of defence risk management model whereby business management, risk management oversight and assurance roles are played by functions independent of one another.
- Risk strategy and risk appetite are defined based on the strategic plans in order to align risk, capital, and performance targets.
- Reviews will be conducted across the Group to verify that sound risk management practices and a holistic awareness of risk exists across the organisation and to help each business manage the balance between their risk appetite and reward.
- All major risk classes are managed via risk management processes, including: credit risk, market risk, operational risk, liquidity risk, business risk, reputational risk and risk concentrations.
- Where applicable modelling and measurement approaches for quantifying risk and capital demand are implemented across the major risk classes.
- Effective systems, processes and policies are a critical component of our risk management capability

Risk Management Organisation

The Group's Risk Committee of the Supervisory Board regularly monitors the risk and capital profile of the Group.

The Group's Management Board is responsible for independently managing the company with the objective of creating sustainable value in the interest of its shareholders, employees and other stakeholders. The Board has exclusive responsibility for the day-to-day management of Deutsche Bank Group. It is responsible for defining and implementing comprehensive and aligned business and risk strategies for the Group, as well as establishing well-defined risk management functions and guidelines. The Management Board has delegated certain functions and responsibilities to relevant governance committees, in particular the Capital and Risk Committee (CaR) and Risk Executive Committee (Risk ExCo) chaired by our Chief Risk Officer.

The Group's Chief Risk Officer (CRO), who is a member of the Management Board, and is responsible for the identification, assessment, management and reporting of risks arising within operations across all businesses and risk types. The below functional committees are central to the Risk function.

i. The Group's Capital and Risk Committee oversees and controls integrated planning and monitoring of our risk profile and capital capacity, ensuring an alignment of risk appetite, capitalisation requirements and funding needs with the Group, divisional and sub-divisional business strategies.

ii. The Group's Risk Executive Committee identifies controls and manages all risks including risk concentrations at the Group. To fulfill this mandate, the Risk Executive Committee is supported by sub-committees that are responsible for dedicated areas of risk management, including several policy committees and the Group Reputational Risk Committee.

iii. The Group's Cross Risk Review Committee supports the Risk Executive Committee and the Capital and Risk Committee with particular emphasis on the management of Group wide risk patterns. The Cross Risk Review Committee, under a delegation of authority from the Capital and Risk Committee has responsibility for the day-to-day oversight and control of Deutsche Bank Group's Internal Capital Adequacy Assessment Process ("ICAAP") ensuring compliance with respective regulatory requirements and policy setting for local ICAAPs.

Multiple members of the Group's Capital and Risk Committee are also members of the Group Investment Committee, ensuring a close link between both committees as proposals for strategic investments are analyzed by the Group Investment Committee. Depending on the size of the strategic investment it may require approval from the Group Investment Committee, the Management Board or even the Supervisory Board. The development of the strategic investments is monitored by the Group Investment Committee on a regular basis.

Dedicated Risk units are established with the mandate to:

i. Ensure that the business conducted within each division is consistent with the risk appetite that the Capital and Risk Committee has set within a framework established by the Management Board;

ii. Formulate and implement risk and capital management policies, procedures and methodologies that are appropriate to the businesses within each division;

iii. Approve credit, market and liquidity risk limits;

iv. Conduct periodic portfolio reviews to ensure that the portfolio of risks is within acceptable parameters; and

v. Develop and implement risk and capital management infrastructures and systems that are appropriate for each division.

The heads of the Group's Risk units, who are members of the Group's Risk Executive Committee, are responsible for the performance of the risk management units and report directly to the Group's Chief Risk Officer.

An Enterprise-wide Risk Management ("ERM") unit plays a role in monitoring the portfolio of risk against the appetite articulated in the Group's capital plan and manages cross-risk initiatives in the Group. The objectives of the ERM unit are to:

i. Develop a comprehensive view of the risks across the businesses in the bank and to focus on cross-risk concentrations and risk-reward "hotspots";

ii. Provide a strategic and forward-looking perspective on the key risk issues for discussion at senior levels within the bank (risk appetite, stress testing framework);

iii. Strengthen risk culture in the bank; and

iv. Foster the implementation of consistent risk management standards across our local entities.

The Group's Finance and Audit departments operate independently of both the group divisions and of the Risk function. The role of the Finance department is to help quantify and verify the risk that the Group assumes and ensure the quality and integrity of the Group's risk-related data. The Group's Audit department performs risk-oriented reviews of the design and operating effectiveness of the Group's system of internal controls.

The Group's Treasury function is responsible for the management of liquidity and funding risk of Deutsche Bank globally as defined in the liquidity risk strategy. The Group's liquidity risk management framework is designed to identify, measure and manage the liquidity risk position of the Group. Treasury reports the Group's overall liquidity and funding to the Management Board at least weekly via a Liquidity Scorecard.

