Results 2007-2008 Annual Report

Deutsche Bank

Our Identity

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

Customer focus

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

Teamwork

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

Innovation

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

Performance

We are committed to a result-oriented culture.

Trust

We behave reliably, fairly and honestly.

Deutsche Bank

Contents

Balance Sheet

as on 31 March 2008

In thousands of Indian Rupees	Schedule	31 March 2008	31 March 2007
Capital and Liabilities			
Capital	1	33,076,829	12,126,829
Reserves and surplus	2	9,841,177	7,271,705
Deposits	3	137,549,585	69,783,789
Borrowings	4	48,817,811	69,430,138
Other liabilities and provisions	5	17,844,986	18,538,368
Total		**247,130,388**	**177,150,829**
Assets			
Cash and balances with Reserve Bank of India	6	24,698,331	9,294,202
Balances with banks and money at call and short notice	7	16,487,948	41,065,414
Investments	8	101,712,422	62,035,307
Advances	9	89,601,341	49,450,593
Fixed assets	10	1,299,580	1,302,922
Other assets	11	13,330,766	14,002,391
Total		**247,130,388**	**177,150,829**
Contingent Liabilities	12	6,518,093,237	2,423,676,520
Bills for collection		62,416,192	33,710,438
Significant accounting policies and Notes to the financial statements	18		
The accompanying notes form an integral part of this Balance Sheet			

As per our report of even date.

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

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

sd/-
Pandurang Hegde
Controller - India
For Deutsche Bank AG
India Branches

Place : Mumbai
Dated : 12 June 2008

Profit and Loss Account

For the year ended 31 March 2008

In thousands of Indian Rupees	Schedule	31 March 2008	31 March 2007
Income			
Interest earned	13	14,453,760	9,717,140
Other income	14	10,163,302	6,536,554
Total		**24,617,062**	**16,253,694**
Expenditure			
Interest expended	15	5,365,005	4,670,680
Operating expenses	16	10,591,920	7,443,893
Provisions and contingencies	17	4,799,072	1,956,906
Total		**20,755,997**	**14,071,479**
Profit			
Net profit for the year		3,861,065	2,182,215
Profit brought forward		1,553,071	896,848
Total		**5,414,136**	**3,079,063**
Appropriations			
Transfer to statutory reserve		965,266	545,554
Transfer to capital reserve		-	20,829
Transfer to investment reserve (net)		10,596	62,725
Remittances to Head office made during the year		1,291,593	896,884
Balance carried over to Balance Sheet		3,146,681	1,553,071
Total		**5,414,136**	**3,079,063**
Significant accounting policies and Notes to the financial statements	18		
The accompanying notes form an integral part of this Profit and Loss Account			

As per our report of even date.

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Cash Flow

Cash Flow Statement for the year ended 31 March 2008

In thousands of Indian Rupees	31 March 2008	31 March 2007
Net profit before taxes	**7,891,977**	**4,047,334**
Adjustment for:		
Depreciation charge on fixed assets for the year	290,764	291,376
Provision for depreciation on investments	(24,477)	(143,750)
Provision for loan loss (net) / (written back)	288,981	23,439
Bad-debts written off / (written back)	196,285	(3,528)
Provision / (writeback) of general provision on standard assets	307,371	215,626
Loss / (Profit) on sale of fixed assets (net)	2,759	(32,414)
	8,953,660	**4,398,083**
Adjustment for:		
Increase/(Decrease) in deposits	67,765,796	25,984,824
Increase/(Decrease) in borrowings	(20,612,327)	19,491,743
Increase in other liabilities and provisions	(1,206,108)	4,670,582
(Increase)/Decrease in investments	(39,652,638)	(29,282,986)
(Increase)/Decrease in advances	(40,636,014)	(23,652,706)
(Increase)/Decrease in other assets	1,049,390	(4,343,846)
	(24,338,241)	**(2,734,306)**
Advance tax paid (net of refund received)	(4,203,322)	(2,380,659)
Net cash from/(used in) operating activities (A)	**(28,541,563)**	**(5,114,965)**
Cash flows from investing activities		
Purchase of fixed assets	(293,218)	(523,655)
Proceeds from sale of fixed assets	3,037	71,526
Net cash from/(used in) investing activities (B)	**(290,181)**	**(452,129)**
Cash flows from financing activities		
Receipt/(Repatriation) of Capital	20,950,000	5,000,000
Remittance of profit to Head office	(1,291,593)	(896,884)
Net cash from/(used) in financing activities (C)	**19,658,407**	**4,103,116**
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	**(9,173,337)**	**(1,463,978)**
Cash and cash equivalents at the beginning of the year	50,359,616	51,823,594
Cash and cash equivalents as at the end of the year	41,186,279	50,359,616
Increase/(Decrease) in cash and cash equivalents	**(9,173,337)**	**(1,463,978)**
Notes on cash flow statement		
1. Cash and balances with Reserve Bank of India	24,698,331	9,294,202
Balances with banks and money at call and short notice	16,487,948	41,065,414
Cash and cash equivalents as at 31 March	**41,186,279**	**50,359,616**
2. The above cash flow statement has been prepared under the indirect method set out in Accounting Standard 3 prescribed in the Companies (Accounting Standard) Rules, 2006		

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

sd/-
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Place : Mumbai
Dated : 12 June 2008

