

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

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**1. Scope of application**

The BASEL III - Pillar 3 disclosures contained herein relate to Deutsche Bank AG - India Branches (herein also referred to as the 'Bank') for the half year ended September 30, 2019. These are compiled in accordance with the Reserve Bank of India (the 'RBI') Master Circular – Basel III Capital Regulation DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 and the amendments thereto issued from time to time.

As at September 30, 2019, the Bank is required to maintain minimum Common Equity Tier1 (CET1) capital ratio of 5.50%, Capital conservation buffer (CCB) of 1.875%, Global Systemically Important Banks buffer (GSIB) of 2%, minimum Tier-1 capital ratio of 7% and minimum total capital ratio including CCB and GSIB is 12.875%.

The following table lists Bank's associates and their treatment in consolidated capital adequacy computations.

Name of the entity	Included under accounting scope of consolidation	Method of accounting consolidation	Included under regulatory scope of consolidation	Method of regulatory consolidation	Reasons for difference in the method of consolidation	Reasons for consolidation under one of the scope of consolidation
Comfund Consulting Limited	No Refer Schedule 18 Note 4 m vi v of financial statement of Bank as at 31 March 2019	Not Applicable	No	Not Applicable	Not Applicable	Not Applicable - Risk weighted for capital adequacy purposes

List of Group entities operating in India and considered for regulatory scope of consolidation is as under. The bank does not hold any investment in these group entities.

(In Rs '000)

Sr. No.	Name of entity	Principal activity of the entity	Total balance sheet equity *	Total balance sheet assets *
1	Deutsche India Holdings Private Limited (DIHPL)	NBFC & Holding company	6,935,950	7,076,710
2	Deutsche Investments India Private Limited (DIPL)	NBFC Business / Non-discretionary Portfolio management Services	9,007,290	19,253,300

\* Figures as per audited accounts of March 31, 2019

List of Group entities operating in India and not considered for consolidation both under accounting and regulatory scope of consolidation is as under. The bank does not hold any investment in these group entities.

(In Rs '000)

Sr. No.	Name of entity	Principal activity of the entity	Total balance sheet equity*	Total balance sheet assets*
1	Deutsche Asset Management (India) Private Limited	Asset management / Portfolio Management <sup>s</sup>	889,330	974,970
2	Deutsche Securities (India) Private Limited	Securities and debt trading and primary dealership <sup>#</sup>	854,999	857,817
3	Deutsche Equities India Private Limited	Stock broker / Merchant banking and advisory services	3,730,730	47,081,270
4	Deutsche Investor Services Private Limited	Fund accounting	365,190	572,360
5	RREEF India Advisors Private Limited	Sub advisory services <sup>#</sup>	237,060	238,143

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**(In Rs '000)**

Sr. No.	Name of entity	Principal activity of the entity	Total balance sheet equity*	Total balance sheet assets*
6	Deutsche Trustee Services (India) Private Limited	Act as Trustees of all schemes launched by Deutsche Mutual funds <sup>#</sup>	68,163	69,021
7	Deutsche CIB Centre Private Limited	Global processing centre for Back office processing / support services for business lines.	3,423,640	5,392,240
8	DBOI Global Services Private Limited	Global processing centre for back office / IT enabled services	11,696,780	16,406,840

\* Figures as per audited accounts of March 31, 2019

<sup>#</sup> The members have passed a resolution for voluntary winding up

<sup>§</sup> Consequent upon the transfer of schemes of Deutsche Mutual Fund, the company does not carry on any operations

**2. Capital Structure**

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

CET1 and Tier I Capital primarily comprises of interest free capital received from the Head Office, balance in statutory reserves, capital reserves and remittable surplus retained for CRAR requirement.

Tier II Capital primarily comprises of Provision on Standard Assets, Floating Provision and excess provision on sale of Non Performing Assets (NPA) which are created in accordance with the extant RBI guidelines.

**b. Details of Capital Funds of the Bank**

**(In Rs.'000)**

Particulars	30 Sep 2019	31 Mar 2019
Capital - Head Office Account	75,881,087	75,881,087
Statutory Reserve	29,688,575	29,688,575
Capital Reserve	360,607	360,607
Remittable Surplus Retained for CRAR requirement	43,468,052	43,468,052
Less: Earmark for Electronic Trading Platform (ETP)	(50,000)	-
Less: Intangible assets	(578,024)	(504,785)
<b>CET1 Capital / Tier I Capital</b>	<b>148,770,297</b>	148,893,536
Investment Reserve	145,699	145,699
Investment fluctuation reserve	804,519	804,519
Provision on Standard Assets	4,188,885	4,135,320
Provision on Country Risk	12,683	65,148
Floating Provision	712,260	712,260
Provision made on Sale of NPA	427,500	427,500
Countercyclical provisioning buffer	150,000	150,000
<b>Tier II Capital</b>	<b>6,441,546</b>	6,440,446
<b>Total Capital</b>	<b>155,211,843</b>	155,333,982

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**3. Capital adequacy**

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

The Bank is committed to maintaining sound capitalisation. Therefore, overall capital demand and supply are constantly monitored and adjusted as necessary in line with the strategic, business and capital plans drawn up annually by the Bank. 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.

Stress testing and sensitivity analysis are used to assess the Bank's ability to sustain operations during periods of stress. They provide an insight into the potential impact of significant adverse events on the Bank's earnings, risk profile and capital position.

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

The Bank is subject to the Basel III capital adequacy guidelines stipulated by RBI with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till March 31, 2020.

Standalone capital ratio as per Basel III is 14.86%

Particulars	(In Rs.'000)	
	30 Sep 2019	31 March 2019
<b>Capital requirement for credit risk<sup>#</sup> -</b> (Standardised Approach)		
- Portfolios subject to Standardised Approach	<b>112,429,102</b>	99,432,951
- Portfolios subject to securitisation exposures (The Bank invests in Pass Through Certificates (PTCs))	<b>193,152</b>	-
<b>Capital requirement for market risk<sup>#</sup></b> (Standardised Duration Approach)		
- Interest rate risk	<b>8,824,842</b>	12,756,023
- Foreign exchange risk (including gold)	<b>3,374,859</b>	3,374,859
- Equity risk	<b>235,759</b>	202,310
<b>Capital requirement for operational risk<sup>#</sup></b> (Basic Indicator approach)	<b>9,426,474</b>	8,969,037
<b>Total</b>	<b>134,484,188</b>	124,735,180
<b>Deutsche Bank AG, India Branches</b>		
<b>CET1 Capital / Tier I Capital adequacy ratio</b>	<b>14.24%</b>	15.37%
<b>Total Capital adequacy ratio</b>	<b>14.86%</b>	16.03%
<b>Consolidated Bank*</b>		
<b>CET1 Capital / Tier I Capital adequacy ratio</b>	<b>14.91%</b>	16.04%
<b>Total Capital adequacy ratio</b>	<b>15.52%</b>	16.70%

<sup>#</sup> Capital requirement is arrived at after multiplying the risk weighted assets by 12.875%

\* Based on unaudited accounts of DIHPL and DIPL.

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**4. Risk Exposure & Assessment**

**Risk Governance**

**Three Lines of Defence (3LoD)**

DB India follows DB Group's three lines of defence (LoD) organisation structure in order to protect the bank, its customers and shareholders against risk losses and resulting reputational damages. This structure ensures that all risks are taken on, and managed, in the best and long term interest of the bank.

As per the three LoD structure, risks are fully owned by those creating or taking on the risks (1st LoD), while the setting of risk appetite, monitoring of bank-wide risk levels against the bank's risk appetite and provision of challenge to risk management decisions is performed by independent control functions (2nd LoD). Independent assurance over the design and operation of controls, in turn, is provided by the 3rd LoD. This set-up ensures that all risks are identified and managed, and that risk management accountabilities are clearly assigned. A role's designation to a line of defence depends on its mandate and activities, not its organisational affiliation, e.g. an infrastructure function such as Risk or Finance may be seen as primarily a 2nd LoD control function, however will also carry responsibility for managing its own risk portfolio, thereby also having 1st LoD accountability.

The bank ensures independence between its three LoDs in order to avoid conflicts of interest through an appropriate separation of roles and accountabilities. The three LoDs are outlined below.