The Group's liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payments queue, forecasting cash flows and factoring in the Group's access to Central Banks. It then covers tactical liquidity risk management dealing with access to secured and unsecured funding sources. Finally, the strategic perspective comprises the maturity profile of all assets and liabilities (Funding Matrix) and the Group's issuance strategy.

The Group's cash-flow based reporting system provides daily liquidity risk information to global and regional management.

Stress testing and scenario analysis plays a central role in our liquidity risk management framework. This also incorporates an assessment of asset liquidity, i.e. the characteristics of our asset inventory, under various stress scenarios as well as contingent funding requirements from off-balance-sheet commitments. The monthly stress testing results are used in setting our short-term wholesale funding limits (both unsecured and secured) and thereby ensuring we remain within the Group's Management Board's overall liquidity risk tolerance.

Specific Banking Risks

The Group's risk management processes distinguish among four kinds of specific banking risks: credit risk, market risk, operational risk and liquidity risk.

- Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower or obligor (which we refer to collectively as "counterparties") exist, including those claims that we plan to distribute (see below in the more detailed section Credit Risk). These transactions are typically part of our traditional non-traded lending activities (such as loans and contingent liabilities), or our direct trading activity with clients (such as OTC derivatives, FX forwards and Forward Rate Agreements). We distinguish between three kinds of credit risk:

    Default risk is the risk that counterparties fail to meet contractual payment obligations.

Country risk is the risk that we may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to non-residents due to direct sovereign intervention.

Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

- Market risk is defined as the potential for change in the market value of our trading and investing positions. Risk can arise from adverse changes in interest rates, credit spreads, foreign exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility and market implied default probabilities.
- Operational risk is the potential for failure (including from legal risk) in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. Operational risk excludes business and reputational risk.
- Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs.

Other risks such as Reputational Risk, Business Risk and Insurance Risk are also monitored by the Group.

Risk Management Tools

The Bank uses a comprehensive range of quantitative and qualitative methodologies for assessing and managing risks. As a matter of policy, the Group continually assesses the appropriateness and the reliability of its quantitative tools and metrics in light of the Group's changing risk environment. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories.

4.1 Credit risk

a. Credit Risk Management Organisation and structure

Considering the different risk drivers involved in Corporate & Investment Bank ('CIB'), as against Retail Banking ('PBC') and Private Wealth Management ('PWM'), Credit Risk Management ('CRM') is functionally split to cater to the businesses. Within the CRM CIB, there are specialized global units with which the local team has the facility of liaising, on transactions involving Real Estate, Securitisation, Leveraged & Structured Finance, etc.

b. CRM CIB

(i) Credit Risk policies and procedures

All business requests that involve credit risk need to be presented to CRM for its approval. Loan policy is updated annually and is also approved by the local Executive Committee. CRM uses its global ratings model for all risks and every counterpart is internally rated. CRM CIB has a policy of annual reviews of all risk limits. This policy is strictly followed and any overdue reviews are regularly monitored and explained. The annual review is a comprehensive exercise which covers the Industry scenario, key business drivers, key risk factors, business and financial risk (including forex risk), management quality and transparency and a peer analysis along with downside scenarios in projections.

CRM CIB in India has significant delegation of approval authorities, to enable timely credit decisions, based on an understanding of local market conditions. In line with the global policy, CRM takes decisions in India on the 4 eyes principle.

In the event the credit authority of the local CRM team is not adequate to take a decision on complex / structured products, large ticket transactions, etc, the local CRM team forwards its recommendation on the request to senior CRM officers in APAC or Globally, for the final decision, depending on the required delegated authority.

CRM globally operates on the "Batch Strategy' concept, where each Industry / sector is reviewed globally in detail for risk drivers, along with an analysis of DB's exposures in that sector globally – exposure amounts, counterparty ratings, products, risk profile, etc. This system enables DB to quantitatively focus on its global exposures in different Industries / sectors, as well as the credit ratings / facility ratings of the exposures within those sectors.

The Bank globally subjects all risk types covered under its Economic Capital (EC) concept and liquidity risk to regular stress tests. The Bank's stress tests consider macroeconomic, business related and quantitative aspects to derive implications for its risk profile.

Risk limits and exposures on lower rated counterparties are intensively monitored. There is a monthly CRM exercise to discuss all watch-list names and criticized credit exposures. Deutsche Bank in India follows all the exposure norms and provisioning requirements as laid down by the RBI in its master circulars.

Within the CRM CIB portfolio, concentration risk monitoring and mitigation plays an important role. CRM has guidelines in terms of maximum exposures on counterparties at different rating levels, with different levels of market access and in different categories of country risk.

The Bank globally has a separate and independent Asset Quality Review function, which periodically reviews the quality of portfolios globally after intensive review and discussions with the local CRM teams. Based on these reviews, counterparty ratings may be adjusted and inconsistencies resolved, using local / global peer analysis as an effective tool. The timeliness of annual reviews as well as quality of the reviews are also looked into and corrective measures stipulated.

