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

Report on the Financial Statements

We have audited the accompanying financial statements of **DEUTSCHE BANK AG, INDIA BRANCHES** ("the Bank"), which comprise the Balance Sheet as at 31st March, 2013, the Profit and Loss Account and the Cash Flow Statement of the Bank for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Bank's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 in so far as they apply to the banks and the Guidelines issued by Reserve Bank of India. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949; the Companies Act, 1956 in the manner so required for banking companies and the Guidelines issued by Reserve Bank of India from time to time and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2013;
(b) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date; and
(c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Companies Act, 1956 and Section 30 of the Banking Regulation Act, 1949, we report that:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and found them to be satisfactory.
(b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.
(c) The financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by the Branches.
(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 Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
(f) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 in so far as they apply to banks.

We report that during the course of our audit we have visited 8 Branches. Since the key operations of the Bank are completely automated with the key applications integrated to the core banking systems, the audit is carried out centrally at the Head Office as all the necessary records and data required for the purposes of our audit are available therein and the Branches are not required to submit any financial returns.

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

Sd/-
Kalpesh J. Mehta
Partner
(Membership No. 48791)

Place: MUMBAI,
Dated: 5th June, 2013

BALANCE SHEET AS ON 31 MARCH 2013

In thousands of Indian Rupees	Schedule	31 March 2013	31 March 2012
Capital and Liabilities			
Capital	1	40,914,087	36,314,087
Reserves and surplus	2	37,998,709	27,668,237
Deposits	3	207,943,102	168,427,144
Borrowings	4	81,128,065	12,702,348
Other liabilities and provisions	5	36,939,804	41,144,995
Total		**404,923,767**	**286,256,811**
Assets			
Cash and balances with Reserve Bank of India	6	26,768,514	30,278,999
Balances with banks and money at call and short notice	7	11,239,840	3,568,009
Investments	8	106,012,086	84,215,169
Advances	9	223,741,473	125,488,914
Fixed assets	10	1,547,376	1,229,772
Other assets	11	35,614,478	41,475,948
Total		**404,923,767**	**286,256,811**
Contingent liabilities	12	6,982,401,164	9,907,282,554
Bills for collection		90,180,439	108,069,897
Significant accounting policies and Notes to the financial statements	18		

The accompanying notes form an integral part of this Balance Sheet

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

In thousands of Indian Rupees	Schedule	Year ended 31 March 2013	Year ended 31 March 2012
Income			
Interest earned	13	27,030,878	23,981,947
Other income	14	9,363,809	7,529,624
Total		**36,394,687**	**31,511,571**
Expenditure			
Interest expended	15	7,069,025	5,897,673
Operating expenses	16	11,107,944	10,552,141
Provisions and contingencies	17	7,887,246	6,828,557
Total		**26,064,215**	**23,278,371**
Profit			
Net profit for the year		10,330,472	8,233,200
Profit brought forward		7,571,544	5,553,657
Total		**17,902,016**	**13,786,857**
Appropriations			
Transfer to statutory reserve		2,582,618	2,058,300
Transfer to/(from) investment reserve		(44,640)	237,718
Transfer from contingency reserve		–	(633,000)
Transfer to remittable surplus retained for CRAR requirements		5,937,182	4,552,295
Balance carried over to Balance Sheet		9,426,856	7,571,544
Total		**17,902,016**	**13,786,857**
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**
Chartered Accountants

For **Deutsche Bank AG**
India Branches

Sd/-
Kalpesh J. Mehta
Partner

Sd/-
Ravneet Singh Gill
Chief Executive Officer – India

Sd/-
Avinash Prabhu
Chief Financial Officer – India

Place : Mumbai
Dated : 5th June 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

In thousands of Indian Rupees	**31 March 2013**	31 March 2012
Net profit before taxes and extraordinary items	18,103,884	14,752,851
Add : Extraordinary Items – Income on Sale of Credit Cards Business (refer note 18 4 p)	–	188,416
Net profit before Taxes	18,103,884	14,941,267
Adjustment for:		
Depreciation and amortisation for the year	260,686	280,042
Provision/(write back) for depreciation on investments	102,654	(546,665)
Provision/(write back) for loan loss (net)	22,518	(219,299)
Provision/(write back) for contingent credit exposures	2,181	(103,169)
Bad-debts written off/written back	(37,313)	167,924
Provision for country risk	23,794	19,503
Provision for standard assets	–	794,616
Investment written off	–	7,580
Loss on sale of fixed assets (net)	25,229	1,156
	18,503,633	15,342,955
Adjustment for:		
Increase/(Decrease) in other liabilities and provisions	(4,231,168)	3,927,590
(Increase)/Decrease in investments	(21,899,571)	2,307,434
(Increase)/Decrease in advances	(98,237,764)	17,499,964
Decrease in other assets	6,409,167	1,186,343
	(99,455,703)	40,264,286
Advance tax paid	(8,321,109)	(7,206,682)
Net cash from/(used in) operating activities (A)	(107,776,812)	33,057,604
Cash flows from investing activities		
Purchase of fixed assets	(346,548)	(95,107)
Capital Work-in-progress	(295,303)	(112,688)
Proceeds from sale of fixed assets	38,332	5,595
Net cash used in investing activities (B)	(603,519)	(202,200)
Cash flows from financing activities		
Increase in Capital	4,600,000	–
Increase in deposits	39,515,958	21,963,486
Increase/(Decrease) in borrowings	68,425,717	(35,376,476)
Net cash from/(used in) financing activities (C)	112,541,675	(13,412,990)
Net Increase in cash and cash equivalents (A+B+C)	4,161,344	19,442,414
Cash and cash equivalents at the beginning of the year	33,847,008	14,404,594
Cash and cash equivalents as at the end of the year	38,008,354	33,847,008
Increase in cash and cash equivalents	4,161,344	19,442,414
Notes on cash flow statement		
1. Cash and balances with Reserve Bank of India	26,768,514	30,278,999
Balances with banks and money at call and short notice	11,239,840	3,568,009
Cash and cash equivalents as at 31 March	38,008,354	33,847,008

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

In terms of our report attached.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For **Deutsche Bank AG**
India Branches

Sd/-
Kalpesh J. Mehta
Partner

Sd/-
Ravneet Singh Gill
Chief Executive Officer – India

Sd/-
Avinash Prabhu
Chief Financial Officer – India

Place : Mumbai
Dated : 5th June 2013

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31 MARCH 2013

In thousands of Indian Rupees	**31 March 2013**	31 March 2012
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	11,400,000	9,150,000
Head Office Account		
Opening Balance (including start-up capital of Rs 2 million and remittances from Head office)	36,314,087	36,314,087
Additions during the year	4,600,000	–
Total	**40,914,087**	**36,314,087**
Schedule 2 – Reserves and Surplus		
1 Statutory reserve		
Opening Balance	11,064,251	9,005,951
Additions : Transfer from Profit and Loss Account	2,582,618	2,058,300
	13,646,869	**11,064,251**
2 Capital reserve	177,207	177,207
	177,207	**177,207**
3 Contingency reserve		
Opening Balance	–	633,000
Transfer to Profit and Loss Account	–	(633,000)
	–	**–**
4 Investment reserve		
Opening Balance	411,424	173,706
Additions/(Deductions): Transfer from/to Profit and Loss Account	(44,640)	237,718
	366,784	**411,424**
5 Balance in Profit and Loss Account	9,426,856	7,571,544
	9,426,856	**7,571,544**
6 Remittable Surplus retained for CRAR requirements		
Opening Balance	8,443,811	3,891,516
Additions : Transfer from Profit and Loss Account	5,937,182	4,552,295
	14,380,993	**8,443,811**
Total	**37,998,709**	**27,668,237**
Schedule 3 – Deposits		
1 (a) Demand deposits		
i. From banks	326,577	2,599,133
ii. From others	88,363,722	96,179,520
	88,690,299	**98,778,653**
(b) Savings bank deposits	**10,760,667**	**10,667,036**
(c) Term deposits		
i. From banks	–	–
ii. From others	108,492,136	58,981,455
	108,492,136	**58,981,455**
Total	**207,943,102**	**168,427,144**
2 (i) Deposits of branches in India	207,943,102	168,427,144
(ii) Deposits of branches outside India	**–**	–
Total	**207,943,102**	**168,427,144**

In thousands of Indian Rupees	**31 March 2013**	31 March 2012
Schedule 4 – Borrowings		
1 Borrowings in India		
(a) Reserve Bank of India	9,000,000	–
(b) Banks	21,377,113	17,889
(c) Other institutions and agencies	21,013,994	10,008,552
	51,391,107	**10,026,441**
2 Borrowings Outside India		
(a) Banks	29,736,958	2,675,907
	29,736,958	**2,675,907**
Total	**81,128,065**	**12,702,348**
Secured borrowings included in 1 and 2 above	**23,813,994**	**3,808,552**
Schedule 5 – Other Liabilities and Provisions		
1 Bills payable	3,603,245	3,991,469
2 Inter-office adjustments – branches in India (net)	–	–
3 Interest accrued	1,245,450	1,110,364
4 Provision for taxation (net of tax paid in advance / tax deducted at source)	–	–
5 Others (including provisions) (Refer Schedule 18 Note–4 h v)	32,091,109	36,043,162
Total	**36,939,804**	**41,144,995**
Schedule 6 – Cash and Balances with Reserve Bank of India		
1 Cash in hand (including foreign currency notes)	196,312	181,783
2 Balances with Reserve Bank of India		
(a) in current account	26,572,202	30,097,216
(b) in other accounts		
Total	**26,768,514**	**30,278,999**
Schedule 7 – Balances with Banks and Money at Call and Short Notice		
1 In India		
(a) Balances with banks		
i. in current accounts	62,983	127,878
ii. in other deposit accounts (including with financial institutions)	–	–
(b) Money at call and short notice		
i. with banks	446,288	–
ii. with other institutions	–	–
2 Outside India		
(a) in current accounts	9,340,669	3,440,131
(b) in deposit accounts	–	–
(c) money at call and short notice	1,389,900	–
Total	**11,239,840**	**3,568,009**

