Deutsche Bank

India Annual Report Results 2009-2010

Passion to Perform

Deutsche Bank AG, India Branches
Incorporated with limited liability in the Federal Republic of Germany

Our mission

We compete to be the leading global provider of financial solutions, creating lasting value for our clients, our shareholders, our people and the communities in which we operate.

Our brand

Deutsche is clear: we are here to perform – in business and beyond. We do this with a unique mix of passion and precision. This measured approach gives us the confidence to enable agile minds to look beyond the obvious, gaining advantage for everyone we work with.

Our values

Performance. Trust. Teamwork. Innovation. Client focus.

Our promise

Excellence. Relevant client solutions. Responsibility.

Passion to Perform

Contents

Balance Sheet

as on 31 March 2010

	Schedule	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Capital and Liabilities			
Capital	1	36,314,087	36,314,087
Reserves and surplus	2	13,133,702	11,288,709
Deposits	3	139,288,254	141,473,723
Borrowings	4	49,647,045	36,009,314
Other liabilities and provisions	5	44,924,385	24,462,903
Total		283,307,473	249,548,736
Assets			
Cash and balances with Reserve Bank of India	6	17,749,867	16,617,331
Balances with banks and money at call and short notice	7	997,828	31,510,113
Investments	8	90,471,346	87,048,600
Advances	9	129,227,919	87,976,285
Fixed assets	10	1,458,358	1,321,943
Other assets	11	43,402,155	25,074,464
Total		283,307,473	249,548,736
Contingent Liabilities	12	6,532,877,411	9,782,972,520
Bills for collection		51,816,387	60,294,431
Significant accounting policies and Notes to the financial statements	18		

The accompanying notes form an integral part of this Balance Sheet

In terms of our report attached.

For DELOITTE HASKINS & SELLS
Chartered Accountants
Nalin M Shah
Partner

For Deutsche Bank AG
India Branches
Gunit Chadha
Chief Executive Officer, India

For Deutsche Bank AG
India Branches
Rajat Tandon
Chief Financial Officer, India

Place: Mumbai
Date: 28 June, 2010

Profit and Loss Account

For the year ended 31 March 2010

	Schedule	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Income			
Interest earned	13	15,788,714	18,814,419
Other income	14	8,170,467	10,196,856
Total		23,959,181	29,011,275
Expenditure			
Interest expended	15	3,023,499	5,879,340
Operating expenses	16	9,563,836	11,550,751
Provisions and contingencies	17	6,908,324	7,280,578
Total		19,495,659	24,710,669
Profit			
Net profit for the year		4,463,522	4,300,606
Profit brought forward		3,519,061	3,146,681
Total		7,982,583	7,447,287
Appropriations			
Transfer to statutory reserve		1,115,881	1,075,152
Transfer to/(from) investment reserve		(73,321)	-
Remittances to Head office made during the year		2,618,529	2,853,074
Balance carried over to Balance Sheet		4,321,494	3,519,061
Total		7,982,583	7,447,287
Significant accounting policies and Notes to the financial statements	18		

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

In terms of our report attached.

For DELOITTE HASKINS & SELLS
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Place: Mumbai
Date: 28 June, 2010

Cash Flow

Cash Flow Statement for the year ended 31 March 2010

	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Net profit before taxes	8,329,531	9,086,813
Adjustment for:		
Depreciation charge on fixed assets for the year	332,702	329,085
Provision for depreciation on investments	927,044	26,711
Provision for loan loss (net)	(616,019)	1,259,668
Bad-debts written off	2,602,671	820,001
Provision of general provision on standard assets and country risk	(21,510)	387,991
Loss on sale of fixed assets (net)	74,884	1,955
	11,629,303	11,912,224
Adjustment for:		
Increase in other liabilities and provisions	20,715,360	6,202,913
(Increase) / Decrease in investments	(4,349,790)	14,637,111
(Increase) in advances	(43,238,286)	(454,613)
(Increase) in other assets	(16,477,349)	(11,542,803)
	(31,720,762)	20,754,832
Advance tax paid (net of refund received)	(5,948,720)	(4,960,089)
Net cash from/(used in) operating activities (A)	(37,669,482)	15,794,743
Cash flows from investing activities		
Purchase of fixed assets	(546,263)	(356,497)
Proceeds from sale of fixed assets	2,263	3,094
Net cash (used in) investing activities (B)	(544,000)	(353,403)
Cash flows from financing activities		
Receipt of Capital	-	3,237,258
Remittance of profit to Head office	(2,618,529)	(2,853,074)
Increase / (Decrease) in deposits (Note 3)	(2,185,469)	3,924,138
Increase / (Decrease) in borrowings (Note 3)	13,637,731	(12,808,497)
Net cash from/(used in) financing activities (C)	8,833,733	(8,500,175)
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	(29,379,749)	6,941,165

Cash Flow Statement for the year ended 31 March 2010

	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Cash and cash equivalents at the beginning of the year	48,127,444	41,186,279
Cash and cash equivalents as at the end of the year	18,747,695	48,127,444
Increase/(Decrease) in cash and cash equivalents	(29,379,749)	6,941,165
Notes on cash flow statement		
1. Cash and balances with Reserve Bank of India	17,749,867	16,617,331
Balances with banks and money at call and short notice	997,828	31,510,113
Cash and cash equivalents as at 31 March	18,747,695	48,127,444
2. The above cash flow statement has been prepared under the indirect method set out in Accounting Standard 3 prescribed in the Companies (Accounting Standards) Rules, 2006		
3. Regrouped from Cash Flow from Operating Activities to Cash Flow from Financing Activities pursuant to the opinion issued by the Expert Advisory Committee of The Institute of Chartered Accountants of India		

In terms of our report attached.

For DELOITTE HASKINS & SELLS
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Partner

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Chief Executive Officer, India

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Rajat Tandon
Chief Financial Officer, India

Place: Mumbai
Date: 28 June, 2010

Schedules

Schedules forming part of the Balance Sheet as on 31 March 2010

	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
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	6,650,000	5,650,000
Head office account		
(including start up capital of Rs 2 million and remittances from Head office)		
Opening Balance	36,314,087	33,076,829
Additions during the year	-	3,237,258
Total	36,314,087	36,314,087
Schedule 2: Reserves and Surplus		
1. Statutory reserve		
Opening Balance	6,314,736	5,239,584
Additions during the year:		
- Transfer from profits	1,115,881	1,075,152
	7,430,617	6,314,736
2. Capital reserve		
As per last Balance Sheet	177,207	177,207
	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	73,321
Transfer of Balance to Profit and Loss Account	73,321	-
	-	73,321
5. Balance in Profit and Loss Account		
Balance in Profit and Loss Account	4,321,494	3,519,061
	4,321,494	3,519,061
6. Remittable Surplus Retained for CRAR requirements	571,384	571,384
Remittable Surplus Retained for CRAR requirements	571,384	571,384
Total	13,133,702	11,288,709

Schedules forming part of the Balance Sheet as on 31 March 2010

	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Schedule 3: Deposits		
1. (a) Demand deposits		
i. From banks	259,669	137,787
ii. From others	63,295,927	92,710,331
	63,555,596	92,848,118
(b) Savings bank deposits	8,381,122	6,576,681
(c) Term Deposits		
i. From banks	-	-
ii. From others	67,351,536	42,048,924
	67,351,536	42,048,924
Total	139,288,254	141,473,723
2. i Deposits of branches in India	139,288,254	141,473,723
ii Deposits of branches outside India	-	-
Total	139,288,254	141,473,723
Schedule 4: Borrowings		
1. Borrowings in India		
(a) Reserve Bank of India	-	-
(b) Banks	14,966,206	16,952,750
(c) Other institutions and agencies	14,871,756	19,056,564
	29,837,962	36,009,314
2. Borrowings Outside India		
Banks	19,809,083	-
	19,809,083	-
Total	49,647,045	36,009,314
Secured borrowings included above	8,671,756	12,856,564
Schedule 5: Other Liabilities and Provisions		
1. Bills payable	3,182,309	2,625,220
2. Inter-office adjustments - branches in India (net)	16,080	15,931
3. Interest accrued	1,057,895	899,200
4. Tax paid in advance / tax deducted at source (net of provision for taxation)	-	232,368
5. Others (including provisions) (Refer Schedule 18 Note-4a)	40,668,101	20,690,184
Total	44,924,385	24,462,903

