Deutsche Bank AG - India Branches

(Incorporated in Germany with limited liability)

Results 2008-2009 Annual Report

Deutsche Bank

Our Identity

Deutsche Bank is dedicated to being the best financial services provider in the world. We endeavor to use our breadth of experience, capabilities and financial strength to create value for our shareholders, customers, employees and society as a whole.
In achieving this mission we operate by these core values:

Customer focus

We place customers at the center of our activities and they drive all that we do.

Teamwork

We benefit from the diversity of our people and our business by working together to achieve success.

Innovation

We are constantly challenging conventional wisdom and developing new solutions to meet customer requirements.

Performance

We are committed to a result-oriented culture.

Trust

We behave reliably, fairly and honestly.

Deutsche Bank

Contents

Balance Sheet
as on 31 March 2009

In thousands of Indian Rupees	Schedule	31 March 2009	31 March 2008
Capital and Liabilities			
Capital	1	36,314,087	33,076,829
Reserves and surplus	2	11,288,709	9,841,177
Deposits	3	141,473,723	137,549,585
Borrowings	4	36,009,314	48,817,811
Other liabilities and provisions	5	24,462,903	17,844,986
Total		**249,548,736**	**247,130,388**
Assets			
Cash and balances with Reserve Bank of India	6	16,655,425	24,698,331
Balances with banks and money at call and short notice	7	31,472,019	16,487,948
Investments	8	87,048,600	101,712,422
Advances	9	87,976,285	89,601,341
Fixed assets	10	1,321,943	1,299,580
Other assets	11	25,074,464	13,330,766
Total		**249,548,736**	**247,130,388**
Contingent Liabilities	12	4,917,796,811	6,518,093,237
Bills for collection		60,294,431	62,416,192
Significant accounting policies and Notes to the financial statements	18		
The accompanying notes form an integral part of this Balance Sheet			

As per our report of even date.

sd/-
Akeel Master
Partner
For BSR & Co.
Chartered Accountants
Membership No: 046768

sd/-
Gunit Chadha
Chief Executive Officer - India
For Deutsche Bank AG
India Branches

sd/-
Avinash Prabhu
Controller - India
For Deutsche Bank AG
India Branches

Place : Mumbai
Dated : 23 June 2009

Profit and Loss Account

For the year ended 31 March 2009

In thousands of Indian Rupees	Schedule	31 March 2009	31 March 2008
Income			
Interest earned	13	18,814,419	14,453,760
Other income	14	10,196,856	10,176,030
Total		**29,011,275**	**24,629,790**
Expenditure			
Interest expended	15	5,879,340	5,365,005
Operating expenses	16	11,550,751	10,544,573
Provisions and contingencies	17	7,280,578	4,859,147
Total		**24,710,669**	**20,768,725**
Profit			
Net profit for the year		4,300,606	3,861,065
Profit brought forward		3,146,681	1,553,071
Total		**7,447,287**	**5,414,136**
Appropriations			
Transfer to statutory reserve		1,075,152	965,266
Transfer to investment reserve (net)		-	10,596
Remittances to Head office made during the year		2,853,074	1,291,593
Balance carried over to Balance Sheet		3,519,061	3,146,681
Total		**7,447,287**	**5,414,136**
Significant accounting policies and Notes to the financial statements	18		
The accompanying notes form an integral part of this Profit and Loss Account			

As per our report of even date.

sd/-
Akeel Master
Partner
For BSR & Co.
Chartered Accountants
Membership No: 046768

sd/-
Gunit Chadha
Chief Executive Officer - India
For Deutsche Bank AG
India Branches

sd/-
Avinash Prabhu
Controller - India
For Deutsche Bank AG
India Branches

Place : Mumbai
Dated : 23 June 2009

Cash Flow

Cash Flow Statement for the year ended 31 March 2009

In thousands of Indian Rupees	31 March 2009	31 March 2008
Net profit before taxes	**9,086,813**	**7,891,977**
Adjustment for:		
Depreciation charge on fixed assets for the year	329,085	290,764
Provision for depreciation on investments	26,711	(24,477)
Provision for loan loss (net)	1,259,668	288,981
Bad-debts written off	820,001	196,285
Provision of general provision on standard assets and country risk	387,991	307,371
Loss on sale of fixed assets (net)	1,955	2,759
	11,912,224	**8,953,660**
Adjustment for:		
Increase in deposits	3,924,138	67,765,796
(Decrease) in borrowings	(12,808,497)	(20,612,327)
Increase / (Decrease) in other liabilities and provisions	6,202,913	(1,206,108)
(Increase) / Decrease in investments	14,637,111	(39,652,638)
(Increase) in advances	(454,613)	(40,636,014)
(Increase) / Decrease in other assets	(11,542,803)	1,049,390
	11,870,473	**(24,338,241)**
Advance tax paid (net of refund received)	(4,960,089)	(4,203,322)
Net cash from/(used in) operating activities (A)	**6,910,384**	**(28,541,563)**
Cash flows from investing activities		
Purchase of fixed assets	(356,497)	(293,218)
Proceeds from sale of fixed assets	3,094	3,037
Net cash (used in) investing activities (B)	**(353,403)**	**(290,181)**
Cash flows from financing activities		
Receipt of Capital	3,237,258	20,950,000
Remittance of profit to Head office	(2,853,074)	(1,291,593)
Net cash from in financing activities (C)	**384,184**	**19,658,407**
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	**6,941,165**	**(9,173,337)**
Cash and cash equivalents at the beginning of the year	41,186,279	50,359,616
Cash and cash equivalents as at the end of the year	48,127,444	41,186,279
Increase/(Decrease) in cash and cash equivalents	**6,941,165**	**(9,173,337)**
Notes on cash flow statement		
1. Cash and balances with Reserve Bank of India	16,655,425	24,698,331
Balances with banks and money at call and short notice	31,472,019	16,487,948
Cash and cash equivalents as at 31 March	**48,127,444**	**41,186,279**
2. The above cash flow statement has been prepared under the indirect method set out in Accounting Standard 3 prescribed in the Companies (Accounting Standard) Rules, 2006		

This is the Cash Flow Statement referred to in our report of even date

sd/-
Akeel Master
Partner
For BSR & Co.
Chartered Accountants
Membership No: 046768

sd/-
Gunit Chadha
Chief Executive Officer - India
For Deutsche Bank AG
India Branches

sd/-
Avinash Prabhu
Controller - India
For Deutsche Bank AG
India Branches

Place : Mumbai
Dated : 23 June 2009

Schedules

Schedules forming part of the Balance Sheet as on 31 March 2009

In thousands of Indian Rupees	31 March 2009	31 March 2008
Schedule 1 - Capital		
Amount of deposit with Reserve Bank of India (at face value) under		
section 11 (2) (b) of the Banking Regulation Act, 1949	5,650,000	4,650,000
Head office account		
(including start up capital of Rs 2 million and remittances from Head office)		
Opening Balance	33,076,829	12,126,829
Repatriations during the year	-	-
Additions during the year	3,237,258	20,950,000
Total	**36,314,087**	**33,076,829**
Schedule 2 - Reserves and Surplus		
1. Statutory reserve		
Opening Balance	5,239,584	4,274,318
Additions during the year:		
- Transfer from profits	1,075,152	965,266
	6,314,736	**5,239,584**
2. Capital reserve		
As per last Balance Sheet	177,207	177,207
Additions during the year	-	-
	177,207	**177,207**
3. Contingency reserve		
As per last Balance Sheet	633,000	633,000
	633,000	**633,000**
4. Investment reserve		
Opening Balance	73,321	62,725
Additions during the year	-	10,596
	73,321	**73,321**
5. Balance in Profit and Loss Account		
Balance in Profit and Loss Account	3,519,061	3,146,681
	3,519,061	**3,146,681**
6. Remittable Surplus Retained for CRAR requirements	571,384	571,384
Remittable Surplus Retained for CRAR requirements	**571,384**	**571,384**
Total	**11,288,709**	**9,841,177**

In thousands of Indian Rupees	31 March 2009	31 March 2008
Schedule 3 - Deposits		
1. (a) Demand deposits		
i. From banks	137,787	484,173
ii. From others	92,710,331	89,067,891
	92,848,118	**89,552,064**
(b) Savings bank deposits	6,576,681	5,980,345
(c) Term Deposits		
i. From banks	-	-
ii. From others	42,048,924	42,017,176
	42,048,924	**42,017,176**
Total	**141,473,723**	**137,549,585**
2. i Deposits of branches in India	141,473,723	137,549,585
ii Deposits of branches outside India	-	-
Total	**141,473,723**	**137,549,585**
Schedule 4 - Borrowings		
1. Borrowings in India		
a. Reserve Bank of India	-	16,000,000
b. Banks	16,952,750	15,307,750
c. Other institutions and agencies	19,056,564	7,497,015
	36,009,314	**38,804,765**
2. Borrowings outside India		
Banks	-	10,013,046
	-	**10,013,046**
Total	**36,009,314**	**48,817,811**
Secured borrowings included above	**12,856,564**	**23,497,015**
Schedule 5 - Other Liabilities and Provisions		
1. Bills payable	2,625,220	3,685,367
2. Inter-office adjustments - branches in India (net)	15,931	17,320
3. Due to Head office	4,328,441	2,622,223
4. Interest accrued	899,200	732,935
5. Subordinated loan in the nature of long term borrowing in foreign		
currency from Head office	-	1,805,400
6. Tax paid in advance / tax deducted at source (net of provision for taxation)	232,368	205,355
7. Others (including provisions) (Refer Schedule 18 Note-4a)	16,361,743	8,776,386
Total	**24,462,903**	**17,844,986**
Schedule 6 - Cash and Balances with Reserve Bank of India		
1. Cash in hand (including foreign currency notes)	120,938	106,747
2. Balances with Reserve Bank of India		
a. in current account	16,534,487	24,591,584
b. in other accounts	-	-
Total	**16,655,425**	**24,698,331**