Schedules

Schedules forming part of the Balance Sheet as on 31 March 2008

In thousands of Indian Rupees	31 March 2008	31 March 2007
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	4,650,000	3,900,000
Head office account		
(including start up capital of Rs 2 million and remittances from Head office)		
Opening Balance	12,126,829	7,126,829
Repatriations during the year	-	-
Addition during the year	20,950,000	5,000,000
Total	**33,076,829**	**12,126,829**
Schedule 2 - Reserves and Surplus		
1. Statutory reserve		
Opening Balance	4,274,318	3,728,764
Additions during the year:		
- Transfer from profits	965,266	545,554
	5,239,584	**4,274,318**
2. Capital reserve		
As per last Balance Sheet	177,207	156,378
Additions during the year	-	20,829
	177,207	**177,207**
3. Contingency reserve		
As per last Balance Sheet	633,000	633,000
	633,000	**633,000**
4. Investment fluctuation reserve		
Opening Balance	62,725	-
Additions/(Transfer) during the year	10,596	62,725
	73,321	**62,725**
5. Balance in Profit and Loss Account		
Additions/(Transfer) during the year	3,146,681	1,553,071
	3,146,681	**1,553,071**
6. Remittable Surplus Retained for CRAR requirements	571,384	571,384
	571,384	**571,384**
Total	**9,841,177**	**7,271,705**

In thousands of Indian Rupees			31 March 2008	31 March 2007
Schedule 3 - Deposits				
1.	(a)	Demand deposits		
	i.	From banks	484,173	306,854
	ii.	From others	89,067,891	47,842,149
			89,552,064	**48,149,003**
	(b)	Savings bank deposits	5,980,345	3,751,587
	(c)	Term Deposits		
	i.	From banks	-	-
	ii.	From others	42,017,176	17,883,199
			42,017,176	**17,883,199**
Total			**137,549,585**	**69,783,789**
2.	**Deposits of branches in India**		**137,549,585**	**69,783,789**
	Deposits of branches outside India		-	-
Total			-	-
Schedule 4 - Borrowings				
1.	**Borrowings in India**			
	a.	Reserve Bank of India	16,000,000	4,600,000
	b.	Banks	15,307,750	40,981,600
	c.	Other institutions and agencies	7,497,015	23,225,100
			38,804,765	**68,806,700**
2.	**Borrowings outside India**			
	Banks		10,013,046	623,438
			10,013,046	**623,438**
Total			**48,817,811**	**69,430,138**
Secured borrowings included above			**23,497,015**	**4,600,000**
Schedule 5 - Other Liabilities and Provisions				
1.	Bills payable		3,685,367	2,700,824
2.	Inter-office adjustments - branches in India (net)		17,320	33,191
3.	Due to Head office		2,622,223	2,846,335
4.	Interest accrued		732,935	3,952,819
5.	Subordinated loan in the nature of long term borrowing in foreign			
	currency from Head office (Refer Schedule 18 Note-4b)		1,805,400	1,956,150
6.	Tax paid in advance / tax deducted at source (net of provision for taxation)		205,355	-
7.	Others (including provisions) (Refer Schedule 18 Note-4c)		8,776,386	7,049,049
Total			**17,844,986**	**18,538,368**
Schedule 6 - Cash and Balances with Reserve Bank of India				
1.	Cash in hand (including foreign currency notes)		106,747	73,842
2.	Balances with Reserve Bank of India			
	a. in current account		24,591,584	9,220,360
	b. in other accounts		-	-
Total			**24,698,331**	**9,294,202**

In thousands of Indian Rupees	31 March 2008	31 March 2007
Schedule 7 - Balances with Banks and Money at Call and Short Notice		
1. In India		
a. Balances with banks		
i. in current accounts	62,672	40,457
ii. in other deposit accounts (including with financial institutions)	-	38,038,150
b. Money at call and short notice		
i. with banks	-	-
ii. with other institutions	-	631,000
2. Outside India		
a. in current accounts	6,395,276	2,355,807
b. in deposit accounts	-	-
c. money at call and short notice	10,030,000	-
Total	**16,487,948**	**41,065,414**
Schedule 8 - Investments		
Investments in India in:		
1. Government securities	93,556,639	42,866,205
2. Other approved securities	380	380
3. Shares - fully paid	55,121	55,074
4. Debentures and bonds	2,596,806	2,259,493
5. Others (Includes Commercial Papers, Pass Through Certificates and Security Receipts)	5,639,604	17,014,760
Gross Investments in India	**101,848,550**	**62,195,912**
Less : Provision for diminution in value	(136,128)	(160,605)
Total	**101,712,422**	**62,035,307**
Schedule 9 - Advances		
1. a. Bills purchased and discounted	17,640,359	8,264,658
b. Cash credits, overdrafts and loans repayable on demand	40,449,185	27,364,104
c. Term loans	31,511,797	13,821,831
Total	**89,601,341**	**49,450,593**
2. a. Secured by tangible assets (includes advances against book debts)	19,144,849	9,199,469
b. Covered by bank/Government guarantees	7,990,685	2,919,731
c. Unsecured	62,465,807	37,331,393
Total	**89,601,341**	**49,450,593**
3. Advances in India		
a. Priority sector (including export finance)	19,099,161	16,319,941
b. Public sector	160	16,664
c. Banks	2,668,896	5,256,831
d. Others	67,833,124	27,857,157
Total	**89,601,341**	**49,450,593**
Non performing advances (net)		
as a % of Total Advances (net), classified as per		
Reserve Bank of India guidelines	0.2242%	0.0085%

In thousands of Indian Rupees	31 March 2008	31 March 2007
Schedule 10 - Fixed Assets		
1. Premises		
a. Cost as on 31st March of the preceding year	1,132,187	955,613
b. Additions during the year	79,106	221,716
c. Deductions during the year	(2,613)	(45,142)
d. Accumulated Depreciation to date	(440,340)	(367,546)
	768,340	**764,641**
2. Other Fixed Assets (including furniture and fixtures)		
a. Cost as on 31st March of the preceding year	1,356,996	1,080,458
b. Additions during the year	214,112	301,939
c. Deductions during the year	(21,877)	(25,401)
d. Accumulated Depreciation to date	(1,017,991)	(818,715)
	531,240	**538,281**
Total	**1,299,580**	**1,302,922**
Schedule 11 - Other Assets		
1. Interest accrued	1,810,812	3,709,306
2. Tax paid in advance/tax deducted at source		
(net of provision for taxation)	-	168,169
3. Stationery and stamps	1,363	620
4. Others (including deferred tax) (refer note 4 (e))	11,518,591	10,124,296
Total	**13,330,766**	**14,002,391**
Schedule 12 - Contingent Liabilities		
1. Claims against the Bank not acknowledged as debts		
(including tax related matters)	748,372	1,104,332
2. Liability on account of outstanding forward exchange contracts	5,215,669,589	1,894,536,805
3. Guarantees given on behalf of customers		
a. In India	15,836,572	11,242,974
b. Outside India	27,586,098	17,664,555
4. Acceptances, endorsements and other obligations	64,221,609	28,899,629
5. Bills rediscounted	3,430,813	5,001,336
6. Other Items for which the Bank is contingently liable		
(a) Swaps	150,667,897	147,031,112
(b) Options	1,021,914,499	317,695,097
(c) Repos	18,017,788	500,680
Total	**6,518,093,237**	**2,423,676,520**