Schedules forming part of the Balance Sheet as on 31 March 2010

	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Schedule 6: Cash and Balances with Reserve Bank of India		
1. Cash in hand (including foreign currency notes)	138,019	120,938
2. Balances with Reserve Bank of India		
a. in current account	17,611,848	16,496,393
b. in other accounts	-	-
Total	17,749,867	16,617,331

Schedule 7: Balances with Banks and Money at Call and Short Notice		
1. In India		
a. Balances with banks		
i. in current accounts	58,812	85,155
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	939,016	992,958
b. in deposit accounts	-	-
c. money at call and short notice	-	30,432,000
Total	997,828	31,510,113

Schedule 8: Investments		
Investments in India in:		
1. Government securities	67,716,321	69,189,748
2. Other approved securities	380	380
3. Shares	329,581	329,581
4. Debentures and bonds	412,286	4,148,734
5. Others (Includes Commercial Papers, Pass Through Certificates,		
Certificate of Deposit and Security Receipts)	23,102,661	13,542,996
Gross Investments in India	91,561,229	87,211,439
Less : Provision for diminution in value	(1,089,883)	(162,839)
Total	90,471,346	87,048,600

Schedules forming part of the Balance Sheet as on 31 March 2010

	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Schedule 9: Advances		
1. a. Bills purchased and discounted	33,385,905	3,890,706
b. Cash credits, overdrafts and loans repayable on demand	27,087,896	38,927,946
c. Term loans	68,754,118	45,157,633
Total	129,227,919	87,976,285
2. a. Secured by tangible assets (includes advances against book debts)	22,699,898	16,780,322
b. Covered by bank / Government guarantees	878,585	7,256,637
c. Unsecured	105,649,436	63,939,326
Total	129,227,919	87,976,285
3. Advances in India		
a. Priority sector (including export finance)	34,311,667	29,062,630
b. Public sector	10,265,933	1,522,140
c. Banks	30,795,911	4,253,631
d. Others	53,854,408	53,137,884
Total	129,227,919	87,976,285
Non performing advances (net) as a % of Total advances (net), classified as per Reserve Bank of India guidelines	0.7920%	0.8772%
Schedule 10: Fixed Assets		
1. Premises (including leasehold improvements)		
a. Cost as on 31st March of the preceding year	1,253,792	1,208,680
b. Additions during the year	308,652	53,659
c. Deductions during the year	(81,406)	(8,547)
d. Accumulated Depreciation to date (Refer Schedule 18 Note-4o)	(548,242)	(512,863)
	932,796	740,929
2. Other Fixed Assets (including furniture and fixtures)		
a. Cost as on 31st March of the preceding year	1,793,473	1,549,231
b. Additions during the year	260,097	280,352
c. Deductions during the year	(217,706)	(36,110)
d. Accumulated Depreciation to date (Refer Schedule 18 Note-4o)	(1,310,302)	(1,234,945)
Total	525,562	558,528
3. Capital Work-in-progress	-	22,486
Total	1,458,358	1,321,943

Schedules forming part of the Balance Sheet as on 31 March 2010

	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Schedule 11: Other Assets		
1. Inter-office adjustments - branches in India (net)	-	-
2. Interest accrued	1,880,240	1,514,840
3. Tax paid in advance / tax deducted at source		
(net of provision for taxation)	1,822,833	-
4. Stationery and stamps	1,167	944
5. Others (including deferred tax - Refer Schedule 18 Note - 4c)	39,697,915	23,558,680
Total	43,402,155	25,074,464

Schedule 12: Contingent Liabilities		
1. Claims against the Bank not acknowledged as debts		
(including tax related matters)	2,121,717	242,787
2. Liability on account of outstanding foreign exchange contracts	1,907,645,495	3,817,582,574
3. Guarantees given on behalf of customers		
a. In India	26,628,172	19,349,461
b. Outside India	32,865,202	37,655,932
4. Acceptances, endorsements and other obligations	53,999,827	41,015,373
5. Bills rediscounted	-	3,416,560
6. Other Items for which the Bank is contingently liable		
(a) Swaps	4,061,701,089	5,049,693,773
(b) Options	433,093,308	802,155,726
(c) Repos	14,822,601	11,860,334
Total	6,532,877,411	9,782,972,520

Schedules

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2010

	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Schedule 13 - Interest Earned		
1. Interest/discounts on advances/bills	9,451,326	11,821,385
2. Income on Investments	6,212,722	6,600,465
3. Interest on balances with Reserve Bank of India and other interbank funds	124,496	226,059
4. Others	170	166,510
Total	15,788,714	18,814,419
Schedule 14 - Other Income		
1. Commission, exchange and brokerage (net) (including custodial and depository income)	4,584,797	4,302,425
2. Profit/(Loss) on sale of investments (net)	(273,626)	2,035,443
3. (Loss) on sale of land, building and other assets (net) including write off	(74,884)	(1,955)
4. Profit on exchange transactions (net)	3,413,369	3,573,146
5. Miscellaneous Income	520,811	287,797
Total	8,170,467	10,196,856
Schedule 15 - Interest Expended		
1. Interest on deposits	1,567,250	2,311,454
2. Interest on Reserve Bank of India and other interbank borrowings (including from other money market participants)	1,433,087	3,524,093
3. Others	23,162	43,793
Total	3,023,499	5,879,340

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2010

	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Schedule 16 - Operating Expenses		
1. Payments to and provisions for employees	5,105,676	4,242,099
(Refer Schedule 18 Note-4j)		
2. Rent, taxes and lighting (Refer Schedule 18 Note-4d)	326,219	562,466
3. Printing and stationery	71,039	126,707
4. Advertisement and publicity	149,709	101,378
5. Depreciation on bank's property	332,702	329,085
6. Auditors' fees and expenses (includes Rs 1,773 thousands paid to auditors in the current year for tax representation and advice on taxation matters)	5,019	2,814
7. Law charges	26,368	40,536
8. Postage, telegrams, telephones, etc.	388,308	427,728
9. Repairs and maintenance	356,647	355,781
10. Insurance	(36,691)	236,503
11. Head office charges	1,651,834	2,783,402
12. Other expenditure (net of cost recoveries)	1,187,006	2,342,252
Total	9,563,836	11,550,751

Schedule 17 - Provision and Contingencies		
1. Provision for loan loss (net)	(616,019)	1,259,668
2. Provision made on sale of NPA	150,129	-
3. Provision for standard assets	-	346,475
4. Provision for country risk	(21,510)	41,516
5. Bad debts written off	2,602,671	820,001
6. Provision for depreciation on investments	927,044	26,711
7. Provision for :		
a. Income tax	3,887,587	4,905,734
b. Fringe benefit tax	5,931	81,368
8. Deferred tax (Refer Schedule 18 Note-4c)	(27,509)	(200,895)
Total	6,908,324	7,280,578

Schedule 18

Notes forming part of the financial statements of the India branches for the year ended 31 March 2010

1. Background

The accompanying financial statements for the year ended 31 March 2010 comprise accounts of the India 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 in the current and future periods as appropriate.

3. Significant Accounting Policies

a. Foreign currency translation

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

b. Investments

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

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 classification.

iv. Treasury bills, commercial paper and CD’s, 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 the RBI or the prices periodically declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association (“FIMMDA”).

vi. The market/fair value of unquoted government securities included in the ‘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. Investments in security receipts issued by asset reconstruction companies have been valued at year end net asset values (“NAV”) obtained from the asset reconstruction companies.

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

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

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

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

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

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 such transaction are accounted as interest income/expenditure.

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

xv. The Bank follows trade date accounting for valuation of investments.

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, cross currency options and foreign exchange forward contracts for hedging or trading purposes.

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

iii. The accounting for derivatives transactions undertaken as hedges is as follows:
Derivative contracts that hedge interest bearing assets or liabilities are valued for in the same manner as the underlying asset or liability.
Gains or losses on the termination of derivative transaction would be recognised when the offsetting gain or loss is recognised on the underlying asset or liability. This implies that any gain or loss on the terminated derivative would be deferred and recognised over the shorter of the remaining contractual life of the derivative or the remaining life of the asset/liability.