In thousands of Indian Rupees	31 March 2009	31 March 2008
Schedule 7 - Balances with Banks and Money at Call and Short Notice		
1. In India		
a. Balances with banks		
i. in current accounts	47,061	62,672
ii. in other deposit accounts (including with financial institutions)	-	-
b. Money at call and short notice		
i. with banks	-	-
ii. with other institutions	-	-
2. Outside India		
a. in current accounts	992,958	6,395,276
b. in deposit accounts	-	-
c. money at call and short notice	30,432,000	10,030,000
Total	31,472,019	16,487,948
Schedule 8 - Investments		
Investments in India in:		
1. Government securities	69,189,748	93,556,639
2. Other approved securities	380	380
3. Shares - fully paid	329,581	55,121
4. Debentures and bonds	4,148,734	2,596,806
5. Others (Includes Commercial Papers, Pass Through Certificates and Security Receipts)	13,542,996	5,639,604
Gross Investments in India	**87,211,439**	**101,848,550**
Less : Provision for diminution in value	(162,839)	(136,128)
Total	**87,048,600**	**101,712,422**
Schedule 9 - Advances		
1. a. Bills purchased and discounted	11,619,172	17,640,359
b. Cash credits, overdrafts and loans repayable on demand	52,129,615	40,449,185
c. Term loans	24,227,498	31,511,797
Total	**87,976,285**	**89,601,341**
2. a. Secured by tangible assets (includes advances against book debts)	16,780,322	19,144,849
b. Covered by bank / Government guarantees	7,256,637	7,990,685
c. Unsecured	63,939,326	62,465,807
Total	**87,976,285**	**89,601,341**
3. Advances in India		
a. Priority sector (including export finance)	29,062,630	19,099,161
b. Public sector	1,522,140	160
c. Banks	4,253,631	2,668,896
d. Others	53,137,884	67,833,124
Total	**87,976,285**	**89,601,341**
Non performing advances (net)		
as a % of Total Advances (net), classified as per Reserve Bank of India guidelines	0.8772%	0.2242%

In thousands of Indian Rupees	31 March 2009	31 March 2008
Schedule 10 - Fixed Assets		
1. Premises (including leasehold improvements)		
a. Cost as on 31st March of the preceding year	1,208,680	1,132,187
b. Additions during the year	53,659	79,106
c. Deductions during the year	(8,547)	(2,613)
d. Accumulated Depreciation to date	(512,863)	(440,340)
	740,929	**768,340**
2. Other Fixed Assets (including furniture and fixtures)		
a. Cost as on 31st March of the preceding year	1,549,231	1,356,996
b. Additions during the year	280,352	214,112
c. Deductions during the year	(36,110)	(21,877)
d. Accumulated Depreciation to date	(1,234,945)	(1,017,991)
Total	**558,528**	**531,240**
3. Capital Work-in-progress	22,486	-
Total	**1,321,943**	**1,299,580**
Schedule 11 - Other Assets		
1. Interest accrued	1,514,840	1,810,812
2. Stationery and stamps	944	1,363
3. Others (including deferred tax) (refer Schedule 18 Note - 4c)	23,558,680	11,518,591
Total	**25,074,464**	**13,330,766**
Schedule 12 - Contingent Liabilities		
1. Claims against the Bank not acknowledged as debts		
(including tax related matters)	242,787	748,372
2. Liability on account of outstanding forward exchange contracts	3,817,582,574	5,215,669,589
3. Guarantees given on behalf of customers		
a. In India	19,349,461	15,836,572
b. Outside India	37,655,932	27,586,098
4. Acceptances, endorsements and other obligations	41,015,373	64,221,609
5. Bills rediscounted	3,416,560	3,430,813
6. Other Items for which the Bank is contingently liable		
(a) Swaps	184,518,064	150,667,897
(b) Options	802,155,726	1,021,914,499
(c) Repos	11,860,334	18,017,788
Total	**4,917,796,811**	**6,518,093,237**

Notional principal amounts of interest rate derivatives Rs 4,865,175,710 thousands (previous year Rs 9,368,868,292 thousands have been excluded from item 6 above)

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2009

In thousands of Indian Rupees	31 March 2009	31 March 2008
Schedule 13 - Interest Earned		
1. Interest/discounts on advances/bills	11,821,385	7,156,236
2. Income on Investments	6,600,465	5,587,367
3. Interest on balances with Reserve Bank of India and other interbank funds	226,059	1,618,095
4. Others	166,510	92,062
Total	**18,814,419**	**14,453,760**
Schedule 14 - Other Income		
1. Commission, exchange and brokerage (net) (including custodial and depository income)	4,302,425	3,880,230
2. Profit on sale of investments (net)	2,035,443	1,255,192
3. (Loss) on sale of land, building and other assets (net) including write off	(1,955)	(2,759)
4. Profit on exchange transactions (net)	3,573,146	3,778,098
5. Miscellaneous Income (Refer Schedule 18 Note-4d)	287,797	1,265,269
Total	**10,196,856**	**10,176,030**
Schedule 15 - Interest Expended		
1. Interest on deposits	2,311,454	2,245,239
2. Interest on Reserve Bank of India and other interbank borrowings		
(including from other money market participants)	3,524,093	3,041,412
3. Others	43,793	78,354
Total	**5,879,340**	**5,365,005**
Schedule 16 - Operating Expenses		
1. Payments to and provisions for employees	4,240,880	4,927,233
2. Rent, taxes and lighting (Refer Schedule 18 Note-4e)	594,138	490,870
3. Printing and stationery	126,707	129,958
4. Advertisement and publicity	101,378	134,693
5. Depreciation on bank's property	329,085	290,764
6. Auditors' fees and expenses	2,814	2,993
7. Law charges	40,536	53,125
8. Postage, telegrams, telephones, etc.	427,728	517,193
9. Repairs and maintenance	387,653	304,262
10. Insurance	254,044	162,261
11. Head office charges	2,783,402	2,179,861
12. Other expenditure (net of cost recoveries)	2,262,386	1,351,360
Total	**11,550,751**	**10,544,573**
Schedule 17 - Provision and Contingencies		
1. Provision for loan loss (net)	1,259,668	288,981
2. Provision for standard assets	346,475	270,928
3. Provision for country risk	41,516	36,443
4. Bad debts written off	820,001	196,285
5. Provision for depreciation on investments	26,711	(24,477)
6. Provision for :		
a. Income tax	4,905,734	4,576,846
b. Fringe benefit tax	81,368	60,075
7. Deferred tax (Refer Schedule 18 Note-4c)	(200,895)	(545,934)
Total	**7,280,578**	**4,859,147**

Schedule 18

Notes forming part of the financial statements of the Indian branches for the year ended 31 March 2009

1. BACKGROUND

The accompanying financial statements for the year ended 31 March 2009 comprise accounts of the Indian branches of Deutsche Bank AG which is incorporated in Germany with limited liability.

2. BASIS OF PREPARATION AND USE OF ESTIMATES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

a. Foreign currency translation

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

b. Investments

i. Investments including debt and equity, are categorized as 'Held to Maturity', 'Available for Sale' and 'Held for Trading' based on intent at the time of acquisition. However, for disclosure in the balance sheet, these are classified as government securities, other approved securities, shares, debentures and bonds, investment in subsidiaries / joint ventures and other investments. These are valued in accordance with extant RBI guidelines.

ii. Investments under 'Held to Maturity' are carried at acquisition cost. The premium if any, is amortised over the remaining life of the security on a straight line basis, while discount, if any, is ignored. Profit on sale of 'Held to Maturity' securities is appropriated to capital reserve net of income tax and statutory reserve while loss, if any, is charged to the profit and loss account.

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

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

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

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

vii. Investment in security receipts issued by asset reconstruction company have been valued at year end net asset values ("NAV") obtained from the asset reconstruction company.

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

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

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

xi. Broken period interest paid at the time of acquisition of the security has been charged to the profit and loss account.

xii. Brokerage, commission, etc. paid at the time of purchase / sale is charged to the profit and loss account.

xiii. Repurchase and reverse repurchase transactions are considered as outright sale and purchase contracts respectively in accordance with extant RBI guidelines. Gains and losses arising from the transaction are accounted as interest expenditure/income.

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

xv During the year the Bank has revised its accounting policy on investments from value date to trade date accounting. Had the Bank continued to follow the earlier accounting policy, the gross investments at year end would have been higher by Rs 1,826,797 thousands and the net investments at year end would have been higher by Rs 1,796,724 thousands, consequentially the profit before tax for the year ended 31 March 2009 would have been lower by Rs 7,415 thousands.

xvi Transfer of investments from one category to another is done at the acquisition cost / book value / market value on the date of transfer, whichever is the least, and the depreciation, if any, on such transfer is fully provided for.

c. Derivatives transactions

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

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

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

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

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

iv. Realized profits and losses from derivatives and resultant realized payments / receipts are posted directly to the profit and loss account.

v. Overdue receivables under derivative contracts, are reversed through the profit and loss account in accordance with applicable RBI guidelines.