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2008

In thousands of Indian Rupees	31 March 2008	31 March 2007
Schedule 13 - Interest Earned		
1. Interest/discounts on advances/bills	7,156,236	3,559,354
2. Income on Investments	5,587,367	2,816,122
3. Interest on balances with Reserve Bank of India and other interbank funds	1,618,095	3,340,206
4. Others	92,062	1,458
Total	**14,453,760**	**9,717,140**
Schedule 14 - Other Income		
1. Commission, exchange and brokerage (net) (including custodial and depository income)	3,880,230	2,616,270
2. Profit/(Loss) on sale of investments (net)	1,255,192	(21,279)
3. Profit/(Loss) on sale of land, building and other assets (net) including write off	(2,759)	32,414
4. Profit on exchange transactions (net)	3,949,583	3,119,272
5. Miscellaneous Income (Refer Schedule 18 Note-4f)	1,081,056	789,877
Total	**10,163,302**	**6,536,554**
Schedule 15 - Interest Expended		
1. Interest on deposits	2,245,239	1,065,456
2. Interest on Reserve Bank of India and other interbank borrowings		
(including from other money market participants)	3,041,412	3,598,614
3. Others	78,354	6,610
Total	**5,365,005**	**4,670,680**
Schedule 16 - Operating Expenses		
1. Payments to and provisions for employees	4,987,308	3,810,160
2. Rent, taxes and lighting (Refer Schedule 18 Note-4g)	490,870	279,347
3. Printing and stationery	129,958	97,959
4. Advertisement and publicity	134,693	260,340
5. Depreciation on bank's property	290,764	291,376
7. Auditors' fees and expenses	4,643	2,156
8. Law charges	53,125	26,286
9. Postage, telegrams, telephones, etc.	517,193	329,202
10. Repairs and maintenance	304,262	243,001
11. Insurance	162,261	115,863
12. Head office charges	2,179,861	1,261,957
13. Other expenditure (net of cost recoveries)	1,336,982	726,246
Total	**10,591,920**	**7,443,893**
Schedule 17 - Provision and Contingencies		
1. Provision for loan loss (net)	288,981	23,439
2. Provision for standard assets and country risk	307,371	215,626
3. Bad debts written off	196,285	(3,528)
4. Provision for depreciation on investments	(24,477)	(143,750)
5. Provision for :		
a. Income tax	4,576,846	2,450,712
b. Wealth tax	-	10
6. Deferred tax (Refer Schedule 18 Note-4e)	(545,934)	(585,603)
Total	**4,799,072**	**1,956,906**

Schedule 18

Notes forming part of the financial statements of the Indian branches for the year ended 31 March 2008

1. BACKGROUND

The accompanying financial statements for the year ended 31 March 2008 comprise accounts of the Indian branches of Deutsche Bank AG which is incorporated in Germany with limited liability.

2. BASIS OF PREPARATION AND USE OF ESTIMATES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

a. Foreign currency translation

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

b. Investments

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

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

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

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

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

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

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

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

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

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

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

xii. Investments in securities are accounted for on value date basis.

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

c. Derivatives transactions

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

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

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

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

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

Foreign exchange trading positions including spot and forward contracts are revalued monthly and the resulting gains or losses are included in the profit and loss account.

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

d. Advances and provision for advances

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

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

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

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

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

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

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

iv. 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.

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

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

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

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

f. Lease transactions:

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

g. Income recognition

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

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

h. Staff benefits

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

ii. Contributions payable towards super annuation fund which is a defined contribution scheme is charged to the profit and loss. Bank contributes 1% of the basic salary towards super annuation fund to Deutsche Bank Pension Fund.

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

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

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

vi. Actuarial gains / losses are immediately taken to the profit and loss accounts.

i. Taxation

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

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.

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.

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

j. Provisions and contingent liabilities

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

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

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

4. NOTES TO FINANCIAL STATEMENTS

a. Reserves and surplus

During the year, the Bank has transferred an amount of Rs. 10,596 thousand from the profit and loss account to Investment Reserve Account on account of write back of depreciation on investments, pursuant to the Reserve Bank of India guidelines under reference DBOD No. BP.BC.15 / 21.04.141 / 2007-08 Master Circular - Prudential norms for classification, valuation and operation of investment portfolio by banks dated 2 July 2007.

b. Subordinated debt

During the year ended 31 March 2004, the Bank had raised subordinated debt through Head Office borrowing in foreign currency for inclusion in Tier II Capital, in accordance with Reserve Bank of India letter DBOD No. IBS.BC.65/23.10.015/2001-02 dated 14 February 2002. The entire amount of foreign currency is fully swapped in rupees at all times. The resultant swap cost is accounted as 'interest' as per Foreign Exchange Dealers' Association of India (FEDAI) circular no. SPL-29/Revaluation/2000 dated 10 March 2000.

c. Other liabilities and provisions

Other liabilities and provisions – Others (Schedule 5-7) includes

		(in Rs. '000)
Particulars	31 March 2008	31 March 2007
Provisions towards Standard Assets	589,823	318,896

d. Investments

		(in Rs. '000)
Items	31 March 2008	31 March 2007
1. Value of Investments		
i. Gross Value of Investments		
a. In India	101,848,550	62,195,913
b. Outside India	-	-
ii. Provisions for Depreciation		
a. In India	(136,128)	(160,605)
b. Outside India	-	-
iii. Net Value of Investments		
a. In India	101,712,422	62,035,307
b. Outside India	-	-
2. Movement of provisions held towards depreciation on investments		
i. Opening balance (as on April 1)	160,605	304,355
ii. Add: Provisions made during the year	-	-
iii. Less: Write-off / write-back of excess provisions during the year	(24,477)	(143,750)
iv. Closing balance (as on March 31)	136,128	160,605

Investments – Government securities (Schedule 8 - 1) include:

1. Government securities amounting to Rs. 11,920,000 thousand representing face value (Previous year: Rs. 800,000 thousand) is collateral holding parked with CCIL for securities segment and CBLO segment.