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

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

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

d. Advances and provision for advances

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

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

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

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

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

e. Fixed assets and depreciation

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

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

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

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

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

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

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

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

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

ix. Leasehold land is amortised over the period of lease. The lease period of land, acquired by the Bank from Brihanmumbai Municipal Corporation ('BMC') on which the Bank has two buildings has expired in September 2001 & September 2004 respectively. The Bank has applied for renewal of the lease and the Bank's solicitor has advised that it is a normal market practice that the lease would get renewed at least for another 30 years. Accordingly, the Bank has amortised the leasehold improvements upto 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 basis as per income recognition and asset classification norms of RBI.

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

h. Staff benefits

i. The Bank pays gratuity to employees who retire or resign after a minimum period of five years of continuous service. The Bank's Contributory Gratuity Scheme bestows benefits to employees which are higher than those under the payment of Gratuity Act, 1972. The Bank makes contributions to a separate gratuity fund at the rate of 8.33% of the basic salary on monthly basis. This fund is recognized by the Income-tax authorities and administered by a trust. Contribution payable to Gratuity fund which is a defined contribution plan is charged to the Profit and Loss Account.

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

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

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

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

j. Provisions and contingent liabilities

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

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

iii. 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.

k. Credit Card Reward Points

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

4. Notes to Financial Statements

a. Provision for standard assets

Other liabilities and provisions – Others (Schedule 5.5) includes

Particulars	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Provisions on Standard Assets	936,298	936,298

b. Investments

Items	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
1. Value of Investments		
i. Gross Value of Investments		
a. In India	91,561,229	87,211,439
b. Outside India	-	-
ii. Provisions for Depreciation		
a. In India	(1,089,883)	(162,839)
b. Outside India	-	-
iii. Net Value of Investments		
a. In India	90,471,346	87,048,600
b. Outside India	-	-
2. Movement of provisions held towards depreciation on investments		
i. Opening balance (as on April 1)	162,839	136,128
ii. Add: Provisions made during the year	927,044	26,711
iii. Less: Write-off / (write-back) of excess provisions during the year	-	-
iv. Closing balance (as on March 31)	1,089,883	162,839

Investments – Government securities (Schedule 8.1) include:

1) Government securities amounting to Rs.10,290,000 thousand representing face value (Previous year: Rs. 15,910,000 thousand) are collateral holdings parked with CCIL for securities segment and CBLO segment.

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

3) Government securities amounting to Rs. 6,300,000 thousand representing face value (Previous year: Rs. 12,750,000 thousand) are 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	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Provision for bad and doubtful debts	1,028,528	1,030,554
Depreciation on fixed assets	138,756	72,918
Expenses allowable in the year of payment on deduction of TDS	191,101	179,977
Provision for staff compensation and benefits	160,068	221,090
Others	146,194	132,599
Deferred tax asset	1,664,647	1,637,138

d. 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. 29,843 thousand (Previous year: Rs. 409,192 thousand) has been included under Operating expenses – Rent, taxes and lighting (Schedule 16.2) in the Profit and Loss Account.

ii. Non-cancellable leasing arrangement for premises: Total lease rental of Rs. 144,891 thousand (Previous year: Rs. Nil) has been included under the head Operating expenses – Rent, taxes and lighting (Schedule 16.2) in the Profit and Loss Account.

iii. Non-cancellable leasing arrangement for vehicles: Total lease rental of Rs. 28,246 thousand (Previous year: Rs. 31,672 thousand) has been included under the head Operating expenses – Other expenditure (net of cost recoveries) (Schedule 16.12) in the Profit and Loss Account.

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

Particulars	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Not later than one year	165,205	25,531
Later than one year and not later than five years	489,651	27,942
Later than five years	-	-

e. Capital adequacy ratio

As per the guidelines for implementation of the new capital adequacy framework issued on 27 April 2007, the RBI has directed foreign banks to migrate to the revised framework for capital computation under Basel II with effect from 31 March 2008. The migration is required to be carried out in a phased manner where under, banks are required to compute their capital requirement under Basel I and Basel II. The capital ratio as per Basel II is 16.45% and under Basel I is 16.58%. 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 capital requirement being higher) is set out below:

Year Ended	(in Rs. '000) 31 March 2010	(in Rs. '000) 31 March 2009
Tier I capital	42,808,185	41,705,415
Tier II capital	1,855,102	1,799,804
Total capital	44,663,287	43,505,219
Total risk weighted assets and contingents	271,443,552	285,309,659
Capital ratios (per cent)		
CRAR - Tier I capital	15.77%	14.62%
CRAR - Tier II capital	0.68%	0.63%
Total Capital	16.45%	15.25%
Subordinated debt included in Tier II Capital for Capital adequacy	-	-

f. Business ratios/information

Year ended	31 March 2010	31 March 2009
Interest income as a percentage of working funds $	6.12%	7.66%
Non-interest income as a percentage of working funds $	3.17%	4.15%
Operating profit as a percentage of working funds $	4.44%	4.71%
Return on assets #	1.73%	1.75%
Business per employee (in Rs. 000's) * @	179,076	143,410
Profit per employee (in Rs. 000's) *	2,980	2,690

$ 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 ratios are based on year end employee numbers

g. Additional disclosure in terms of RBI circulars:

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

(in Rs. '000)

Issuer 31 March 2010	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
Public Sector Undertakings	158,363	158,363	-	-	-
Financial Institutions (FIs)	-	-	-	-	-
Banks	21,041,544	21,041,544	-	-	-
Private Corporates	583,504	583,504	-	329,580	329,580
Subsidiaries / Joint Ventures	-	-	-	-	-
Others (including SC/ARC)	2,061,117	2,061,117	-	-	2,061,117
Provision held towards depreciation	(12,921)	(12,921)	-	(10,580)	(10,580)
Total	23,831,607	23,831,607	-	319,000	2,380,117

(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 Undertakings	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 (including SC/ARC)	2,496,597	2,496,597	-	-	2,496,597
Provision held towards depreciation	(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

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 2010
Securities sold under repos	-	37,533,661	6,455,932	15,000,043
Securities purchased under reverse repo	-	11,462,559	581,317	11,462,559

	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	-

The above figures also include Repo & Reverse Repo transaction under LAF done with RBI.

iii. Movement in non-performing non-SLR investments

(in Rs. '000)

Particulars	31 March 2010	31 March 2009
Opening Balance	10,580	20,120
Reductions during the year	-	9,540
Closing Balance	10,580	10,580
Total Provisions held	10,580	10,580

iv. Exposure to Real Estate sectors:

(in Rs. '000)

Category	31 March 2010	31 March 2009
a) Direct exposure		
(i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented (includes an amount of Rs 511,743 thousand (previous year Rs 453,218 thousand) pertaining to individual housing loans eligible for priority sectors advances);	9,074,365	6,504,397
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	6,384,137	12,223,472
(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).	4,889,026	6,277,000
Total	20,347,528	25,004,869

v. Exposure to Capital Market

Items		31 March 2010	(in Rs. '000) 31 March 2009)
(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	329,580
(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;	621,600	572,700
(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;	889,000	-
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	1,235,000	1,560,800
(vi)	loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	bridge loans to companies against expected equity flows/issues;	-	-
(viii)	underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix)	financing to stockbrokers for margin trading;	-	-
(x)	all exposures to Venture Capital Funds (both registered and unregistered) 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		3,075,180	2,463,080

vi. There was no restructuring of loans in relation to sub-standard assets during the year. The amount outstanding as on 31 March 2010 in respect of loan assets subjected to restructuring during the year is Rs. 81,714 thousand (Previous year Rs. 4,150,042 thousand) in relation to standard assets.

	Particulars of Accounts Restructured	31 March 2010 CDR Mechanism	SME Dept Restructuring	Others	31 March 2009 CDR Mechanism	SME Dept Restructuring	(in Rs. '000) Others
Standard advances restructured	No. of Borrowers	-	-	325	-	-	87
	Amount outstanding	-	-	81,714	-	-	4,150,042
	Sacrifice (diminution in the fair value)	-	-	2,929	-	-	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	-	-	325	-	-	87
	Amount outstanding	-	-	81,714	-	-	4,150,042
	Sacrifice (diminution in the fair value)	-	-	2,929	-	-	336,364

The above excludes derivatives overdue receivable restructured into a loan on account of two counterparties.