As per the 3 LoD structure, risks are fully owned by those creating or taking on the risks (1st LoD), while the setting of risk appetite, monitoring of bank-wide risk levels against the bank's risk appetite and provision of challenge to risk management decisions is performed by independent control functions (2nd LoD). Independent assurance over the design and operation of controls, in turn, is provided by the 3rd LoD. This set-up ensures that all risks are identified and managed, and that risk management accountabilities are clearly assigned. A role's designation to a line of defence depends on its mandate and activities, not its organisational affiliation, e.g. an infrastructure function such as Risk or Finance may be seen as primarily a 2nd LoD control function, however will also carry responsibility for managing its own risk portfolio, thereby also having 1st LoD accountability.

The Supervisory Board exercises strategic control and supervision of DB Group. It monitors DB's risk and capital profile regularly via its designated subcommittee, the Risk Committee. The chair of the Risk Committee reports on items discussed during the Risk Committee's meetings to the Supervisory Board.

The Management Board (MB) provides overall risk & capital management supervision for the Group and is responsible for day to day management of the company with the objective of creating sustainable value in the interest of its shareholders, employees, regulators and other stakeholders. The MB is responsible for defining and implementing comprehensive and aligned business and risk strategies, as well as ensuring well-defined risk management functions and operating processes are in place to ensure that DB's overall performance is aligned to its business and risk strategy. The MB is collectively accountable for DB's risk exposure.

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

The Group Risk Committee (GRC) established by the MB is the central forum for review and decision on all material risk topics. Sub-committees are established to cover the different risk types. The GRC is chaired by the Chief Risk Officer (CRO) and covers the following tasks and duties:

- Review inventory of risks and decide on materiality classification
- Review and recommend DB Group Risk Management Principles to the MB for approval
- Support the MB during group-wide Risk & Capital Planning process and recommend risk appetite parameters to the MB, review risk appetite per material risk type, set risk appetite targets and establish a sanctioning system for excesses
- Review Group-wide Stress Testing results and discuss/recommend actions as required
- Advise the MB on recovery measures in times of crisis and oversee their execution as decided by the MB and decide upon mitigating actions to be taken during periods of anticipated or actual stress. Recommend the Group Risk Appetite Statement to the MB
- Recommend the Group Recovery Plan and the Contingency Funding Plan to the MB for approval and support the authorities in executing the Group resolution plan and coordinate internally
- Review high-level risk portfolios & risk exposure developments as well as overall risk level vs. recovery triggers
- Monitor the development of Risk Culture across DB Group

**Country Chief Risk Officer**

The roles and responsibilities of DB India, Chief Risk Officer (CRO) are as follows:-

- Overall responsibility of the risk functions (responsibilities for review and control of all credit, market and operational risks)
- CRO is responsible for supporting the India Branch Management Board in its engagement with and oversight of the development of the bank's risk appetite and for translating the risk appetite into a risk limits structure, extending risk principles into wider business strategy
- Monitoring performance relating to risk taking / risk limits adherence in RMC
- Monitoring and identifying emerging risks and alerting the Board on key risks /regularly engaging with the Board on key risk issues
- Highlight to senior management and the board risk management concerns, such as risk concentrations and violations of risk appetite limits.
- Identifying relationship between risks in separate business units, linkages across business and thus to manage them more effectively-integrated risk approach.
- CRO's responsibilities also include managing and participating in key decision making processes (e.g. strategic planning, capital & liquidity planning, etc.)
- Responsibility for compliance at a strategic level along with appropriate risk functions.
- CRO oversees the development and execution of local objectives, plans and policies, etc.
- CRO is a key personnel in the Bank and will represent risk in the various management committees such as Branch Management Board (EXCO), ALCO, RMC, ICRC, etc.

The Bank has aligned its management structure in line with the global management structure of Deutsche Bank AG. The Management of the overall affairs of the Bank is vested with the Executive Committee ('EXCO'). The Bank has various committees to monitor its functioning and provide necessary direction in view of external / internal developments, including changes in the regulatory environment. An overlap in membership between these committees facilitates a constant and comprehensive information flow. CRO is a key personnel in the Bank and represents in the various decision making committees such as EXCO, ALCO, RMC, ICRC, etc.

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**Specific Banking Risks:**

**Credit risk**

Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower, obligor or issuer (which we refer to collectively as “counterparties”) exist, including those claims that we plan to distribute. It captures the risk of loss because of a deterioration of a counterparty's creditworthiness or the failure of a counterparty to meet the terms of any contract with the bank or otherwise perform as agreed. Credit risk contains five material categories (Level 2) in DB Group's risk taxonomy:

- **Default / migration risk** is the risk that a counterparty defaults on its payment obligations or experiences material credit quality deterioration increasing the likelihood of a default.
- **Country risk** is the risk that otherwise solvent and willing counterparties are unable to meet their obligations due to direct sovereign intervention or policies.
- **Transactional/settlement risk (exposure risk)** is the risk that arises from any existing, contingent or potential future positive exposure
- **Mitigation risk** is the risk of higher losses due to risk mitigation measures not performing as anticipated.
- **Concentration risk** is the risk of an adverse development in a specific single counterparty, country, industry or product leading to a disproportionate deterioration in the risk profile of DB's credit exposures to that counterparty, country, industry or product.

**Market risk**

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.

**Operational risk**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational Risk excludes business and reputational risk.

**Liquidity risk**

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

**Other risks**

Other risks such as Reputational Risk, Business Risk including Strategic Risk also consider at Local/Group Level.

**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 may be common to a number of risk categories, while others are tailored to the particular features of specific risk categories.

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**4.1 Credit risk**

**a. Credit Risk Management Organisation and structure**

The Bank has established a Risk Management Council (RMC) by the Executive Committee (EXCO). The Risk Management Council is mandated to oversee credit risk, market risk and operational risk related matters. The committee comprise of Chief Operating Officer, Head-Credit Risk Management (CRM) Corporate & Investment Bank (CIB), Head- Market Risk Management (MRM), Head-CRM Wealth Management (WM), Head-CRM Private and Commercial Bank (PCC), , Head-Compliance, Chief Financial Officer (CFO), India Internal Capital Adequacy Assessment Process (ICAAP) coordinator, Treasurer, Head-Legal and Head-Non Financial Risk (NFR) .

**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 Risk Management Council. 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 authority, 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 equipped 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 Asia Pacific (APAC) or globally, for the final decision, depending on the defined delegated authority.

Bank has established an India Credit Risk Council (ICRC) to approve significant credit risk and underwriting proposal in line with the regulatory requirements. ICRC has a Terms of Reference (ToR) approved by the EXCO highlighting roles and responsibilities, membership, etc.

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 quarterly CRM exercise to discuss all watch-list names. Deutsche Bank in India follows all the exposure norms and provisioning requirements as laid down by the RBI in its master circulars.

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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 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.

CRM is globally organized and carries out risk identification, assessments, management, monitoring and reporting of credit risks. The CRM department is independent from the business. Accordingly, the credit policies of DB Group are adopted and the Head of CRM is responsible for establishing local policies and procedures to ensure compliance with DB Group principles.

All new credit risks incurred within the DB Group (including DB India) have to be approved by individuals with appropriate credit authority (sufficient to cover the entire DB Group exposure according to a "one obligor" principle). All credit risk decisions relevant to DB India are subject to the approval of Deutsche Bank's Credit Risk Management (CRM).

Credit Risk is managed for DB Group on the basis of a "one obligor principle"; new credit exposures as well as reviews of credit exposures require approval by the appropriate authority holder covering the entire DB Group exposure. All credit risk decisions relevant to DB India are subject to the approval of DB Group's Credit Risk Management (CRM).

The management of credit risk follows a clearly defined credit process. Key processes are:

- deriving a credit rating for the counterparties
- approving credit limits with the required Credit Authority
- setting credit limits for a certain counterparty or portfolio
- deciding on the requirement for credit risk mitigants and risk transfers
- monitoring of the credit exposures on a counterparty as well as on a portfolio level. This includes stress testing.
- managing higher risk counterparties via watchlist process and transfer to workout unit.
- proactively managing concentration risks and identifying quality trends.

Adequate documentation and storage for future reference are ensured along the complete credit process.

**(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:

- o 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
- o Potential Future Exposure ("PFE"), which is an estimate of the Current Credit Exposure that trading instruments could potentially assume in the future
- o Stress Testing, which reflects the short term sensitivity of the portfolio CCE to market parameters.

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To reduce derivatives-related credit risk, the Bank regularly seeks the execution of master agreements (such as the “International Swap and Derivatives Association” - ISDA 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”).