The credit risk assessment of exposures that are off-balance sheet are subject to the same vigorous scrutiny and approval process, as is followed for the balance sheet exposures. There is no differentiation between balance sheet and off-balance sheet exposures in the Bank's risk assessment and monitoring standards.

(ii) Credit risk On Trading Instruments

CRM CIB has global systems in place to monitor the Mark to Market risk on all foreign currency and rates derivative transactions undertaken by the clients. DB uses the Potential Future Exposure at 95% confidence levels as the basis to determine the limit requirements for such products.

Internally, the Bank manages credit risk on all Trading Instruments by reference to three measures:

- Current Credit Exposure ("CCE"), which is the current value of any contract, at current market rates, as shown in the Bank's records. CCE will be reported net of enforceable collateral, and may be aggregated to reflect enforceable netting arrangements
- Potential Future Exposure ("PFE"), which is an estimate of the Current Credit Exposure that Trading Instruments could potentially assume in the future
- Stress Testing, which reflects the short term sensitivity of the portfolio CCE to market parameters

To reduce derivatives-related credit risk, the Bank regularly seeks the execution of master agreements (such as the International Swap Dealers Association contract) with clients. A master agreement allows the offsetting of the obligations arising under all of the derivatives contracts that the agreement covers upon the counterparty's default, resulting in one single net claim against the counterparty (called "close-out netting").

For credit exposure measurement purposes, as the replacement values of the portfolios fluctuate with movements in market rates and with changes in the transactions in the portfolios, the Bank also estimates the potential future replacement costs of the portfolios over their lifetimes. This is based on the Current Exposure method as per RBI master circular on Exposure norms.

(iii) Credit rating policy

The Bank's rating system uses a granular, transparent 26 grade rating scale, which is in compliance with the Internal Ratings Based approach in Basel II. The credit ratings are the core element of the Bank's risk management framework, and determine the –

- Level of authority required for approval
- The calculation of Expected Loss and Economic Profit
- The SEC classification (performing / non performing) and FED classification (Special Mention, Sub standard, Doubtful, Loss)

The accuracy and consistency of ratings are ensured through Front End Management, Portfolio Reviews including independent Asset Quality Reviews and Validation by Risk Analytics and Instruments.

Each and every facility in the banking book is rated based on the internal rating model of DB. For each counterparty, the Credit Risk management assigns a

Counterparty Probability of Default ('CPD') and for each facility, a Facility Probability of Default ('FPD') is assigned, along with the Loss Given Default ('LGD') and Country of Risk.

The Bank's ratings scale closely mirrors the scales as used by key global rating agencies such as S & P and Moody's.

(iv) Definition and classification of past due and impaired (NPAs)

Loans and Advances are classified into performing and non-performing loans in accordance with the extant RBI guidelines.

Past due advances understood to mean Non Performing Advances are identified by periodic appraisals of the portfolio by the management and appropriate provisions are made which meets the prudential accounting norms prescribed by the RBI for asset classification, income recognition and provisioning after considering subsequent recoveries.

c. **CRM PBC - Credit risk policies and procedures**

CRM PBC India manages the credit risk of Retail Banking portfolio in India. All lending product launched within PBC are approved by CRM before the launch. Credit Risk policies are clearly documented through Credit Guidelines and Credit Life Cycle Management for each product.

The scope of India Credit Guideline covers the credit process for the PBC unit in India and details the following.

- Credit Principles
- Generic Credit Process
- Credit Authority Guidelines
- Loan Loss Allowance / Write off guidelines

The precise nature of the credit assessment, decision and monitoring process depends primarily on the type of product, exposure and the existence and quality of collateral.

The credit decision on a loan request involves rule based risk assessment which takes into account the following:

- Customer information given in the application form (general customer data / financial information)
- Information on the borrower's behaviour (external data/account movements, where available)
- Specific information of the application itself (credit volume / collateral)

When deciding on a loan request, all required information and documents are considered. The credit officer assesses the profile of the applicant and ability to repay the loan based on various reports available, viz. verification, bureau and policy results etc. as part of the loan file.