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31 MARCH 2013

In thousands of Indian Rupees	31 March 2013	31 March 2012
Schedule 8 – Investments		
Investments in India in:		
1 Government securities	79,391,394	51,349,384
2 Other approved securities	–	–
3 Shares	716,843	716,843
4 Debentures and bonds	8,455,628	7,561,150
5 Others (Includes Commercial Papers, Certificate of Deposit, Security Receipts and Deposits with SIDBI)	17,693,178	24,730,095
Gross Investments in India	**106,257,043**	**84,357,472**
Less : Provision for depreciation on investments	(244,957)	(142,303)
Total	**106,012,086**	**84,215,169**
Schedule 9 – Advances		
1 (a) Bills purchased and discounted	55,202,829	12,226,068
(b) Cash credits, overdrafts and loans repayable on demand	123,193,514	79,987,029
(c) Term loans	45,345,130	33,275,817
Total	**223,741,473**	**125,488,914**
2 (a) Secured by tangible assets (includes advances against book debts)	58,929,323	40,249,781
(b) Covered by bank/ Government guarantees	14,542,488	13,038,079
(c) Unsecured	150,269,662	72,201,054
Total	**223,741,473**	**125,488,914**
3 Advances in India		
(a) Priority sector (including export finance)	50,483,807	31,234,913
(b) Public sector	5,739,920	882,729
(c) Banks	40,931,865	9,182,591
(d) Others	126,585,881	84,188,681
Total	**223,741,473**	**125,488,914**
Non performing advances (net) as a % of Total advances (net), classified as per Reserve Bank of India guidelines	**0.1281%**	**0.0906%**
Schedule 10 – Fixed Assets		
1 **Premises (including leasehold improvements)**		
(a) Cost as on 31st March of the preceding year	1,524,584	1,519,163
(b) Additions during the year	25,754	6,141
(c) Deductions during the year	(61,718)	(720)
(d) Accumulated depreciation to date (Refer Schedule 18 Note-4 m vi i)	(820,099)	(742,548)
	668,521	**782,036**
2 **Other Fixed Assets (including furniture and fixtures)**		
(a) Cost as on 31st March of the preceding year	1,762,914	1,702,770
(b) Additions during the year	320,794	88,966
(c) Deductions during the year	(155,174)	(28,822)
(d) Accumulated depreciation to date (Refer Schedule 18 Note-4 m vi ii)	(1,457,670)	(1,427,866)
	470,864	**335,048**
3 **Capital Work-in-progress**	407,991	112,688
Total	**1,547,376**	**1,229,772**
Schedule 11 – Other Assets		
1 Inter-office adjustments – branches in India (net)	–	–
2 Interest accrued	3,117,591	2,936,361
3 Tax paid in advance/ tax deducted at source (net of provision for taxation)	2,926,905	2,416,469
4 Stationery and stamps	743	340
5 Others (including deferred tax – Refer Schedule 18 Note – 4 m iv)	29,569,239	36,122,778
Total	**35,614,478**	**41,475,948**
Schedule 12 – Contingent Liabilities		
1 Claims against the Bank not acknowledged as debts (including tax related matters)	1,938,200	1,243,949
2 Liability on account of outstanding foward exchange contracts	2,785,830,461	4,128,470,326
3 Guarantees given on behalf of customers		
(a) In India	73,134,931	62,353,403
(b) Outside India	16,410,841	15,361,377
4 Acceptances, endorsements and other obligations	130,606,303	102,149,069
5 Bills rediscounted	30,758,424	50,952,691
6 Other Items for which the Bank is contingently liable		
(a) Swaps	3,815,961,517	5,266,269,085
(b) Options	33,859,279	257,644,205
(c) Futures	4,797,600	22,838,449
(d) Other items	89,103,608	–
Total	**6,982,401,164**	**9,907,282,554**

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

In thousands of Indian Rupees		Year ended 31 March 2013	Year ended 31 March 2012
Schedule 13 – Interest Earned			
1	Interest/discounts on advances/bills	20,091,237	17,598,769
2	Income on investments	6,908,481	6,314,003
3	Interest on balances with Reserve Bank of India and other interbank funds	31,160	22,577
4	Others	–	46,598
	Total	**27,030,878**	**23,981,947**
Schedule 14 – Other Income			
1	Commission, exchange and brokerage (net) (including custodial and depository income)	5,275,370	5,867,386
2	(Loss) on sale of investments (net)	1,003,715	(879,306)
3	(Loss) on sale of land, building and other assets (net) including write off	(25,229)	(1,156)
4	Profit on exchange transactions (net)	2,650,338	1,658,618
5	Miscellaneous (Loss)/Income (Refer Schedule 18 Note-4 p)	459,615	884,082
	Total	**9,363,809**	**7,529,624**
Schedule 15 – Interest Expended			
1	Interest on deposits	4,591,004	3,726,998
2	Interest on Reserve Bank of India and other interbank borrowings (including from other money market participants)	2,443,549	2,169,237
3	Others	34,472	1,438
	Total	**7,069,025**	**5,897,673**

In thousands of Indian Rupees		Year ended 31 March 2013	Year ended 31 March 2012
Schedule 16 – Operating Expenses			
1	Payments to and provisions for employees (Refer Schedule 18 Note-4 m i) (net of cost recoveries)	5,120,531	4,948,839
2	Rent, taxes and lighting (Refer Schedule 18 Note-4 m v) (net of cost recoveries)	573,740	379,548
3	Printing and stationery	91,175	77,413
4	Advertisement and publicity	38,844	79,415
5	Depreciation on bank's property	260,686	280,042
6	Auditors' fees and expenses (includes Rs 3,625 thousands (previous year Rs 962 thousands) paid to auditors network firm for tax representation and advice on taxation matters)	7,073	4,371
7	Legal charges	115,806	13,422
8	Postage, telegrams, telephones, etc.	253,790	244,536
9	Repairs and maintenance	448,770	355,308
10	Insurance	284,281	288,360
11	Head office charges	1,373,362	1,471,183
12	Other expenditure (net of cost recoveries)	2,539,886	2,409,704
	Total	**11,107,944**	**10,552,141**
Schedule 17– Provision and Contingencies			
1	Provision for loan loss (net)	22,518	(219,299)
2	Provision/(write back) for contingent credit exposures	2,181	(103,169)
3	Provision for standard assets	–	794,616
4	Provision/(write back) for country risk	23,794	19,503
5	Bad debts written off (net of recoveries)	(37,313)	167,924
6	Provision/(write back) for depreciation on investments	102,654	(546,665)
7	Investment written off	–	7,580
8	Provision for taxation:		
	(a) Current tax	7,810,673	6,774,022
	(b) Deferred tax (Refer Schedule 18 Note-4 m iv)	(37,261)	(65,955)
	Total	**7,887,246**	**6,828,557**

Schedule 18 : Notes forming part of the financial statements of the India Branches *for the year ended 31 March 2013*

1. Background

The accompanying financial statements for the year ended 31 March 2013 comprise accounts of the India Branches of Deutsche Bank AG (the 'Bank') which is incorporated in Germany with limited liability.

2. Basis of preparation and use of estimates

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

3. Significant accounting policies

a. Foreign currency translation

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. Profits/losses resulting from year-end revaluations are included in the Profit and Loss Account.

b. Investments

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

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

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

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

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

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

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

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

ix. Quoted equity shares are valued at their closing price on a recognised 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 borrowing contracts and lending contracts, respectively, in accordance with the extant RBI guidelines.

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

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

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

a) Transfer from AFS/HFT to HTM is made at the lower of book value or market value at the time of transfer.

b) Transfer from HTM to AFS/HFT is made at acquisition price/book value if originally placed in HTM at a discount, and at amortised cost if originally placed in HTM at a premium.

c) Transfer from AFS to HFT category or vice-versa is made at book value and the provisions for the accumulated depreciation, if any, held is transferred to the provisions for depreciation against the HFT securities and vice-versa.

c. Derivatives transactions

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

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

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2013

3. Significant accounting policies *(Continued)*

c. Derivatives transactions *(Continued)*

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 identified and recognised through the Profit and Loss Account in accordance with the applicable RBI guidelines.

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

d. Advances and provision for advances

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

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

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

iv. Purchase/sale of non-performing assets are reflected in accordance with the RBI regulations. Provisioning for non-performing assets purchased is made appropriate to the asset classification status determined in accordance with the said guidelines. In case of sale of non-performing assets at a price below the net book value, the loss is debited to the Profit and Loss Account whereas in case of a sale at higher than the net book value, the excess provision is not reversed but retained to meet the shortfall/loss on account of sale of other non-performing financial assets. Recovery in respect of a non-performing asset purchased is first adjusted against its acquisition cost. Recovery in excess of the acquisition cost is recognised 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 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	2.50%
Other fixed assets	
□ Furniture, fixtures and office equipment	10.00%
□ Vehicles	20.00%
□ Electronic Data Processing (EDP) hardware	33.33%
□ Communication equipment	20.00%

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 is amortised on a straight-line basis over its estimated useful life upto 10 years.

3. Significant accounting policies *(Continued)*

e. Fixed assets and depreciation *(Continued)*

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

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

f. Lease transactions:

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

g. Income recognition

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

ii. Fee and commission income is recognised when due.

h. Staff benefits

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

ii. Bank contributes 12% of basic salary as employer's contribution towards Provident Fund which is administered by a trust. This Provident Fund is classified as a defined benefit plan under AS 15, Employee benefits (revised) as the same is created with a guaranteed return linked with that under Employees Provident Fund ('EPF') Scheme, 1952. The trust retains the amount earned in excess of guaranteed rate in a separate account (Surplus account) to finance the future shortfall, if any. During the year the actuary has estimated the present value obligations (PVO) of the future guaranteed rate(s) of interest as per the guidance from the Institute of Actuaries of India in this regard. The difference in the amount of the PVO and the fair value of surplus account is reflected in 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 installments (tranches) over multi year periods. During the year, the Bank has charged an amount pertaining to these under the head "Payments to and provisions for employees" as compensation cost.

v. Actuarial gains/losses are immediately taken to the Profit and Loss Account.

i. Taxation

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

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

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

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

for the year ended 31 March 2013

3. Significant accounting policies *(Continued)*

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.

k. Debit Card Reward Points

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

4. Notes to financial statements

a. Capital adequacy ratio

As per the guidelines for implementation of the new capital adequacy framework issued on 27 April 2007, the RBI has directed foreign banks to migrate to the revised framework for capital computation under Basel II with effect from 31 March 2008. The migration is required to be carried out in a phased manner where under, banks are required to compute their capital requirement under Basel I and Basel II. The capital ratio as per Basel II is 14.08% and under Basel I is 15.33%. The minimum capital to be maintained by banks under the revised framework is subject to the prudential floor of 80% of the capital requirement under Basel I.

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

(In Rs.'000)

Year ended	31 March 2013	31 March 2012
Tier I capital	**67,298,048**	54,326,449
Tier II capital	**3,469,384**	3,490,230
Total capital	**70,767,432**	57,816,679
Total risk weighted assets and contingents	**502,586,862**	409,540,698
Capital ratios (per cent)		
CRAR - Tier I capital	**13.39**	13.27
CRAR -Tier II capital	**0.69**	0.85
Total Capital	**14.08**	14.12
Subordinated debt included in Tier II Capital for Capital adequacy	–	–

b. Investments

(In Rs.'000)

Items	31 March 2013	31 March 2012
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	**106,257,043**	84,357,472
(b) Outside India	**–**	–
(ii) Provisions for Depreciation		
(a) In India	**(244,957)**	(142,303)
(b) Outside India	**–**	–
(iii) Net Value of Investments		
(a) In India	**106,012,086**	84,215,169
(b) Outside India	**–**	–
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance (as on April 1)	**142,303**	688,968
(ii) Add: Provisions made during the year	**102,654**	–
(iii) Less: Write-off/(write-back) of excess provisions during the year	**–**	(546,665)
(iv) Closing balance (as on March 31)	**244,957**	142,303

4. Notes to financial statements *(Continued)*

b. Investments *(Continued)*

Investments – Government securities (Schedule 8.1) include:

1) Government securities amounting to Rs. 18,050,000 thousand representing face value (Previous year: Rs. 12,200,000 thousand) are collateral holdings parked with Clearing Corporation of India Limited ('CCIL') for securities and Collateralised Borrowing and Lending Obligation ('CBLO') segment.