The Bank also enters into credit support annexes (CSA) to master agreements in order to further reduce the derivatives related credit risk. These annexes generally provide risk mitigation through periodic, usually daily, margining of the covered exposure. The CSAs also provide for the right to terminate the related derivative transactions upon the counterparty’s failure to honour a margin call. As with netting, when the bank believes the annex is enforceable, it reflects this in the exposure measurement.

Certain CSAs to master agreements provide for rating dependent triggers, where additional collateral must be pledged if a party’s rating is downgraded. We also enter into master agreements that provide for an additional termination event upon a party’s rating downgrade. These downgrading provisions in CSAs and master agreements usually apply to both parties but may also apply to us only. The bank analyses and monitors its potential contingent payment obligations resulting from a rating downgrade in its stress testing approach for liquidity risk on an ongoing basis.

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**

DB Group’s risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of credit facility or exposure. This risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the level of decision-making authority required to extend or materially change the credit and the monitoring procedures DB Group applies to the ongoing exposure.

DB Group has its own in-house assessment methodologies, scorecards and rating scale for evaluating the creditworthiness of its counterparties. Its granular 21-grade rating scale, which is in compliance with the Internal Ratings Based approach in Basel III and is calibrated on a probability of default measure based upon a statistical analysis of historical defaults in its portfolio, enables the comparison of its internal ratings with common market practice and ensures comparability between different sub-portfolios of its institution. Several default ratings therein enable the incorporation of the potential recovery rate of defaulted exposure. DB Group generally rates all its credit exposures individually. When DB Group assigns its internal risk ratings, DB Group compares them with external risk ratings assigned to counterparties by the major international rating agencies, where possible.

The credit ratings are the core element of the Bank’s risk management framework and determine the –

- Level of authority required for approval
- 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.

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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 used by key global rating agencies such as S & P and Moody's.

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

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 PCC - Credit risk policies and procedures**

CRM PCC India manages the credit risk of Retail Banking portfolio in India. All lending product launched within PCC are approved by CRM PCC before the launch. Credit Risk policies are clearly documented through Product Program for each product.

The scope of India Credit Policy covers the credit process for the PCC 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 and analysis is made to understand the behaviour of the portfolio in terms of repayment, delinquency, transactions etc.

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**d. CRM WM**

Credit in WM is governed by the Business – aligned Risk Management (BRM) WM – Credit Policy and Process Guide. Other related policies governing the credit linked business in WM are the Principles for Managing Credit Risk–DB Group, the India Credit policy and local regulations.

The above credit policy framework details the following:

- Credit principles
- Credit Risk Management process (including initial due diligence, credit reports, rating models used, annual rating review process, credit approval process, credit review process)
- Credit Rating and Credit Limit guidelines (including the relevant rating model to be applied, one-obligor principle)
- Credit Authority guidelines (including delegation of credit authority, approvals under ‘4-eye’)
- Credit Risk Mitigation and Monitoring of risk positions (including collateral monitoring and credit limit excess monitoring)
- Management of distressed exposures (covering watch-list and workout accounts)
- Risk Tools (including credit systems, stress testing)

**e. Total Gross Credit exposures**

Category	(In Rs.’000)	
	30 Sep 2019	31 March 2019
Bills purchased and discounted	77,278,337	73,043,286
Cash credits, overdrafts and loans repayable on demand	249,439,711	242,864,760
Term loans	169,877,685	174,037,552
Inter Bank	25,927,880	48,516,818
Others	656,952	691,249
<b>Total Fund-based Exposures</b>	<b>523,180,565</b>	<b>539,153,665</b>
Guarantees given on behalf of customers	191,084,687	200,409,576
Acceptances, endorsements and other obligations	45,711,338	47,833,994
Derivative exposures	343,877,032	324,404,173
Undrawn Commitment	31,770,536	49,231,563
<b>Total Non-fund based Exposures</b>	<b>612,443,593</b>	<b>621,879,306</b>

Exposure for the purposes of tables in this section reflect actual notional, except for derivative exposures which is based on the current exposure method prescribed by RBI vide its master circular on Exposure norms.

Note: Investment in Non-SLR instruments not included here, covered under market risk.

The Bank renders its services within one geographical segment and has no offices outside India

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**f. Industry Type distribution of exposures (half year ended 30 Sep 2019)**

(In Rs.'000)

Sector ID	Sector Name	Funded	Non Funded	Total	Percentage of Total
1	Mining & Quarrying	113,467	797,249	910,716	0.08%
2	Food Processing	5,503,764	5,282,561	10,786,325	0.95%
3	Beverages	4,283,370	1,713,857	5,997,227	0.53%
4	Textile	11,388,634	191,977	11,580,611	1.02%
5	Leather & Leather Products	792,473	362,601	1,155,074	0.10%
6	Wood and Wood products	1,241,663	79,266	1,320,929	0.12%
7	Paper and paper Products	2,864,619	72,713	2,937,332	0.26%
8	Petroleum, Coal Products and Nuclear Fuels	9,632,231	6,497,146	16,129,377	1.42%
9	Chemical and chemical products	30,810,394	7,669,728	38,480,122	3.39%
10	Rubber Plastic and their products	5,503,772	464,156	5,967,928	0.53%
11	Glass & Glassware	891,048	306,343	1,197,391	0.11%
12	Cement and Cement Products	542,810	-	542,810	0.05%
13	Basic Metal and Metal Products	15,297,234	9,365,773	24,663,007	2.17%
14	All Engineering	37,598,349	48,021,619	85,619,968	7.54%
15	Vehicles, Vehicle Parts and Transport Equipments	20,827,542	9,324,922	30,152,464	2.66%
16	Gems and Jewellery	9,886,678	45,000	9,931,678	0.87%
17	Construction	1,058,565	530,552	1,589,117	0.14%
18	Infrastructure	36,876,776	43,277,456	80,154,232	7.06%
19	Other Industries	37,356,443	9,108,152	46,464,595	4.09%
20	Residuary Other	290,710,733	469,332,522	760,043,255	66.91%
Total		523,180,565	612,443,593	1,135,624,158	100.00%

**Industry Type distribution of exposures (year ended 31 March 2019)**

(In Rs.'000)

Sector ID	Sector Name	Funded	Non Funded	Total	Percentage of Total
1	Mining & Quarrying	82,962	1,039,350	1,122,312	0.10%
2	Food Processing	4,830,889	5,790,801	10,621,690	0.91%
3	Beverages	5,518,113	912,897	6,431,010	0.55%
4	Textile	9,254,121	1,546,750	10,800,871	0.93%
5	Leather & Leather Products	862,978	555,633	1,418,611	0.12%
6	Wood and Wood products	1,114,683	25,796	1,140,479	0.10%
7	Paper and paper Products	2,481,943	18,416	2,500,359	0.22%
8	Petroleum, Coal Products and Nuclear Fuels	229,349	6,951,124	7,180,473	0.62%
9	Chemical and chemical products	25,069,741	12,283,150	37,352,891	3.22%
10	Rubber Plastic and their products	5,709,785	673,699	6,383,484	0.55%
11	Glass & Glassware	771,112	285,348	1,056,460	0.09%
12	Cement and Cement Products	996,376	0	996,376	0.09%
13	Basic Metal and Metal Products	20,478,602	14,477,503	34,956,105	3.01%
14	All Engineering	42,272,256	53,707,116	95,979,372	8.27%
15	Vehicles, Vehicle Parts and Transport Equipments	19,678,513	15,365,006	35,043,519	3.02%
16	Gems and Jewellery	12,259,671	45,000	12,304,671	1.06%
17	Construction	1,013,795	561,651	1,575,446	0.14%
18	Infrastructure	17,294,250	40,684,672	57,978,922	4.99%
19	Other Industries	58,922,313	8,178,783	67,101,096	5.78%
20	Residuary Other Advances	310,312,213	458,776,611	769,088,824	66.23%
Total		539,153,665	621,879,306	1,161,032,971	100.00%

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**g. Residual contractual maturity breaks down of Total Assets**

(In Rs'000)

Maturity buckets	30 Sep 2019
Day - 1	272,061,460
2-7 Days	90,741,454
8-14 Days	51,026,914
15-30 Days	92,272,565
31 Days to 2 months	25,058,812
Over 2 Months to 3 months	21,823,660
Over 3 Months to 6 months	30,301,134
Over 6 Months to 12 months	30,638,975
Over 1 Year to 3 years	154,025,125
Over 3 Years to 5 years	38,655,461
Over 5 years	290,458,255
<b>Total</b>	<b>1,097,063,815</b>