The portfolio is reviewed at periodic intervals & analysis is made to understand the behaviour of the portfolio in terms of repayment, delinquency, transactions etc.

d. CRM PWM

CRM PWM adopts similar credit risk and rating policies as CRM CIB.

e. Total Gross Credit exposures

(In Rs.'000)

Category	31 March 2012	31 March 2011
Bills purchased and discounted	12,249,804	37,715,509
Cash credits, overdrafts and loans repayable on demand	80,569,733	77,950,311
Term loans	33,904,171	28,725,776
Inter Bank Exposures	3,568,009	3,583,258
Total Fund-based Exposures	**130,291,717**	**147,974,854**
Guarantees given on behalf of customers	77,714,780	64,718,450
Acceptances, endorsements and other obligations	102,149,069	64,673,211
Derivative exposures	291,510,055	256,181,353
Undrawn Commitment	4,672,944	11,004,380
Total Non-fund based Exposures	**476,046,848**	**396,577,394**

The Bank renders its services within one geographical segment and has no offices or significant operations outside India.

f. Industry Type distribution of exposures

(In Rs.'000)
31 March 2012

Industry	Fund-based	Non-fund based including Derivative	Total	Percentage of Total
Retail finance	23,878,456	-	**23,878,456**	3.94%
Crude petroleum/refining & petrochemicals	515,677	28,002,180	**28,517,857**	4.70%
Power	6,353,467	3,028,450	**9,381,917**	1.55%
Electronics & Engineering	10,651,903	21,748,744	**32,400,647**	5.34%
Services – finance	17,564,940	25,004,777	**42,569,717**	7.02%
Road, port, telecom, urban development & other infra	5,882,761	17,687,787	**23,570,548**	3.89%
Iron/Steel & Products	956,459	7,297,006	**8,253,465**	1.36%
Mutual Funds	1,482	833,995	**835,477**	0.14%
Bank	7,904,927	300,231,884	**308,136,812**	50.82%
Construction	1,915,573	71,723.00	**1,987,296**	0.33%
Services - Non finance	6,223,896	6,117,003	**12,340,899**	2.04%
Metal & products (excl iron & steel)	1,602,757	7,485,218	**9,087,975**	1.50%
Chemical & Fertilisers	5,061,172	8,148,321	**13,209,493**	2.18%
Food & beverages	2,342,302	721,371	**3,063,673**	0.51%
Wholesale / Retail trade	5,668,386	1,550,726	**7,219,112**	1.19%
Shipping	155,095	907,155	**1,062,250**	0.18%
Manufacturing Products Excl Metal	2,463,077	2,260,728	**4,723,805**	0.78%
Automobiles	4,381,173	7,849,815	**12,230,989**	2.02%
Drugs & Pharmaceuticals	5,960,777	2,331,042	**8,291,819**	1.37%
Textile	4,951,109	10,694,915	**15,646,024**	2.58%
Gems & jewellery	115,299	1330	**116,629**	0.02%
Cement	-	1,846,678	**1,846,678**	0.30%
Mining	1,378,299	941,595	**2,319,894**	0.38%
FMCG	1	175,040	**175,041**	0.03%
Asset Reconstruction Company	-	-	-	0.00%
Venture capital Funds	-	-	-	0.00%
Other industries	14,362,731	21,109,362	35,472,093	5.83%
Grand Total	**130,291,717**	**476,046,848**	**606,338,565**	**100.00%**

(In Rs.'000)

31 March 2011

Industry	Fund-based	Non-fund based including Derivative	Total	Percentage of Total
Retail finance	19,362,884	-	**19,362,884**	3.56%
Crude petroleum/refining & petrochemicals	8,980,840	7,457,645	**16,438,485**	3.02%
Power	3,752,802	1,438,302	**5,191,104**	0.95%
Electronics & Engineering	9,153,174	19,827,752	**28,980,926**	5.32%
Services – finance	18,939,357	17,498,253	**36,437,610**	6.69%
Road, port, telecom, urban development & other infra	4,579,360	14,424,923	**19,004,282**	3.49%
Iron/Steel & Products	1,600,612	3,931,593	**5,532,205**	1.02%
Mutual Funds	434	179	**613**	0.00%
Banking	33,310,805	271,506,172	**304,816,977**	55.98%
Construction	4,210,030	1,877,207	**6,087,237**	1.12%
Services - Non finance	6,879,055	4,815,277	**11,694,332**	2.15%
Metal & products (excl iron & steel)	1,519,362	6,472,609	**7,991,971**	1.47%
Chemical & Fertilisers	5,441,053	6,448,582	**11,889,635**	2.18%
Food & beverages	1,404,492	387,837	**1,792,329**	0.33%
Wholesale / Retail trade	4,429,594	4,594,606	**9,024,200**	1.66%
Shipping	0	963,101	**963,101**	0.18%
Manufacturing Products Excl Metal	2,430,144	1,807,684	**4,237,828**	0.78%
Automobiles	3,367,927	7,109,790	**10,477,716**	1.92%
Drugs & Pharmaceuticals	2,256,082	1,696,040	**3,952,122**	0.73%
Textile	3,788,401	5,665,863	**9,454,264**	1.74%
Cement	336,323	941,033	**1,277,356**	0.23%
Mining	796,943	45,680	**842,623**	0.15%
FMCG	2,138,459	344,138	**2,482,597**	0.46%
Other industries	9,296,721	17,323,128	**26,619,849**	4.89%
Grand Total	**147,974,854**	**396,577,394**	**544,552,248**	**100.00%**

g. Residual contractual maturity breaks down of Total Assets –

(In Rs'000)