2) Government securities amounting to Rs. 9,450,000 thousand representing face value (Previous year Rs. Nil) are repoed under Liquidity Adjustment Facility ('LAF') with RBI.

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

4) Government securities amounting to Rs. 1,050,000 thousand representing face value (Previous year Rs. Nil) are pledged under repurchase transactions.

c. Details of repo/reverse repo deals done during the year (in face value terms):

(In Rs. '000)

31 March 2013	**Minimum outstanding during the year**	**Maximum outstanding during the year**	**Daily average outstanding during the year**	**As on 31 March 2013**
Securities sold under repos	–	39,942,200	9,473,233	1,050,000
(i) Government securities	–	39,942,200	9,473,233	1,050,000
(ii) Corporate debt Securities	–	–	–	–
Securities purchased under reverse repo	–	2,292,700	52,960	430,000
(i) Government securities	–	2,292,700	52,960	430,000
(ii) Corporate debt Securities	–	–	–	–

(In Rs. '000)

31 March 2012	**Minimum outstanding during the year**	**Maximum outstanding during the year**	**Daily average outstanding during the year**	**As on 31 March 2012**
Securities sold under repos	–	24,900,000	6,309,420	–
(i) Government securities	–	24,900,000	6,309,420	–
(ii) Corporate debt Securities	–	–	–	–
Securities purchased under reverse repo	–	8,290,000	78,155	–
(i) Government securities	–	8,290,000	78,155	–
(ii) Corporate debt Securities	–	–	–	–

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

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

(In Rs.'000)

Issuer 31 March 2013	**Amount**	**Extent of private placement**	**Extent of 'below investment grade' securities**	**Extent of 'unrated' securities**	**Extent of 'unlisted' securities**
Public sector undertakings	2,999,671	2,750,000	–	–	–
Financial Institutions(FIs)	4,161,500	4,161,500	–	–	4,161,500
Banks	13,013,127	10,614,044	–	–	–
Private Corporates	6,334,975	6,232,662	–	–	–
Subsidiaries/Joint Ventures	–	–		–	–
Others (including SC/ARC)	356,376	356,376	–	–	356,376
Provision held towards depreciation	(189,131)	(165,288)	–	–	–
Total	**26,676,518**	**23,949,294**	**–**	**–**	**4,517,876**

Amounts reported under the above columns are not mutually exclusive.

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2013

4. Notes to financial statements *(Continued)*

d. Issuer composition of non statutory liquidity ratio ("SLR") investments *(Continued)*

(In Rs'000)

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

Amounts reported under the above columns are not mutually exclusive.

e. Movement in non-performing non-SLR investments

(In Rs.'000)

Particulars	31 March 2013	31 March 2012
Opening Balance	**3,000**	10,580
Reductions during the year	**–**	7,580
Closing Balance	**3,000**	3,000
Total Provisions held	**3,000**	3,000

f. Sale and Transfers to/from HTM category

During the year, the Bank has not sold /transferred securities to/from HTM category (Previous year Rs Nil).

g. Derivatives

i Details of outstanding interest rate swap agreements

(In Rs.'000)

Items	31 March 2013	31 March 2012
1. The Notional principal of swap agreements	**3,600,704,314**	5,058,300,496
2. Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**6,907,130**	6,753,884
3. Collateral required by the bank upon entering into swaps	**Nil**	Nil
4. Concentration of credit risk arising from the Swaps %		
– Banks	**95.50%**	96.05%
– Others	**4.50%**	3.95%
Total	**100.00%**	100.00%
5. The fair value of the swap book	**3,509,201**	1,779,186

■ Nature and terms of interest rate swaps

(In Rs.'000)

Items	31 March 2013	31 March 2012
Trading – MIBOR*	**1,559,024,366**	3,006,821,108
Trading – MIFOR **	**475,006,575**	497,588,947
Trading – INBMK ***	**93,030,000**	99,351,600
Trading – Others	**61,982,286**	85,425,164
Trading– LIBOR (Dollar)	**1,411,661,087**	1,369,113,677
Total	**3,600,704,314**	5,058,300,496

* 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 2013 and 31 March 2012.

ii Exchange Traded Interest Rate Derivatives

During the year, the Bank has not entered into exchange traded interest derivatives (Previous year Rs Nil).

4. Notes to financial statements *(Continued)*

g. Derivatives *(Continued)*

iii Disclosures on risk exposure in Derivatives

Qualitative Disclosures

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

The Bank undertakes transactions in derivative products either in the role of a user or as market maker.

The Management Board (MB) at the apex level with the assistance of the Supervisory Board and below it the Cross Risk review Committee (CRRC) forms the governance control process. The Group's Chief Risk Officer (CRO) is a member of the Management Board and has Group-wide responsibility for the management of all credit, market, and operational risks, and as well for the control of risk (including liquidity risks) and continuing development of methods for the risk measurement.

The Bank operates a three-line of defense risk management model whereby business management, risk management oversight and assurance roles are played by functions independent of one another.

Risk strategy and risk appetite are defined based on the Group Strategic & Capital Plan and Group Risk Appetite in order to align risk, capital, and performance targets. Effective systems, processes and procedures are a critical component of the Group's risk management capability.

Limits are allocated to specific business lines and trading portfolio groups and geographical regions.

The Group's risk management processes distinguish among four kinds of specific banking risks: credit risk, market risk, operational risk and liquidity risk. Other risks such as reputational risk, business risk including strategic risk and insurance risk are also monitored by the Group.

Amongst the most important quantitative tools and metrics currently used to measure, manage and report market risk are Value-at-Risk (VaR), Stress Testing, Back-Testing. In addition other sensitivity measures like PV01, stress testing and limits specific to instruments and currency are placed and applied as risk management tools.

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. Appropriate credit covenants and collaterals are stipulated where required for risk mitigation and as termination events to call for collaterals or for reducing the risk by terminating the contracts.

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.

Hedging

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

Accounting, Valuation & Provisioning

Accounting & Provisioning

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.

4. Notes to financial statements *(Continued)*

g. Derivatives *(Continued)*

Quantitative Disclosures

(In Rs. '000)

Sr. No	Particulars	31 March 2013		31 March 2012	
		Currency Derivatives	**Interest Rate Derivatives**	**Currency Derivatives**	**Interest Rate Derivatives**
1.	Derivatives (Notional Principal Amounts)				
	a) For hedging	–	–	–	–
	b) For Trading	3,039,744,543	3,600,704,314	4,616,921,569	5,058,300,496
2.	Marked to Market Positions (net)				
	a) Asset (+)	–	3,509,201	28,473	1,779,186
	b) Liability (–)	(4,137,701)	–	–	–
3.	Credit Exposure #	126,756,808	69,131,467	203,960,340	90,766,709
4.	Likely impact of one percentage upward change in interest rates (100 * PV01)				
	a) On hedging	–	–	–	–
	b) On Trading	(411,099)	527,682	(95,497)	937,814
5.	Maximum of 100*PV01 observed during the year @				
	a) On hedging	–	–	–	–
	b) On Trading	349,254	1,057,515	171,123	1,922,898
6.	Minimum of 100*PV01 observed during the year @				
	a) On hedging	–	–	–	–
	b) On Trading	(529,746)	(19,551)	(758,663)	219,917

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

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

h. Asset Quality

i Non-Performing Assets (NPAs):

(In Rs.'000)

Movement in NPAs (funded)		**31 March 2013**	31 March 2012
(i)	Net NPAs to Net Advance (%)	**0.1281%**	0.0906%
(ii)	Movement of Gross NPAs		
	a) Opening balance	**1,348,495**	1,785,162
	b) Additions during the year	**370,703**	195,763
	c) Reductions during the year	**(175,353)**	(632,430)
	d) Closing Balance	**1,543,845**	1,348,495
(iii)	Movement of Net NPAs		
	a) Opening balance	**113,701**	331,069
	b) Additions during the year	**282,152**	113,899
	c) Reductions during the year	**(109,320)**	(331,267)
	d) Closing Balance	**286,533**	113,701
(iv)	Movement of Provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance	**1,234,794**	1,454,093
	b) Provisions made during the year	**88,551**	81,864
	c) Write off/ write back of excess provisions during the year	**(66,033)**	(301,163)
	d) Closing Balance	**1,257,312**	1,234,794

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2013

4. Notes to financial statements *(Continued)*

h. Asset Quality *(Continued)*

ii Particulars of Accounts Restructured **(financial year ended 31 March 2013)**

(In Rs.'000)

Sl No	Type of Restructuring →		Under CDR Mechanism Restructuring Mechanism					Under SME Debt					Others					Total				
	Asset Classification →		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	Details ↓																					
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	–	–	–	–	–	–	–	–	–	–	54	3	33	–	90	54	3	33	–	90
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	15,846	805	8,705	–	25,356	15,846	805	8,705	–	25,356
		Provision* thereon	–	–	–	–	–	–	–	–	–	–	912	8	572	–	1,492	912	8	572	–	1,492
2	Fresh restructuring during the year	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision* thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3	Upgradations to restructured standard category during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–	5	–	(5)	–	0	5	–	(5)	–	0
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	876	–	(876)	–	0	876	–	(876)	–	0
		Provision* thereon	–	–	–	–	–	–	–	–	–	–	53	–	(53)	–	0	53	–	(53)	–	0
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–	50	–	–	–	50	50	–	–	–	50
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	14,488	–	–	–	14,488	14,488	–	–	–	14,488
		Provision* thereon	–	–	–	–	–	–	–	–	–	–	825	–	–	–	825	825	–	–	–	825
5	Downgradations of restructured accounts during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–	(5)	5	–	–	0	(5)	5	–	–	0
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	(1,143)	1,143	–	–	0	(1,143)	1,143	–	–	0
		Provision* thereon	–	–	–	–	–	–	–	–	–	–	(68)	68	–	–	0	(68)	68	–	–	0
6	Write-offs of restructured accounts during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–	4	3	12	–	19	4	3	12	–	19
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	963	805	3,375	–	5,142	963	805	3,375	–	5,142
7	Restructured Accounts as on March 31 of the FY (closing figures)	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	5	16	–	21	–	5	16	–	21
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	1143	3,656	–	4,799	–	1,143	3,656	–	4,799
		Provision* thereon	–	–	–	–	–	–	–	–	–	–	–	68	283	–	352	–	68	283	–	352