2. Government securities amounting to Rs 16,800,000 thousand representing face value (previous year: Rs. 4,830,000) are securities repoed under Liquidity Adjustment Facility ('LAF') with RBI.
3. Government securities amounting to Rs. 12,165,000 thousand representing face value (Previous year: Rs. Nil) is securities deposited with Reserve Bank of India in Intra Day Liquidity (IDL) for availing RTGS.

e. Deferred tax

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

(in Rs. '000)

Particulars	31 March 2008	31 March 2007
Provision for bad and doubtful debts	240,482	139,533
Broken period interest paid on securities	608,210	264,960
Depreciation on fixed assets	71,042	60,071
Expenses allowable in the year of payment on deduction of TDS	271,965	189,259
Provision for compensation and benefits	191,804	206,961
Others	52,740	29,524
Deferred tax asset	**1,436,243**	**890,308**

f. Miscellaneous income

Miscellaneous income (Schedule 14 - 5) includes fees for processing, sales and marketing services rendered in accordance with the respective contract / arrangement aggregating to Rs. 1,288,841 thousand (Previous year: Rs. 870,630 thousand).

g. Operating leases

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

I. Cancellable leasing arrangement for premises: Total lease rental of Rs. 334,302 thousand (Previous year: Rs.161,390 thousand) has been included under Operating expenses – Rent, taxes and lighting (Schedule 16 - 2) in the profit and loss account.

ii. Non-cancellable leasing arrangement for vehicles: Total lease rental of Rs. 31,277 thousand (Previous year: Rs. 26,069 thousand) has been included under the head Operating expenses – Rent, taxes and lighting (Schedule 16 - 2) in the profit and loss account.

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

		(in Rs. '000)
Particulars	**31 March 2008**	**31 March 2007**
Not later than 31 March 2008	32,432	25,336
Later than 1 April 2008 but not later than 31 March 2013	45,250	42,983
Later than 31 March 2013	-	-

h. Capital adequacy ratio

As per the guidelines for implementation of the new capital adequacy framework issued on 27 April 2007, the RBI has directed foreign banks to migrate to the revised framework for capital computation under Basel II with effect from 31 March 2008. The migration is required to be carried out in phased manner where under, banks are required to compute their capital requirement under Basel I and Basel II. The capital ratio as per Basel II is 15.05% and under Basel I is 13.58%. The minimum capital to be maintained by banks under the revised framework is subject to the prudential floor of 100%, 90% and 80% of the capital requirement under Basel I over the years March 2008, 2009 and 2010 respectively.

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

		(in Rs. '000)
Year ended	**31 March 2008**	**31 March 2007**
Tier I capital	37,621,634	16,227,951
Tier II capital	1,411,847	1,485,111
Total capital	**39,033,481**	17,713,062
Total risk weighted assets and contingents	**287,369,180**	**166,862,242**
Capital ratios (per cent)		
CRAR - Tier I capital	13.09%	9.73%
CRAR - Tier II capital	0.49%	0.89%
Total Capital	13.58%	10.62%
Subordinated debt included in Tier II Capital for Capital adequacy	-	391,230

I. Business ratios/information

Year ended	31 March 2008	31 March 2007
Interest income as a percentage of working funds	7.85%	6.68%
Non-interest income as a percentage of working funds	5.52%	4.49%
Operating profit as a percentage of working funds $	4.71%	2.82%
Return on assets #	1.56%	1.23%
Business per employee (in Rs. 000's) * @	161,674	114,353
Profit per employee (in Rs. 000's) *	2,754	2,098

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

Net Profit as a percentage to total assets

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

* Productivity ratio are based on year end employee numbers

j. Additional disclosure in terms of RBI circulars:

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

(in Rs. '000)

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

Issuer 31 March 2007	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	(in Rs. '000) Extent of 'unlisted' securities
Public Sector Undertaking	-	-	-	-	-
Financial Institutions(FIs)	4,472,802	4,472,802	-	-	-
Banks	3,704,141	3,704,141	-	-	-
Private Corporates	64,567	64,567	-	64,567	55,073
Subsidiaries / Joint Ventures	-	-	-	-	-
Others	11,087,816	11,087,816	-	-	11,087,816
Provision held towards depreciation	(14,518)	(14,518)	-	(14,518)	(14,518)
Total	**19,314,808**	**19,314,808**	**-**	**50,049**	**11,128,371**

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

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

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	(in Rs. '000) As on 31 March 2007
Securities sold under repos	-	21,048,622	7,943,792	500,264
Securities purchased under reverse repo	-	8,915,023	3,286,278	-

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

iii. Movement in non performing non SLR investments

		(in Rs. '000)
Particulars	**31 March 2008**	**31 March 2007**
Opening Balance	10,580	22,752
Addition during the year	9,540	-
Reductions during the year	-	(12,172)
Closing Balance	20,120	10,580
Total Provisions held	20,120	10,580

iv. Exposure to Real Estate sectors:

		(in Rs. '000)
Category	**31 March 2008**	**31 March 2007**
a) Direct exposure		
(i) Residential Mortgages - Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented (includes an amount of Rs 313,253 thousand (previous year Rs 214,734 thousand) pertaining to individual housing loans upto Rs 1,500 thousand);	5,005,115	1,809,416
(ii) Commercial Real Estate - Lendings secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	4,963,400	3,586,713
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures a. Residential, b. Commercial Real Estate.	-	-
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
Total	**9,968,515**	**5,369,129**

v. Exposure to Capital Market

Items		31 March 2008	31 March 2007
			(in Rs. '000)
I)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt; investments in bonds/ convertible debentures	55,121	55,074
(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;	550,000	330,572
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds `does not fully cover the advances;	614,500	19,968
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	615,000	85,220
(vi)	loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	900,000	-
(vii)	bridge loans to companies against expected equity flows/issues;	-	-
(viii)	underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix)	financing to stockbrokers for margin trading;	-	-
(x)	all exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-	-
Total Exposure to Capital Market		**2,734,621**	**490,834**

vi. There was no restructuring of loans in relation to sub-standard assets during the year. The amount outstanding as on 31 March 2008 in respect of loan assets subjected to restructuring during the year is Rs. NIL (previous year Rs. NIL) in relation to standard assets and substandard assets

Items	31 March 2008	(in Rs. '000) 31 March 2007
(i) Total amount of loan assets subjected to reconstructing,rescheduling,renegotiation; of which under CDR	-	-
(ii) The amount of Standard assets subjected to restructing,rescheduling,renegotiation; of which under CDR	-	-
(iii) The amount of Sub-Standard assets subjected to restructing,rescheduling,renegotiation;	-	-
(iv) The amount of Doubtful asssets subjected to restructing ,rescheduling,renegotiation.	-	-

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

viii. Movements in non performing assets (NPAs):

Movement in NPAs (funded)	31 March 2008	(in Rs. '000) 31 March 2007
(i) Net NPAs to Net Advance (%)	0.2242%	0.0085%
(ii) Movement of Gross NPAs		
a) Opening balance	110,248	82,630
b) Additions during the year	689,778	45,403
c) Reductions during the year	(204,096)	(17,785)
d) Closing Balance	595,930	110,248
(iii) Movement of Net NPAs		
a) Opening balance	4,179	-
b) Additions during the year	196,701	4,179
c) Reductions during the year	-	-
d) Closing Balance	200,880	4,179
(iv) Movement of Provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	106,069	82,630
b) Additions during the year	493,077	41,224
c) Reductions during the year	(204,096)	(17,785)
d) Closing Balance	395,050	106,069

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

Items	31 March 2008	(in Rs. '000) 31 March 2007
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.	-	-

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

		31 March 2008	(in Rs. '000) 31 March 2007
1	(a) No. of accounts purchased during the year	6	1
	(b) Aggregate outstanding	212,920	25,000
2	(a) Of these, number of accounts restructured during the year	-	-
	(b) Aggregate outstanding	-	-

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

		31 March 2008	(in Rs. '000) 31 March 2007
1)	No. of accounts settled	-	-
2)	Aggregate outstanding	-	-
3)	Aggregate consideration received	-	-

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

Particulars	31 March 2008	(in Rs. '000) 31 March 2007
Provisions for depreciation on investment	(24,477)	(143,750)
Provision towards NPA	288,981	23,439
Bad debts written off (net of recoveries)	196,285	(3,528)
Provision towards standard assets and country risk	307,371	215,626
Provision made towards income tax	4,576,846	2,450,712
Other Provisions and Contingencies (with details) :		
Deferred tax	(545,934)	(585,603)
Wealth tax	-	10
Total	**4,799,072**	**1,956,906**

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

Maturity Bucket (31 March 2008) In Rs.'000	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	78,593,292	8,133,435	33,902,551	11,681,626	4,868,325	334,135	34,991	1,230	137,549,585
Advances	33,957,415	7,168,544	15,436,937	6,045,468	2,392,057	6,552,730	12,707,214	5,370,976	89,601,341
Investments (Gross)	78,952,082	2,562,313	11,495,811	3,531,560	2,299,880	2,942,344	9,117	55,443	101,848,550
Borrowings	28,840,810	1,700,000	4,978,911	1,871,505	468,835	10,957,750	-	-	48,817,811
Foreign Currency assets	12,827,695	2,466,953	105,065	2,512,002	2,871,415	42,844	-	493,036	21,319,010
Foreign Currency liabilities	7,429,849	67,935	10,464,882	3,076,221	1,108,841	30,802	29	-	22,178,559

Maturity Bucket (31 March 2007) In Rs.'000	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	26,889,217	5,382,753	25,799,645	8,380,510	2,441,029	873,088	16,757	790	69,783,789
Advances	15,432,930	6,906,817	9,531,092	7,366,062	2,565,675	1,545,075	1,536,491	4,566,451	49,450,593
Investments (Gross)	36,248,242	5,449,321	1,466,331	488,777	1,738,777	15,663,311	488,777	652,376	62,195,912
Borrowings	30,084,098	400,000	19,504,550	3,093,090	10,162,000	6,186,400	-	-	69,430,138
Foreign Currency assets	3,960,030	41,297	101,285	65,640	413,834	6,602,310	1,956,150	.-	13,140,546
Foreign Currency liabilities	16,213,006	692,477	5,994,513	4,619,122	10,063,740	6,085,800	-	-	43,668,658

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

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

xii. Customer complaints

	31 March 2008	31 March 2007
Customer complaints		
(a) No. of complaints pending at the beginning of the year	33	6
(b) No. of complaints received during the year	13,716*	6,891*
(c) No. of complaints redressed during the year	13,739*	6,864*
(d) No. of complaints pending at the end of the year	10	33
Unimplemented awards of Banking Ombudsmen		
(a) No. of unimplemented awards at the beginning of the year	-	-
(b) No. of Awards passed by the Banking Ombudsmen during the year	-	-
(c) No. of Awards implemented during the year	-	-
(d) No. of unimplemented Awards at the end of the Year	-	-

* The numbers does not include the number of requests (13,979) (previous year 11,791) for resending the card/PIN/Statement etc. as the customers were not available when these were originally sent. The above number has been extracted from the Bank's complaint tracking system.

k. Country risk exposure:

(in Rs. '000)

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

No provision for country risk exposure was made in the previous year since the Bank' s country wise net funded exposure does not exceed 1% of the total assets as on 31 March 2007. As such exposure (net) as at 31 March 2007 has not been disclosed in the absence of readily available information.