Maturity buckets	31 March 2012	31 March 2011
Day 1	100,456,661	80,607,026
2 to 7 days	8,042,580	8,485,303
8 to 15 days	2,551,061	9,267,271
15 to 28 days	4,153,508	19,112,262
29 days to 3 months	11,879,444	49,263,964
Over 3 months to 6 months	5,016,085	30,652,380
Over 6 months to 12 months	62,056,310	55,238,750
Over 1 Year to 3 Years	62,398,091	16,517,612
Over 3 Years to 5 Years	9,495,213	2,580,460
Over 5 Years	20,350,161	15,761,998
Total	**286,399,114**	**287,487,026**

h. Amount of Non Performing Assets

(In Rs'000)
31 March 2012

NPA Classification	Gross NPAs	Net NPAs
Substandard	87,980	69,314
Doubtful		
- Doubtful 1	108,151	44,387
- Doubtful 2	778,372	-
-Doubtful 3	-	-
Loss	373,992	-
Total	1,348,495	113,701
NPA Ratio	1.06%	0.09%

(In Rs'000)
31 March 2011

NPA Classification	Gross NPAs	Net NPAs
Substandard	411,414	331,069
Doubtful		
- Doubtful 1	897,477	-
- Doubtful 2	-	-
- Doubtful 3	134,779	-
Loss	341,492	-
Total	1,785,162	331,069
NPA Ratio	1.24%	0.23%

i. Movement in NPAs

(In Rs'000)

Movement in NPAs (funded)	31 March 2012	31 March 2011
(ii) Net NPAs to Net Advance (%)	0.0906%	0.2316%
(iii) Movement of Gross NPAs		
a) Opening balance	1,785,162	2,608,107
b) Additions during the year	195,763	946,752
c) Reductions during the year	(632,430)	(1,769,697)
d) Closing Balance	1,348,495	1,785,162
(iv) Movement of Net NPAs		
a) Opening balance	331,069	1,023,487
b) Additions during the year	113,899	626,861
c) Reductions during the year	(331,267)	(1,319,279)
d) Closing Balance	113,701	331,069
(v) Movement of Provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	1,454,093	1,584,620
b) Provisions made during the year	81,864	319,891
c) Write off/write back of excess provisions during the year	(301,163)	(450,418)
d) Closing Balance	1,234,794	1,454,093

j. Amount of NPIs

(In Rs'000)

Particulars	31 March 2012	31 March 2011
Closing balance for the period	3,000	10,580
Total provisions held	3,000	10,580
Net book Value	-	-

k. Movement in Provision for Depreciation on Investments

(In Rs'000)

Provisions for depreciation on investments	31 March 2012	31 March 2011
Opening balance	688,968	1,089,883
Add: Provisions made during the period / year	0	0
Less: Write-off/write back of excess provisions during the period	(546,665)	(400,915)
Closing balance	142,303	688,968

4.2 Credit risk – Portfolios subject to Standardised Approach

a. Credit rating agencies

The Bank uses short-term and long-term instrument/bank facilities' ratings from CARE, CRISIL, ICRA and Fitch to assign Risk weights in terms of RBI guidelines. In respect of claims on non-resident corporate and foreign banks, ratings assigned by international rating agencies i.e. Standard & Poor's, Moody's and Fitch are used. The Bank uses credit ratings that are publicly available for assigning risk weights.

The Bank assigns Long term credit ratings accorded by the chosen credit rating agencies for assets which have a contractual maturity of more than one year. However, in accordance with the guidelines of RBI the bank classifies all cash credit exposures as long term exposures and accordingly the long term ratings accorded by the chosen credit rating agencies are assigned.

The Bank uses issuer and issue ratings for both fund as well as non fund based exposures. The Bank has used the solicited ratings assigned by the above approved credit rating agencies for all eligible exposures, both on balance sheet and off balance sheet, whether short term or long term, in the manner permitted in the RBI guidelines. The Bank does not have an assigned ratings agency for a given type of claim.

There have been no instances of claim transfer as on March 31, 2012.

b. Outstanding amounts

Bucket wise break up of exposure amounts after risk mitigation subject to the standardised approach is as under.

(In Rs'000)

Exposure Category	31 March 2012	31 March 2011
Under 100% risk weight	40,877,757	67,498,941
100% risk weight	80,024,414	71,220,342
Above 100% risk weight	9,389,546	9,255,571
Total Fund-based Exposures	**130,291,717**	**147,974,854**
Under 100% risk weight	294,440,648	294,064,522
100% risk weight	131,665,241	93,466,722
Above 100% risk weight	49,940,959	9,046,150
Total Non Fund-based Exposures	**476,046,848**	**396,577,394**

4.3 Credit risk mitigation policy

a. Collateral valuation and management

As stipulated by the RBI guidelines, the Bank uses the Comprehensive Approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral.

b. Types of collaterals taken by the Bank and main types of guarantor counterparties and Credit risk concentration within mitigation taken

Collateral Risk Management is undertaken through the mechanism of the Facility Probability of Default (FPD) assignment.