(In Rs'000)

Maturity buckets	31 Mar 2019
Day - 1	-
2-7 Days	324,426,164
8-14 Days	59,071,051
15-30 Days	56,864,951
31 Days to 2 months	35,517,128
Over 2 Months to 3 months	27,714,621
Over 3 Months to 6 months	39,659,371
Over 6 Months to 12 months	19,240,003
Over 1 Year to 3 years	162,309,459
Over 3 Years to 5 years	35,538,018
Over 5 years	302,545,273
<b>Total</b>	<b>1,062,886,039</b>

**h. Amount of NPA**

(In Rs'000)

NPA Classification (30 Sep 2019)	Gross NPAs	Net NPAs
Substandard	4,510,450	3,681,750
Doubtful		
- Doubtful 1	2,184,103	1,452,505
- Doubtful 2	5,996,742	669,091
- Doubtful 3	352,570	-
Loss	317,753	-
<b>Total</b>	<b>13,361,618</b>	<b>5,803,346</b>
<b>NPA Ratio</b>	<b>2.70%</b>	<b>1.19%</b>

(In Rs'000)

NPA Classification (31 March 2019)	Gross NPAs	Net NPAs
Substandard	6,551,575	5,509,481
Doubtful		
- Doubtful 1	1,623,669	1,035,873
- Doubtful 2	5,468,039	401,153
- Doubtful 3	259,601	-
Loss	341,489	-
<b>Total</b>	<b>14,244,373</b>	<b>6,946,507</b>
<b>NPA Ratio</b>	<b>2.91%</b>	<b>1.44%</b>

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**i. Movement in NPAs**

	(In Rs'000)	
	30 Sep 2019	31 March 2019
<b>Movement in NPAs (funded)</b>		
<b>(i)</b> Net NPAs to Net Advance (%)	1.19%	1.44%
<b>(ii)</b> Movement of Gross NPAs		
a) Opening balance	14,244,373	10,233,160
b) Additions during the year	3,537,306	8,216,081
c) Reductions during the year	(4,420,061)	(4,204,868)
d) Closing Balance	13,361,618	14,244,373
<b>(iii)</b> Movement of Net NPAs		
a) Opening balance	6,946,507	3,049,161
b) Additions during the year	2,459,079	6,097,367
c) Reductions during the year	(3,602,240)	(2,200,021)
d) Closing Balance	5,803,346	6,946,507
<b>(iv)</b> Movement of Provisions for NPAs		
a) Opening balance	7,297,866	7,183,999
b) Provisions made during the year	1,078,227	2,118,714
c) Write off/write back of excess provisions during the year	(817,821)	(2,004,847)
d) Closing Balance	7,558,272	7,297,866

**j. Amount of 'Non Performing Investment'(NPIs)**

Particulars	(In Rs'000)	
	30 Sep 2019	31 March 2019
Closing balance for the period	425,804	425,804
Total provisions held	425,804	425,804
<b>Net book Value</b>	-	-

**k. Movement in Provision for Depreciation on Investments**

Provisions for depreciation on investments*	(In Rs'000)	
	30 Sep 2019	31 March 2019
Opening balance	765,318	652,804
Add: Provisions made during the period / year	-	112,514
Less: Write-off/write back of excess provisions during the period	-	-
<b>Closing balance</b>	765,318	765,318

\*Includes provision on NPIs.

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**4.2 Credit risk – Portfolios subject to Local Standardised Approach**

**a. Credit rating agencies**

The Bank uses short-term and long-term instrument/bank facilities ratings from CARE, CRISIL, ICRA and India Ratings and Research Private Limited (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 such as Standard & Poor's, Moody's and Fitch are used. The Bank uses credit ratings that are publicly available for assigning risk weights.

In accordance with the guidelines of RBI, the bank classifies all cash credit exposures and assets which have a contractual maturity of more than one year as long term exposures and accordingly the solicited 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.

**b. Outstanding amounts**

Bucket wise break up of exposure amounts subject to the standardised approach is as under

Exposure Category	(In Rs'000)	
	30 Sep 2019	31 March 2019
Under 100% risk weight	169,143,321	174,706,282
100% risk weight	247,806,704	311,986,312
Above 100% risk weight	106,230,540	52,461,071
<b>Total Fund-based Exposures</b>	<b>523,180,565</b>	<b>539,153,665</b>
Under 100% risk weight	383,828,472	370,638,958
100% risk weight	82,244,579	191,360,747
Above 100% risk weight	146,370,542	59,879,601
<b>Total Non Fund-based Exposures</b>	<b>612,443,593</b>	<b>621,879,306</b>

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**4.3 Credit risk mitigation policy**

Credit risk is generally mitigated at DB Group level. The Bank employs the different techniques available for the management of credit risk in line with the strategy established at DB Group level. The Bank takes into account the local laws / local market practice for the use of credit risk mitigants. The Bank may also apply guarantees or other instruments to transfer credit risk to DB AG or other legal entities within DB Group.

**Mitigation of credit risk on counterparty level**

In addition to determining counterparty credit quality and the risk appetite, the Bank actively uses various credit risk mitigation techniques to optimize the Bank's credit exposure and reduce potential credit losses. While those techniques might ensure or can be an alternative source of repayment, they do not substitute for high quality underwriting standards and thorough due diligence. Key credit risk mitigation techniques comprise:

- Comprehensive and enforceable credit documentation with adequate terms and conditions (including covenants where deemed adequate)
- Collateral in its various forms. Key principles for collateral management include assigning realistic collateral valuations, risk and regulatory capital reduction effectiveness and cost efficiency.
- Risk transfers shifting the probability of default risk of an obligor to a third party including hedging executed by the Credit Portfolio Strategies Group (CPSG). Other de-risking tools such as securitizations etc. may also be employed.
- Netting and collateral arrangements which reduce the credit exposure from derivatives as well as repo- and repo-style transactions.

**Collateral**

The Bank regularly agrees on collateral to be received from or to be provided to customers in contracts that are subject to credit risk. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. While collateral can be an alternative source of repayment, it generally does not replace the necessity of high quality underwriting standards and a thorough assessment of the debt service ability of the counterparty.

The Bank segregates collateral received into the following two types:

- Financial and other collateral, which enables us to recover all or part of the outstanding exposure by liquidating the collateral asset provided, in cases where the borrower is unable or unwilling to fulfil its primary obligations. Cash collateral, securities (equity, bonds), collateral assignments of other claims or inventory, equipment (i.e., plant, machinery and aircraft) and real estate typically fall into this category.
- Guarantee collateral, which complements the borrower's ability to fulfil its obligation under the legal contract and as such is provided by third parties. Letters of credit, insurance contracts, export credit insurance, guarantees, credit derivatives and risk participations typically fall into this category.

The bank's processes seek to ensure that the collateral we accept for risk mitigation purposes is of high quality. This includes seeking to have in place legally effective and enforceable documentation for realizable and measureable collateral assets which are evaluated regularly by dedicated teams. The assessment of the suitability of collateral for a specific transaction is part of the credit decision and must be undertaken in a conservative way, including collateral haircuts that are applied. We have collateral type specific haircuts in place which are regularly reviewed and approved. In this regard, we strive to avoid "wrong-way" risk characteristics where the borrower's counterparty risk is positively correlated with the risk of deterioration in the collateral value. For guarantee collateral, the process for the analysis of the guarantor's creditworthiness is aligned to the credit assessment process for counterparties.

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**Netting and collateral arrangements for derivatives and securities financing transactions (SFT)**

Netting is applicable to both exchange traded derivatives and over the counter (OTC) derivatives. Netting is also applied to SFT as far as documentation, structure and nature of the risk mitigation allow netting with the underlying Credit Risk.

All exchange traded derivatives are cleared through central counterparties (CCP), which interpose themselves between the trading entities by becoming the counterparty to each of the entities. The rules and regulations of CCPs usually provide for the bilateral set off of all amounts payable on the same day and in the same currency (“payment netting”) and thereby reducing the settlement risk. Depending on the business model applied by the CCP, this payment netting applies either to all of bank’s derivatives cleared by the CCP or at least to those that form part of the same class of derivatives. Many CCP rules and regulations also provide for the termination, close-out and netting of all cleared transactions upon the CCP’s default (“close-out netting”), which reduced the bank’s Credit Risk. In its risk measurement and risk assessment processes the bank applies close-out netting only to the extent that the bank has satisfied itself of the legal validity and enforceability of the relevant CCP’s close-out netting provisions.