* Provision thereon represents the sacrifice i.e. diminution in fair value

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2013

h. Asset Quality *(Continued)*

Particulars of Accounts Restructured (financial year ended 31 March 2012)

(In Rs.'000)

Sl No	Type of Restructuring →		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification →		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	Details ↓																					
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	5	179	–	184	–	5	179	–	184
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	1,446	57,576	–	59,022	–	1,446	57,576	–	59,022
		Provision* thereon	–	–	–	–	–	–	–	–	–	–	–	–	2,347	–	2,347	–	–	2,347	–	2,347
2	Fresh restructuring during the year	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	1	–	–	1	–	1	–	–	1
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	493	–	–	493	–	493	–	–	493
		Provision* thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3	Upgradations to restructured standard category during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–	91	(3)	(88)	–	0	91	(3)	(88)	–	0
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	28,238	(803)	(27,435)	–	0	28,238	(803)	(27,435)	–	0
		Provision* thereon	–	–	–	–	–	–	–	–	–	–	999	–	(999)	–	0	999	–	(999)	–	0
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–	34	–	–	–	34	34	–	–	–	34
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	8,612	–	–	–	8,612	8,612	–	–	–	8,612
		Provision* thereon	–	–	–	–	–	–	–	–	–	–	79	–	–	–	79	79	–	–	–	79
5	Downgradations of restructured accounts during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–	(3)	3	–	–	0	(3)	3	–	–	0
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	(805)	805	–	–	0	(805)	805	–	–	0
		Provision* thereon	–	–	–	–	–	–	–	–	–	–	(8)	8	–	–	0	(8)	8	–	–	0
6	Write-offs of restructured accounts during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	2	30	–	32	–	2	30	–	32
		Amount outstanding	–	–	–	–	–						–	642	12,093	–	12,735	–	642	12,093	–	12,735
7	Restructured Accounts as on March 31 of the FY (closing figures)	Amount outstanding	–	–	–	–	–	–	–	–	–	–	54	3	33	–	90	54	3	33	–	90
		Provision* thereon	–	–	–	–	–	–	–	–	–	–	15,846	805	8,705	–	25,356	15,846	805	8,705	–	25,356
		No. of borrowers	–	–	–	–	–	–	–	–	–	–	912	8	572	–	1,492	912	8	572	–	1,492

*Provision thereon represents the sacrifice i.e. diminution in fair value

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2013

4. Notes to financial statements *(Continued)*

h. Asset Quality *(Continued)*

iii Details of assets sold to securitisation/Reconstruction Company for Asset Reconstruction

(In Rs.'000)

Item	31 March 2013	31 March 2012
No. of accounts		
Aggregate value(net of provisions) of accounts sold to SC/RC	–	–
Aggregate consideration	–	–
Additional consideration realized in respect of accounts transferred in earlier years	–	–
Aggregate gain/loss over net book value.	–	–

iv Details of non-performing financial assets purchased:

A. Details of non-performing financial assets purchased:

(In Rs.'000)

			31 March 2013	31 March 2012
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	–	–

B. Details of non-performing financial assets sold/settled:

(In Rs.'000)

		31 March 2013	31 March 2012
1.	No. of accounts sold settled	–	–
2.	Aggregate outstanding	–	–
3.	Aggregate consideration received	–	–

v Provision for standard assets

Other liabilities and provisions – Others (Schedule 5.5) includes

(In Rs.'000)

Particulars	31 March 2013	31 March 2012
Provisions on Standard Assets	1,730,914	1,730,914

i. Business Ratios

Year ended	31 March 2013	31 March 2012
Interest income as a percentage of working funds$	**7.80%**	7.50%
Non-interest income as a percentage of working funds$	**2.70%**	2.36%
Operating profit as a percentage of working funds $	**5.26%**	4.71%
Return on assets #	**2.98%**	2.58%
Business per employee (in Rs. 000's) *@	**257,527**	215,631
Profit per employee (in Rs. 000's) *	**6,167**	6,094

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

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

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

* Productivity ratios are based on year end employee numbers.

j. Asset Liability Management

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

(In Rs. '000)

Maturity Bucket (31 Mar 2013)	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	8,281,006	16,123,775	9,265,664	8,334,336	14,449,878	15,192,562	21,393,599	111,401,787	3,500,284	211	207,943,102
Advances	22,003,633	5,254,231	17,479,678	14,391,118	45,617,705	22,848,478	19,283,747	45,691,979	6,998,107	24,172,797	223,741,473
Investments (Gross)	49,615,660	3,183,805	1,168,355	2,207,721	4,236,548	4,045,347	8,971,802	28,353,322	1,937,482	2,537,001	106,257,043
Borrowings	24,070	69,056,394	–	–	4,342,800	885,248	6,200,000	619,553	–	–	81,128,065
Foreign Currency Assets	10,707,042	2,039,519	6,545,331	7,117,838	10,137,122	17,308,835	3,903,212		–	–	57,758,899
Foreign Currency Liabilities	9,878,492	34,820,809	10,780	6,110	5,108,257	2,747,061	4,282,206	19,886,480	–	–	76,740,195

4. **Notes to financial statements *(Continued)***

j. **Asset Liability Management *(Continued)***

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

(In Rs. '000)

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

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.

k. **Exposures**

i Exposure to Real Estate Sector

(In Rs.'000)

Category	**31 March 2013**	31 March 2012
a) Direct exposure		
(i) Residential Mortgages –	**21,021,258**	6,806,007
(a) 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 487,608 thousand (Previous year Rs 511,511 thousand) pertaining to individual housing loans eligible for priority sector advances];		
(b) Other lendings secured by mortgage on residential property	**11,174,200**	15,259,573
(ii) Commercial Real Estate (CRE)* – 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;	**4,648,790**	7,291,414
(iii) Other exposure (lendings secured by commercial property not falling under CRE definition)	**3,662,198**	157,550
(iv) Investments in Mortgage Backed Securities (MBS) and other securitized exposures – a. Residential, b. Commercial Real Estate.	**–**	–
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	**4,108,405**	6,319,241
TOTAL	**44,614,851**	35,833,785

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

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2013

4. Notes to financial statements *(Continued)*

k. Exposures *(Continued)*

ii Exposure to Capital Market

(In Rs.'000)

Items		31 March 2013	31 March 2012
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	**716,843**	716,843
(ii)	advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	**–**	–
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	**19,715**	19,644
(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;	**607,442**	3,543,463
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	**800,000**	1,400,100
(vi)	loans sanctioned to corporates against the security of shares/bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	**–**	–
(vii)	bridge loans to companies against expected equity flows/issues;	**–**	–
(viii)	underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	**–**	–
(ix)	financing to stockbrokers for margin trading;	**–**	–
(x)	all exposures to Venture Capital Funds (both registered and unregistered)	**–**	–
	Total Exposure to Capital Market	**2,144,000**	5,680,050

iii Risk Category wise Country Exposure

(In Rs.'000)

Risk Category	**Exposure(net) as at 31 March 2013**	Provision held as at 31 March 2013
Insignificant	**42,229,419**	81,798
Low	**8,943,245**	–
Moderate	**181,209**	–
High	**22,354**	–
Very High	**15,880**	–
Restricted	**–**	–
Off-credit	**–**	–
Total	**51,392,107**	81,798

(In Rs.'000)

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

4. Notes to financial statements *(Continued)*

k. Exposures *(Continued)*

iv. Single and Group Borrower Exposures

Presently, banks are allowed to assume single borrower (SBL) and group borrower (GBL) 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. SBL has been raised to 25% of capital funds in respect of Oil companies who have been issued Oil Bonds (which do not have SLR status) by the Government of India.

RBI has permitted banks to enhance the credit exposure by an additional 5 per cent of Capital funds, provided the approval of the management has been obtained.

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

- BHARAT HEAVY ELECTRICALS LIMITED
- BHARAT PETROLEUM CORPORATION LIMITED
- INDIAN OIL CORPORATION LIMITED
- LARSEN & TOUBRO LIMITED
- RELIANCE INDUSTRIES LIMITED
- WIPRO LIMITED

v Unsecured Advances

The bank does not have any advances secured by intangible assets (Previous year Nil).

l. Disclosure of Penalties Imposed by RBI

No penalties have been imposed on the Bank during the year by the RBI (Previous year Nil).

m. Disclosure requirements as per Accounting Standards

i AS 15 – Employee Benefits

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

(In Rs.'000)

Items	31 March 2013	31 March 2012
1. Provident Fund Contribution*	**133,955**	170,195
2. Compensated Absences	**18,185**	(17,386)
3. Long-Term Award	**57,043**	4,949

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

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

Particulars	31 March 2013	31 March 2012
Defined benefit obligation	**603,756**	487,083
Fair value of plan assets	**707,351**	672,542
Deficit/(Surplus)	**(103,595)**	(185,459)
Changes in present value of defined benefits obligations		
Opening Balance	**487,083**	521,821
Current service cost	**72,088**	31,212
Interest cost	**38,883**	42,372
Benefits paid	**(70,964)**	(59,396)
Actuarial (gain)/loss recognised during the year	**76,666**	(48,926)
Closing Balance	**603,756**	487,083
Changes in fair value of plan assets		
Opening Balance	**672,543**	575,073
Expected return on plan assets	**51,678**	49,905
Contributions by the Bank	**17,832**	91,992
Benefits paid	**(70,964)**	(59,396)
Actuarial gain/(loss) recognised during the year	**36,262**	14,969
Closing Balance	**707,351**	672,543
Actual return on plan assets	–	–

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2013

4. Notes to financial statements *(Continued)*

m. Disclosure requirements as per Accounting Standards *(Continued)*

i AS 15 – Employee Benefits *(Continued)*

Particulars	31 March 2013	31 March 2012
Total expense recognised in the Profit and Loss Account in schedule 16(1)		
Current service cost	**72,088**	31,212
Interest cost	**38,883**	42,372
Expected return on plan assets	**(51,678)**	(49,905)
Net actuarial (gain)/loss recognised during the year	**40,404**	(63,895)
Expense recognised in the Profit and Loss Account	**99,697**	(40,216)
Key Assumptions		
Salary Escalation	**10.00%**	10.00%
Discount rate	**7.90%**	8.61%
Expected rate of return on plan assets	**8.00%**	8.00%
Attrition rate	**20.00%**	20.00%

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

Gratuity Investment Pattern is as follows:

(In Rs.'000)

Particulars	31 March 2013	31 March 2012
Government of India Securities (Central and State)	**20.08%**	0.67%
Corporate Bonds (Including Public Sector Bonds)	**51.45%**	67.66%
Cash (including Deposits)	**22.02%**	25.10%
Others	**6.45%**	6.57%
Total	**100.00%**	100.00%