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

vii. In case of foreign currency rupee option trades, the premium received / paid is reflected on the Balance sheet and recognized in profit and loss account only on maturity of trade. Option contracts are marked to market using implied volatility and resultant unrealised gains / losses are accounted (net of premium) in the profit and loss account.

d. Advances and provision for advances

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

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

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

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

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

e. Fixed assets and depreciation

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

ii. With effect from 1 January 2009, the Bank has revised its accounting policy on fixed assets costing less than Rs 30 thousands to be written off in the profit and loss account which was hitherto capitalised under the respective asset category. Had the Bank continued to follow the earlier accounting policy, the fixed assets at year end would have been higher by Rs 2,024 thousands and the profit before tax for the year ended 31 March 2009 would have been higher by Rs 2,024 thousands.

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

Asset Type	Depreciation rate per annum
Cost of tenancy rights on land	Extended period of lease (refer note (e) (ix))
Cost of buildings	2.5%
Other fixed assets	
■ Furniture, fixtures and office equipment	10%
■ Vehicles	20%
■ Electronic Data Processing (EDP) hardware	33.33%
■ Application software	33.33%

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

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

vi. Leasehold improvements are depreciated over the residual period of the lease or over a period of 10 years or over the useful life of the leased assets, whichever is shorter.

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

viii. If at the balance sheet date there is an indication that an impairment of fixed assets exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

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

f. Lease transactions:

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

g. Income recognition

i. Interest income is recognised in the profit and loss account on an accrual basis, except in the case of interest on non-performing assets which is recognised on receipt as per income recognition and asset classification norms of RBI.

ii. Fee and commission income is recognised when due, except for letters of credit and acceptances which is recognised on receipt.

h. Staff benefits

i. Bank pays gratuity to employees who retire or resign after a minimum period of five years of continuous service. Bank makes contributions to separate gratuity funds at the rate of 8.33% of the basic salary on monthly basis. Contribution payable to Gratuity fund which is a defined contribution plan is charged to the profit and loss.

ii. Bank contributes 12% of basic salary as employer's contribution towards Provident Fund. This provident fund is classified as a defined benefit plan under AS 15, Employee benefits (revised) as the same is created with a guaranteed return linked with that under Employees Provident Fund ('EPF') Scheme, 1952. However, the actuary expresses his inability to estimate the future guaranteed rate(s) of interest under the said EPF Scheme due to pending authoritative guidance from the Institute of Actuaries of India in this regard. The Bank has accordingly debited the amount of actual contribution made for the year to the Profit and Loss account for the year.

iii. Provision / contribution for leave encashment is made based on independent actuarial valuation conducted by a qualified actuary at year-end.

iv. The eligible employees of the Bank have been granted stock awards under various plans, of equity shares of the ultimate holding company, Deutsche Bank AG. As per the various plans, these stock awards vest in a graded manner over an average period of one to three years. During the year the Bank has charged an amount pertaining to these under the head "Payments to and provisions for employees" as compensation cost.

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

i. Taxation

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

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

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

iv. Provision for fringe benefit tax ("FBT") is made on the basis of provisions as prescribed under Income tax Act, 1961

j. Provisions and contingent liabilities

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

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

Contingent assets are not recognised in the financial statements. However contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

4. NOTES TO FINANCIAL STATEMENTS

a. Provision for standard assets

Other liabilities and provisions - Others (Schedule 5.7) includes

		(in Rs. '000)
Particulars	31 March 2009	31 March 2008
Provisions towards Standard Assets	936,298	589,823

b. Investments

Items	31 March 2009	(in Rs. '000) 31 March 2008
1. Value of Investments		
i. Gross Value of Investments		
a. In India	87,211,439	101,848,550
b. Outside India	-	-
ii. Provisions for Depreciation		
a. In India	(162,839)	(136,128)
b. Outside India	-	-
iii. Net Value of Investments		
a. In India	87,048,600	101,712,422
b. Outside India	-	-
2. Movement of provisions held towards depreciation on investments		
i. Opening balance (as on April 1)	136,128	160,605
ii. Add: Provisions made during the year	26,711	-
iii. Less: Write-off / (write-back of excess) provisions during the year	-	(24,477)
iv. Closing balance (as on March 31)	162,839	136,128

Investments - Government securities (Schedule 8.1) include:

1) Government securities amounting to Rs. 15,910,000 thousand representing face value (Previous year: Rs. 11,920,000 thousand) is collateral holding parked with CCIL for securities segment and CBLO segment.
2) Government securities amounting to Rs Nil (previous year Rs. 16,800,000 representing face value) are repoed under Liquidity Adjustment Facility ('LAF') with RBI.
3) Government securities amounting to Rs. 12,750,000 thousand representing face value (Previous year: Rs. 12,165,000) is securities deposited with Reserve Bank of India in Intra Day Liquidity (IDL) for availing RTGS.

c. Deferred tax

Component of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

Particulars	31 March 2009	(in Rs. '000) 31 March 2008
Provision for bad and doubtful debts	1,030,554	240,482
Broken period interest paid on securities	-	608,210
Depreciation on fixed assets	72,918	71,042
Expenses allowable in the year of payment on deduction of TDS	179,977	271,965
Provision for compensation and benefits	221,090	225,160
Others	132,599	19,384
Deferred tax asset	**1,637,138**	**1,436,243**

d. Investments

Miscellaneous income (Schedule 14. 5) includes fees for processing, sales and marketing services rendered in accordance with the respective contract / arrangement aggregating to Rs. 300,445 thousand (Previous year: Rs. 1,288,841 thousand).

e. Operating leases

Disclosures as required by Accounting Standard 19 - 'Leases' prescribed in the Companies (Accounting Standards) Rules, 2006 pertaining to leasing arrangement entered into by the Bank are given below:-

i. Cancellable leasing arrangement for premises: Total lease rental of Rs. 409,192 thousand (Previous year: Rs.334,302 thousand) has been included under Operating expenses - Rent, taxes and lighting (Schedule 16.2) in the profit and loss account.

ii. Non-cancellable leasing arrangement for vehicles: Total lease rental of Rs. 31,672 thousand (Previous year: Rs.31,277 thousand) has been included under the head Operating expenses - Rent, taxes and lighting (Schedule 16.2) in the profit and loss account.

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

Particulars	31 March 2009	(in Rs. '000) 31 March 2008
Not later than one year	25,531	32,432
Later than one year and not later than five years	27,942	45,250
Later than five years	-	-

f. **Capital adequacy ratio**

As per the guidelines for implementation of the new capital adequacy framework issued on 27 April 2007, the RBI has directed foreign banks to migrate to the revised framework for capital computation under Basel II with effect from 31 March 2008. The migration is required to be carried out in phased manner where under, banks are required to compute their capital requirement under Basel I and Basel II. The capital ratio as per Basel II is 15.25% and under Basel I is 15.44%. The minimum capital to be maintained by banks under the revised framework is subject to the prudential floor of 100%, 90% and 80% of the capital requirement under Basel I over the years March 2008, 2009 and 2010 respectively.

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

		(in Rs. '000)
Year ended	**31 March 2009**	**31 March 2008**
Tier I capital	41,705,415	37,621,634
Tier II capital	1,799,804	1,411,847
Total capital	**43,505,219**	39,033,481
Total risk weighted assets and contingents	**285,309,659**	**287,369,180**
Capital ratios (per cent)		
CRAR - Tier I capital	14.62%	13.09%
CRAR - Tier II capital	0.63%	0.49%
Total Capital	15.25%	13.58%
Subordinated debt included in Tier II Capital for Capital adequacy	-	-

The capital adequacy ratio and risk weighted assets as at 31 March 08 are as per Basel I.

g. **Business ratios/information**

Year ended	31 March 2009	31 March 2008
Interest income as a percentage of working funds	7.66%	7.85%
Non-interest income as a percentage of working funds	4.15%	5.52%
Operating profit as a percentage of working funds $	4.71%	4.71%
Return on assets #	1.72%	1.56%
Business per employee (in Rs. 000's) * @	143,410	161,674
Profit per employee (in Rs. 000's) *	2,690	2,754

$ Working funds are defined by the RBI as the monthly average of total assets reported to them

Net Profit as a percentage to total assets

@ Business means total of net advances and deposits, excluding interbank deposits

* Productivity ratio are based on year end employee numbers

h. Additional disclosure in terms of RBI circulars:

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

(in Rs. '000)

Issuer 31 March 2009	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
Public Sector Undertaking	2,977,476	2,977,476	-	-	-
Financial Institutions(FIs)	303,578	303,578	-	-	-
Banks	11,052,940	11,052,940	-	-	-
Private Corporates	1,190,721	1,190,721	-	329,580	329,580
Subsidiaries / Joint Ventures	-	-	-	-	-
Others	2,496,597	2,496,597	-	-	2,496,597
Provision held towards depreciation (gross)	(66,744)	(66,744)	-	(10,580)	(10,580)
Total	**17,954,568**	**17,954,568**	-	**319,000**	2,815,597

Amounts reported under the above columns are not mutually exclusive

(in Rs. '000)

Issuer 31 March 2008	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
Public Sector Undertaking	-	-	-	-	-
Financial Institutions(FIs)	824,806	824,806	-	-	-
Banks	4,316,326	4,316,326	-	-	-
Private Corporates	1,055,121	1,055,121	-	55,121	55,120
Subsidiaries / Joint Ventures	-	-	-	-	-
Others	2,095,278	2,095,278	-	-	2,095,278
Provision held towards depreciation (gross)	(48,771)	(48,771)	-	(20,120)	(20,120)
Total	**8,242,760**	**8,242,760**	-	**35,001**	**2,130,278**