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

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

(in Rs. '000)

Movement in NPAs (funded)		31 March 2010	31 March 2009
(i)	Net NPAs to Net Advance (%)	0.7920%	0.8772%
(ii)	Movement of Gross NPAs		
	a) Opening balance	2,426,457	549,355
	b) Additions during the year*	4,290,763	3,956,289
	c) Reductions during the year	(4,109,113)	(2,079,187)
	d) Closing Balance*	2,608,107	2,426,457
(iii)	Movement of Net NPAs		
	a) Opening balance	771,739	154,305
	b) Additions during the year	3,000,541	1,340,824
	c) Reductions during the year	(2,748,793)	(723,390)
	d) Closing Balance	1,023,487	771,739
(iv)	Movement of Provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance	1,654,718	395,050
	b) Additions during the year*	1,290,222	2,615,465
	c) Reductions during the year	(1,360,320)	(1,355,797)
	d) Closing Balance*	1,584,620	1,654,718

* includes INR 545,920 thousands transferred from other liability on an overdue derivative receivable, which was restructured into a loan and subsequently became a NPA.

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

(in Rs. '000)

Item	31 March 2010	31 March 2009
No. of accounts	1	2
Aggregate value (net of provisions) of accounts sold to SC/RC	155,104	1,014,833
Aggregate consideration	183,500	1,059,189
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value.	28,396	44,356

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

(in Rs. '000)

		31 March 2010	31 March 2009
1	(a) No. of accounts purchased during the year	-	-
	(b) Aggregate outstanding	-	-
2	(a) Of these, number of accounts restructured during the year	-	-
	(b) Aggregate outstanding	-	-

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

	31 March 2010	(in Rs. '000) 31 March 2009
1 No. of accounts sold settled	1	-
2 Aggregate outstanding	450,314	-
3 Aggregate consideration received	450,314	-

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

Particulars	31 March 2010	(in Rs. '000) 31 March 2009
Provisions for depreciation on investment	927,044	26,711
Provision towards NPA	(616,019)	1,259,668
Provision made on sale of NPA	150,129	-
Bad debts written off (net of recoveries)	2,602,671	820,001
Provision towards standard assets	-	346,475
Provision towards country risk	(21,510)	41,516
Provision made towards income tax	3,887,587	4,905,734
Other Provisions and Contingencies (with details) :		
Deferred tax	(27,509)	(200,895)
Fringe benefit tax	5,931	81,368
Total	6,908,324	7,280,578

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

Maturity Bucket (31 March 2010)	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	(in Rs. '000) Total
Deposits	13,724,534	13,617,980	12,508,459	23,234,169	29,978,419	28,742,081	16,598,593	843,322	37,250	3,447	139,288,254
Advances	24,971,572	2,633,010	4,882,679	14,825,884	31,015,991	22,139,611	6,328,012	14,772,316	2,392,892	5,265,952	129,227,919
Investments (Gross)	28,345,129	5,642,874	5,112,750	4,912,259	6,360,963	6,089,551	28,824,182	2,158,225	3,784,987	330,309	91,561,229
Borrowings	3,748,339	13,071,956	11,674,000	-	-	-	10,957,750	3,995,000	6,200,000	-	49,647,045
Foreign Currency assets	5,172,908	26,782	27,820	1,990,109	4,677,547	8,022,987	386,959	-	-	-	20,305,113
Foreign Currency Liabilities	18,598,268	4,421,294	11,693,939	19,438	36,981	27,504	183,564	7,215	-	-	34,988,203
Maturity Bucket (31 March 2009)	**Day 1**	**2 to 7 days**	**8 to 14 days**	**15 to 28 days**	**29 days to 3 months**	**Over 3 months to 6 months**	**Over 6 months to 12 months**	**Over 1 to 3 years**	**Over 3 to 5 years**	**Over 5 years**	**(in Rs. '000) Total**
Deposits	76,331,134	10,527,247	7,685,358	4,196,291	24,048,988	14,720,282	3,131,369	799,526	30,967	2,561	141,473,723
Advances	32,520,084	1,758,598	1,290,124	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)	37,925,056	3,632,474	2,222,650	1,200,334	11,733,386	5,401,848	12,018,543	7,646,223	4,785,851	645,074	87,211,439
Borrowings	12,856,564	2,000,000	-	-	-	-	-	14,952,750	6,200,000	-	36,009,314
Foreign Currency assets	53,966,994	86,459	565,755	178,734	2,463,533	2,003,409	200,707	-	-	-	59,465,591
Foreign Currency Liabilities	50,778,063	1,179,478	28,049	60,988	81,632	2,625,676	4,671,164	37,285	-	-	59,462,335

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

xii. Customer complaints

	31 March 2010	31 March 2009
Customer complaints		
(a) No. of complaints pending at the beginning of the year	372	10
(b) No. of complaints received during the year	12,420*	19,065*
(c) No. of complaints redressed during the year	12,660*	18,703*
(d) No. of complaints pending at the end of the year	132	372
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	1	-
(c) No. of Awards implemented during the year	1	-
(d) No. of unimplemented Awards at the end of the Year	-	-

* The numbers above do not include 4,647 requests (Previous year 7,063) for resending the card / PIN / Statement etc. as the customers were not available when these were originally sent.

xiii. Concentration of Deposits

(in Rs. '000)

Particulars	31 March 2010	31 March 2009
Total Deposits of twenty largest depositors	73,313,812	31,594,670
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	52.63%	22.33%

xiv. Concentration of Advances*

(in Rs. '000)

Particulars	31 March 2010	31 March 2009
Total Advances to twenty largest borrowers	94,663,571	86,078,000
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	34.39%	38.37%

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

xv. Concentration of Exposures**

(in Rs. '000)

Particulars	31 March 2010	31 March 2009
Total Exposure to twenty largest borrowers/customers	94,663,571	86,078,000
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	28.33%	27.86%

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

xvi. Concentration of NPA

(in Rs. '000)

Particulars	31 March 2010	31 March 2009
Total Exposure to top four NPA accounts	1,465,254	895,591

xvii. Sectorwise NPAs

Sr. No.	Sector	31 March 2010	31 March 2009
		Percentage of NPAs to Total Advances in that sector	
1	Agriculture & allied activities	-	-
2	Industry (Micro & small, Medium and Large)	2.04%	1.64%
3	Services	0.61%	1.03%
4	Personal Loans	16.34%	9.60%

xviii. Movement of NPAs

(in Rs. '000)

Particulars	31 March 2010	31 March 2009
Gross NPAs as on 1st April (Opening Balance)	2,426,457	549,355
Additions (Fresh NPAs) during the year*	4,290,763	3,956,289
Sub-total (A)	6,717,220	4,505,644
Less:-		
(i) Upgradations	9,419	3,100
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,376,833	1,256,086
(iii) Write-offs	2,722,861	820,001
Sub-total (B)	4,109,113	2,079,187
Gross NPAs as on 31st March (closing balance) (A-B)*	2,608,107	2,426,457

* includes INR 545,920 thousands transferred from other liability on an overdue derivative receivable, which was restructured into a loan and subsequently became a NPA.

xix. Overseas Assets, NPAs and Revenue

(in Rs. '000)

Particulars	31 March 2010	31 March 2009
Total Assets	939,016	31,424,958
Total NPAs	-	-
Total Revenue	88,684	210,326

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

xxi. Provisioning Coverage Ratio as at 31 March 2010 is 60.76%. (Previous year: 68.19%)

xxii. Fees / remuneration received in respect of bancassurance business during the year is Rs 117,372 thousand. (Previous year: Rs 92,322 thousand)

h. Country risk exposure:

(in Rs. '000)

Risk Category	Exposure (net) as at 31 March 2010	Provision held as at 31 March 2010
Insignificant	25,651,759	56,415
Low	544,679	-
Moderate	92	-
High	-	-
Very High	-	-
Restricted	-	-
Off-credit	-	-
Total	26,196,530	56,415

(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

i. Details of outstanding interest rate swap agreements:

(in Rs. '000)

Items	31 March 2010	31 March 2009
1. The Notional principal of swap agreements	3,878,641,061	4,865,175,710
2. Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	3,213,101	6,523,236
3. Collateral required by the bank upon entering into swaps	Nil	Nil
4. Concentration of credit risk arising from the Swaps %		
- Banks	98.65%	98.85%
- Others	1.35%	1.15%
- Total	100.00%	100.00%
5. The fair value of the swap book	781,353	1,327,444

– Nature and terms of interest rate swaps :

(in Rs. '000)

Items	31 March 2010	31 March 2009
Trading - MIBOR*	2,474,053,539	3,129,763,103
Trading - MIFOR**	511,387,837	813,134,796
Trading - INBMK***	75,014,400	62,963,146
Trading - Others	99,603,710	145,475,808
Trading - LIBOR (Dollar)	718,581,575	713,838,857
Total	3,878,641,061	4,865,175,710

* 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 2010 and 31 March 2009.