Experience adjustments are as follows:

(In Rs.'000)

	For the financial year ended				
	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Defined Benefit Obligation	**603,756**	487,083	521,821	NA	NA
Funded Assets	**707,351**	672,542	575,073	NA	NA
Deficit/(Surplus)	**(103,595)**	(185,459)	(53,252)	NA	NA
Experience Gain/(Loss) adjustments on plan liabilities	**(55,324)**	36,372	NA	NA	NA
Experience Gain/(Loss) adjustments on plan assets	**36,262**	14,969	NA	NA	NA
Actuarial Gain/(Loss) due to change of assumptions	**(21,342)**	12,554	NA	NA	NA

ii AS 17- Segment reporting:

Segmental reporting disclosures as required by AS 17 –

'Segment Reporting' prescribed by the CASR and in accordance with the guidelines issued by the RBI are given below:

(In Rs.'000)

Business Segments	**Global Markets**	**Commercial Banking**	**Retail Banking**	**Others**	**Total**
Particulars	**For the year ended 31 March 2013**				
Revenue	**9,544,138**	**17,011,543**	**4,431,307**	**5,407,699**	**36,394,687**
Less: Inter-segment revenue	**(3,113,637)**	**(622,800)**	**(1,621,113)**	**5,357,550**	**–**
Income from operations	**12,657,775**	**17,634,343**	**6,052,420**	**50,149**	**36,394,687**
Results	**3,930,052**	**9,237,659**	**228,224**	**4,707,949**	**18,103,884**
Unallocated Expenses					
Operating Profit before tax	**–**	**–**	**–**	**–**	**18,103,884**
Income Tax, Deferred Tax and Fringe Benefit Tax	**–**	**–**	**–**	**–**	**(7,773,412)**
Extraordinary profit/Loss (pre-tax) (Refer Note 18 4 p)	**–**	**–**	**–**	**–**	**–**
Net Profit after tax	**–**	**–**	**–**	**–**	**10,330,472**
Other Information					
Segment Assets	**164,591,306**	**178,891,081**	**54,156,713**	**2,677,776**	**400,316,876**
Unallocated Assets	**–**	**–**	**–**		**4,606,891**
Total Assets	**–**	**–**	**–**	**–**	**404,923,767**
Segment Liabilities	**101,005,111**	**166,293,142**	**54,018,003**	**83,607,511**	**404,923,767**
Unallocated Liabilities	**–**	**–**	**–**	**–**	**–**
Total Liabilities	**–**	**–**	**–**	**–**	**404,923,767**

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2013

4. Notes to financial statements *(Continued)*

m. Disclosure requirements as per Accounting Standards *(Continued)*

ii **AS 17- Segment reporting *(Continued)*:**

(In Rs.'000)

Business Segments Particulars	Global Markets	Commercial Banking	Retail Banking	Others	Total
	For the year ended 31 March 2013				
Capital expenditure	**258**	**3,983**	**45,286**	**592,324**	**641,851**
Depreciation	**90,790**	**126,485**	**43,411**	**–**	**260,686**
Non cash expenses excluding depreciation (net)	**255,794**	**299,503**	**(1,749)**	**–**	**553,548**

(In Rs.'000)

Business Segments Particulars	Global Markets	Commercial Banking	Retail Banking	Others	Total
	For the year ended 31 March 2012				
Revenue	8,364,106	14,977,252	3,429,256	4,552,541	31,323,155
Less: Inter-segment revenue	(2,055,612)	(1,259,323)	(1,600,062)	4,914,997	–
Income from operations	10,419,718	16,236,575	5,029,318	(362,456)	31,323,155
Results	3,250,521	7,683,772	(21,153)	3,839,711	14,752,851
Unallocated Expenses					
Operating Profit before tax	–	–	–	–	14,752,851
Income Tax, Deferred Tax and Fringe Benefit Tax	–	–	–	–	(6,708,067)
Extraordinary profit/Loss (Refer Note 18 4 p)	–	–	188,416	–	188,416
Net Profit after tax	–	–	–	–	8,233,200
Other Information					
Segment Assets	150,207,299	99,793,127	29,276,350	2,920,841	282,197,617
Unallocated Assets	–	–	–	–	4,059,194
Total Assets	–	–	–	–	286,256,811
Segment Liabilities	35,116,729	151,310,990	30,584,460	69,244,632	286,256,811
Unallocated Liabilities	–	–	–	–	–
Total Liabilities	–	–	–	–	286,256,811
Capital expenditure	14,726	17,658	8,854	166,557	207,795
Depreciation	92,046	143,536	44,460	–	280,042
Non cash expenses excluding depreciation (net)	252,828	3,822	10,527	–	267,177

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 corporate and custodial services. Principal products offered include loans, deposits, custodial services, trade services and cash management services.

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

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

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

Extraordinary income includes profit on sale of credit card business aggregating to Rs. Nil (Previous year: 188,416 thousand) [Refer Note 18 4 p below].

4. Notes to financial statements ***(Continued)***

m. Disclosure requirements as per Accounting Standards ***(Continued)***

ii AS 17- Segment reporting ***(Continued)*****:**

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

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

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

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

iii AS 18 – 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 RBI are given below:–

Relationships during the year

i. Head office

Deutsche Bank AG and its branches

ii. Associate

Comfund Consulting Limited

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

Deutsche Securities (India) Private Limited, Deutsche Trustee Services (India) Private Limited, Deutsche Asset Management (India) Private Limited, Deutsche Investments India Private Limited, Deutsche Investor Services Private Limited, RREEF India Advisors Private Limited, Deutsche CIB Centre Private Limited, Deutsche Equities India Private Limited, Deutsche India Holdings Private Limited, DBOI Global Services Private Limited, Gemini Technology Services Inc., B.V. Matura Handelmaatschappij, DB Servicios México, S.A. de C.V., Deutsche Investment Management Americas Inc., DWS Investments Service Company, DWS Investments Distributors, Inc., RREEF Management L.L.C., Deutsche Asset Management (Korea) Company Limited, Deutsche Bank (Mauritius) Limited, Deutsche Bank Securities Inc., Deutsche Asia Pacific Holding Pte Ltd, Deutsche International Corporate Services (Ireland) Limited, Deutsche Asset Management Group Limited, Deutsche Asset Management (Hong Kong) Limited, Deutsche Group Services Pty Limited, Finanza & Futuro Banca SpA, Deutsche Securities Asia Limited, Singapore Branch, Deutsche Bank Ltd Moscow, Deutsche Securities Mauritius Limited, Deutsche Securities Korea Co., Deutsche New Zealand Limited, Deutsche Bank (China) Co., Ltd., Deutsche Bank Trust Company Americas, DB Services New Jersey, Inc., Deutsche Bank National Trust Company, DB Services Americas, Inc., DB Investment Partners, Inc., DB Trust Company Limited Japan, Deutsche Bank International Asia Limited, DB Service Centre Limited, Deutsche Bank, Sociedad Anónima Española, DWS Investment S.A., Deutsche Bank Americas Holding Corp., Deutsche Bank Securities Limited, Deutsche Bank (Malaysia) Berhad, Deutsche Bank S.A. – Banco Alemão, DB HR Solutions GmbH, Deutsche Asset Management (Japan) Limited, DB Group Services (EURO), Deutsche Bank Luxembourg S.A., Deutsche Securities Inc., Deutsche Bank Polska Spólka Akcyjna, Deutsche Bank (Suisse) SA, DB Energy Trading LLC, Deutsche Bank S.P.A., DWS Investment GmbH, Deutsche Knowledge Services Pte. Ltd., Deutsche Knowledge Services Pte. Ltd., Manila Branch,

Deutsche Asset Management Investmentgesellschaft mbH vormals DEGEF Deutsche Gesellschaft für Fondsverwaltung mbH, Deutsche Asset Management (UK) Limited, Deutsche Bank (China) Co., Ltd., Beijing Branch, Deutsche Bank (China) Co. Ltd., Guangzhou Branch, Deutsche Bank (China) Co. Ltd., Shanghai Branch, Deutsche Bank S.A., Deutsche Asset Management International GmbH, DWS Holding & Service GmbH, Deutsche Bank Privat- und Geschäftskunden Aktiengesellschaft, DB Securities Services NJ Inc., Hanoi Building Commercial Joint Stock Bank, DBOI Global Services (UK) Limited, Deutsche Bank Nederland N.V., DB Consorzio S. Cons. a r. l., Deutsche CIB Centre Private Limited, Birmingham Branch, Deutsche Bank (Austria) AG

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

iv. Key management personnel

In accordance with the RBI circular DBOD.BP.BC No.14/21.04.018/2012-13 dated 2 July 2012, only the Chief Executive Officer of the Bank, falls under the category of key management personnel, hence, no disclosures pertaining to him are provided.

Chief Executive Officer of the Bank:

1. Mr. Gunit Chadha – upto 31 May 2012
2. Mr. Shrinath Bolloju – from 1 June 2012 upto 30 July 2012
3. Mr. Ravneet Singh Gill – from 31 July 2012

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
for the year ended 31 March 2013

4. Notes to financial statements *(Continued)*

m. Disclosure requirements as per Accounting Standards *(Continued)*

iii AS 18 – Related party disclosure *(Continued)*

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

(In Rs.'000)

Items/Related Party	Head Office (as per ownership or control) *Note*	Associates/ Joint Venture *Note*	Other Related Party in Deutsche Bank Group	Key Management Personnel *Note*	Relatives of Key Management Personnel	Total
Sale of fixed assets	**–**	**–**	**37,813**	**–**	**–**	**37,813**
	–	–	–	–	–	–
Purchase of fixed assets	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	–	–
Interest paid	**–**	**–**	**1,559,842**	**–**	**–**	**1,559,842**
	–	–	(1,596,618)	–	–	(1,596,618)
Interest received	**–**	**–**	**6,220**	**–**	**–**	**6,220**
	–	–	(7,095)	–	–	(7,095)
Rendering of services-receipt	**–**	**–**	**270,305**	**–**	**–**	**270,305**
	–	–	(132,864)	–	–	(132,864)
Receiving of services-payment	**–**	**–**	**349,201**	**–**	**–**	**349,201**
	–	–	(242,313)	–	–	(242,313)
Management contracts	**–**	**–**	**(65,176)**	**–**	**–**	**(65,176)**
	–	–	(474,353)	–	–	(474,353)
Loss on Derivatives (IRS)	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	(39,810)	–	–	(39,810)
Purchase of Securities	**–**	**–**	**39,345,950**	**–**	**–**	**39,345,950**
	–	–	(54,596,741)	–	–	(54,596,741)
Sale of Securities	**–**	**–**	**13,837,787**	**–**	**–**	**13,837,787**
	–	–	(33,357,371)	–	–	(33,357,371)
Amount borrowed on repo	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	(3,082,248)	–	–	(3,082,248)
Call Lending	**–**	**–**	**3,500,000**	**–**	**–**	**3,500,000**
	–	–	(2,600,000)	–	–	(2,600,000)
Amount lent on Reverse Repo	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	(1,029,456)	–	–	(1,029,456)