Amounts reported under the above columns are not mutually exclusive

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

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	(in Rs. '000) As on 31 March 2009
Securities sold under repos	-	175,694,588	27,293,060	11,856,892
Securities purchased under reverse repo	-	45,670,204	125,124	-

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	(in Rs. '000) As on 31 March 2008
Securities sold under repos	-	54,199,999	21,291,991	18,009,244
Securities purchased under reverse repo	-	22,213,178	189,351	-

The above figures also include LAF / Repo transactions undertaken with the RBI.

iii. Movement in non performing non SLR investments

		(in Rs. '000)
Particulars	31 March 2009	31 March 2008
Opening Balance	20,120	10,580
Addition during the year	-	9,540
Reductions during the year	9,540	-
Closing Balance	10,580	20,120
Total Provisions held	**10,580**	**20,120**

iv. Exposure to Real Estate sectors:

		(in Rs. '000)
Category	**31 March 2009**	**31 March 2008**
a) Direct exposure		
(i) Residential Mortgages - Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented (includes an amount of Rs 453,218 thousand (previous year Rs 365,782 thousand) pertaining to individual housing loans eligible for priority sectors advances);	6,504,397	5,005,115
(ii) Commercial Real Estate - Lendings secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	12,223,472	4,963,400
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures a. Residential, b. Commercial Real Estate.	-	-
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	6,277,000	-
Total	**25,004,869**	**9,968,515**

v. Exposure to Capital Market

Items		31 March 2009	(in Rs. '000) 31 March 2008
i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt; investments in bonds/ convertible debentures	329,580	55,121
(ii)	advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	572,700	550,000
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds `does not fully cover the advances;	-	614,500
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	1,560,800	615,000
(vi)	loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	900,000
(vii)	bridge loans to companies against expected equity flows/issues;	-	-
(viii)	underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix)	financing to stockbrokers for margin trading;	-	-
(x)	all exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-	-
Total Exposure to Capital Market		**2,463,080**	**2,734,621**

vi. There was no restructuring of loans in relation to sub-standard assets during the year. The amount outstanding as on 31 March 2009 in respect of loan assets subjected to restructuring during the year is Rs. 4,150,042 thousand (previous year Rs. NIL) in relation to standard assets

Particulars of Accounts Restructured		CDR Mechanism	SME Dept Restructuring	(in Rs. '000) Others
Standard advances restructured	No. of Borrowers	-	-	87
	Amount outstanding	-	-	4,150,042
	Sacrifice (diminution in the fair value)	-	-	336,364
Sub standard advances restructured	No. of Borrowers	-	-	-
	Amount outstanding	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
Doubtful advances restructured	No. of Borrowers	-	-	-
	Amount outstanding	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
Total	No. of Borrowers	-	-	87
	Amount outstanding	-	-	4,150,042
	Sacrifice (diminution in the fair value)	-	-	336,364

vii. Additional disclosures regarding restructured accounts

Sr.No.	Disclosures	Number	(in Rs. '000) Amount
1	Application received up to March 31, 2009 for restructuring, in respect of accounts which were standard as on September I, 2008.	1	4,116,833
2	Of (1), proposals approved and implemented as on March 31, 2009 and thus became eligible for special regulatory treatment and classified as standard assets as on the date of the balance sheet.	1	4,116,833
3	Of (I), proposals approved and implemented as on March 31, 2009 but could not be upgraded to the standard category.	-	-
4	Of (I), proposals under process/implementation which were standard as on March 31, 2009.	-	-
5	Of (I), proposals under process/implementation which turned NPA as on March 3 I, 2009 but are expected to be classified as standard assets on full implementation of the pacakage.	-	-

viii. No penalties have been imposed on the Bank during the year by the Reserve Bank of India.

ix. Movements in non performing assets (NPAs):

Movement in NPAs (funded)	31 March 2009	(in Rs. '000) 31 March 2008
(i) Net NPAs to Net Advance (%)	0.8772%	0.2242%
(ii) Movement of Gross NPAs		
a) Opening balance	549,355	110,248
b) Additions during the year	3,956,289	643,203
c) Reductions during the year	(2,079,187)	(204,096)
d) Closing Balance	2,426,457	549,355
(iii) Movement of Net NPAs		
a) Opening balance	154,305	4,179
b) Additions during the year	1,340,824	150,126
c) Reductions during the year	(723,390)	-
d) Closing Balance	771,739	154,305
(iv) Movement of Provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	395,050	106,069
b) Additions during the year	2,615,465	493,077
c) Reductions during the year	(1,355,797)	(204,096)
d) Closing Balance	1,654,718	395,050

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

Items	31 March 2009	(in Rs. '000) 31 March 2008
No. of accounts	2	-
Aggregate value (net of provisions) of accounts sold to SC/RC	1,014,833	-
Aggregate consideration	1,059,189	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value.	44,356	-

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

		31 March 2009	(in Rs. '000) 31 March 2008
1	(a) No. of accounts purchased during the year	-	6
	(b) Aggregate outstanding	-	212,920
2	(a) Of these, number of accounts restructured during the year	-	-
	(b) Aggregate outstanding	-	-

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

		31 March 2009	(in Rs. '000) 31 March 2008
1)	No. of accounts sold settled	-	-
2)	Aggregate outstanding	-	-
3)	Aggregate consideration received	-	-

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

Particulars	31 March 2009	(in Rs. '000) 31 March 2008
Provisions for depreciation on investment	26,711	(24,477)
Provision towards NPA	1,259,668	288,981
Bad debts written off (net of recoveries)	820,001	196,285
Provision towards standard assets	346,475	270,928
Provision towards country risk	41,516	36,443
Provision made towards income tax	4,905,734	4,576,846
Other Provisions and Contingencies (with details) :		
Deferred tax	(200,895)	(545,934)
Fringe benefit tax	81,368	60,075
Total	**7,280,578**	**4,859,147**

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

Maturity Bucket (31 March 2009) In Rs.'000	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	(in Rs. '000) Total
Deposits	94,543,739	4,196,291	24,048,988	14,720,282	3,131,369	799,526	30,967	2,561	141,473,723
Advances	35,568,806	3,801,295	13,164,193	10,022,091	1,846,017	9,244,990	6,626,539	7,702,354	87,976,285
Investments (Gross)	43,780,180	1,200,334	11,733,386	5,401,848	12,018,543	7,646,223	4,785,851	645,074	87,211,439
Borrowings	14,856,564	-	-	-	-	14,952,750	6,200,000	-	36,009,314
Foreign Currency assets	54,619,208	178,734	2,463,533	2,003,409	200,707	-	-	-	59,465,591
Foreign Currency liabilities	51,985,590	60,988	81,632	2,625,676	4,671,164	37,285	-	-	59,462,335

Maturity Bucket (31 March 2008) In Rs.'000	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	(in Rs. '000) Total
Deposits	78,593,292	8,133,435	33,902,551	11,681,626	4,868,325	334,135	34,991	1,230	137,549,585
Advances	33,957,415	7,168,544	15,436,937	6,045,468	2,392,057	6,522,730	12,707,214	5,370,976	89,601,341
Investments (Gross)	78,952,082	2,562,313	11,495,811	3,531,560	2,299,880	2,942,344	9,117	55,443	101,848,550
Borrowings	28,840,810	1,700,000	4,978,911	1,871,505	468,835	10,957,750	-	-	48,817,811
Foreign Currency assets	12,827,695	2,466,953	105,065	2,512,002	2,871,415	42,844	-	493,036	21,319,010
Foreign Currency liabilities	7,429,849	67,935	10,464,882	3,076,221	1,108,841	30,802	29	-	22,178,559

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

* Assets and liabilities in foreign currency exclude off - balance sheet assets and liabilities and are classified as per guidelines issued by the RBI.

xiii. Customer complaints

	31 March 2009	31 March 2008
Customer complaints		
(a) No. of complaints pending at the beginning of the year	10	33
(b) No. of complaints received during the year	19,065*	13,716*
(c) No. of complaints redressed during the year	18,703*	13,739*
(d) No. of complaints pending at the end of the year	372	10
Unimplemented awards of Banking Ombudsman		
(a) No. of unimplemented awards at the beginning of the year	-	-
(b) No. of Awards passed by the Banking Ombudsman during the year	-	-
(c) No. of Awards implemented during the year	-	-
(d) No. of unimplemented Awards at the end of the Year	-	-

* The numbers above do not include 7,063 requests (previous year 13,979) for resending the card / PIN / Statement etc. as the customers were not available when these were originally sent. The above number has been extracted from the Bank's complaint tracking system.

i. Country risk exposure:

(in Rs. '000)

Risk Category	Exposure(net) as at 31 March 2009	Provision held as at 31 March 2009
Insignificant	353,580,316	77,925
Low	271,578	-
Moderate	10,991	-
High	-	-
Very High	-	-
Restricted	-	-
Off-credit	-	-
Total	**353,862,885**	**77,925**

(in Rs. '000)

Risk Category	Exposure(net) as at 31 March 2008	Provision held as at 31 March 2008
Insignificant	16,714,689	36,443
Low	7,394	-
Moderate	164	-
High	-	-
Very High	-	-
Restricted	-	-
Off-credit	-	-
Total	**16,722,247**	**36,443**

j. Details of outstanding swap agreements:

	Items	31 March 2009	(in Rs. '000) 31 March 2008
1.	The Notional principal of swap agreements	4,006,869,945	8,722,514,067
2.	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	3,532,088	3,435,335
3.	Collateral required by the bank upon entering into swaps	Nil	
4.	Concentration of credit risk arising from the Swaps %		
	- Banks and financial institutions	99.26%	99.14%
	- Others	0.74%	0.86%
	Total	**100.00%**	**100.00%**
5.	The fair value of the swap book @	12,702	(217,271)

@ Bond hedges held against the swaps have been valued as per applicable RBI guidelines whereby appreciation if any arising from the mark-to-market valuation has not been considered.