In order to reduce the Credit Risk resulting from OTC derivative transactions, where CCP clearing is not available, the bank regularly seeks the execution of standard master agreements (such as master agreements for derivatives published by the International Swaps and Derivatives Association, Inc. (ISDA) or the German Master Agreement for Financial Derivative Transactions) with its counterpart. A master agreement allows for the close-out netting of rights and obligations arising under derivative transactions that have been entered into under such a master agreement upon the counterparty’s default, resulting in a single net claim owed by or to the counterparty. For parts of the derivatives business (i.e., foreign exchange transactions) the bank also enters into master agreements under which payment netting applies in respect to transactions covered by such master agreements, reducing the settlement risk. In its risk measurement and risk assessment processes the bank applies close-out netting only to the extent it has satisfied itself of the legal validity and enforceability of the master agreement in all relevant jurisdictions.

Also, the Bank enters into CSA to master agreements in order to further reduce its derivatives related Credit Risk. These annexes generally provide risk mitigation through periodic, usually daily margining of the covered exposure. The CSAs also provide for the right to terminate the related derivative transactions upon the counterparty’s failure to honour a margin call. As with netting, when the Bank believes the annex is enforceable, It gets reflected in its exposure measurement.

Certain CSAs to master agreements provide for rating dependent triggers, where additional collateral must be pledged if a party’s rating is downgraded. The Bank also enters into master agreements that provide for an additional termination event upon a party’s rating downgrade. These downgrading provisions in CSAs and master agreements usually apply to both parties but may also apply to us only. The Bank analyses and monitors the potential contingent payment obligations resulting from a rating downgrade in its stress testing approach for liquidity risk on an ongoing basis.

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**Concentrations within credit risk (CR) mitigation**

Concentrations within Credit Risk mitigations taken may occur if a number of guarantors and credit derivative providers with similar economic characteristics are engaged in comparable activities with changes in economic or industry conditions affecting their ability to meet contractual obligations. The bank uses a range of quantitative tools and metrics to monitor its Credit Risk mitigating activities. These also include monitoring of potential concentrations within collateral types supported by dedicated stress tests.

**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**

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 Counterparty Probability of Default (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 and property collateral for mortgage loans to retail banking clients. 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 JPD.

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

	<b>(In Rs'000)</b>	
<b>Exposures covered by financial collateral</b>	<b>30 Sep 2019</b>	<b>31 March 2019</b>
Exposures before Credit Risk Mitigation Technique	<b>139,484,603</b>	131,133,019
Exposures after Credit Risk Mitigation Technique (after application of haircut on collateral)	<b>8,755,142</b>	11,734,606

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**d. Securitisation Exposure**

Primary recourse for securitization exposures lies with the underlying assets. The related risk is mitigated by credit enhancement typically in the form of overcollateralization, subordination, excess interest, cash collateral in form of first loss and second loss credit enhancement. The initial due diligence usually includes any or all of the following, depending on the specifics of the transaction: (a) the review of the relevant documents including term sheets, servicer reports or other historical performance data, third-party assessment reports such as rating agency analysis (if externally rated), etc., (b) modeling of base and downside scenarios through asset-class specific cash-flow models, (c) servicer reviews to assess the robustness of the servicer's processes and financial strength. The result of this due diligence is summarized in a credit and rating review which requires approval by an appropriate level of credit authority, depending on the size of exposure and internal rating assigned. Compliance with the regulatory requirements for risk retention, due diligence and monitoring according to the applicable regulatory requirements is part of our credit review process and the relevant data is gathered for reporting purposes. Ongoing regular performance reviews include checks of the periodic servicer reports as well as the overall performance trend in the context of economic, geographic, sector and servicer developments. For lending-related commitments an internal rating review is required at least annually. Significant negative or positive changes in asset performance can trigger an earlier review date. Full credit reviews are also required annually, or, for highly rated exposures, every other year. Furthermore, there is a separate, usually quarterly, watch list process for exposures identified to be at a higher risk of loss, which requires a separate assessment of asset and servicer performance. It includes a review of the exposure strategy and identifies next steps to be taken to mitigate loss potential. Evaluation of structural integrity is another important component of risk management for securitization, focusing on the structural protection of a securitization as defined in the legal documentation (i.e., perfection of security interest, segregation of payment flows, and rights to audit). These securitization positions are managed by a dedicated team that uses a combination of market standard systems and to monitor performance and manage market and credit risks. Market Risk Management aims to accurately measure all types of market risks by a comprehensive set of risk metrics reflecting economic and regulatory requirements.

The Bank invests in Pass Through Certificates (PTCs). We have exposure to third-party securitizations which are reported as investments.

The investments of the Bank in PTCs have been marked to market on the basis of the Base Yield Curve and the applicable spreads as per the spread matrix relative to the Weighted Average Maturity of the paper as notified by Fixed Income Money Market and Derivative Association of India (FIMMDA).

The Bank has made investments in Pass Through Certificates (PTCs) of Rs. 7,501,050 thousand as at 30 Sep 2019. These attract a risk weight of 20% since they are AAA rated instruments.

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**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 MB 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 also 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 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
- 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.

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

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 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.

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**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**

Particulars	(In Rs'000)	
	30 Sep 2019	31 March 2019
Capital requirement for market risk#		
- Interest rate risk	<b>8,824,842</b>	12,756,023
- Foreign exchange risk (including gold)	<b>3,374,859</b>	3,374,859
- Equity risk	<b>235,759</b>	202,310
<b>Total</b>	<b>12,435,460</b>	16,333,192

# Capital requirement is arrived at after multiplying the risk weighted assets by 12.875%

**4.5 Operational risk**

**a. Definition of Operational Risk**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational Risk (OR) excludes Business and Reputational Risk.

**b. Operational Risk Management Framework:**

The Bank has established the Operational Risk Management Framework (ORMF) to identify and manage its operational risks. Building on the ORMF, Risk Type Controllers (RTCs) establish risk type specific frameworks for the OR type they control. The ORMF is designed to support three key objectives:

- Proactive identification and mitigation of operational risks where they originate
- Acceptance and understanding of risk ownership by the 1st LoD and strong challenge, engagement and facilitation by the 2nd LoD control functions
- Standardisation and aggregation to allow reporting of the OR profile on bank / unit / risk type levels and the quantification of OR (OR capital calculation).

It comprises of several interconnected components, following the cycle of risk identification, assessment, mitigation, and monitoring.

## Deutsche Bank AG - India Branches

(Incorporated in Germany with limited liability)

### Management disclosures under Pillar 3 – Half year ended September 30, 2019

#### Organisational and Governance structure for India:

The roles and responsibilities of the NFRM function with respect to Country Coverage are defined as part of the Operational Risk Country Coverage Key Operating Document (KOD).

- o The Country Head of NFRM is responsible for overseeing the adequate implementation of the local NFRM governance process in India.
- o The Country Head of NFRM is a permanent member of the Operating Committee (OpCo) and Risk Management Council (RMC) of DB AG India the Bank and updates the Committee/Councils about the Operational Risk profile of the country through the Country Flash Card (CFC) that includes, but is not limited to:
  - The aggregated operational OR loss reporting and the outline of material events
  - Specific insights on divisional relevant risks
  - Operational Risk capital developments
  - Overview of the management of issues and findings
  - Relevant Key Risk Indicators

#### c. Operational Risk identification:

The Bank identifies, captures and analyses its materialized and emerging operational risks that originate in its own organizations (internal events), in order to enable proactive risk management decisions as well as create transparency on its OR profile.

The Bank's OR Profile is a reflection of OR events that have already occurred, both internally and externally, and identified gaps in – and deficiencies of – the control environment. It is also shaped by emerging risks which have the potential to materialize.

The Bank uses an industry-wide OR event definition which comprises both, events with an impact on the Bank's P&L (e.g. losses), and those with no P&L impact (e.g. near misses). For DB AG India, the OR events are captured according to defined thresholds as mentioned below:

- Private and Commercial Clients Business and Operations: All losses (i.e. zero threshold)
- Wealth Management Business & Operations: €1,000
- CIB Business & Operations: €10,000
- Global Markets Business: €10,000
- Global Markets Operations: €2,500

For emerging risks that have not yet materialized, the Bank reviews a selection of external events and external / internal scenarios. All material identified emerging risks are reflected in the set of internal and external scenarios.

To facilitate more detailed analysis of material events, additional data is captured. Lessons Learnt and Read Across processes identify the root causes of incidents above a defined threshold and document mitigation decisions.