If there is no liquid collateral and no guarantor mitigating the credit risk, then the FPD will be the same as the CPD.

If the facility risk can be shifted to the guarantor, the guarantor CPD becomes the FPD. In cases of received guarantees from un-correlated third parties, covering a separate primary DB exposure, where for the Bank to incur a loss there needs to be a default by both the primary obligor as well as the guarantor, the Joint Default Probability ('JDP') applies. The Bank has in place a matrix indicating this JDP for the entire scale of primary obligor and guarantor CPDs.

The Bank accepts security in the form of charge on receivables / inventories for working capital facilities, charge on fixed assets in certain cases, besides guarantees for various obligations by the primary obligor. The guarantees could be received from the local holding company of the obligor, or a stronger company within the same group or from the MNC parent of the local subsidiary. In certain cases, facilities to obligors may be supported by partial / full insurance protection purchased. Hence, since there are varied sources of credit protection acquired through different guarantors, there is no concentration of guarantor risk.

The Bank records the Joint Obligor Risk Limit on the various guarantors, which ensures that the amounts of guarantees received from various sources are monitored for risk management purposes, e.g. the amount of insurance protection acquired from different insurance companies. The facility ratings for Joint Obligor Risk Limits are determined in accordance with the matrix in the Credit Ratings Policy of the Bank. This matrix captures the counterparty Probability of Default of the obligor as well as that of the guarantor, in determining the FBP.

c. **Exposure covered by eligible financial collateral: -**

(In Rs'000)

Exposures covered by financial collateral	31 March 2012	31 March 2011
Exposures before Credit Risk Mitigation Technique	18,049,543	12,063,498
Exposures after Credit Risk Mitigation Technique (after application of haircut on collateral)	8,682,438	3,466,790

4.4 Market risk in trading book –

a. Market risk Management Framework

The Bank uses a combination of risk sensitivities, value-at-risk and stress testing metrics to manage market risks and establish limits. Value-at-risk is a common metric used in the management of trading market risks.

The Management Board and Group Risk Committee, supported by Group Market Risk Management, which is part of the independent risk management function, set a Group-wide value-at-risk limit for the market risks in the trading book. Group Market Risk Management sub-allocates this overall limit to the Group Divisions. Below that, limits are allocated to specific business lines and trading portfolio groups and geographical regions. In addition to the Bank's main market risk value-at-risk limits, also stress testing and sensitivity limits are operated.

The Bank's value-at-risk for the trading businesses is based on internal model. In October 1998, the German Banking Supervisory Authority (now the BaFin) approved the internal value-at-risk model for calculating market risk capital for the Group for both the general and specific market risks. Since then the model has been periodically refined and approval has been maintained.

b. Types of market risk

Substantially all of the Bank's businesses are subject to the risk that market prices and rates will move and result in profits or losses. The Bank distinguishes among four types of market risk:

- Interest rate risk including credit spread;
- Equity price risk (where applicable);
- Foreign exchange risk; and
- Commodity price risk (where applicable).

The interest rate and equity price risks consist of two components each. The general risk describes value changes due to general market movements, while the specific risk has issuer-related causes.

c. **Risk Management Tools**

The following are the most important quantitative tools and metrics currently used to measure, manage and report market risk:

- Value-at-Risk. The Bank uses the value-at-risk approach to derive quantitative measures for trading book market risks under normal market conditions. The value-at-risk figures play a role in both internal and external (regulatory) reporting. For a given portfolio, value-at-risk measures the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded with a defined confidence level in a defined period. The value-at-risk for a total portfolio represents a measure of diversified market risk (aggregated using pre-determined correlations) in that portfolio.
- Stress Testing. While value-at-risk, calculated on a daily basis, supplies forecasts for potential large losses under normal market conditions, it is not adequate to measure the tail risks of the portfolios. The Bank therefore also performs regular stress tests in which it values the trading portfolios under severe market scenarios not covered by the confidence interval of the value-at-risk model.

d. **Value-at-Risk Analysis**

The value-at-risk approach derives a quantitative measure for the trading book market risks under normal market conditions, estimating the potential future loss (in terms of market value) that will not be exceeded in a defined period of time and with a defined confidence level. The value-at-risk measure enables to apply a constant and uniform measure across all of the trading businesses and products. It also facilitates comparisons of market risk estimates both over time and against the daily trading results.

The Bank calculates value-at-risk using a 99% confidence level and a holding period of one day.