- Nature and terms of interest rate swaps :

Items	31 March 2009	(in Rs. '000) 31 March 2008
Trading - MIBOR*	3,129,763,103	7,359,838,000
Trading - MIFOR**	813,134,796	1,305,500,000
Hedging - MIBOR	-	-
Hedging - MIFOR	-	-
Trading - INBMK***	62,963,146	51,652,626
Trading - Others	1,008,900	5,523,441
Total	**4,006,869,945**	**8,722,514,067**

* Mumbai Interbank Offer Rate

** Mumbai Interbank Forward Offer Rate

*** India Benchmark

- There were no rupee forward rate agreements ("FRA's") outstanding as at 31 March 2009 and 31 March 2008.
- During the year, the bank has not entered into exchange traded derivatives.

k. Segment reporting

Segmental reporting disclosures as required by Accounting Standard 17 - 'Segment Reporting' prescribed by the Companies (Accounting Standards)

Rules, 2006 ('CASR') and in accordance with the guidelines issued by the Reserve Bank of India are given below:

Business Segments	Global Markets	Commercial Banking	Retail Banking	Others	(in Rs. '000) Total
Particulars		**For the year ended 31 March 2009**			
Revenue (Net)	7,449,478	10,586,078	3,148,017	1,948,362	23,131,935
Results	5,389,689	6,683,528	(2,837,784)	1,679,226	10,914,659
Unallocated Expenses	-	-	-	-	(1,827,846)
Operating Profit before tax	-	-	-	-	9,086,813
Income Tax, Deferred Tax and Fringe Benefit Tax	-	-	-	-	(4,786,207)
Extraordinary Profit/Loss	-	-	-	-	-
Net Profit after tax	-	-	-	-	4,300,606
Other Information					
Segment Assets	149,964,624	68,296,247	26,381,597	4,906,268	249,548,736
Total Assets	-	-	-	-	249,548,736
Segment Liabilities	44,997,487	135,331,886	14,272,764	52,758,635	247,360,772
Unallocated Liabilities	-	-	-	-	2,187,964
Total Liabilities					249,548,736

The Bank has classified its business groups into following segments.

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

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

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

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

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

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

Revenue comprises:

		(in Rs. '000)
Particulars	**31 March 2009**	**31 March 2008**
Interest income	18,814,419	14,453,760
Other income	10,196,856	10,176,030
Interest expenses	(5,879,340)	(5,365,005)
Revenue	23,131,935	19,264,785

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

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

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

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

Others in segment liabilities include expenses payable and due to Head office, the related charges of which are either included under the respective segment (being expenses directly attributable or allocated on a reasonable basis) or are treated as unallocated.

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

Business Segments	Global Markets	Commercial Banking	Retail Banking	Others	Total
Particulars	**For the year ended 31 March 2008**				
Revenue (Net)	6,735,857	8,017,023	2,420,769	2,078,408	19,252,057
Results	4,644,003	4,931,761	(1,901,165)	1,702,628	9,377,227
Unallocated Expenses	-	-	-	-	(1,485,250)
Operating Profit before tax	-	-	-	-	7,891,977
Income Tax, Wealth Tax and Deferred Tax	-	-	-	-	(4,030,912)
Extraordinary Profit/Loss	-	-	-	-	-
Net Profit	-	-	-	-	3,861,065
Other Information					
Segment Assets	167,144,704	49,322,175	24,966,639	5,666,870	247,130,388
Total Assets	-	-	-	-	247,130,388
Segment Liabilities	50,690,855	132,990,386	13,815,273	49,633,874	247,130,388
Total Liabilities	-	-	-	-	247,130,388

The Bank does not have overseas operations and is considered to operate only in domestic segment.

I. Related party disclosure

Related party disclosures as required by Accounting Standard 18 - 'Related Party Disclosures' prescribed by the Companies (Accounting Standards) Rules, 2006 ('CASR') and in accordance with the guidelines issued by the Reserve Bank of India are given below:-

Relationships during the year

i. **Head office**

Deutsche Bank AG.

ii. **Associate**

Comfund Consulting Limited

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

Deutsche Asset Management (India) Private Limited
Deutsche Trustee Services (India) Private Limited
Deutsche Securities (India) Private Limited
Deutsche Equities India Private Limited
Deutsche India Holdings Private Limited
Deutsche Investments India Private Limited

Global Market Center Private Limited
RREEF India Advisors Private Limited
Deutsche Investor Services Private Limited
DBOI Global Services Private Limited

iv. Key management personnel
Gunit Chadha, Chief Executive Officer, India.

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

Items/Related Party	Head office (as per ownership or control) Note 1	Subsidiaries Note 1	Associates/ Joint Venture	Other related party in Deutsche Bank Group	Key Management personnel Note 2	Relatives of Key Management Personnel	(in Rs. '000) Total
Sale of fixed assets	-	-	-	**836** (0)	-	-	**836** (0)
Purchase of fixed assets	-	-	-	- (24)	-	-	- (24)
Interest paid	-	-	-	**774,647** (494,374)	-	-	**774,647** (494,374)
Interest received	-	-	-	**109,151** (233,719)	-	-	**109,151** (233,719)
Rendering of services-receipt	-	-	-	**1,164** (2,867)	-	-	**1,164** (2,867)
Receiving of services-payment	-	-	-	**487,481** (137,245)	-	-	**487,481** (137,245)
Management contracts	-	-	-	**413,413** (470,137)	-	-	**413,413** (470,137)
Loss on Derivatives (IRS)	-	-	-	**48,255** (0)	-	-	**48,255** (0)
Purchase of securities	-	-	-	**91,734,360** (82,716,416)	-	-	**91,734,360** (82,716,416)
Sale of securities	-	-	-	**60,321,224** (12,172,344)	-	-	**60,321,224** (12,172,344)
Call Borrowing	-	-	-	- (350,000)	-	-	- (350,000)
Call Lending	-	-	-	**16,210,000** (57,276,300)	-	-	**16,210,000** (57,276,300)
Amount lent on	-	-	-	**45,670**	-	-	**45,670**
Reverse Repo	-	-	-	(19,471,709)	-	-	(19,471,709)

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

Items/Related Party	Head office (as per ownership or control) Note 1	Subsidiaries Note 1	Associates/ Joint Venture	Other related party in Deutsche Bank Group	Key Management personnel Note 2	Relatives of Key Management Personnel	(in Rs. '000) Total
Borrowings	-	-	-	**1,345,024** (567,789)	-	-	**1,345,024** (567,789)
Deposits	-	-	-	**15,046,517** (18,077,651)	-	-	**15,046,517** (18,077,651)
Advances	-	-	-	**55,917** (2,509,980)	-	-	**55,917** (2,509,980)
Non-funded commitments	-	-	-	**388,954** (939,416)	-	-	**388,954** (939,416)
Other Asset	-	-	-	**243,858** (85,809)	-	-	**243,858** (85,809)
Other Liability	-	-	-	**266,430** (217,819)	-	-	**266,430** (217,819)

Note 1: Consistent with earlier years, the management has considered transactions between the bank and its head office and other subsidiaries of head office as 'one entity' and accordingly as per the guidance on compliance with the accounting standards by banks issued by the Reserve Bank of India on 29 March 2003, has not disclosed the details pertaining to them in the disclosure

Note 2: As per the guidance on compliance with the accounting standards by banks issued by the Reserve Bank of India on 29 March 2003, the Bank has not disclosed the details pertaining to the related party where there is only one entity / person in any category of related parties.

Details of maximum balances outstanding with related parties during financial year ended 31 March 2009. (Current year figures are shown in bold. Previous year's figures are shown in brackets):

Items/Related Party	Head office (as per ownership or control)	Subsidiaries	Associates/ Joint Venture	Other related party in Deutsche Bank Group	Key Management personnel	Relatives of Key Management Personnel	(in Rs. '000) Total
Borrowings	-	-	-	**5,888,923** (5,140,316)	-	-	**5,888,923** (5,140,316)
Deposits	-	-	-	**16,004,188** (25,204,041)	-	-	**16,004,188** (25,204,041)
Advances	-	-	-	**2,114,979** (7,356,839)	-	-	**2,114,979** (7,356,839)
Non-funded commitments	-	-	-	**388,954** (941,358)	-	-	**388,954** (941,358)
Other Asset	-	-	-	**243,858** (218,290)	-	-	**243,858** (218,290)
Other Liability	-	-	-	**441,786** (242,618)	-	-	**441,786** (242,618)

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

m. Derivatives

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

Risk Management

The nature of the Bank's businesses requires it to identify, measure, aggregate and manage risks effectively. The Bank manages risk through a framework of risk principles, organizational structures and risk measurement and monitoring processes that are closely aligned with the activities of Group Divisions.

Risk Management Principles

The following key principles underpin the Bank's approach to risk management:

- The Board of Managing Directors provides overall risk management supervision for consolidated Group as a whole. The Supervisory Board regularly monitors the risk profile.
- The Bank manages credit, market, liquidity, operational and business risks in a coordinated manner at all relevant levels within the organization.
- The structure of the risk management function is closely aligned with the structure of the Group Divisions.
- The risk management function is independent of the Group Divisions.