#### d. Operational Risk assessment:

The Bank performs OR assessments, including standardised assessments of its OR, the adequacy of the control environment and the resulting residual risks. These assessments are informed, challenged and utilised by its independent risk control functions, to gain a holistic view across operational risk types.

**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

The Bank's central risk assessment process is the *Risk Control Assessment (RCA)*. The RCA allows to capture its inherent risks, assesses its control environment and, ultimately, determine the residual risks. It allows the Bank's risk control functions to obtain insight into the risk assessment across units and OR types, to facilitate the oversight and an independent challenge of the risk assessments.

The *Control Assessment Framework* ensures that the Bank's key controls are captured in a Control Inventory and provides support for the ORMF by highlighting key control themes, reassurance to management on the firm's control environment and enhances the execution of the RCA by supporting the generation of risk profiles for internal risk management and Regulatory Capital calculation purposes.

To manage the Operational Risks associated with material change initiatives incl. Core Change Initiatives (CCIs), the Group performs *Transformation Risk Assessments (TRA)*.

*Cross-risk processes* capture and aggregate the assessments of various risk control functions, e.g. of new transactions, new products or vendors.

Further risk assessments are performed by risk control functions, e.g. Legal, Compliance and AFC.

**e. Operational Risk mitigation:**

The Bank mitigates the assessed risks to a level where the residual risk fits into the defined risk appetite. Issues are identified, mitigating actions clearly tracked and are sufficient to reduce the residual risk to within risk appetite. Where within appetite, further mitigation can be temporarily delayed following a defined risk acceptance process including the review and challenge by the risk control functions who have a veto authority.

Identified and assessed operational risks can be further reduced by performing *mitigation activities*, e.g. by improving the control environment, by transferring risks (i.e. insurance), or by ultimately reducing / ceasing the business activity. The transferring of risks using insurance activities is managed and governed by Corporate Insurance Deukona (CID).

Mitigation activities which are not already monitored by another resolution monitoring process, such as findings management are captured, recorded and governed within the issue management process. These self-identified issues address control gaps and deficiencies which have not already been addressed elsewhere (e.g. audit and regulatory findings or actions) and could result in an OR event.

The Group proactively identifies and addresses control deficiencies and gaps through the issue management process. For critical issues (and significant optionally), the risk control functions mandatorily review and challenge the mitigation plan and may exercise a veto where the planned mitigation is insufficient to bring the residual risk back within risk appetite.

If the residual risk (including after the completion of mitigation activities) is within risk appetite – qualitatively and quantitatively - a related issue can be *risk accepted* for a certain time frame and not mitigated further during this time. If residual risks remain significant / critical but are considered applicable for OR acceptance, the *risk acceptance process* as defined in the ORMF is followed. Risk acceptances will undergo independent challenge and risk control functions have a veto authority.

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**f. Operational Risk monitoring**

To enable a pro-active management of OR, the Bank constantly monitors its business and control environment, and the risk level for each OR type against the defined OR appetite. Early warning signals ensure that trends in the development of the risk profiles are identified before they materialize, including the major known but also emerging risks.

In line with DB Group *NFR Appetite Framework*, the Bank identifies risk sensitive *Key Risk Indicators (KRIs)* to constantly monitor risk levels and the utilisation of risk appetite. These metrics act as a warning signal, indicating a potential shift in the business environment. When breaches of appetite occur, the Bank manages the breaches in-line with the Group Risk Appetite Policy and Non-Financial Risk Appetite minimum standards. This ensures that risks are identified and addressed early, before they lead to losses from OR.

The Bank's report regularly (*risk reporting*) and ad-hoc (*escalations*) on its OR profile, top risks, utilisation of risk appetite and events, following DB global reporting standards.

For more detailed and comprehensive description of ORM framework please refer to 'Operational Risk Management Policy – Deutsche Bank Group' and respective related references.

**4.6 Liquidity Risk**

The Group Management Board ("Group MB") defines the liquidity and funding risk strategy for the Deutsche Bank Group ("the Group"), and sets the risk appetite based on recommendations made by Treasury and LRM.

The governance process is split into three areas covering risk appetite and limits, model risk and general risk oversight. The key committees and decision making bodies responsible for overseeing liquidity and funding management are the Group MB, the Treasury Executive Committee ("TExCo"), and the Group Risk Committee ("GRC").

TExCo's mandate is to act as an oversight and escalation point for Treasury matters. It has approval authority for certain key principles, policies, plans and methodologies for strategic matters relating to Treasury globally, across all Treasury functions.

Treasury is mandated to manage the overall liquidity and funding position of the Group, with Liquidity Risk management ("LRM") acting as an independent control function, responsible for the oversight of liquidity and funding risk management strategy and the validation of Liquidity Risk models which are developed by Treasury, to measure and manage the liquidity risk profile. Liquidity and Treasury Reporting and Analysis (LTRA) Team is responsible for the internal reporting on liquidity and funding across the firm on a global and local level.

At the country level, local Treasury is responsible for overall liquidity management of the Bank including proposing changes to liquidity risk limits and thresholds, where necessary – in line with the risk appetite applied by LRM – for approval by the Asset & Liability Committee ("ALCO"). Day-to-day funding and cash management of the branch and other Bank subsidiaries is undertaken by Treasury Markets Pool ("Pool") acting within the parameters set by ALCO.

The Bank's liquidity risk management approach starts at the intraday level forecasting cash flows and factoring in its 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.

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The Bank's cash-flow based reporting system provides daily liquidity risk information to global and local management. Stress testing and scenario analysis plays a central role in the Bank's liquidity risk management framework. This also incorporates an assessment of asset liquidity, i.e., the characteristics of the Bank's asset inventory, under various stress scenarios as well as contingent funding requirements from off-balance-sheet commitments. Daily stress test results are used to monitor the Group's ongoing compliance with the Board's overall liquidity risk appetite. Furthermore, the Group's short-term wholesale funding profile limits (both unsecured and secured) which are a key tool of the framework are calibrated against the stress test results on a monthly basis.

**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 trading desks in Global Markets (w.e.f. May 2016 the position has been transferred is to Treasury) and is managed on the basis of Value-at-Risk as reflected in the trading Value-at-Risk numbers. The treatment of interest rate risk in the Group's trading portfolios and the application of the Value-at-Risk model is discussed above. The bank considers this risk to be a part of the overall market risk framework.

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**6. Counterparty Credit Risk**

**Credit Limits and Collaterals**

Counterparty credit risk (CCR) is the risk that a Bank's counterparty defaults in a FX, interest rate, commodity or credit derivative contract prior to or at the maturity date of the contract and that the Bank at the time has a claim on the counterparty.

The credit risk arising from all financial derivatives is managed as part of the overall credit limits to both financial institutions and other clients and customers. Exposure values for regulatory capital purposes on over the counter traded products are calculated according to the Current Exposure Method as defined by RBI. This is calculated as the sum of the current replacement cost and the PFE. The current replacement cost is the amount owed by the counterparty to the Bank for various financial derivative transactions. The PFE is an add-on based on a percentage of the notional principal of each transaction. These percentages are prescribed by the RBI in the guidelines and vary according to the underlying asset class and tenor of each trade.

The Bank seeks to negotiate Credit Support Annexes (CSA) to International Swaps and Derivatives Association master agreements with counterparties on a case-by-case basis, where collateral is deemed a necessary or desirable mitigant to the exposure. The credit terms of the CSA are specific to each legal document and determined by the credit risk approval unit responsible for the counterparty. The nature of the collateral will be specified in the legal document and will typically be cash or highly liquid securities. A daily operational process takes place to calculate the MTM on all trades captured under the CSA. Additional collateral will be called from the counterparty if total uncollateralised MTM exposure exceeds the threshold and minimum transfer amount specified in the CSA. Additional collateral may be required from the counterparty to provide an extra buffer to the daily variation margin process.

The Bank further reduces its credit exposures to counterparties by entering into contractual netting agreements which result in a single amount owed by or to the counterparty through netting the sum of the positive (amounts owed by the counterparty) and negative (amounts owed by the Bank) MTM values of these transactions.

In India, the Bank follows the Standardised Approach (SA) for credit risk and hence no credit reserve is set aside. However, provisioning for the exposures on derivative contracts is made as per extant RBI guidelines.

**Wrong Way Risk**

Wrong way risk occurs when an exposure increase is coupled with a decrease in the credit quality of the obligor. The Group/Bank employs various policies and procedures to ensure that risk exposures are monitored. For example, as the MTM on a derivative contract increases in favour of the Bank, the counterparty may increasingly be unable to meet its payment, margin call or collateral posting requirements.