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

(In Rs.'000)

Items/Related Party	Head Office (as per ownership or control) *Note*	Associates/ Joint Venture *Note*	Other Related Party in Deutsche Bank Group	Key Management Personnel *Note*	Relatives of Key Management Personnel	Total
Borrowings	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	–	–
Deposits	**–**	**–**	**23,977,961**	**–**	**–**	**23,977,961**
	–	–	(31,596,746)	–	–	(31,596,746)
Placement of deposits	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	–	–
Advances	**–**	**–**	**33,187**	**–**	**–**	**33,187**
	–	–	(30,525)	–	–	(30,525)
Investments	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	–	–
Balances with Banks	**–**	**–**	**6,796,144**	**–**	**–**	**6,796,144**
	–	–	(1,477,034)	–	–	(1,477,034)
Non-funded commitments	**–**	**–**	**25,411,817**	**–**	**–**	**25,411,817**
	–	–	(24,932,077)	–	–	(24,932,077)
Leasing/HP arrangements availed	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	–	–
Leasing/HP arrangements provided	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	–	–
Other Asset	**–**	**–**	**519,790**	**–**	**–**	**519,790**
	–	–	(632,121)	–	–	(632,121)
Other Liability	**–**	**–**	**873,442**	**–**	**–**	**873,442**
	–	–	(879,481)	–	–	(879,481)

Note: As per the guidance on compliance with the accounting standards by banks issued by the RBI on 2 July 2012, 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.

4. Notes to financial statements ***(Continued)***

m. Disclosure requirements as per Accounting Standards ***(Continued)***

iii AS 18 – Related party disclosure ***(Continued)***

vii. Details of maximum balances outstanding with related parties during financial year ended 31 March 2013. (Current year figures are shown in bold. Previous year's figures are shown in brackets):

(In Rs.'000)

Items/Related Party	Head Office (as per ownership or control)	Associates/ Joint Venture	Other Related Party in Deutsche Bank Group	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	(741,121)	–	–	(741,121)
Deposits	**–**	**–**	**30,220,837**	**–**	**–**	**30,220,837**
	–	–	(34,204,456)	–	–	(34,204,456)
Advances	**–**	**–**	**1,381,247**	**–**	**–**	**1,381,247**
	–	–	(2,832,355)	–	–	(2,832,355)
Balances with Banks	**–**	**–**	**6,796,144**	**–**	**–**	**6,796,144**
	–	–	(4,290,469)	–	–	(4,290,469)
Non-funded commitments	**–**	**–**	**29,939,443**	**–**	**–**	**29,939,443**
	–	–	(32,249,970)	–	–	(32,249,970)
Other Asset	**–**	**–**	**727,358**	**–**	**–**	**727,358**
	–	–	(1,449,799)	–	–	(1,449,799)
Other Liability	**–**	**–**	**1,967,772**	**–**	**–**	**1,967,772**
	–	–	(1,599,864)	–	–	(1,599,864)

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

iv AS 22 – Accounting for taxes on income

Amount of provision made for income-tax during the year

(In Rs'000)

Provision for:	31 March 2013	31 March 2012
Current income-tax	**7,810,673**	6,744,022
Deferred-tax	**(37,261)**	(65,955)

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

(In Rs.'000)

Particulars	31 March 2013	31 March 2012
Provision for bad and doubtful debts	**1,089,797**	1,074,487
Depreciation on fixed assets	**20,053**	12,884
Expenses allowable in the year of payment of withholding tax	**–**	3,625
Provision for staff compensation and benefits	**221,178**	247,396
Others	**348,958**	304,333
Deferred tax asset	**1,679,986**	1,642,725

v AS 19 – Leases - Operating leases

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

i. Cancellable leasing arrangement for premises: Total lease rental of Rs.102,370 thousand (Previous year: Rs. 127,704 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. 307,849 thousand (Previous year: Rs. 122,955 thousand) 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. 27,991 thousand (Previous year: Rs. 25,913 thousand) has been included under the head Operating expenses – Other expenditure (net of cost recoveries) (Schedule 16.12) in the Profit and Loss Account.

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

(In Rs.'000)

Particulars	31 March 2013	31 March 2012
Not later than one year	**371,983**	146,667
Later than one year and not later than five years	**889,019**	187,701
Later than five years	**–**	–

4. Notes to financial statements *(Continued)*

m. Disclosure requirements as per Accounting Standards *(Continued)*

vi Other accounting standards

i) AS 6 – Depreciation – Movement in Accumulated depreciation:

(In Rs'000)

Depreciation to date	31 March 2013	31 March 2012
PREMISES		
Beginning of the year	(742,548)	(639,132)
Additions during the year	(92,673)	(103,748)
Deductions during the year	15,122	332
Closing balance	(820,099)	(742,548)
OTHER FIXED ASSETS		
Beginning of the year	(1,427,866)	(1,274,031)
Additions during the year	(168,013)	(176,294)
Deductions during the year	138,209	22,459
Closing balance	(1,457,670)	(1,427,866)

ii) AS 26 – Intangible assets – other fixed assets (including furniture and fixtures)

It includes amount capitalized on software. Details regarding the same are tabulated below:

(In Rs'000)

Particulars	31 March 2013	31 March 2012
Cost as on 31 March of the preceding year	**228,875**	203,884
Addition during the year	**128,927**	25,141
Deduction during the year	**–**	(150)
Accumulated depreciation to date	**(216,680)**	(198,693)
Net Value as at 31 March of the current year	**141,122**	30,182

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

n. Additional disclosures

i Provisions and Contingencies shown under the head Expenditure in Profit and Loss Account:

(In Rs.'000)

Particulars	31 March 2013	31 March 2012
Provisions/(write back) for depreciation on Investment	**102,654**	(546,665)
Provision for loan loss (net)	**22,518**	(219,299)
Provision/(write back) for contingent credit exposures	**2,181**	(103,169)
Bad debts written off (net of recoveries)	**(37,313)**	167,924
Provision towards standard assets	**–**	794,616
Provision/(write back) towards country risk	**23,794**	19,503
Provision made towards Income tax	**7,810,673**	6,774,022
Investment written off	**–**	7,580
Other Provision and Contingencies (with details):		
Deferred tax	**(37,261)**	(65,955)
Total	**7,887,246**	6,828,557

ii Floating provision

(In Rs'000)

Particulars	31 March 2013	31 March 2012
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

iii Drawdown on reserves

The Bank has drawn down investment reserve of Rs. 44,640 thousand during the year ended 31 March, 2013 as required by RBI circular DBOD No. BP. BC.13/21.04.141/2012-13 dated 2 July 2012 (Previous year: Rs. 633,000 thousand drawn down towards Contingency reserves).

4. Notes to financial statements *(Continued)*

n. Additional disclosures *(Continued)*

iv Customer complaints

		31 March 2013	31 March 2012
A	**Customer complaints**		
(a)	No. of complaints pending at the beginning of the year	**168**	99
(b)	No. of complaints received during the year	**6,561***	6,446*
(c)	No. of complaints redressed during the year	**6,639***	6,377*
(d)	No. of complaints pending at the end of the year	**90**	168
B	**Unimplemented awards of Banking Ombudsman**		
(a)	No. of unimplemented awards at the beginning of the year	**–**	–
(b)	No. of Awards passed by the Banking Ombudsman during the year	**–**	–
(c)	No. of Awards implemented during the year	**–**	–
(d)	No. of unimplemented Awards at the end of the Year	**–**	–

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

v Letter of comfort

The Bank has not issued any letter of comfort during the year ended 31 March, 2013 and (Previous year Rs. Nil).

vi Provisioning Coverage Ratio as at 31 March 2013 is 81.44% (Previous year: 91.57%).

vii Bancassurance business

Fees/remuneration received in respect of bancassurance business during the year is Rs. 528,145 thousand (Previous year: Rs 499,470 thousand).

(In Rs. '000)

Particulars	**31 March 2013**	31 March 2012
For selling life insurance products	**117,992**	121,107
For selling non life insurance products	**2,771**	1,801
For selling Mutual fund products	**374,639**	341,499
For selling PMS products	**29,904**	35,063
Others	**2,839**	–
Total	**528,145**	499,470

viii Concentration of Deposits, Advances, Exposures and NPAs

i Concentration of Deposits

(In Rs. '000)

	31 March 2013	31 March 2012
Total Deposits of twenty largest depositors	**79,989,899**	59,700,443
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	**38.47%**	35.45%

ii Concentration of Advances*

(In Rs. '000)

	31 March 2013	31 March 2012
Total Advances to twenty largest borrowers	**145,414,644**	128,324,476
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	**30.31%**	36.98%

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

iii Concentration of Exposures**

(In Rs. '000)

	31 March 2013	31 March 2012
Total Exposure to twenty largest borrowers/customers	**145,414,644**	128,324,476
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	**22.96%**	24.76%

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

4. Notes to financial statements *(Continued)*

n. Additional disclosures *(Continued)*

iv Concentration of NPAs

(In Rs. '000)

	31 March 2013	31 March 2012
Total Exposure to top four NPA accounts	**1,376,756**	1,152,360

ix Sectorwise NPAs

		31 March 2013	31 March 2012
Sl. No.	**Sector**	**Percentage of NPAs to Total Advances in that sector**	
1	Agriculture & allied activities	**–**	–
2	Industry (Micro & small, Medium and Large)	**0.95%**	1.15%
3	Services	**0.44%**	1.07%
4	Personal Loans#	**0.38%**	0.80%

\# Includes retail loans and advances.

x Movement of NPAs

(In Rs. '000)

Particulars	**31 March 2013**	31 March 2012
Gross NPAs as on 1st April (Opening Balance)	**1,348,495**	1,785,162
Additions (Fresh NPAs) during the year	**370,703**	195,763
Sub-total (A)	**1,719,198**	1,980,925
Less:–		
(i) Up gradations	**54,805**	119,390
(ii) Recoveries (excluding recoveries made from upgraded accounts)	**74,079**	262,357
(iii) Write-offs	**46,469**	250,683
Sub-total (B)	**175,353**	632,430
Gross NPAs as on 31st March (closing balance) (A-B)	**1,543,845**	1,348,495

xi Overseas Assets, NPAs and Revenue

(In Rs. '000)

Particulars	**31 March 2013**	31 March 2012
Total Assets	**10,730,569**	3,440,131
Total NPAs	**–**	–
Total Revenue	**8,253**	16,955

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

xiii Credit Default Swaps

During the year, the Bank has not entered into credit default swaps (Previous year Rs Nil).

o. 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.

p. Sale of credit card business

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

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

(In Rs'000)

Particulars	**31 March 2013**	31 March 2012
Opening provision	**700**	96,982
Provision made during the year	**2,262**	700
Utilization/(write back) of provision during the year	**(700)**	**(96,982)**
Closing provision	**2,262**	700

Refer Note 18 4 p with respect to credit card reward points.