I. Details of outstanding swap agreements:

Items	31 March 2008	(in Rs. '000) 31 March 2007
1. The Notional principal of swap agreements	8,722,514,067	3,302,636,574
2. Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	3,435,335	4,950,715
3. Collateral required by the bank upon entering into swaps $	Refer Note	
4. Concentration of credit risk arising from the Swaps %		
- Banks and financial institutions	99.14%	97.74%
- Others	0.86%	2.26%
Total	**100.00%**	**100.00%**
5. The fair value of the swap book @	(217,271)	(485,978)

$ The bank obtains collateral from counter parties where it is considered necessary, given their financial position and the overall banking relationship.

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

- Nature and terms of interest rate swaps :

Items	31 March 2008	(in Rs. '000) 31 March 2007
Trading - MIBOR*	7,359,838,000	2,499,977,821
Trading - MIFOR**	1,305,500,000	711,495,000
Hedging - MIBOR	-	2,750,000
Hedging - MIFOR	-	29,450,000
Trading - INBMK***	51,652,626	50,882,826
Trading - Others	5,523,441	8,080,927
Total	**8,722,514,067**	**3,302,636,574**

* 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 2008 and 31 March 2007.
- During the year, the bank has not entered into exchange traded derivatives.

m. Segment reporting

Segmental reporting disclosures as required by Accounting Standard 17 - 'Segment Reporting' prescribed by the Companies (Accounting Standards) Rules, 2006 ('CASR') and in accordance with the guidelines issued by the Reserve Bank of India are given below:

Business Segments	Global Markets	Commercial Banking	Retail Banking	Others	(in Rs. '000) Total
Particulars	**For the year ended 31 March 2008**				
Revenue (Net)	6,735,857	8,017,023	2,420,769	2,078,408	19,252,057
Results	4,644,003	4,931,761	(1,901,165)	1,702,628	9,377,227
Unallocated Expenses	-	-	-	-	(1,485,250)
Operating Profit before tax	-	-	-	-	7,891,977
Income Tax, Wealth Tax and Deferred Tax	-	-	-	-	(4,030,912)
Extraordinary Profit/Loss	-	-	-	-	-
Net Profit after tax	-	-	-	-	3,861,065
Other Information					
Segment Assets	167,144,704	49,322,175	24,966,639	5,666,870	247,130,388
Total Assets	-	-	-	-	247,130,388
Segment Liabilities	50,690,855	132,990,386	13,815,273	49,633,874	247,130,388
Total Liabilities	-	-	-	-	247,130,388

The Bank has classified its business groups into following segments.

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

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

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

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

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

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

Revenue comprises:

		(in Rs. '000)
Particulars	**31 March 2008**	**31 March 2007**
Interest income	14,453,760	9,717,140
Other income	10,163,302	6,536,554
Interest expenses	(5,365,005)	(4,670,680)
Revenue	19,252,057	11,583,014

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

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

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

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

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

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

Business Segments	Global Markets	Commercial Banking	Others	Total
Particulars	**For the year ended 31 March 2008**			
Revenue (Net)	4,909,959	6,067,466	605,589	11,583,014
Results	3,448,977	1,324,424	134,152	4,907,553
Unallocated Expenses	-	-	-	(860,219)
Operating Profit	-	-	-	4,047,334
Income Tax, Wealth Tax and Deferred Tax	-	-	-	(1,865,119)
Extraordinary Profit/Loss	-	-	-	-
Net Profit	-	-	-	2,182,215
Other Information				
Segment Assets	123,663,165	47,742,949	5,744,715	177,150,829
Total Assets	-	-	-	177,150,829
Segment Liabilities	75,120,494	76,656,924	25,373,411	177,150,829
Total Liabilities	-	-	-	177,150,829

In accordance with the RBI guidelines on Segment Reporting ('the guidelines'), disclosure of previous year figures in the revised format in the first year of reporting under the guidelines has not been made. Accordingly the segment reporting for the previous year ended 31 March 2007 is not comparable with the reporting for the current year.

Geographical segments

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

n. Related party disclosure

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

Relationships during the year

i. **Head office**

Deutsche Bank AG.

ii. **Associate**

Comfund Consulting Limited

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

Deutsche Asset Management (India) Private Limited
Deutsche Trustee Services (India) Private Limited
Deutsche Securities (India) Private Limited
Deutsche Equities India Private Limited
Deutsche India Holdings Private Limited
Deutsche Investments India Private Limited
DB Operations International Private Limited
Global Market Center Private Limited
RREEF India Advisors Private Limited
Deutsche Investor Services Private Limited

iv. Key management personnel

Gunit Chadha, Chief Executive Officer, India.