**Impact of Credit Rating Downgrade**

Credit ratings are formally reviewed at least annually and additionally reviewed whenever there is any major credit event / releases of regular earning statements of companies. CRM monitors credit ratings of all counterparties on an on-going basis and initiates rating actions throughout the year based on changes in business conditions / specific credit events /changes in sector outlooks / views of external rating agencies.

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In case of a rating downgrade, CRM reviews the credit strategy and gets it approved by the respective authority holder. CRM follows the Global Credit Approval Authority Scheme which defines the authority delegation level per type of counterpart (corporate / bank / financial institution etc), size of facility, credit rating of counterpart and type of approval- limit approval / temporary excess approval.

Also in line with market convention, the Bank negotiates CSA terms for certain counterparties where the thresholds related to each party are dependent on their External Credit Assessment Institution (ECAI) long term rating. Such clauses are typically mutual in nature. It is therefore recognised that a downgrade in the Group's rating could result in counterparties seeking additional collateral calls to cover negative MTM portfolios where thresholds are lowered.

**Quantitative Disclosures**

Particulars*	(in Rs '000)	
	30 Sep 2019	31 March 2019
Gross positive fair value of contracts	123,010,857	121,342,164
Netting benefits	-	-
Netted current credit exposure	123,010,857	121,342,164
Collateral held (including type, e.g. cash, government securities, etc.)	-	-
Net derivatives credit exposure	123,010,857	121,342,164
Potential future exposure	220,866,175	203,062,009
Measures for exposure at default or exposure amount under CEM	343,877,032	324,404,173
The notional value of credit derivative hedges	-	-
Distribution of current credit exposure by types of credit exposure:	-	-
- Interest Rates	126,163,965	82,285,152
- Fx	217,713,067	242,119,021

\* Based on current exposure method

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**7. Composition of Capital Disclosure Template**

(In Rs.'000)				
Sr. No.	Basel III common disclosure template to be used during the transition of regulatory adjustments	Solo	Regulatory scope of consolidation *	Ref No.
<b>Common Equity Tier 1 capital: instruments and reserves</b>				
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	75,881,087	76,909,937	A
2	Retained earnings	73,517,234	87,198,834	B+C+D+E+F+G
3	Accumulated other comprehensive income (and other reserves)			
4	Directly issued capital subject to phase out from CET1 (only applicable to non joint stock companies)			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)			
6	Common Equity Tier 1 capital before regulatory adjustments	149,398,321	164,108,771	
<b>Common Equity Tier 1 capital : regulatory adjustments</b>				
7	Prudential valuation adjustments			
8	Goodwill (net of related tax liability)			
9	Intangibles other than mortgage-servicing rights(net of related tax liability)	578,024	578,024	H
10	Deferred tax assets	4,515,707	4,624,373	I
11	Cash-flow hedge reserve			
12	Shortfall of provisions to expected losses			
13	Securitisation gain on sale			
14	Gains and losses due to changes in own credit risk on fair valued liabilities			
15	Defined-benefit pension fund net assets			
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)			
17	Reciprocal cross-holdings in common equity			
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)			
20	Mortgage servicing rights <sup>4</sup> (amount above 10% threshold)			
21	Deferred tax assets arising from temporary differences <sup>5</sup> (amount above 10% threshold, net of related tax liability)			
22	Amount exceeding the 15% threshold			
23	of which : significant investments in the common stock of financial entities			
24	of which : mortgage servicing rights			
25	of which : deferred tax assets arising from temporary differences			
26	National specific regulatory adjustments <sup>7</sup> (26a+26b+26c+26d)			
26a	of which : Investments in the equity capital of unconsolidated insurance subsidiaries			
26b	Of which: Investments in the equity capital of consolidated non- financial subsidiaries			
26c	of which : Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank			
26d	of which : Unamortised pension funds expenditures			
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions			
28	<b>Total regulatory adjustments to Common equity Tier 1</b>	5,093,731	5,202,397	
Add :	Deferred Tax Asset which relate to timing difference, up to 10% of CET 1 Capital	4,515,707	4,515,707	
Less :	Investment in group entities in excess of 10% of owned fund	-	5,069,197	
Less :	Other Deduction : Earmark for Electronic Trading Platform (ETP)	50,000	50,000	J.1
29	<b>Common Equity Tier 1 capital (CET1)</b>	<b>148,770,297</b>	<b>158,302,884</b>	

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				(In Rs.'000)
Sr. No.	Basel III common disclosure template to be used during the transition of regulatory adjustments	Solo	Regulatory scope of consolidation*	Ref No.
<b>Additional Tier 1 capital : instruments</b>				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)			
31	of which : classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)			
32	of which : classified as liabilities under applicable accounting standards (Perpetual debt Instruments)			
33	Directly issued capital instruments subject to phase out from Additional Tier 1			
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)			
35	of which : instruments issued by subsidiaries subject to phase out			
36	<b>Additional Tier 1 capital before regulatory adjustments</b>			
<b>Additional Tier 1 capital : regulatory adjustments</b>				
37	Investments in own Additional Tier 1 instruments			
38	Reciprocal cross-holdings in Additional Tier 1 instruments			
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
41	National specific regulatory adjustments (41a+41b)			
41a	of which : Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries			
41b	of which : Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank			
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions			
43	<b>Total regulatory adjustments to Additional Tier 1 capital</b>			
44	<b>Additional Tier 1 capital (AT1)</b>			
44a	<b>Additional Tier 1 capital reckoned for capital adequacy11</b>			
45	<b>Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)</b>	148,770,297	158,302,884	
<b>Tier 2 capital: instruments and provisions</b>				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus			
47	Directly issued capital instruments subject to phase out from Tier 2			
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)			
49	of which : instruments issued by subsidiaries subject to phase out			
50	Provisions	6,441,546	6,502,520	J+K+L+M+N
51	<b>Tier 2 capital before regulatory adjustments</b>	6,441,546	6,502,520	
<b>Tier 2 capital: regulatory adjustments</b>				
52	Investments in own Tier 2 instruments			
53	Reciprocal cross-holdings in Tier 2 instruments			
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)			
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
56	National specific regulatory adjustments (56a+56b)			
56a	of which : Investments in the Tier 2 capital of unconsolidated insurance subsidiaries			
56b	of which : Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank			
57	<b>Total regulatory adjustments to Tier 2 capital</b>	-		

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				(In Rs.'000)
Sr. No.	Basel III common disclosure template to be used during the transition of regulatory adjustments	Solo	Regulatory scope of consolidation*	Ref No.
58	<b>Tier 2 capital (T2)</b>	6,441,546	6,502,520	
58a	<b>Tier 2 capital reckoned for capital adequacy</b>	6,441,546	6,502,520	
58b	<b>Excess Additional Tier 1 capital reckoned as Tier 2 capital</b>	-		
58c	<b>Total Tier 2 capital admissible for capital adequacy (58a + 58b)</b>	6,441,546	6,502,520	
59	<b>Total capital (TC = T1 + Admissible T2) (45 + 58c)</b>	155,211,843	164,805,404	
60	<b>Total risk weighted assets (60a + 60b + 60c)</b>	1,044,537,381	1,061,685,632	
60a	of which : total credit risk weighted assets	874,735,954	891,884,205	
60b	of which : total market risk weighted assets	96,586,096	96,586,096	
60c	of which : total operational risk weighted assets	73,215,331	73,215,331	
<b>Capital ratios</b>				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.24%	14.91%	
62	Tier 1 (as a percentage of risk weighted assets)	14.24%	14.91%	
63	Total capital (as a percentage of risk weighted assets)	14.86%	15.52%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	9.375%	9.375%	
65	of which : capital conservation buffer requirement	1.875%	1.875%	
66	of which : bank specific countercyclical buffer requirement	-	-	
67	of which : G-SIB buffer requirement	2.000%	2.000%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	8.74%	9.41%	
<b>National minima (if different from Basel III)</b>				
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%	5.50%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%	7.00%	
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%	9.00%	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>				
72	Non-significant investments in the capital of other financial entities			
73	Significant investments in the common stock of financial entities			
74	Mortgage servicing rights (net of related tax liability)			
75	Deferred tax assets arising from temporary differences (net of related tax liability)			
<b>Applicable caps on the inclusion of provisions in Tier 2</b>				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	6,441,546	6,502,520	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	10,934,199	11,148,553	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)			
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach			
<b>Capital instruments subject to phase-out arrangements</b>				
80	Current cap on CET1 instruments subject to phase out arrangements			
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
82	Current cap on AT1 instruments subject to phase out arrangements			
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
84	Current cap on T2 instruments subject to phase out arrangements			
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			

\* Based on unaudited accounts of DIHPL and DIPL.