4. Notes to financial statements (Continued)

r. Provisions, Contingent liabilities and contingent Asset

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

s. Comparative figures

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

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

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

Sd/-
Ravneet Singh Gill
Chief Executive Officer – India
For **Deutsche Bank AG**
India Branches

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

Mumbai
Date: 5th June, 2013

Management disclosures under Pillar 3 of the New Capital Adequacy framework vide RBI circular reference RBI/2012-13/95 DBOD.No.BP.BC.16/21.06.001/2012-13

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. Capital Structure

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

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

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

b. Details of Capital Funds

(In Rs.'000)

Particulars	31 March 2013	31 March 2012
Capital – Head Office Account	40,914,087	36,314,087
Statutory Reserve	13,646,869	11,064,251
Capital Reserve	177,207	177,207
Remittable Surplus Retained for CRAR requirement	14,380,993	8,443,811
Less: Deferred Tax asset	(1,679,986)	(1,642,725)
Less: Intangible assets	(141,122)	(30,182)
Tier I Capital	**67,298,048**	**54,326,449**
Investment Reserve	366,784	411,424
Provision on Standard Assets & Country Risk	1,812,712	1,788,918
General Loan Loss Provision	712,260	712,260
Provision made on Sale of NPA	577,628	577,628
Tier II Capital	**3,469,384**	**3,490,230**
Total (Tier I + Tier II Capital)	**70,767,432**	**57,816,679**

3. Capital adequacy

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

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

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

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

The capital ratio as per Basel II is 14.08% and under Basel I is 15.33%. The minimum capital to be maintained by banks under the revised framework is subject to the prudential floor of 80% of the capital requirement under Basel I.

The capital requirements as per Basel II are tabulated below.

(In Rs.'000)

Particulars	31 March 2013	31 March 2012
Capital requirement for credit risk – Portfolios subject to standardised approach	37,473,385	29,755,014
Capital requirement for credit risk – Portfolios subject to securitisation exposures	–	–
Capital requirement for market risk (Standardised duration approach)		
– Interest rate risk	2,741,981	3,266,848
– Foreign exchange risk (including gold)	1,350,000	360,000
– Equity risk	145,161	128,492
Capital requirement for operational risk (Basic Indicator approach)	3,522,291	3,348,309
Total	**45,232,818**	**36,858,663**
Tier I Capital adequacy ratio	**13.39%**	**13.27%**
Total (Tier I + Tier II) Capital adequacy ratio	**14.08%**	**14.12%**

4. Risk Exposure & Assessment

Risk Management Framework

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

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

- The Bank operates a three-line of defence risk management model whereby business management, risk management oversight and assurance roles are played by functions independent of one another.
- Risk strategy and risk appetite are defined based on the Group Strategic & Capital Plan and Group Risk Appetite in order to align risk, capital, and performance targets.
- Cross risk analysis reviews are conducted across the Group to ensure that sound risk management practices and a holistic awareness of risk exists.
- All major risk classes are managed in a coordinated manner via risk management processes, including: credit risk, market risk, operational risk, liquidity risk, business risk and reputational risk. This includes risk concentrations within and across risk types.
- Appropriate monitoring and escalation processes are in place against key capital and liquidity thresholds and metrics. Where applicable, robust modelling and measurement approaches for quantifying risk and capital demand are implemented across the major risk classes.
- Effective systems, processes and procedures are a critical component of the Group's risk management capability.

Risk Management Organisation

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

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

The MB has delegated certain functions and responsibilities to relevant senior governance committees to support the fulfilment of these responsibilities, in particular the Capital and Risk Committee (CaR) and Risk Executive Committee (Risk ExCo):

i. The Group's CaR oversees and controls integrated planning and monitors Deutsche Bank's risk profile and capital capacity including liquidity and funding profile, ensuring an alignment of risk appetite, capitalisation requirements and funding/liquidity needs with the Group, divisional and sub-divisional business strategies. It is also responsible for monitoring the performance of DB Group's risk profile against the Group Risk Appetite through the oversight of early warning indicators and ensuring escalation or actions are taken including the recommendation, where appropriate, to the MB to mobilize Recovery Management Governance which would result in the engagement of the Global Response Committee (GRC).

ii. The Group's Risk ExCo is responsible for identification, analysis and mitigation of risks, risk policy, organization and governance of risk management and day-to-day risk and capital management. To fulfill this mandate, the Risk ExCo is supported by sub-committees that are responsible for dedicated areas of risk management, including several policy committees, the Cross Risk Review Committee (CRCC) and the Group Reputational Risk Committee.

    An overlap in membership between the CaR and the Risk ExCo facilitates a constant and comprehensive information flow between both committees.

iii. The Group's CRRC supports the Risk ExCo and the CaR with particular emphasis on the management of Group-wide risk patterns. The CRRC, under a delegation of authority from the CaR has responsibility for the day-to-day oversight and control of Deutsche Bank Group's Internal Capital Adequacy Assessment Process ("ICAAP") ensuring compliance with respective regulatory requirements and policy setting for local ICAAPs. The CRRC also oversees the inventory of stress tests used for managing our risk appetite, reviews the results and proposes management action if required. It monitors the effectiveness of the stress test process and drives continuous improvement of our stress testing framework.

Recovery Management Governance has been embedded in the overall risk management framework at DB Group to ensure that DB can proactively identify and respond to severe stress or the threat of a severe stress. The integration of the Recovery Management governance process into the day-to-day risk management framework ensures an effective ongoing oversight of DB's risk profile.

The key elements forming the basis of the Recovery Management governance in DB include:

- Clear roles and responsibilities which include MB oversight;
- A dedicated set of early warning indicators and recovery triggers to monitor potential risks and stimulate management action;

- An enhanced regime of severe stress tests and defined strategic recovery measures to enable proactive management of our risk profile; and
- A dedicated sub-committee of the CaR (the Living Wills Committee) to ensure ongoing monitoring and process readiness.

Key roles and accountabilities include:

- The Living Wills Committee (LWC), a sub-committee of the CaR, ensures standards and on-going process readiness including the updating of tools and methodologies required to ensure effective monitoring. The LWC also ensures that the Recovery Plan complies with regulatory requirements and is responsible for the continuous assessment of the appropriateness of key input factors in the Recovery Plan including, risk factors, scenarios, recovery measures and triggers;
- The CaR is responsible for the oversight and monitoring of the performance of DB's risk profile (under both normal and stressed conditions) against defined qualitative and quantitative recovery triggers approved by the MB. In the case of a breach of the defined triggers or an assessment by the CaR of any other qualitative information that would, in its expert opinion, form the basis of a material risk to DB's risk profile, the CaR would escalate an initial assessment and recommendation of appropriate recovery measures to the MB, and The MB has the ultimate responsibility to approve the movement to Recovery Management Governance. This includes review and approval of the Group Recovery Plan on at least an annual basis, including the menu of recovery measures and the results of the scenario testing to prove the effectiveness of the plan. The MB is responsible for invoking the Recovery Plan which mobilizes the Global Response Committee (GRC) in accordance with the status of the recovery triggers, the mobilization and cessation of recovery governance and decisions on the execution of the strategic recovery measures; and
- The GRC is responsible for the assessment and definition of the required recovery response options and oversees the execution plan. The GRC will continue to evaluate and recommend appropriate actions to the MB until such time as the MB approves the return to the standard risk management governance by exiting the recovery process.

The Group's Chief Risk Officer (CRO) is a member of the MB and has Group-wide responsibility for the management of all credit, market, and operational risks, and as well for the control of risk (including liquidity risks) and continuing development of methods for the risk measurement. In addition, the CRO is responsible for monitoring, analysing and reporting risk on a comprehensive basis, including liquidity, asset and liability gap, capital, legal, compliance and regulatory risks.

Dedicated Risk units are established with the mandate to:

i. Ensure that the business conducted within each division is consistent with the risk appetite that the CaR has set within a framework established by the MB;

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

iii. Approve credit, market and liquidity risk limits;

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

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

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

A Strategic Risk & Enterprise-wide Risk Management function, under the lead of the Deputy Chief Risk Officer (DCRO) enabling an increased focus on cross- risk management providing comprehensive, cross-risk oversight to further enhance Deutsche Bank's risk portfolio steering :The DCRO drives key strategic cross-risk initiatives and establishes greater cohesion between defining portfolio strategy and governing execution, including regulatory adherence. The DCRO works in conjunction with all Risk divisions to build on the strong and well established links with Treasury, Legal, Compliance, Government & Regulatory Affairs and Corporate Security & Business Continuity.

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

The Group's Treasury function is responsible for the management and monitoring of capital, liquidity, funding and transfer pricing of Deutsche Bank globally, regionally and locally as defined in the liquidity risk strategy. These four focus areas work closely with all business divisions and infrastructure groups to ensure financial resources are available and adequately geared to DB's strategic goals:

- **Capital:** Treasury manages capital adequacy at Group and local levels and allocates capital to the business divisions.
- **Liquidity:** Treasury ensures the bank can fulfil its payment obligation at all times. All relevant and significant drivers of liquidity risk are regularly stress tested and limits are in place to keep the bank's liquidity position within the Board's risk tolerance and to comply with regulatory liquidity requirements at the Group and local levels.
- **Funding:** Treasury manages DB Group's funding base and plans and executes capital market issuances.
- **Transfer pricing:** Treasury allocates funding and liquidity costs to the firm's business units and sets incentives in line with the liquidity risk framework in order to make the economic cost of funds transparent to the business.

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 access to collateral and central banks. It then covers tactical liquidity risk management dealing with access to secured and unsecured funding sources as well as the liquidity characteristics of the asset inventory. The tactical toolbox also includes a detailed liquidity stress test analysis to evaluate the impact of sudden stress events on DB Group's liquidity profile and to ensure that the Group is always equipped to withstand such severe market related, idiosyncratic and combined stress events. Finally, the strategic perspective comprises the maturity profile of all assets and liabilities (Funding Matrix) and the Group's issuance strategy. Fund transfer prices are set to reflect DB Group's cost of funds in the markets, as well as the liquidity risk embedded in the various asset and liability products, and to ensure an efficient allocation of funding to all business portfolios.

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

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

Specific Banking Risks

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

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

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

Country risk is the risk that DB may experience a loss, in any given country, due to a range of macroeconomic or social events primarily affecting counterparties in that jurisdiction including a possible deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, or disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to non-residents due to direct sovereign intervention.