The Bank's value-at-risk model is designed to take into account the following risk factors: interest rates, equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities. The model incorporates both linear and, especially for derivatives, nonlinear effects of the risk factors on the portfolio value. The statistical parameters required for the value-at-risk calculation are based on a 261 trading day history (corresponding to at least one calendar year of trading days) with equal weighting being given to each observation. The Bank calculates value-at-risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution.

To determine the aggregated value-at-risk, the Bank uses historically observed correlations between the different general market risk classes. However, when aggregating general and specific market risks, it is assumed that there is zero correlation between them.

The value-at-risk analysis should also be viewed in the context of the limitations of the methodology the Bank uses and are therefore not maximum amounts that can be lost on the market risk positions. The limitations of the value-at-risk methodology include the following:

- The use of historical data as a proxy for estimating future events may not capture all potential events, particularly those that are extreme in nature.
- The assumption that changes in risk factors follow a normal or logarithmic normal distribution. This may not be the case in reality and may lead to an underestimation of the probability of extreme market movements.
- The correlation assumptions used may not hold true, particularly during market events that are extreme in nature.
- The use of a holding period of one day assumes that all positions can be liquidated or hedged in that period of time. This assumption does not fully capture the market risk arising during periods of illiquidity, when liquidation or hedging in that period of time may not be possible.
- The use of a 99 % confidence level does not take account of, nor makes any statement about, any losses that might occur beyond this level of confidence.
- The Bank calculates value-at-risk at the close of business on each trading day. The Bank does not subject intraday exposures to intraday value-at-risk calculations.
- Value-at-risk does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could, therefore, underestimate potential losses.

The Group acknowledges the limitations in the value-at-risk methodology by supplementing the value-at-risk limits with other position and sensitivity limit structures, as well as with stress testing, both on individual portfolios and on a consolidated basis.

The calculated value-at-risk numbers for India are used for internal control purposes only, the calculation of regulatory capital being based on the Standardised Approach specified by the RBI. At the Group level, however, value-at-risk numbers are used for both internal control and Regulatory Capital calculation for market risk.

e. **Back-Testing**

The Bank uses back-testing in the trading units to verify the predictive power of the value-at-risk calculations. In back-testing, the hypothetical daily profits and losses are compared under the buy-and-hold assumption with the estimates from the value-at-risk model. The Bank analyzes performance fluctuations and assesses the predictive power of the value-at-risk model, which in turn allows improvement of the risk estimation process.

f. **Hedging**

The Bank manages its risk from derivatives activity on a portfolio basis. Specific hedges undertaken, if any are ring fenced from the transactions undertaken for trading/market making purposes and held in separate designated portfolio for easy identification and control.

g. Capital requirements for market risk

(In Rs'000)

Particulars	31 March 2012	31 March 2011
Capital requirement for market risk		
- Interest rate risk	3,266,848	3,179,209
- Foreign exchange risk (including gold)	360,000	360,000
- Equity risk	128,492	87,660
Total	**3,755,340**	**3,626,869**

4.5 Operational risk-

a. Operational risk management framework

The Head of Operational Risk & Business Continuity Management chairs the Operational Risk Management Committee, which is a permanent sub-committee of the Risk Executive Committee and composed of the operational risk officers from our business divisions and our infrastructure functions. It is the main decision making committee for all operational risk management matters.

While the day-to-day operational risk management lies with the group's business divisions and infrastructure functions, the Operational Risk & Business Continuity Management function manages the cross divisional and cross regional operational risk as well as risk concentrations and ensures a consistent application of the group's operational risk management strategy across the bank. Based on this Business Partnership Model the group ensures close monitoring and high awareness of operational risk.

b. Risk management tools

The group manages operational risk based on a Group-wide consistent framework that enables the group to determine the group's operational risk profile in comparison to our risk appetite and systematically identify operational risk themes and concentrations to define risk mitigating measures and priorities. The group applies a number of techniques to efficiently manage the group's operational risk in the business, for example:

- The group performs systematic risk analyses, root cause analyses and lessons learned activities for events above 1 million to identify inherent areas of risk and to define appropriate risk mitigating actions which are monitored for resolution. The prerequisite for these detailed analyses and the timely information of our senior management on the development of the operational risk events and on single larger events is the continuous collection of all losses above €10,000 arising from operational risk events in the group's "db-Incident Reporting" System.

- The group systematically utilizes information on external events occurring in the banking industry to ensure that similar incidents will not happen to the group.

- Key Risk Indicators ("KRI") are used to monitor the operational risk profile and alert the organization to impending problems in a timely fashion. They allow via our tool "dbScore" the monitoring of the bank's control culture and business environment and trigger risk mitigating actions. KRIs facilitate the forward looking management of operational risk based on early warning signals returned by the KRIs and as such an allocation of capital via the qualitative adjustment.