– During the year (previous year NIL), the bank has not entered into exchange traded derivatives.

j. Employee Benefits

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

(in Rs. '000)

Sr. No.	Items	31 March 2010	31 March 2009
1)	Provident Fund Contribution	181,410	164,220
2)	Gratuity Contribution	101,499	100,970
3)	Compensated Absences	35,179	14,042
4)	Long Term Award	23,595	-

k. Segment reporting

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

(in Rs. '000)

Business Segments	Global Markets	Commercial Banking	Retail Banking	Others	Total
Particulars	For the year ended 31 March 2010				
Revenue	10,263,312	9,063,079	3,172,998	1,459,792	23,959,181
Less: Inter-segment revenue	(2,006,622)	1,310,577	(562,672)	1,258,717	-
Income from operations	12,269,934	7,752,502	3,735,670	201,075	23,959,181
Results	5,562,930	4,965,444	(2,115,875)	961,075	9,373,574
Unallocated Expenses	-	-	-	-	(1,044,045)
Operating Profit before tax	-	-	-	-	8,329,531
Income Tax, Deferred Tax and Fringe Benefit Tax	-	-	-	-	(3,866,009)
Extraordinary profit/Loss	-	-	-	-	-
Net Profit after tax	-	-	-	-	4,463,522

Business Segments	Global Markets	Commercial Banking	Retail Banking	Others	(in Rs. '000) Total
Other Information		For the year ended 31 March 2010			
Segment Assets	142,292,524	110,633,236	23,372,140	3,522,093	279,828,227
Unallocated Assets					3,487,480
Total Assets					283,307,473
Segment Liabilities	78,878,418	146,274,601	15,726,735	40,556,332	281,436,086
Unallocated Liabilities	-	-	-	-	1,871,387
Total Liabilities					283,307,473

Business Segments	Global Markets	Commercial Banking	Retail Banking	Others	(in Rs. '000) Total
Particulars		For the year ended 31 March 2009			
Revenue	11,138,335	12,307,956	3,595,060	1,969,924	29,011,275
Less: Inter-segment revenue	(3,025,639)	2,373,979	(1,046,921)	1,698,581	-
Income from operations	14,163,974	9,933,977	4,641,982	271,342	29,011,275
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	3,269,130	247,911,598
Unallocated Assets	-	-	-	-	1,637,138
Total Assets					249,548,736
Segment Liabilities	44,997,487	135,331,886	14,272,764	52,526,267	247,128,404
Unallocated Liabilities	-	-	-	-	2,420,332
Total Liabilities					249,548,736

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

The Bank has classified its business groups into following segments.
– Global markets (Treasury)
– Commercial banking
– Retail
– Others

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

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

Commercial banking encompasses transaction banking services, catering to working capital requirement of 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.

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 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.

I. Related party disclosure

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

Relationships during the year

i. Head office
   Deutsche Bank AG.

ii. Associate
   Comfund Consulting Limited

iii. Other related parties of Deutsche Bank Group where common control exists at group level.
   Deutsche 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, Duekona Versicherungs-Vermittlungs-GmbH, Deutsche Investment Management Americas Inc., Deutsche Equities (Mauritius) Limited, Deutsche Bank (Mauritius) Limited, Deutsche Bank Securities Inc., Deutsche Group Services Pty Limited, Deutsche Bank Limited, Moscow, Deutsche Bank S.A. N.V., Deutsche Securities Mauritius Limited, Deutsche Bank Trust Company Americas, DB Services New Jersey, Inc., Deutsche Bank A.S., DB International (Asia) Limited, Deutsche Bank, Sociedad Anónima Española, Deutsche Bank (Portugal), S.A., DWS Investment S.A., Deutsche Bank (Malaysia) Berhad, DB HR Solutions GmbH, DB Group Services, Deutsche Bank Luxembourg S.A., Deutsche Securities Inc., Deutsche Bank Polska Spólka Akcyjna, Deutsche Bank Zártkörüen Müködö Részvénytársaság, Deutsche Bank (Suisse) SA, Deutsche Bank Società per Azioni, DWS Investment GmbH, Deutsche Knowledge Services Pte. Ltd, Deutsche Asset Management Investmentgesellschaft mbH , Deutsche Bank (China) Co., Ltd, Deutsche Bank S.A., DWS Holding & Service GmbH, Deutsche Bank PGK AG, DB Securities Services NJ Inc., Deutsche Asia Pacific Holdings Pte Ltd, Deutsche Bank S.A. - Banco Alemão.

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 black. Previous year's figures are shown in brackets) :

Items/Related Party	Head office (as per ownership or control) Note	Associates/ Joint Venture	Other related party in Deutsche Bank Group	Key Management personnel Note	Relatives of Key Management personnel	(in Rs. '000) Total
Sale of fixed assets	-	-	99 (836)	-	-	99 (836)
Purchase of fixed assets	-	-	84 (-)	-	-	84 (-)
Interest paid	-	-	809,342 (774,647)	-	-	809,342 (774,647)
Interest received	-	-	23,827 (109,151)	-	-	23,827 (109,151)
Rendering of services-receipt	-	-	241,465 (1,164)	-	-	241,465 (1,164)
Receiving of services-payment	-	-	574,007 (487,481)	-	-	574,007 (487,481)
Management contracts	-	-	693,714 (413,413)	-	-	693,714 (413,413)
Loss on Derivatives (IRS)	-	-	- (48,255)	-	-	- (48,255)
Purchase of securities	-	-	199,944,194 (91,734,360)	-	-	199,944,194 (91,734,360)
Sale of securities	-	-	186,527,433 (60,321,224)	-	-	186,527,433 (60,321,224)
Amount borrowed on repo	-	-	11,480,700 (-)	-	-	11,480,700 (-)
Call Lending	-	-	64,315,600 (16,210,000)	-	-	64,315,600 (16,210,000)
Amount lent on Reverse Repo	-	-	- (45,670)	-	-	- (45,670)

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

Items/Related Party	Head office (as per ownership or control) Note	Associates/ Joint Venture	Other related party in Deutsche Bank Group		Key Management personnel Note	Relatives of Key Management personnel	(in Rs. '000) Total	
Borrowings	-	-	3,731,647	(1,350,781)	-	-	3,731,647	(1,350,781)
Deposits	-	-	41,305,709	(15,307,806)	-	-	41,305,709	(15,307,806)
Advances	-	-	132,276	(793,743)	-	-	132,276	(793,743)
Non-funded commitments	-	-	2,118,622	(3,611,938)	-	-	2,118,622	(3,611,938)
Other Assets	-	-	464,192	(1,375,652)	-	-	464,192	(1,375,652)
Other Liability	-	-	720,496	(400,361)	-	-	720,496	(400,361)

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

vii. Details of maximum balances outstanding with related parties during financial year ended 31 March 2010. (Current year figures are shown in black. Previous year's figures are shown in brackets):

Items/Related Party	Head office (as per ownership or control) Note	Associates/ Joint Venture	Other related party in Deutsche Bank Group		Key Management personnel Note	Relatives of Key Management personnel	(in Rs. '000) Total	
Borrowings	-	-	5,940,159	(5,888,923)	-	-	5,940,159	(5,888,923)
Deposits	-	-	49,821,857	(16,004,188)	-	-	49,821,857	(16,004,188)
Advances	-	-	7,770,478	(2,114,97)	-	-	7,770,478	(2,114,979)
Non-funded commitments	-	-	5,497,112	(388,954)	-	-	5,497,112	(388,954)
Other Assets	-	-	3,240,908	(243,858)	-	-	3,240,908	(243,858)
Other Liability	-	-	817,779	(441,786)	-	-	817,779	(441,786)

Maximum amounts outstanding for the year have been computed based on month-end balances outstanding. Previous year balances do not include amounts with respect to overseas related parties.