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

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

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

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

Risk Management Tools

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

4.1 Credit risk

a. Credit Risk Management Organisation and structure

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

b. CRM CIB

(i) Credit Risk policies and procedures

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

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

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

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

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

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

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

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

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

(ii) Credit risk On Trading Instruments

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

Internally, the Bank manages credit risk on all trading instruments by reference to three measures:

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

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

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

(iii) Credit rating policy

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

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

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

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

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

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

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

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

c. CRM PBC – Credit risk policies and procedures

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

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

– Credit Principles

– Generic Credit Process

– Credit Authority Guidelines

– Loan Loss Allowance/Write off guidelines

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

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

– Customer information given in the application form (general customer data/financial information)

– Information on the borrower's behaviour (external data/account movements, where available)

– Specific information of the application itself (credit volume/collateral)

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

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

d. CRM PWM

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

e. Total Gross Credit exposures

(In Rs.'000)

Category	31 March 2013	31 March 2012
Bills purchased and discounted	55,226,565	12,249,804
Cash credits, overdrafts and loans repayable on demand	123,836,397	80,569,733
Term loans	45,935,823	33,904,171
Inter Bank	11,239,840	3,568,009
HTM Investments	4,161,500	–
Total Fund-based Exposures	**240,400,125**	**130,291,717**
Guarantees given on behalf of customers	89,545,772	77,714,780
Acceptances, endorsements and other obligations	130,606,303	102,149,069
Derivative exposures	194,608,805	291,510,055
Undrawn Commitment and others	89,103,608	4,672,944
Total Non-fund based Exposures	**503,864,488**	**476,046,848**

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

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

f. **Industry Type Distribution of Exposures**

(In Rs.'000)
31 March 2013

Industry	**Fund-based**	**Non-fund based including Derivative**	**Total**	**Percentage of Total**
Retail finance	38,781,072	–	**38,781,072**	5.21%
Crude petroleum/refining & petrochemicals	3,786,728	32,704,405	**36,491,133**	4.90%
Power	5,529,484	6,776,327	**12,305,811**	1.65%
Electronics & Engineering	17,727,482	27,727,953	**45,455,435**	6.11%
Services – finance	18,511,320	22,054,032	**40,565,352**	5.45%
Road, port, telecom, urban development & other infra	10,548,295	23,656,838	**34,205,133**	4.60%
Iron/Steel & Products	4,726,362	7,085,327	**11,811,689**	1.59%
Mutual Funds	237	607,439	**607,676**	0.08%
Bank	50,181,432	275,292,300	**325,473,732**	43.73%
Construction	2,282,668	–	**2,282,668**	0.31%
Services – Non finance	13,111,623	7,843,640	**20,955,263**	2.82%
Metal & products (excl iron & steel)	4,248,129	4,970,025	**9,218,154**	1.24%
Chemical & Fertilisers	11,286,579	14,131,585	**25,418,164**	3.42%
Food & beverages	4,368,210	13,500,232	**17,868,442**	2.40%
Wholesale/Retail trade	7,946,506	1,803,123	**9,749,629**	1.31%
Shipping	259,314	5,279,839	**5,539,153**	0.74%
Manufacturing Products Excl Metal	2,216,660	2,579,426	**4,796,086**	0.64%
Automobiles	10,058,362	10,397,280	**20,455,642**	2.75%
Drugs & Pharmaceuticals	10,151,811	5,166,663	**15,318,474**	2.06%
Textile	9,954,014	8,587,746	**18,541,760**	2.49%
Gems & jewellery	197,090	124,219	**321,309**	0.04%
Cement	105,231	2,681,975	**2,787,206**	0.37%
Mining	2,924,039	7,563,523	**10,487,562**	1.41%
FMCG	–	203,606	**203,606**	0.03%
Other industries	11,497,477	23,126,985	**34,624,462**	4.65%
Grand Total	**240,400,125**	**503,864,488**	**744,264,613**	**100%**

(In Rs.'000)
31 March 2012

Industry	**Fund-based**	**Non-fund based including Derivative**	**Total**	**Percentage of Total**
Retail finance	23,878,456	–	**23,878,456**	3.94%
Crude petroleum/refining & petrochemicals	515,677	28,002,180	**28,517,857**	4.70%
Power	6,353,467	3,028,450	**9,381,917**	1.55%
Electronics & Engineering	10,651,903	21,748,744	**32,400,647**	5.34%
Services – finance	17,564,940	25,004,777	**42,569,717**	7.02%
Road, port, telecom, urban development & other infra	5,882,761	17,687,787	**23,570,548**	3.89%
Iron/Steel & Products	956,459	7,297,006	**8,253,465**	1.36%
Mutual Funds	1,482	833,995	**835,477**	0.14%
Bank	7,904,927	300,231,884	**308,136,812**	50.82%
Construction	1,915,573	71,723	**1,987,296**	0.33%
Services – Non finance	6,223,896	6,117,003	**12,340,899**	2.04%
Metal & products (excl iron & steel)	1,602,757	7,485,218	**9,087,975**	1.50%
Chemical & Fertilisers	5,061,172	8,148,321	**13,209,493**	2.18%
Food & beverages	2,342,302	721,371	**3,063,673**	0.51%
Wholesale/Retail trade	5,668,386	1,550,726	**7,219,112**	1.19%
Shipping	155,095	907,155	**1,062,250**	0.18%
Manufacturing Products Excl Metal	2,463,077	2,260,728	**4,723,805**	0.78%
Automobiles	4,381,173	7,849,815	**12,230,989**	2.02%
Drugs & Pharmaceuticals	5,960,777	2,331,042	**8,291,819**	1.37%
Textile	4,951,109	10,694,915	**15,646,024**	2.58%
Gems & jewellery	115,299	1330	**116,629**	0.02%
Cement	–	1,846,678	**1,846,678**	0.30%
Mining	1,378,299	941,595	**2,319,894**	0.38%
FMCG	1	175,040	**175,041**	0.03%
Other Industries	14,362,731	21,109,362	**35,472,093**	5.83%
Grand Total	**130,291,717**	**476,046,848**	**606,338,565**	**100%**

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

(In Rs'000)

Maturity buckets	31 March 2013	31 March 2012
Day 1	108,654,973	100,456,661
2 to 7 days	10,759,159	8,042,580
8 to 15 days	18,825,989	2,551,061
15 to 28 days	16,935,103	4,153,508
29 days to 3 months	50,496,059	11,879,444
Over 3 months to 6 months	27,332,414	5,016,085
Over 6 months to 12 months	57,504,019	62,056,310
Over 1 Year to 3 Years	77,231,902	62,398,091
Over 3 Years to 5 Years	9,063,149	9,495,213
Over 5 Years	28,365,957	20,350,161
Total	**405,168,724**	**286,399,114**

* Gross of depreciation on investments

h. **Amount of Non Performing Assets**

(In Rs'000)
31 March 2013

NPA Classification	Gross NPAs	Net NPAs
Substandard	344,246	266,490
Doubtful		
– Doubtful 1	39,142	20,043
– Doubtful 2	786,464	–
– Doubtful 3	–	–
Loss	373,993	–
Total	1,543,845	286,533
NPA Ratio	0.69%	0.13%

(In Rs'000)
31 March 2012

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

i. **Movement in NPAs**

(In Rs'000)

Movement in NPAs (funded)	31 March 2013	31 March 2012
(ii) Net NPAs to Net Advance (%)	0.1281%	0.0906%
(iii) Movement of Gross NPAs		
a) Opening balance	1,348,495	1,785,162
b) Additions during the year	370,703	195,763
c) Reductions during the year	(175,353)	(632,430)
d) Closing Balance	1,543,845	1,348,495
(iv) Movement of Net NPAs		
a) Opening balance	113,701	331,069
b) Additions during the year	282,152	113,899
c) Reductions during the year	(109,320)	(331,267)
d) Closing Balance	286,533	113,701
(v) Movement of Provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	1,234,794	1,454,093
b) Provisions made during the year	88,551	81,864
c) Write off/write back of excess provisions during the year	(66,033)	(301,163)
d) Closing Balance	1,257,312	1,234,794

j. **Amount of NPIs**

(In Rs'000)

Particulars	31 March 2013	31 March 2012
Closing balance for the period	3,000	3,000
Total provisions held	3,000	3,000
Net book Value	**–**	**–**

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

(In Rs'000)

Provisions for depreciation on investments	31 March 2013	31 March 2012
Opening balance	142,303	688,968
Add: Provisions made during the period/year	102,654	–
Less: Write-off/write back of excess provisions during the period	–	(546,665)
Closing balance	**244,957**	**142,303**

4.2 Credit risk – Portfolios subject to Standardised Approach

a. Credit rating agencies

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

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

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

There have been no instances of claim transfer as on March 31, 2013.

b. Outstanding amounts

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

(In Rs'000)

Exposure Category	31 March 2013	31 March 2012
Under 100% risk weight	78,856,383	40,877,757
100% risk weight	142,709,404	80,024,414
Above 100% risk weight	18,834,338	9,389,546
Total Fund-based Exposures	**240,400,125**	**130,291,717**
Under 100% risk weight	325,682,820	294,440,648
100% risk weight	166,777,841	131,665,241
Above 100% risk weight	11,403,827	49,940,959
Total Non Fund-based Exposures	**503,864,488**	**476,046,848**

4.3 Credit risk mitigation policy

a. Collateral valuation and management

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

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

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

If there is no liquid collateral and no guarantor mitigating the credit risk, then the FPD will be the same as the Counterparty Probability of Default (CPD).

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

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

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

c. Exposure covered by eligible financial collateral: –

(In Rs'000)

Exposures covered by financial collateral	31 March 2013	31 March 2012
Exposures before Credit Risk Mitigation Technique	17,878,084	18,049,543
Exposures after Credit Risk Mitigation Technique (after application of haircut on collateral)	3,985,302	8,682,438

d. Details of Loans Securitised

(In Rs.'000)

		31 March 2013	31 March 2012
1	Total number of loan assets securitised	–	–
2	Total book value of loan assets securitised	–	–
3	Sale consideration received for the securitised assets	–	–
4	Net gain/(loss) on account of securitisation	–	–

4.4 Market risk in trading book –

a. Market risk Management Framework

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

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

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

b. Types of market risk

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

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

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

c. Risk Management Tools

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

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

d. Value-at-Risk Analysis

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

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

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

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

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

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

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

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

e. Back-Testing

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

f. Hedging

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

g. Capital requirements for market risk

(In Rs'000)

Particulars	31 March 2013	31 March 2012
Capital requirement for market risk		
– Interest rate risk	2,741,981	3,266,848
– Foreign exchange risk (including gold)	1,350,000	360,000
– Equity risk	145,161	128,492
Total	**4,237,142**	**3,755,340**

4.5 Operational risk-

a. Operational risk management framework

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

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

b. Risk management tools

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Interest rate risk in the banking book

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

6. Comparative figures

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

Sd/-
Ravneet Singh Gill
Chief Executive Officer – India
For **Deutsche Bank AG**
India Branches

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

Place : Mumbai
Dated : 5th June, 2013