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

Items/Related Party	Head office (as per ownership or control)	Subsidiaries	Associates/ Joint Venture	Other related party in Deutsche Bank Group	Key Management personnel	Relatives of Key Management Personnel	(in Rs. '000) Total
Sale of fixed assets	-	-	-	0 (97)	-	-	0 (97)
Purchase of fixed assets	-	-	-	24 (6,677)	-	-	24 (6,677)
Interest paid	-	-	-	494,374 (221,317)	-	-	494,374 (221,317)
Interest received	-	-	-	233,719 (134,018)	-	-	233,719 (134,018)
Rendering of services-receipt	-	-	-	2,867 (675)	-	-	2,867 (675)
Receiving of services-payment	-	-	-	137,245 (61,315)	-	-	137,245 (61,315)
Management contracts	-	-	-	470,137 (246,501)	-	-	470,137 (246,501)

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

Items/Related Party	Head office (as per ownership or control)	Subsidiaries	Associates/ Joint Venture	Other related party in Deutsche Bank Group	Key Management personnel	Relatives of Key Management Personnel	(in Rs. '000) Total
Borrowings	-	-	-	567,789 (4,91,089)	-	-	567,789 (4,91,089)
Deposits	-	-	-	18,077,651 (3,458,201)	-	-	18,077,651 (3,458,201)
Advances	-	-	-	2,509,980 (2,445,088)	-	-	2,509,980 (2,445,088)
Non-funded commitments	-	-	-	939,416 (65,595)	-	-	939,416 (65,595)
Other Asset	-	-	-	85,809 (63,305)	-	-	85,809 (63,305)
Other Liability	-	-	-	217,819 (60,454)	-	-	217,819 (60,454)

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

Details of maximum balances outstanding with related parties during financial year ended 31 March 2008.

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

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

Maximum amounts outstanding during the previous financial year have not been disclosed in the absence of readily available information.

o. Derivatives

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

Based on the definition of derivatives provided in the Comprehensive guidelines on derivatives issued by RBI vide circular DBOD. No. BP. BC. 86 / 21.04.157 / 2006-07 dated 20 April 2007, the Bank evaluated certain money market lending and borrowing transactions to be in the nature of derivatives. Accordingly these transactions along with corresponding hedges have been accounted on a fair value basis consistent with the accounting of derivative portfolio. Consequently the profit before tax and reserves for the current year ended 31 March 2008 is higher by Rs. 710,849 thousand (Previous Year Rs.Nil). Further, as at 31 March 2008 due to the above change, Balances with Banks and Money at call and short notice in Schedule 7(1)(a)(ii) is lower by Rs. 28,038,150('000), Borrowings in India in Schedule 4(1)(b) and Schedule 4(1)(c) is lower by Rs.5,306,600 and Rs 23,225,100('000) respectively and Contingent Liabilities is higher by Rs. 28,531,700 ('000).

Risk Management

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

Risk Management Principles

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

– The Board of Managing Directors provides overall risk management supervision for consolidated Group as a whole. The Supervisory Board regularly monitors the risk profile.

- The Bank manages credit, market, liquidity, operational and business risks in a coordinated manner at all relevant levels within the organization.
- The structure of the risk management function is closely aligned with the structure of the Group Divisions.
- The risk management function is independent of the Group Divisions.

Risk Management Organization

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

Risk management units are established with the mandate to:

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

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

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

Categories of Risk

The most important risks the Bank assumes are:

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

Risk Management Tools

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

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

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

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

Credit Exposure from Derivatives

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

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

Market Risk

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

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

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

Market Risk Management Framework

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

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

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

Value-at-Risk Analysis

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

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

The Bank believes that the value-at-risk model takes into account all material risk factors assuming normal market conditions. Examples of these factors are interest rates, equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities. The model incorporates both linear and, especially for derivatives, nonlinear effects of the risk factors on the portfolio value. The statistical parameters required for the value-at-risk calculation are based on a 261 trading day history (corresponding to at least one calendar year of trading days) with equal weighting being given to each observation.

The Bank generally calculates value-at-risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution. However, the Bank still utilizes a variance-covariance approach to calculate specific interest rate risk for some portfolios.

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

Back-Testing

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

Hedging

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

Accounting & Valuation

Accounting

Refer para 3C of Notes to financial statements.

Valuation

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

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

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

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

Quantitative Disclosures

(in Rs. '000)

Sr. No.	Particulars	31 March 2008 Currency Derivatives	31 March 2008 Interest Rate Derivatives	31 March 2007 Currency Derivatives	31 March 2007 Interest Rate Derivatives
1.	Derivatives (Notional Principal Amounts)				
	a) For hedging	-	-	-	37,633,750
	b) For Trading	1,172,522,396	9,368,868,292	464,726,209	3,835,568,769
2.	Marked to Market Positions (net)				
	a) Asset (+)	3,369,059	372,344	2,069,454	-
	b) Liability (-)	-	-	-	(1,135,536)
3.	Credit Exposure #	85,726,748	85,757,718	23,609,030	52,839,679
4.	Likely impact of one percentage upward change in interest rates (100* PV01)				
	a) On hedging	-	-	-	(376,723)
	b) On Trading	(77,949)	2,806,156	(270,658)	1,675,845
5.	Maximum of 100*PV01 observed during the year @				
	a) On hedging	-	800,255	-	(475,132)
	b) On Trading	(949,703)	3,843,465	(270,658)	1,675,845
6.	Minimum of 100*PV01 observed during the year @				
	a) On hedging	-	-	-	(188,738)
	b) On Trading	(77,949)	457,119	(105,377)	590,506

The above numbers exclude foreign exchange contracts.

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

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

p. Single and Group Borrower Exposures

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

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

- IBM India Pvt. Ltd.
- LIC Housing Finance Limited.
- WIPRO Limited.
- Export Import Bank of India
- Bharat Petroleum Corporation Ltd.
- Reliance Industries Ltd.
- Siemens Ltd.
- Cargil India Pvt. Ltd.
- Larsen & Toubro Ltd.

q. Floating provision

		(in Rs. '000)
Particulars	**31 March 2008**	**31 March 2007**
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

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

		(in Rs. '000)
Particulars	**31 March 2008**	**31 March 2007**
Provision for current income-tax	4,576,846	2,450,712
Provision for deferred-tax	(545,934)	(585,603)

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

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

s. 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/-	sd/-
Gunit Chadha	**Pandurang Hegde**
Chief Executive Officer India	Controller India
For **Deutsche Bank AG**	For **Deutsche Bank AG**
India Branches	India Branches

Mumbai, June 12 , 2008

Auditor's Report

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

1) We have audited the attached balance sheet of Deutsche Bank AG – India Branches ('the Bank') (incorporated with Limited Liability in Germany) as at 31 March 2008 and the profit and loss account and the cash flow statement of the Bank for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

4) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements 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 31 March 2008;
   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 case of the cash flow statement of the cash flows for the year ended on that date.