Risk Management Organization

The Group Chief Risk Officer, who is a member of the Board of Managing Directors, is responsible for the credit, market, operational and business risk management activities within the consolidated Group. The Group Chief Risk Officer chairs the Group Risk Committee, which is responsible for planning, management and control of the aforementioned risks across the consolidated Group.

Risk management units are established with the mandate to:

- Ensure that the business conducted within each division is consistent with the risk appetite the Group Risk Committee has set;
- Formulate and implement risk policies, procedures and methodologies that are appropriate to the businesses within each division;
- Approve credit risk and market risk limits;
- Conduct periodic portfolio reviews to ensure that the portfolio of risks is within acceptable parameters; and
- Develop and implement risk management infrastructures and systems that are appropriate for each division.

Group Treasury is responsible for the management of liquidity risk. The liquidity risk status as well as policies relating to the identification, measurement and management of liquidity risk is reviewed on a regular basis by the Group Asset and Liability Committee.

The Bank's controlling, audit and legal departments support the risk management function. They operate independently both of the Group Divisions and of the risk management function. The role of the controlling department is to quantify the risk assumed and ensure the quality and integrity of the risk-related data. The Bank's audit department reviews the compliance of the internal control procedures with internal and regulatory standards. The legal department provides legal advice and support on topics including collateral arrangements and netting.

Categories of Risk

The most important risks the Bank assumes are:

- *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.
- *Liquidity risk* is the risk arising from the potential inability to meet all payment obligations when they come due.

- *Credit risk* arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or borrower (which is referred to collectively as "counterparties").
- *Operational risk* is the potential for incurring losses in relation to employees, project management, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business risk.
- *Business risk* describes the risk assumed due to potential changes in general business conditions, such as market environment, client behavior and technological progress. This can affect the Bank's earnings if it fails to adjust quickly to these changing conditions.

Risk Management Tools

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

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

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

Credit Exposure from Derivatives

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

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

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;
- Equity price risk (where applicable);
- Foreign exchange risk; and
- Commodity price risk (where applicable).

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

Market Risk Management Framework

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

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

The Bank's value-at-risk for the trading businesses is based on internal value-at-risk model. In October 1998, the German Banking Supervisory Authority (now the BaFin) approved the internal value-at-risk model for calculating market risk capital for the general and specific market risks. It confirmed its approval in 2000 and the approval was renewed in 2002.

Value-at-Risk Analysis

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

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

The Bank believes that the value-at-risk model takes into account all material risk factors assuming normal market conditions. Examples of these factors are 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 generally calculates value-at-risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution. However, the Bank still utilizes a variance-covariance approach to calculate specific interest rate risk for some portfolios.

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

Back-Testing

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

Hedging

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

Accounting & Valuation

Accounting

Refer para 3C of Notes to financial statements.

Valuation

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

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

OTC option instruments are valued using proprietary option models, ranging from simple analytical models for vanilla options to Monte Carlo or Trinomial Tree solutions for more complex products.

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

Quantitative Disclosures

(in Rs. '000)

Sr. No.	Particulars	31 March 2009 Currency Derivatives	31 March 2009 Interest Rate Derivatives	31 March 2008 Currency Derivatives	31 March 2008 Interest Rate Derivatives
1.	Derivatives (Notional Principal Amounts) $				
	a) For hedging	-	-	-	-
	b) For Trading	986,673,790	4,865,175,710	1,172,522,396	9,368,868,292
2.	Marked to Market Positions (net) $				
	a) Asset (+)	13,352,730	1,327,444	3,369,059	372,344
	b) Liability (-)	-	-	-	-
3.	Credit Exposure $ #	115,398,488	113,206,420	85,726,748	85,757,718
4.	Likely impact of one percentage upward change in interest rates (100* PV01)				
	a) On hedging	-	-	-	-
	b) On Trading	(249,702)	313,095	(77,949)	2,806,156
5.	Maximum of 100*PV01 observed during the year @				
	a) On hedging	-	-	-	800,255
	b) On Trading	1,414,227	3,297,886	(949,703)	3,843,465
6.	Minimum of 100*PV01 observed during the year @				
	a) On hedging	-	-	-	-
	b) On Trading	(249,702)	313,095	(77,949)	457,119

$ The above numbers exclude foreign exchange contracts.

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

@ Maximum & Minimum of PV01 for the year as disclosed above is based on risk data as at the end of every month and relates to an increase of 100 basis points.

n. Single and Group Borrower Exposures

Presently, banks are allowed to assume single and group borrower credit exposure up to 15 and 40 per cent of capital funds (i.e. Tier I & Tier II Capital) respectively, with an additional allowance of 5 and 10 per cent of capital funds for infrastructure sector exposure. RBI has, vide circular DBOD No. Dir. BC. 11/13.03.00/2007-08 dated 2 July 2007, permitted banks to enhance the credit exposure by an additional 5 per cent of Capital funds, provided the approval of the management has been obtained.

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

- IBM India Pvt. Ltd.
- Bharat Petroleum Corporation Ltd.
- Reliance Industries Ltd.

o. Floating provision

Particulars	31 March 2009	(in Rs. '000) 31 March 2008
Opening balance	712,260	712,260
Add: Quantum of floating provisions made during the year	-	-
Less: Amount of draw down made during the year	-	-
Closing balance	712,260	712,260

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

Particulars	31 March 2009	(in Rs. '000) 31 March 2008
Provision for current income-tax	4,905,734	4,576,846
Provision for deferred-tax	(200,895)	(545,934)
Provision for Fringe benefit tax	81,368	60,075

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

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

r. Drawdown on reserves

The Bank has not drawn down any reserves during the year ended March 31, 2009 (previous year: Nil).

s. Letter of comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2009 and March 31,2008.

t. Description of contingent liabilities

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

u. Comparative figures

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

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

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

sd/-
Gunit Chadha
Chief Executive Officer India
For **Deutsche Bank AG**
India Branches

sd/-
Avinash Prabhu
Controller India
For **Deutsche Bank AG**
India Branches

Mumbai, June 23 , 2009

Auditor's Report

on the financial statements of Deutsche Bank AG – India Branches under Section 30 of the Banking Regulation Act, 1949.

The Chief Executive Officer Deutsche Bank AG- India Branches

1) We have audited the attached balance sheet of Deutsche Bank AG - India Branches ('the Bank') as at 31 March 2009 and the related profit and loss account and the cash flow statement annexed thereto for the year ended on that date. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3) The balance sheet and the profit and loss account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of sub sections (1), (2) and (5) of section 211 and sub section (5) of section 227 of the Companies Act, 1956.

4) In our opinion, and to the best of our information and according to the explanations given to us, the financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 and the Companies Act, 1956 in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:

   - in the case of the balance sheet, of the state of affairs of the Bank as at 31 March 2009;
   - in the case of the profit and loss account, of the profit of the Bank for the year ended on that date; and
   - in the case of the cash flow statement, of the cash flows for the year ended on that date.

5) Further, in our opinion, the accompanying balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards, referred to in sub-section 3(C) of section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.

Deutsche Bank AG - India Branches

6) We further report that:

a) we have obtained all the information and explanations. which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory;

b) the financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches;

c) the transactions of the Bank which have come to our notice have been within the powers of the Bank;

d) in our opinion, the Bank has maintained proper books of account as required by law insofar as it appears from our examination of the books;

e) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

f) in our opinion, and to the best of our information and according to explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required for banking companies and guidelines issued by the Reserve Bank of India from time to time and

g) the requirements of section 274 (1) (g) of the Companies Act, 1956 are not applicable, considering the Bank is a branch of Deutsche Bank AG, which is incorporated with limited liability in Germany.

sd/-
Akeel Master
Partner
Membership No.: 046768
For BSR & Co.
Chartered Accountants

Mumbai, June 23 , 2009

Management disclosures under Pillar 3 of the New Capital Adequacy framework vide RBI circular reference RBI/2008-2009/68 DBOD.No.BP.BC.11/21.06.001/2008-09

1. Scope of application

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

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

a. Tier I Capital primarily comprises of interest free capital received from the Head Office, balance in Statutory reserves & Capital reserves, and non repatriable balance in the Profit & Loss account.

The Tier II Capital mainly comprises of the Investment Reserve, Provision on Standard Assets & General Loan Loss Provision, which are created in accordance with the extant RBI guidelines.

b. Details of Capital Funds

Particulars	31 March 2009	(in Rs. '000) 31 March 2008
Capital - Head Office Account	36,314,087	33,076,829
Statutory Reserve	6,314,736	5,239,584
Capital Reserve	177,207	177,207
Remittable Surplus Retained for CRAR requirement	571,384	571,384
Less: Deferred Tax asset	(1,637,136)	(1,436,242)
Less: Intangible assets	(34,863)	(7,128)
Tier I Capital	**41,705,415**	**37,621,634**
Investment Reserve	73,321	73,321
Provision on Standard Assets & Country Risk	1,014,223	626,266
General Loan Loss Provision	712,260	712,260
Tier II Capital	1,799,804	1,411,847
Total (Tier I + Tier II Capital)	**43,505,219**	**39,033,481**

3. Capital adequacy

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

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

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

As per the guidelines for implementation of the new capital adequacy framework issued on 27 April 2007, the RBI has directed foreign banks to migrate to the revised framework for capital computation under Basel II with effect from 31 March 2008. The migration is required to be carried out in phased manner where under, banks are required to compute their capital requirement under Basel I and Basel II. The capital ratio as per Basel II is 15.25% and under Basel I is 15.44%. The minimum capital to be maintained by banks under the revised framework is subject to the prudential floor of 100%, 90% and 80% of the capital requirement under Basel I over the years March 2008, 2009 and 2010 respectively.