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**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**Step 1**

			(Rs. in 000)	
Particulars			Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation*
			As on reporting date	As on reporting date
<b>A</b>	<b>Capital &amp; Liabilities</b>			
	i.	Paid-up Capital	75,881,087	76,909,937
		Reserves & Surplus	89,776,693	103,458,293
		Minority Interest	-	-
		<b>Total Capital</b>	<b>165,657,780</b>	<b>180,368,230</b>
	ii.	<b>Deposits</b>	<b>577,875,191</b>	<b>577,875,191</b>
		of which : Deposits from banks	15,115,746	15,115,746
		of which : Customer deposits	562,759,445	562,759,445
		of which : Other deposits (pl. specify)	-	-
	iii.	<b>Borrowings</b>	<b>140,870,001</b>	<b>150,165,402</b>
		of which : From RBI	1,000,000	1,000,000
		of which : From banks	37,327,712	37,327,712
		of which : From other institutions & agencies	102,542,289	102,542,289
		of which : Others (Commercial Papers)	-	9,295,401
		of which : Capital instruments	-	-
	iv.	<b>Other liabilities &amp; provisions</b>	<b>212,660,843</b>	<b>213,070,789</b>
		<b>Total</b>	<b>1,097,063,815</b>	<b>1,121,479,612</b>
<b>B</b>	<b>Assets</b>			
	i.	<b>Cash and balances with Reserve Bank of India</b>	<b>39,592,274</b>	<b>39,592,274</b>
	ii.	<b>Balance with banks and money at call and short notice</b>	<b>97,470,452</b>	<b>101,042,722</b>
	iii.	<b>Investments (Net)</b>	<b>310,065,709</b>	<b>314,481,725</b>
		of which : Government securities	253,369,385	254,325,381
		of which : Other approved securities	-	-
		of which : Shares	222,994	2,335,014
		of which : Debentures & Bonds	55,986,515	57,334,515
		of which : Subsidiaries / Joint Ventures / Associates	-	-
		of which: Others (Commercial Papers, Mutual Funds etc.)	486,815	486,815
	iv.	<b>Loans and advances (Net)</b>	<b>487,853,278</b>	<b>503,216,035</b>
		of which : Loans and advances to banks	35,817	35,817
		of which : Loans and advances to customers	487,817,461	503,180,218
	v.	<b>Fixed assets</b>	<b>1,024,744</b>	<b>1,024,923</b>
	vi.	<b>Other assets</b>	<b>161,057,358</b>	<b>162,121,933</b>
		of which : Goodwill and intangible assets	-	-
		of which : Deferred tax assets	4,515,707	4,624,373
	vii.	<b>Goodwill on consolidation</b>	-	-
	viii.	<b>Debit balance in Profit &amp; Loss account</b>	-	-
		<b>Total Assets</b>	<b>1,097,063,815</b>	<b>1,121,479,612</b>

\* Based on unaudited accounts of DIHPL and DIPL.

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**Management disclosures under Pillar 3 – Half year ended September 30, 2019**

**Step 2:**

(Rs. in 000)				
Particulars		Balance sheet as in	Balance sheet As in	Ref
		financial statements	financial statements	
		As on reporting date	As on reporting date	
<b>A</b>	<b>Capital &amp; Liabilities</b>			
	<b>i. Paid-up Capital</b>	<b>75,881,087</b>	<b>76,909,937</b>	
	of which : Amount eligible for CET1	75,881,087	76,909,937	A
	of which : Amount eligible for AT1	-	-	
	<b>Reserves &amp; Surplus</b>	<b>89,776,693</b>	<b>103,458,293</b>	
	Of which: Capital Reserve	360,607	360,607	B
	Of which: Statutory Reserve / Reserves under Sec 45-IC of RBI Act 1934	29,688,575	33,451,541	C
	Of which: Remittable Surplus retained for CRAR requirements	43,468,052	43,468,052	D
	Of which: Securities Premium	-	8,936,170	E
	of which: General reserve & Other reserve - eligible for CET1	-	272,871	F
	of which: Balance in Profit and Loss Account - eligible for CET1	-	709,593	G
	of which: Investment Fluctuation Reserves/ Investment Reserves	950,218	950,218	J
	Of which: Earmark for Electronic Trading Platform (ETP)	50,000	-	J.1
	Minority Interest	-	-	
	<b>Total Capital</b>	<b>165,657,780</b>	<b>180,368,230</b>	
	<b>ii. Deposits</b>	<b>577,875,191</b>	<b>577,875,191</b>	
	of which : Deposits from banks	15,115,746	15,115,746	
	of which : Customer deposits	562,759,445	562,759,445	
	of which : Other deposits (pl. specify)	-	-	
	<b>iii. Borrowings</b>	<b>140,870,001</b>	<b>150,165,402</b>	
	of which : From RBI	1,000,000	1,000,000	
	of which : From banks	37,327,712	37,327,712	
	of which : From other institutions & agencies	102,542,289	102,542,289	
	of which : Others (Commercial Papers)	-	9,295,401	
	of which : Capital instruments	-	-	
	<b>iv. Other liabilities &amp; provisions</b>	<b>212,660,843</b>	<b>213,070,789</b>	
	of which : DTLs related to goodwill	-	-	
	of which : DTLs related to intangible assets	-	-	
	of which : Investments Reserve	-	-	
	of which: Provision on Standard Assets & Country Risk	4,201,568	4,262,542	K
	of which: General Loan Loss Provision	712,260	712,260	L
	of which: NPA Provision reversal on sale of NPA	427,500	427,500	M
	of which: Countercyclical provisioning buffer	150,000	150,000	N
	<b>Total</b>	<b>1,097,063,815</b>	<b>1,121,479,612</b>	
<b>B</b>	<b>Assets</b>			
	<b>i. Cash and balances with Reserve Bank of India</b>	<b>39,592,274</b>	<b>39,592,274</b>	
	<b>ii. Balance with banks and money at call and short notice</b>	<b>97,470,452</b>	<b>101,042,722</b>	
	<b>iii. Investments (Net)</b>	<b>310,065,709</b>	<b>314,481,725</b>	
	of which : Government securities	253,369,385	254,325,381	
	of which : Other approved securities	-	-	
	of which : Shares	222,994	2,335,014	
	of which : Debentures & Bonds	55,986,515	57,334,515	
	of which : Subsidiaries / Joint Ventures / Associates (net)	-	-	
	of which: Others (Commercial Papers, Mutual Funds etc.)	486,815	486,815	
	<b>iv. Loans and advances (Net)</b>	<b>487,853,278</b>	<b>503,216,035</b>	
	of which : Loans and advances to banks	35,817	35,817	
	of which : Loans and advances to customers	487,817,461	503,180,218	
	<b>v. Fixed assets</b>	<b>1,024,744</b>	<b>1,024,923</b>	
	of which : intangible assets	578,024	578,024	H
	<b>vi. Other assets</b>	<b>161,057,358</b>	<b>162,121,933</b>	
	of which : Goodwill and intangible assets	-	-	
	of which : Deferred tax assets	4,515,707	4,624,373	I
	<b>vii. Goodwill on consolidation</b>	<b>-</b>	<b>-</b>	
	<b>viii. Debit balance in Profit &amp; Loss account</b>	<b>-</b>	<b>-</b>	
	<b>Total Assets</b>	<b>1,097,063,815</b>	<b>1,121,479,612</b>	

\* Based on unaudited accounts of DIHPL and DIPL.

## **8. Regulatory Capital Instruments**

The Bank has not issued any Regulatory Capital Instruments during the period. Regulatory capital increases for the Bank generally take place via capital infusion from the Head Office, increase in statutory/ regulatory reserves and/or retention of Remittable Surplus for CRAR requirements.

## **9. Disclosure Requirements for Remuneration**

In accordance with the requirements of the RBI Circular No. DBOD.NO.BC. 72/29.67/001/2011-12 dated 13 January 2012, the Global Head Office of the Bank has submitted a declaration to RBI that the Bank's compensation policies including that of CEO's, is in conformity with the Financial Stability Board principles and standards.

## **10. Comparative figures**

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