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 wide variety of the Bank's businesses requires it to identify, measure, aggregate and manage its risks effectively, and to allocate capital among the businesses appropriately. The Bank manages risk and capital through a framework of principles, organizational structures, as well as measurement and monitoring processes that are closely aligned with the activities of Group divisions. The importance of a strong focus on risk management and the continuous need to refine risk management practice has become particularly evident during the financial market crisis. While the Bank's risk and capital management continuously evolves and improves, there can be no assurance that all market developments, in particular those of extreme nature, can be fully anticipated at all times.

Risk Management Principles

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

— The Management Board provides overall risk and capital management supervision for its consolidated Group. The Group's Supervisory Board regularly monitors its risk and capital profile.

— The Group manages credit, market, operational, liquidity, business, legal and reputational risks as well as its capital in a coordinated manner at all relevant levels within the Group's organization. This also holds true for complex products which the Group typically manages within its framework established for trading exposures.

— The structure of the Group's integrated legal, risk & capital function is closely aligned with the structure of its group divisions.

— The legal, risk & capital function is independent of the Group's divisions.

Risk Management Organisation

The Group's Chief Risk Officer, who is a member of the Management Board, is responsible for the Group-wide credit, market, operational, liquidity, business, legal and reputational risk management as well as capital management activities and heads the Group's integrated legal, risk & capital function.

Two functional committees, which are both chaired by the Group's Chief Risk Officer, are central to the legal, risk & capital function.

— The Group's Risk Executive Committee is responsible for management and control of the aforementioned risks across the consolidated Group. To fulfill this mandate, the Risk Executive Committee is supported by subcommittees that are responsible for dedicated areas of risk management, including several policy committees and the Group Reputational Risk Committee.

— The responsibilities of the Capital and Risk Committee include risk profile and capital planning, capital capacity monitoring and optimization of funding.

Dedicated legal, risk & capital units are established with the mandate to:

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

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

— Approve credit, market and liquidity risk limits;

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

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

The heads of the Group's legal, risk & capital units, which are amongst the members of the Group's Risk Executive Committee, are responsible for the performance of the units and report directly to the Group's Chief Risk Officer.

The Bank's finance and audit departments support the legal, risk & capital function. They operate independently of both the group divisions and of the legal, risk & capital function. The role of the finance department is to help quantify the risk that the Bank assumes and ensures the quality and integrity of risk-related data. The Bank's audit department performs risk-oriented reviews of the design and operating effectiveness of its internal control procedures.

The Group's Treasury function is responsible for the management of liquidity risk. The Group's liquidity risk management framework is designed to identify, measure and manage the liquidity risk position of the Group. The underlying policy, including the Group's risk tolerance, is reviewed and approved regularly by the Management Board. The policy defines the liquidity risk limits which are applied to the Group.

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

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

Stress testing and scenario analysis plays a central role in the liquidity risk management framework. This also incorporates an assessment of asset liquidity, i.e. the characteristics of the asset inventory, under various stress scenarios.

Specific Banking Risks

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

- Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor (which the Group refers to collectively as "counterparties"). The Group distinguishes between three kinds of credit risk:

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

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

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

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

— Operational risk is the potential for incurring losses in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal and regulatory risk, but excludes business and reputational risk.

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

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

Risk Management Tools

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

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

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

— Stress Testing: The Bank supplements analysis of market risk with stress testing. The Bank performs stress tests because value-at-risk calculations are based on 261 day historical data and only purport to estimate risk up to a defined confidence level. Therefore, they only reflect possible losses under relatively normal market conditions. Stress tests help to determine the effects of potentially extreme market developments on the value of market risk sensitive exposures.

Credit Exposure from Derivatives

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

For credit exposure measurement purposes, as the replacement values of the portfolios fluctuate with movements in market rates and with changes in the transactions in the portfolios, the Bank also estimates the potential future replacement costs of the portfolios over their lifetimes. 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 including credit spread;
— Equity price risk (where applicable);
— Foreign exchange risk; and
— Commodity price risk (where applicable).

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

Market Risk Management Framework

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

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

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

Value-at-Risk Analysis

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

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

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

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

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

Back-Testing

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

Hedging

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

Accounting

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

Valuation

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

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

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

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

Quantitative Disclosures

		(in Rs. '000) 31 March 2010		(in Rs. '000) 31 March 2009	
Sr. No.	Particulars	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
1.	Derivatives (Notional Principal Amounts)				
	a) For hedging	-	-	-	-
	b) For Trading	2,488,902,616	3,878,641,061	4,763,862,350	4,865,175,710
2.	Marked to Market Positions (net)				
	a) Asset (+)	4,127,814	781,353	3,529,359	1,327,444
	b) Liability (-)	-	-	-	-
3.	Credit Exposure #	131,923,820	76,930,556	264,799,652	113,206,420
4.	Likely impact of one percentage upward				
	change in interest rates (100* PV01)				
	a) On hedging	-	-	-	-
	b) On Trading	(225,556)	(244,702)	(267,660)	313,734
5.	Maximum of 100*PV01 observed during				
	the year @				
	a) On hedging	-	-	-	-
	b) On Trading	67,290	1,449,950	1,449,694	3,297,775
6.	Minimum of 100*PV01 observed during				
	the year @				
	a) On hedging	-	-	-	-
	b) On Trading	(393,821)	(244,702)	(267,660)	313,734

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 Private Limited.
– Indian Oil Corporation Limited
– Volkswagen India Private Limited
– Reliance Industries Limited.

o. i) Movement in Accumulated depreciation :

(in Rs. '000)

Depreciation to date	31 March 2010	31 March 2009
Premises		
Beginning of the year	(512,863)	(440,340)
Additions during the year	(79,371)	(77,809)
Deductions during the year	43,992	5,286
Closing balance	(548,242)	(512,863)
Other Fixed Assets		
Beginning of the year	(1,234,945)	(1,017,991)
Additions during the year	(253,331)	(251,184)
Deductions during the year	177,974	34,230
Closing balance	(1,310,302)	(1,234,945)

ii) Other Fixed Assets (including furniture and fixtures)
It includes amount capitalized on software having useful life of Three years. Details regarding the same are tabulated below:

(in Rs. '000)

Particulars	31 March 2010	31 March 2009
Cost as on 31st March of the preceding year	184,060	156,634
Addition during the year	8,843	27,426
Accumulated depreciation to date	(172,439)	(149,197)
Net Value as at 31st March of the current year	20,464	34,863

p. Floating provision

(in Rs. '000)

Particulars	31 March 2010	31 March 2009
Opening balance	712,260	712,260
Add: Quantum of floating provisions made during the year	-	-
Less: Amount of draw down made during the year	-	-
Closing balance	712,260	712,260

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

(in Rs. '000)

Particulars	31 March 2010	31 March 2009
Provision for current income-tax	3,887,587	4,905,734
Provision for deferred tax	(27,509)	(200,895)
Provision for fringe benefit tax	5,931	81,368

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

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

s. Drawdown on reserves

The Bank has drawn down investment reserve of Rs. 73,321 thousand during the year ended March 31, 2010 (Previous year: Nil).

t. Letter of comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2010 and March 31, 2009.

u. i) Provisions, Contingent liabilities and contingent Asset

Sr. No.	Contingent Liabilities	Brief
1)	Claims against the Bank not acknowledged as debts	The Bank is a party to various legal proceedings in the normal course of business. It also includes claims / demands raised by Income tax authorities, which are disputed by the bank.
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/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.

ii) Movement in provision for credit card/debit card reward points

(in Rs. '000)

Particulars	31 March 2010	31 March 2009
Opening provision	61,597	58,534
Provision made during the year	42,955	73,741
Utilization/write back of provision during the year	(38,564)	(70,678)
Closing provision	65,988	61,597

v) 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.

Gunit Chadha
Chief Executive Officer, India
For Deutsche Bank AG
India Branches

Rajat Tandon
Chief Financial Officer, India
For Deutsche Bank AG
India Branches

Mumbai, 28 June, 2010

Deloitte Haskins & Sells

Auditor's Report

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

To the Executive Committee of 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, 2010, the Profit and Loss and the Cash Flow Statement of the Bank for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3) We report thereon as follows:
   a) The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.