The capital requirements as per Basel II are tabulated below.

		(in Rs. '000)
Particulars	**31 March 2009**	**31 March 2008**
Capital requirement for credit risk - Portfolios subject to standardised approach	20,864,470	18,869,972
Capital requirement for credit risk - Portfolios subject to securitisation exposures	0	0
Capital requirement for market risk (Standardised duration approach)		
- Interest rate risk	2,457,202	2,888,893
- Foreign exchange risk (including gold)	360,000	360,000
- Equity risk	64,598	10,545
Capital requirement for operational risk (Basic Indicator approach)	1,931,599	1,213,486
Total	**25,677,869**	**23,342,896**
Tier I Capital adequacy ratio	**14.62%**	**14.51%**
Total (Tier I + Tier II) Capital adequacy ratio	**15.25%**	**15.05%**

4. Risk Exposure & Assessment

Risk Management

The nature of the Bank's businesses requires it to identify, measure, aggregate and manage risks effectively, and to allocate capital among businesses appropriately. The Bank manages risk through a framework of risk principles, organizational structures and risk measurement and monitoring processes that are closely aligned with the activities of Group Divisions.

Risk Management Principles

The following key principles underpin the Bank's approach to risk management:

- The Management Board provides overall risk management supervision for consolidated Group as a whole. The Supervisory Board regularly monitors the risk profile.
- The Bank manages credit, market, liquidity, operational and business risks in a coordinated manner at all relevant levels within the organization.
- The structure of the risk management function is closely aligned with the structure of the Group Divisions.
- The legal, risk and capital function is independent of the Group Divisions.

Risk Management Organisation

The Group Chief Risk Officer, who is a member of the Management Board, is responsible for the credit, market, operational and business risk management activities within the consolidated Group. The Group Chief Risk Officer chairs the Group Risk Committee, which is responsible for planning, management and control of the aforementioned risks across the consolidated Group.

Risk management units are established with the mandate to:

- Ensure that the business conducted within each division is consistent with the risk appetite the Group Risk Committee has set.
- Formulate and implement risk policies, procedures and methodologies that are appropriate to the businesses within each division.
- Approve credit risk and market risk limits;
- Conduct periodic portfolio reviews to ensure that the portfolio of risks is within acceptable parameters.
- Develop and implement risk management infrastructures and systems that are appropriate for each division.

Treasury is responsible for the management of liquidity risk. The liquidity risk status as well as policies relating to the identification, measurement and management of liquidity risk are reviewed on a regular basis by the Group Asset and Liability Committee.

The Bank's Finance, Audit and Legal departments support the risk management function. They operate independently both of the Group Divisions and of the risk management function. The role of the Finance department is to quantify the risk assumed and ensure the quality and integrity of the risk-related data. The Bank's Audit department reviews the compliance of the internal control procedures with internal and regulatory standards. The Legal department provides legal advice and support on topics including collateral arrangements and netting.

Categories of Risk

The most important risks the Bank assumes are:

– Market risk arising 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.
– Liquidity risk is the risk arising from the potential inability to meet all payment obligations when they come due.
– Credit risk arising from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or borrower (which is referred to collectively as "counterparties").
– Operational risk is the potential for incurring losses in relation to employees, project management, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business risk.
- Business risk describes the risk assumed due to potential changes in general business conditions, such as market environment, client behavior and technological progress. This can affect the Bank's earnings if it fails to adjust quickly to these changing conditions.

Risk Management Tools

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

4.1 Credit risk

a. Credit Risk Management Organisation and structure

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

b. CRM CIB

(i) Credit Risk policies and procedures

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

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

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

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

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

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

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

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

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

(ii) Credit risk On Trading Instruments

CRM CIB has global systems in place to monitor the Mark to Market risk on all foreign currency and rates derivative transactions undertaken by the clients. DB uses the Potential Future Exposure at 97% confidence levels as the basis to determine the limit requirements for such products.

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

– Current Credit Exposure ("CCE"), which is the current value of any contract, at current market rates, as shown in the Bank's records.

CCE will be reported net of enforceable collateral, and may be aggregated to reflect enforceable netting arrangements

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

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

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

(iii) Credit rating policy

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

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

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

Each and every facility in the banking book is rated based on the internal rating model of DB. For each counterparty, the Credit Risk management assigns a Counterparty Probability of Default ('CPD') and for each facility, a Facility Probability of Default ('FPD') is assigned, along with the Loss

Given Default ('LGD') and Country of Risk.

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

(iv) Definition and classification of NPAs

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

c. CRM PBC - Credit risk policies and procedures

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

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

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

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

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

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

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

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

d. CRM PWM

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

e. Total Gross Credit exposures

		(in Rs. '000)
Category	**31 March 2009**	**31 March 2008**
Bills purchased and discounted	11,619,172	17,640,359
Cash credits, overdrafts and loans repayable on demand	53,784,333	40,844,235
Term loans	24,227,498	31,511,797
Total Fund-based Exposures	**89,631,003**	**89,996,391**
Guarantees given on behalf of customers	57,005,393	43,422,670
Acceptances, endorsements and other obligations	41,015,373	64,221,609
Derivative exposures	379,010,503	274,009,970
Total Non-fund based Exposures	**477,031,269**	**381,654,249**

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

f. Industry Type distribution of exposures as at 31 March 2009

Industry	Fund-based	Non-fund based	Total	(in Rs. '000) Percentage of Total
Banking	3,087,077	402,436,493	405,523,569	71.56%
Electronics & Engineering	5,549,105	13,597,590	19,146,695	3.38%
Services – finance	8,007,829	10,840,594	18,848,423	3.33%
Retail finance	18,551,283	0	18,551,283	3.27%
Chemical & Fertilisers	5,587,079	3,071,142	8,658,222	1.53%
Crude petroleum/refining & petrochemicals	1,700,481	6,038,250	7,738,731	1.37%
Automobiles	3,264,461	3,516,267	6,780,728	1.20%
Road, port, telecom, urban development & other infra	125,270	5,701,741	5,827,012	1.03%
Textile	697,578	5,030,923	5,728,502	1.01%
Services - Non finance	2,370,314	2,302,157	4,672,471	0.82%
Wholesale / Retail trade	1,940,295	2,498,397	4,438,692	0.78%
Cement	4,116,833	0	4,116,833	0.73%
Metal & products (excl iron & steel)	3,290,258	557,526	3,847,784	0.68%
Construction	1,564,770	2,170,072	3,734,842	0.66%
Drugs & Pharmaceuticals	1,948,402	1,727,861	3,676,263	0.65%
Food & beverages	1,856,955	822,069	2,679,024	0.47%
Manufacturing Products Excl Metal	1,242,496	1,423,578	2,666,074	0.47%
Other industries	24,730,517	15,296,609	40,027,125	7.06%
Grand Total	**89,631,003**	**477,031,269**	**566,662,272**	**100.00%**

Industry Type distribution of exposures as at 31 March 2008

Industry	Fund-based	Non-fund based	Total	(in Rs. '000) Percentage of Total
Banking	-	287,184,936	287,184,936	60.89%
Electronics & Engineering	11,745,782	10,678,091	22,423,873	4.75%
Retail finance	16,475,987	-	16,475,987	3.49%
Crude petroleum/refining & petrochemicals	229,908	10,107,589	10,337,497	2.19%
Chemical & Fertilisers	5,648,422	2,799,418	8,447,840	1.79%
Manufacturing Products Excl Metal	3,881,743	3,342,200	7,223,943	1.53%
Services – finance	3,190,929	3,942,627	7,133,556	1.51%
Services - Non finance	3,433,221	3,002,088	6,435,309	1.36%
Cement	5,583,333	371,414	5,954,747	1.26%
Food & beverages	5,241,143	688,639	5,929,782	1.26%
Automobiles	3,237,116	1,874,508	5,111,624	1.08%
Wholesale / Retail trade	3,003,360	2,099,993	5,103,353	1.08%
Textile	3,056,719	1,870,830	4,927,549	1.04%
Drugs & Pharmaceuticals	2,316,241	1,012,318	3,328,559	0.71%
Construction	1,569,236	1,493,681	3,062,917	0.65%
Metal & products (excl iron & steel)	1,349,588	1,335,627	2,685,215	0.57%
Road, port, telecom, urban development & other infra	1,160,550	1,378,520	2,539,070	0.54%
Other industries	18,873,113	48,471,771	67,344,884	14.28%
Grand Total	**89,996,391**	**381,654,249**	**471,650,640**	**100.00%**

g. Residual contractual maturity break down of Gross Advances

Maturity buckets	(in Rs. '000) 31 March 2009	(in Rs. '000) 31 March 2008
1 to 14 days	35,568,807	33,957,415
15 to 28 days	3,801,295	7,168,544
29 days to 3 months	13,164,193	15,436,937
3 to 6 months	10,022,091	6,045,468
6 months to 1 year	1,846,017	2,392,057
1 to 3 years	9,244,990	6,522,730
3 to 5 years	6,626,539	12,707,214
Above 5 years	9,357,072	5,766,026
Total	**89,631,003**	**89,996,391**

h. Amount of Non Performing Assets as at 31 March 2009

NPA Classification	Gross NPAs	(in Rs. '000) Net NPAs
Substandard	1,969,481	771,739
Doubtful		
- Doubtful 1		
- Doubtful 2		
- Doubtful 3	36,000	
Loss	420,976	
Total	**2,426,457**	**771,739**
NPA Ratio	2.76%	0.88%