- In the group's bottom-up self assessment process, which is conducted at least annually, areas with high risk potential are highlighted and risk mitigating measures to resolve issues are identified. In general, it is performed in the group's tool 'dbSAT". On a regular basis the group conducts risk workshops aiming to evaluate risks specific to countries and local legal entities the group is operating in and take appropriate risk mitigating actions.

- In addition to internal and external loss information scenarios are utilized and actions are derived from them. The set of scenarios consists of relevant external scenarios provided by a public database and internal scenarios. The latter are derived to achieve full coverage of the risks.

- Regular operational risk profile reports at Group level for the group's business divisions, the countries the group is operating in and its infrastructure functions are reviewed and discussed with the department's senior management. The regular performance of the risk profile reviews enables the group to early detect changes to the units risk profile as well as risk concentrations across the Group and to take corrective actions.

- The group assesses and approves the impact of changes to the Group's risk profile as a result of new products, outsourcings, strategic initiatives and acquisitions and divestments.

- Once operational risks are identified, mitigation is required following the "as low as reasonably practicable (ALARP)" principle by balancing the cost of mitigation with the benefits thereof and formally accepting the residual risk. Risks which contravene applicable national or international regulations and legislation cannot be accepted; once identified, such risks must always be mitigated.

- Within the group's tracking tool "dbTrack" the group monitors risk mitigating measures identified via Operational Risk Management techniques for resolution. Higher than important residual operational risks need to be accepted by the ORMC.

- The group performs top risk analyses in which the results of the aforementioned activities are considered. The top risk analyses mainly contribute into the annual operational risk management strategy and planning process. Besides the operational risk management strategic and tactical planning the group defines capital and expected loss targets which are monitored on a regular basis within the quarterly forecasting process.

- A standardized quality assurance process is applied to quality review risk management decisions and model inputs.

The Group calculates and measures the economic and regulatory capital for operational risk using the internal AMA methodology. Economic capital is derived from the 99.98% percentile and allocated to the businesses and used in performance measurement and resource allocation, providing an incentive to manage operational risk, optimizing economic capital utilization. The regulatory capital operational risk applies the 99.9% percentile.

The Group's internal AMA capital calculation is based upon the loss distribution approach. Gross losses adjusted for direct recoveries from historical internal and external loss data (Operational Riskdata eXchange Association (ORX) consortium data and external scenarios from a public database), plus internal scenario data are used to estimate the risk profile (that is, a loss frequency and a loss severity distribution). Thereafter, the frequency and severity distributions are combined in a Monte Carlo Simulation to generate losses over a one year time horizon. Finally, the risk mitigating benefits of insurance are applied to each loss generated in the Monte Carlo Simulation. Correlation and diversification benefits are applied to the net losses in a manner compatible with regulatory requirements to arrive at a net loss distribution at the Group level covering expected and unexpected losses. Capital is then allocated to each of the business divisions and both a qualitative adjustment (QA) and an expected losses deduction are made.

The QA reflects the effectiveness and performance of the day-to-day operational risk management activities via KRIs and self assessment scores focusing on the business environment and internal control factors. QA is applied as a percentage adjustment to the final capital number. This approach makes qualitative adjustment transparent to the management of the businesses and provides feedback on their risk profile as well as on the success of their management of operational risk. It thus provides incentives for the businesses to continuously improve Operational Risk Management in their areas. The expected loss for operational risk is based on historical loss experience and expert judgment considering business changes denoting the expected cost of operational losses for doing business. To the extent it is considered in the divisional business plans it is deducted from the AMA capital figure.

The unexpected losses for the business divisions (after QA and expected loss) are aggregated to produce the Group AMA capital figure.

Since 2008, the group has maintained approval by the BaFin to use the AMA. The group is waiting for regulatory approval to integrate Postbank into the group's regulatory capital calculation.

In India, the group uses the Basic Indicator Approach for computing capital for Operational Risk.

5. Interest rate risk in the banking book

The vast majority of the interest rate risk and foreign exchange risk arising from the non-trading assets and liability positions in the Banking book are transferred through internal hedges to the Global Markets Finance business line within the Corporate and Investment Banking Group Division and is managed on the basis of value-at-risk as reflected in the trading value-at-risk numbers.

6. Details of Loans Securitised

(In Rs.'000)

		31 March 2012	31 March 2011
1	Total number of loan assets securitised	-	-
2	Total book value of loan assets securitised	-	-
3	Sale consideration received for the securitised assets	-	-
4	Net gain/(loss) on account of securitisation	-	-

7. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's preparation.

Sd/-

Shrinath Bolloju
Chief Executive Officer – India
For **Deutsche Bank AG**
India Branches

Sd/-

Avinash Prabhu
Chief Financial Officer – India
For **Deutsche Bank AG**
India Branches

Place : Mumbai
Dated : 12 June, 2012