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

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

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

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

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

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

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

(i) in the case of Balance Sheet, of the state of affairs of the Bank as at 31 March, 2010;
(ii) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date and
(iii) in case of the Cash Flow Statement, of the cash flow of the Bank for the year ended on that date.

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

Sd/-
Nalin M. Shah
Partner
Membership No: 15860

Mumbai, 28 June, 2010

Management disclosures under Pillar 3 of the New Capital Adequacy framework vide RBI circular reference RBI/2009-2010/308 DBOD.No.BP.BC.73/21.06.001/2009-10

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 and Capital reserves, and non repatriable balance in the Profit & Loss account.

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

b. Details of Capital Funds

(in Rs. '000)

	31 March 2010	31 March 2009
Capital - Head Office Account	36,314,087	36,314,087
Statutory Reserve	7,430,617	6,314,736
Capital Reserve	177,207	177,207
Remittable Surplus Retained for CRAR requirement	571,384	571,384
Less: Deferred Tax asset	(1,664,647)	(1,637,136)
Less: Intangible assets	(20,463)	(34,863)
Tier I Capital	42,808,185	41,705,415
Investment Reserve	-	73,321
Provision on Standard Assets & Country Risk	992,713	1,014,223
General Loan Loss Provision	712,260	712,260
NPA Provision Reversal on Sale of NPA	150,129	-
Tier II Capital	1,855,102	1,799,804
Total (Tier I + Tier II Capital)	44,663,287	43,505,219

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 16.45% and under Basel I is 16.58%. 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 2010	31 March 2009
Capital requirement for credit risk - Portfolios subject to standardised approach	18,248,824	20,864,470
Capital requirement for credit risk - Portfolios subject to securitisation exposures	-	-
Capital requirement for market risk (Standardised duration approach)		
— Interest rate risk	3,058,897	2,457,202
— Foreign exchange risk (including gold)	360,000	360,000
— Equity risk	64,598	64,598
Capital requirement for operational risk (Basic Indicator approach)	2,697,602	1,931,599
Total	24,429,920	25,677,869
Tier I Capital adequacy ratio	15.77%	14.62%
Total (Tier I + Tier II) Capital adequacy ratio	16.45%	15.25%

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 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 behaviour 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 Deutsche Bank exposures in that sector globally – exposure amounts, counterparty ratings, products, risk profile, etc. This system enables Deutsche Bank 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.

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

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

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

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

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

(ii) Credit risk On Trading Instruments

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

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

— Current Credit Exposure ("CCE"), which is the current value of any contract, at current market rates, as shown in the Bank's records. CCE will be reported net of enforceable collateral, and may be aggregated to reflect enforceable netting arrangements

— Potential Future Exposure ("PFE"), which is an estimate of the Current Credit Exposure that Trading Instruments could potentially assume in the future

— Stress Testing, which reflects the short term sensitivity of the portfolio CCE to market parameters

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

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

(iii) Credit rating policy

The bank's rating system uses a granular, transparent 26 grade rating scale, which is in compliance with the Internal Ratings Based approach in Basel II. The credit ratings are the core element of the bank's risk management framework, and determine the –
- Level of authority required for approval
- The calculation of Expected Loss and Economic Profit
- The SEC classification (performing / non performing) and FED classification (Special Mention, Sub standard, Doubtful, Loss)

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

Each and every facility in the banking book is rated based on the internal rating model of Deutsche Bank. 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 2010	31 March 2009
Bills purchased and discounted	33,409,642	11,619,172
Cash credits, overdrafts and loans repayable on demand	27,620,491	53,784,333
Term loans	69,782,406	24,227,498
Total Fund-based Exposures	130,812,539	89,631,003
Guarantees given on behalf of customers	59,493,374	57,005,393
Acceptances, endorsements and other obligations	53,999,827	41,015,373
Derivative exposures	205,968,394	379,010,503
Total Non-fund based Exposures	319,461,595	477,031,269

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

f. Industry Type distribution of exposures

(in Rs. '000)

Particulars	Fund based	Non-fund based	Total	31st March 2010 Percentage of Total
Banking	30,795,911	234,333,634	265,129,545	58.88%
Electronics & Engineering	8,916,037	14,198,467	23,114,505	5.13%
Services – finance	10,247,486	9,104,865	19,352,351	4.30%
Retail finance	15,503,171	-	15,503,171	3.44%
Chemical & Fertilisers	4,864,948	4,753,322	9,618,270	2.14%
Crude petroleum/refining & petrochemicals	7,267,076	5,773,824	13,040,900	2.90%
Automobiles	9,879,829	4,065,277	13,945,106	3.10%
Road, port, telecom, urban development & other infra	2,252,927	9,042,420	11,295,347	2.51%
Textile	2,541,257	2,082,688	4,623,945	1.03%
Services - Non finance	4,523,938	2,542,500	7,066,438	1.57%
Wholesale / Retail trade	2,285,576	1,877,753	4,163,330	0.92%
Cement	54,012	298,319	352,331	0.08%
Metal & products (excl iron & steel)	3,062,002	4,961,258	8,023,260	1.78%
Construction	1,002,603	1,738,278	2,740,882	0.61%
Drugs & Pharmaceuticals	3,567,362	1,363,866	4,931,227	1.10%
Food & beverages	3,511,144	4,675,221	8,186,364	1.82%
Manufacturing Products Excl Metal	2,152,442	2,357,337	4,509,779	1.00%
Other industries	18,384,817	16,292,567	34,677,385	7.70%
Grand Total	130,812,539	319,461,595	450,274,134	100.00%

(in Rs. '000)

Particulars	Fund based	Non-fund based	Total	31st March 2009 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	-	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	-	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%

g. Residual contractual maturity break down of Gross Advances

(in Rs. '000)

Maturity buckets	31 March 2010	31 March 2009
Day 1	24,971,571	32,520,085
2 to 7 days	2,633,010	1,758,598
8 to 15 days	4,882,679	12,90,123
15 to 28 days	14,825,884	3,801,295
29 days to 3 months	31,015,991	13,164,193
Over 3 months to 6 months	22,139,611	10,022,091
Over 6 months to 12 months	6,328,012	1,846,017
Over 1 Year to 3 Years	14,772,316	9,244,990
Over 3 Years to 5 Years	3,189,450	6,626,539
Over 5 Years	6,054,015	9,357,072
Total	130,812,539	89,631,003

h. Amount of Non Performing Assets

NPA Classification	Gross NPAs	(in Rs. '000) 31 March 2010 Net NPAs
Substandard	1,820,046	1,023,488
Doubtful		
— Doubtful 1		
— Doubtful 2		
— Doubtful 3	693,574	
Loss	94,487	
Total	2,608,107	1,023,488
NPA Ratio	1.99%	0.79%

NPA Classification	Gross NPAs	(in Rs. '000) 31 March 2009 Net NPAs
Substandard	1,609,747	771,739
Doubtful		
— Doubtful 1		
— Doubtful 2		
— Doubtful 3	395,731	
Loss	420,979	
Total	2,426,457	771,739
NPA Ratio	2.71%	0.88%

i. Movement in NPAs

Movement in NPAs (funded)	31 March 2010	(in Rs. '000) 31 March 2009
(i) Net NPAs to Net Advance (%)	0.7920%	0.8772%
(ii) Movement of Gross NPAs		
a) Opening balance	2,426,457	549,355
b) Additions during the year *	4,290,814	3,956,289
c) Reductions during the year	(4,109,164)	(2,079,187)
d) Closing Balance *	2,608,107	2,426,457
(iii) Movement of Net NPAs		
a) Opening balance	771,739	154,305
b) Additions during the year	3,000,592	1,340,824
c) Reductions during the year	(2,748,843)	(723,390)
d) Closing Balance	1,023,488	771,739
(iv) Movement of Provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	1,654,718	395,050
b) Additions during the year *	1,290,222	2,615,465
c) Reductions during the year	(1,360,321)	(1,355,797)
d) Closing Balance *	1,584,619	1,654,718

* includes INR 545,920 thousands transferred from other liability on an overdue derivative receivable, which was restructured into a loan and subsequently became a NPA.