Amount of Non Performing Assets as at 31 March 2008

NPA Classification	Gross NPAs	(in Rs. '000) Net NPAs
Substandard	259,204	154,305
Doubtful		
- Doubtful 1		
- Doubtful 2	22,337	
- Doubtful 3	194,404	
Loss	73,410	
Total	**549,355**	**154,305**
NPA Ratio	0.66 %	0.22%

i. Movement in NPAs

Movement in NPAs (funded)	(In Rs'000) 31 March 2009	(In Rs'000) 31 March 2008
(i) Net NPAs to Net Advance (%)	0.8772%	0.2242%
(ii) Movement of Gross NPAs		
a) Opening balance	549,355	110,248
b) Additions during the year	3,956,289	643,203
c) Reductions during the year	(2,079,187)	(204,096)
d) Closing Balance	2,426,457	549,355
(iii) Movement of Net NPAs		
a) Opening balance	154,305	4,179
b) Additions during the year	1,340,824	150,126
c) Reductions during the year	(723,390)	-
d) Closing Balance	771,739	154,305
(iv) Movement of Provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	395,050	106,069
b) Additions during the year	2,615,465	493,077
c) Reductions during the year	(1,355,797)	(204,096)
d) Closing Balance	1,654,718	395,050

j. Amount of NPIs

Particulars	(In Rs'000) 31 March 2009	(In Rs'000) 31 March 2008
Closing balance for the period	10,580	20,120
Total provisions held	10,580	20,120
Net book Value	**0**	**0**

k. Movement in Provision for Depreciation on Investments

Provision for depreciation on investments	(In Rs'000) 31 March 2009	(In Rs'000) 31 March 2008
Opening balance	136,128	160,605
Add: Provisions made during the period / year	26,711	0
Less: Write-off/write back of excess provisions during the period		24,477
Closing balance	**162,839**	**136,128**

4.2 Credit risk – Portfolios subject to Standardised Approach

a. Credit rating agencies

The Bank uses external ratings agencies that are approved by the RBI for capital adequacy, viz, CRISIL, ICRA, FITCH India and CARE for domestic exposures and S&P, Moody's & Fitch for overseas exposures and does not have an assigned ratings agency for a given type of claim.

There have been no instances of claim transfer as on March 31, 2009.

b. Outstanding amounts

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

Exposure Category	(In Rs'000) 31 March 2009	(In Rs'000) 31 March 2008
Under 100% risk weight	27,140,096	7,874,029
100% risk weight	49,238,749	72,277,203
Above 100% risk weight	13,252,158	9,845,159
Total Fund-based Exposures	**89,631,003**	**89,996,391**
Under 100% risk weight	389,713,941	248,390,317
100% risk weight	87,114,755	130,211,244
Above 100% risk weight	202,573	3,052,688
Total Non Fund-based Exposures	**477,031,269**	**381,654,249**

4.3 Credit risk mitigation policy

a. Collateral valuation and management

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

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

Collateral Risk Management is undertaken through the mechanism of the FPD assignment.

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

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

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

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

c. Exposure covered by eligible financial collateral

Exposures covered by financial collateral	(In Rs'000) 31 March 2009	(In Rs'000) 31 March 2008
Exposures before Credit Risk Mitigation Technique	56,133,360	156,919,052
Exposures after Credit Risk Mitigation Technique (after application of haircut on collateral)	19,876,980	131,752,798

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

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

b. Types of market risk

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

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

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

c. **Risk Management Tools**

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

– Value-at-Risk. The Bank uses the value-at-risk approach to derive quantitative measures for trading book market risks under normal market conditions. The value-at-risk figures play a role in both internal and external (regulatory) reporting. For a given portfolio, value-at-risk measures the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded with a defined confidence level in a defined period. The value-at-risk for a total portfolio represents a measure of diversified market risk (aggregated using pre-determined correlations) in that portfolio.

– Stress Testing. While value-at-risk, calculated on a daily basis, supplies forecasts for potential large losses under normal market conditions, it is not adequate to measure the tail risks of the portfolios. The Bank therefore also performs regular stress tests in which it values the trading portfolios under severe market scenarios not covered by the confidence interval of the value-at-risk model.

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

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

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

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

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

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

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

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

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

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

e. Back-Testing

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

f. Hedging

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

g. Capital requirements for market risk

Particulars	(In Rs'000) 31 March 2009	(In Rs'000) 31 March 2008
Capital requirement for market risk		
- Interest rate risk	2,457,202	2,888,893
- Foreign exchange risk (including gold)	360,000	360,000
- Equity risk	64,598	10,545
Total	**2,881,800**	**3,259,438**

4.5 Operational risk

a. Operational risk management framework

Operational Risk Management ('ORM') is responsible for defining the operational risk framework and related policies while the responsibility for implementing the framework as well as the day-to-day operational risk management lies with the business divisions and infrastructure functions. The global relationship teams, which are aligned with the divisional and regional structure, oversee and support the implementation of the operational risk framework within the Bank in an effort to ensure consistent management of operational risks across business divisions, infrastructure functions and regions. This also includes the management of cross divisional and cross regional operational risk, value-added analysis, group reporting and establishing loss thresholds. The central methodology team develops, validates and implements the operational risk management and reporting toolset, including the Advanced Measurement Approach ('AMA') methodology and is responsible for the monitoring of regulatory requirements.

b. Risk management tools

ORM manages operational risk based on a Group-wide consistent framework that enables ORM to determine the operational risk profile in comparison to the risk appetite and to define risk mitigating measures and priorities.

ORM applies a number of Group-wide techniques to efficiently manage the operational risk in our business, for example:

- Performing bottom-up "self-assessments" resulting in a specific operational risk profile for the business lines highlighting the areas with high risk potential.
- Collect losses arising from operational risk events in a "db-Incident Reporting System" database.
- Capturing and monitoring key operational risk indicators in a tool "db-Score".
- Capturing action points resulting from ''self-assessments'' or risk indicators in "db-Track. Within "db-Track" the progress of the operational risk action points is monitored on an ongoing basis.
- Documenting the residual operational risk after mitigation in "Risk Acceptances".

c. Policies for mitigation

Based on the organizational set-up, the governance and systems in place to identify and manage the operational risk and the support of control functions responsible for specific operational risk types (e.g., Compliance, Corporate Security & Business Continuity) the Bank seek to optimize the management of operational risk. Future operational risks, identified through forward-looking analysis, are managed via mitigation strategies such as the development of back-up systems and emergency plans. Where appropriate, the Bank purchases insurance against operational risks.

5. **Interest rate risk in the banking book**

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

sd/-
Gunit Chadha
Chief Executive Officer India
For **Deutsche Bank AG**
India Branches

sd/-
Avinash Prabhu
Controller India
For **Deutsche Bank AG**
India Branches

Mumbai, June 23 , 2009

Deutsche Bank in India

Mumbai
Fort
Deutsche Bank AG
DB House, Hazarimal Somani Marg
Mumbai 400 001
Tel: +91 22 6658 4600 / 6658 4000
Fax: + 91 22 2207 4198

Khar
Deutsche Bank AG
Glacis, Plot NO. 391
Linking Road, Khar (West)
Mumbai 400 052
Tel: +91 22 6600 9696
Fax: + 91 22 6600 9666

Bangalore
Deutsche Bank AG
Raheja Towers, 26-27, MG Road
Bangalore 560 001
Tel: +91 80 5693 5500
Fax: +91 80 2559 4388

Chennai
Deutsche Bank AG
Kothari Buildings, Ground Floor
114, Mahatma Gandhi Rd
Chennai 600 034
Tel: +91 44 2833 4828
Fax: +91 44 2833 4840

Aurangabad
A-2 Ground Floor
Aurangabad Business Center
Adalat Road, Dr. Rajendra Prasad Marg
Aurangabad 431 005
Tel: +91 240 661 5600
Fax: +91 240 661 5700

Salem
Plot No. 9 and 10
Venkatathri Nilayam
Yercaud Main Road
Kanan Kurchi Post, Salem 636 008
Tel: +91 0427 645 7703
Fax: +91 0427 240 2684

Pune
Suprem, Aundh
Main IT I Road
Pune 411 007
Tel: +91 020 6624 9000
Fax: +91 020 6624 9001

New Delhi
Deutsche Bank AG
28, Kasturba Gandhi Marg
ECE House, Main Building
New Delhi 110 001
Tel: +91 11 6600 9480
Fax: +91 11 6600 9530/31

Gurgaon
Deutsche Bank AG
Ground Floor, Infinity Tower A
Sector 25 A, Phase II, DLF City
Gurgaon, Haryana 122 002
Tel: +91 124 433 8100
Fax: +91 124 433 8181

Noida
Deutsche Bank AG
F4 & F5, Sector 18
Noida, Uttar Pradesh - 201 301
Tel: +91 120 534 1100
Fax: +91 120 534 1111

Kolkata
Deutsche Bank AG
Brooke House
9 Shakespeare Sarani
Kolkata 700 071
Tel: +91 33 2282 8484 / 5050
Fax: +91 33 2282 1716

Kolhapur
Deutsche Bank Centre
221B/1B, 'E' Ward
Tarabai Park
Kolhapur 416 003
Tel: +91 0231 660 1300
Fax: +91 0231 660 1400

Vellore
RJ Plaza, Katpadi Main Road
Village Vithampet
Vellore 632 006
Tel: +91 416 645 7710
Fax: +91 416 224 5245