j. Amount of NPIs

Particulars	31 March 2010	(in Rs. '000) 31 March 2009
Closing balance for the period	10,580	10,580
Total provisions held	10,580	10,580
Net book Value	-	-

k. Movement in Provision for Depreciation on Investments

Provisions for depreciation on investments	31 March 2010	(in Rs. '000) 31 March 2009
Opening balance	162,839	136,128
Add: Provisions made during the period / year	927,044	26,711
Less: Write-off/write back of excess provisions during the period		
Closing balance	1,089,883	162,839

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, 2010.

b. Outstanding amounts

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

Exposure Category	31 March 2010	(in Rs. '000) 31 March 2009
Under 100% risk weight	63,821,090	27,140,096
100% risk weight	60,452,117	49,238,749
Above 100% risk weight	65,393,31	13,252,158
Total Fund-based Exposures	130,812,539	89,631,003
Under 100% risk weight	230,018,060	389,713,941
100% risk weight	86,201,835	87,114,755
Above 100% risk weight	241,700	202,573
Total Non Fund-based Exposures	319,461,595	477,031,269

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 Deutsche Bank 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

(in Rs. '000)

Exposures covered by financial collateral	31 March 2010	31 March 2009
Exposures before Credit Risk Mitigation Technique	71,421,383	56,133,360
Exposures after Credit Risk Mitigation Technique (after application of haircut on collateral)	47,574,963	19,876,980

4.4 Market risk in trading book

a. Market risk Management Framework

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

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

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

b. Types of market risk

Substantially all of the Bank's businesses are subject to the risk that market prices and rates will move and result in profits or losses. The Bank distinguishes among four types of market risk:
- Interest rate risk including credit spread;
- Equity price risk (where applicable)
- Foreign exchange risk; and
- Commodity price risk (where applicable).

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

c. Risk Management Tools

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

d. Value-at-Risk Analysis

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

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

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

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

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

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

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

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

e. Back-Testing

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

f. Hedging

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

g. Capital requirements for market risk

(in Rs. '000)

Particulars	31 March 2010	31 March 2009
Capital requirement for market risk		
— Interest rate risk	3,058,897	2,457,202
— Foreign exchange risk (including gold)	360,000	360,000
— Equity risk	64,598	64,598
Total	3,483,494	2,881,800

4.5 Operational risk

a. Operational risk management framework

The Global Head of Operational Risk Management is a member of the Risk Executive Committee and reports to the Chief Risk Officer. He chairs the Operational Risk Management Committee, which is a permanent subcommittee of the Risk Executive Committee and is composed of the Operational Risk Officers from the Group's Business Divisions and Infrastructure Functions. It is the main decision-making committee for all operational risk management matters.

While the day-to-day operational risk management lies with the Group's business divisions and infrastructure functions, the Operational Risk Management function manages the cross divisional and cross regional operational risk and ensures a consistent application of the Group's operational risk management strategy across the bank.

Based on this Business Partnership Model the Group ensures close monitoring and high awareness of operational risk.

b. Risk management tools

The Group manages operational risk based on a Group-wide consistent framework that enables the Group to determine the operational risk profile in comparison to the Group's risk appetite and systematically identify operational risks themes to define risk mitigating measures and priorities.

The Group applies a number of techniques to efficiently manage the operational risk in its business, for example:

— The Group performs systematic risk analyses, root cause analyses and lessons learned activities for events above € 1 million to identify inherent areas of risk and to define appropriate risk mitigating actions which are monitored for resolution. The prerequisite for these detailed analyses and the timely information of the Group's senior management on the development of the operational risk events and on single larger events is the continuous collection of all losses above € 10.000 arising from operational risk events in the Group's "db-Incident Reporting System".

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

— Key Risk Indicators ("KRI") are used to alert the organization to impending problems in a timely fashion. They allow the monitoring of the Group's control culture as well as the operational risk profile and trigger risk mitigating actions. Within the KRI program the Group captures data at a granular level allowing for business environment monitoring and facilitating the forward looking management of operational risk based on early warning signals returned by the KRIs. The Group captures and monitors key operational risk indicators in the tool "db-Score".

— In the Group's bottom-up Risk and Control Self Assessment ("RCSA") process, which is conducted at least annually, areas with high risk potential are highlighted and risk mitigating measures to resolve issue are identified. In general, RCSAs are performed in the Group's tool "db-SAT". On a regular basis the Group conducts country risk workshop aiming to evaluate risks specific to countries and local legal entities the Group is operating in and take appropriate risk mitigating actions.

— Regular operational risk profile reports for the Group's business divisions, the countries the Group is operating in and selected infrastructure groups are reviewed and discussed with the department's senior management. The regular performance of the risk profile reviews enables the Group to early detect changes to the units risk profile and to take corrective actions.

— Within the Group's tracking tool "db-Track" the Group monitors risk mitigating measures identified via these techniques for resolution.

— Due to the heterogeneous nature of operational risks in certain cases operational risks cannot be fully mitigated. In such cases operational risks are mitigated following the "as low as reasonable possible" principle and the residual risk is formally accepted.

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

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

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

The QA reflects the effectiveness and performance of the day-to-day operational risk management activities via KRIs and RCSAs focusing on the business environment and internal control factors. QA is applied as a percentage adjustment to the final capital number. This approach makes qualitative adjustment transparent to the management of the businesses and provides feedback on their risk profile as well as on the success of their management of operational risk. It thus provides incentives for the businesses to continuously improve Operational Risk Management in their areas.

The expected loss for operational risk is based on historical loss experience and expert judgment considering business changes denoting the expected cost of operational losses for doing business. To the extent it is considered in the divisional business plans it is deducted from the AMA capital figure.

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

Since 2008 the Group has maintained approval by the BaFin to use the AMA

In India, we use the Basic Indicator Approach for computing capital for Operational Risk.

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.

6. Disclosure on Securitisation

The bank has not securitised any assets during the financial year ended March 31,2010.

Gunit Chadha
Chief Executive Officer, India
For Deutsche Bank AG
India Branches

Rajat Tandon
Chief Financial Officer, India
For Deutsche Bank AG
India Branches

Mumbai, 28th June, 2010

Deutsche Bank in India

Mumbai
Corporate office in India
Deutsche Bank House
Hazarimal Somani Marg
Fort, Mumbai - 400001

Kodak House
222, D. N. Road
Fort, Mumbai - 400001
Tel +91 (22) 66584000

Glacis[1]
391, Linking Road
Khar (West), Mumbai 400 052
Tel +91 (22) 66009696

Aurangabad
Aurangabad Business Centre
Adalat Road
Aurangabad - 431005
Tel +91 (240) 6615600

Bangalore
Raheja Towers
26-27, M. G. Road
Bangalore - 560001
Tel +91 (80) 66935500

Chennai
Kothari Building
114, M. G. Road
Nungambakkam
Chennai - 600034
Tel +91 (44) 6600 9400

Gurgaon
DLF Infinity Tower A
Sector 25A, DLF Phase II
Gurgaon - 122002
Tel +91 (124) 4338100

New Delhi
ECE House
28, Kasturba Gandhi Marg
New Delhi - 110001
Tel +91 (11) 66009400

Kolhapur
Deutsche Bank Centre
221 B/1B, Tarabai Park
Kolhapur - 416003
Tel +91 (231) 660 1300

Kolkata
Brooke House
9, Shakespeare Sarani
Kolkata - 700071
Tel +91 (33) 66009499

Ludhiana[2]
SCO 9-10, Green Park Avenue
Canal Colony, Pakhowal Road
Ludhiana - 141002
Tel +91 (161) 662 4501

Moradabad[3]
8th Km. Stone
Delhi Road, opp. Naya Moradabad
Mangupura, Moradabad - 244001
Tel +91 (591) 654 4401

Noida
F4-5
Sector 18
NOIDA - 201301
Tel +91 (120) 4341100

Pune
Suprem, Main ITI Road
Aundh, Pune - 411007
Tel +91 (20) 66249000

Salem
Venkatathri Nilayam
9-10, Yercaud Main Road
Salem - 636008
Tel +91 (0427) 6457702

Vellore
RJ Plaza
Katpadi Main Road
Virudhampet, Vellore - 632006
Tel +91 (416) 6457710/ 6457711

[1]moved to new address with effect from 3 Nov 2010: Sidrah, 110 Swami Vivekanand Road, Khar (West), Mumbai - 400052
[2]date of opening 13 April 2010
[3]date of opening 10 April 2010