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

6) We further report that:

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

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

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

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

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

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

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

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

Mumbai, June 12 , 2008

Management disclosures under Pillar 3 of the New Capital Adequacy framework vide RBI circular reference RBI/2006-2007/357 DBOD.No.BP.BC.90/20.03.001/2006-07

1. Scope of application

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

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

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

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

b. Details of Capital Funds

Particulars	(in Rs. '000) 31 March 2008
Capital - Head Office Account	33,076,829
Statutory Reserve	5,239,584
Capital Reserve	177,207
Remittable Surplus Retained for CRAR requirement	571,384
Less: Deferred Tax asset	(1,436,242)
Less: Intangible assets	(7,128)
Tier I Capital	**37,621,634**
Investment Reserve	73,321
Provision on Standard Assets & Country Risk	626,266
General Loan Loss Provision	712,260
Tier II Capital	**1,411,847**
Total (Tier I + Tier II Capital)	**39,033,481**

3. Capital adequacy

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

The Bank is committed to maintaining its sound capitalisation. Therefore, overall capital demand and supply are constantly monitored and adjusted as necessary.

The 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 the Global Group Investment Committee for approval.

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

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

4. Risk Exposure & Assessment

Risk Management

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

Risk Management Principles

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

– The Board of Managing Directors provides overall risk management supervision for consolidated Group as a whole. The Supervisory Board regularly monitors the risk profile.

- The Bank manages credit, market, liquidity, operational and business risks in a coordinated manner at all relevant levels within the organization.
- The structure of the risk management function is closely aligned with the structure of the Group Divisions.
- The risk management function is independent of the Group Divisions.

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

Risk management units are established with the mandate to:

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

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

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

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The most important risks the Bank assumes are:

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

Risk Management Tools

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

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. Real Estate, Securitisation, Leveraged & Structured Finance, etc.

b. CRM CIB

(i) Credit Risk policies and procedures

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

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

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

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

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

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

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

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

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

(ii) Credit risk On Trading Instruments..

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

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

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

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

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

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

(iii) Credit rating policy

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

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

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

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

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

(iv) Definition and classification of NPAs

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

c. CRM PBC - Credit risk policies and procedures

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

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

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

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

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

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

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

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

d. CRM PWM

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

e. Total Gross Credit exposures

Category	(in Rs. '000) 31 March 2008
Bills purchased and discounted	17,640,359
Cash credits, overdrafts and loans repayable on demand	40,844,235
Term loans	31,511,797
Total Fund-based Exposures	**89,996,391**
Guarantees given on behalf of customers	43,422,670
Acceptances, endorsements and other obligations	64,221,609
FX & Derivative exposures	274,009,970
Total Non-fund based Exposures	**381,654,249**

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

f. Industry Type distribution of exposures as at 31 March 2008

Industry	Fund-based	Non-fund based	Total	(in Rs. '000) Percentage of Total
Banking	-	287,184,936	287,184,936	60.89%
Electronics & Engineering	11,745,782	10,678,091	22,423,873	4.75%
Retail finance	16,475,987	-	16,475,987	3.49%
Crude petroleum/refining & petrochemicals	229,908	10,107,589	10,337,497	2.19%
Chemical & Fertilisers	5,648,422	2,799,418	8,447,840	1.79%
Manufacturing Products Excl Metal	3,881,743	3,342,200	7,223,943	1.53%
Services – finance	3,190,929	3,942,627	7,133,556	1.51%
Services - Non finance	3,433,221	3,002,088	6,435,309	1.36%
Cement	5,583,333	371,414	5,954,747	1.26%
Food & beverages	5,241,143	688,639	5,929,782	1.26%
Automobiles	3,237,116	1,874,508	5,111,624	1.08%
Wholesale / Retail trade	3,003,360	2,099,993	5,103,353	1.08%

Industry	Fund-based	Non-fund based	Total	Percentage of Total
Textile	3,056,719	1,870,830	4,927,549	1.04%
Drugs & Pharmaceuticals	2,316,241	1,012,318	3,328,559	0.71%
Construction	1,569,236	1,493,681	3,062,917	0.65%
Metal & products (excl iron & steel)	1,349,588	1,335,627	2,685,215	0.57%
Road, port, telecom, urban development & other infra	1,160,550	1,378,520	2,539,070	0.54%
Other industries	18,873,113	48,471,771	67,344,884	14.28%
Grand Total	**89,996,391**	**381,654,249**	**471,650,640**	100.00%

g. Residual contractual maturity break down of Gross Advances

Maturity buckets	(in Rs. '000) 31 March 2008
1 to 14 days	33,957,415
15 to 28 days	7,168,544
29 days to 3 months	15,436,937
3 to 6 months	6,045,468
6 months to 1 year	2,392,057
1 to 3 years	6,522,730
3 to 5 years	12,707,214
Above 5 years	5,766,026
Total	**89,996,391**

h. Amount of Non Performing Assets as at 31 March 2008

NPA Classification	Gross NPAs	(in Rs. '000) Net NPAs
Substandard	259,204	200,880
Doubtful		
- Doubtful 1		
- Doubtful 2	22,337	
- Doubtful 3	500,183	
Loss	73,410	
Total	595,930	200,880
NPA Ratio	0.66 %	0.22%

I. Movement in NPAs

Movement in NPAs (funded)	(In Rs'000) 31 March 2008
(i) Net NPAs to Net Advance (%)	0.2242%
(ii) Movement of Gross NPAs	
a) Opening balance	110,248
b) Additions during the year	689,778
c) Reductions during the year	(204,096)
d) Closing Balance	595,930
(iii) Movement of Net NPAs	
a) Opening balance	4,179
b) Additions during the year	196,701
c) Reductions during the year	-
d) Closing Balance	200,880
(iv) Movement of Provisions for NPAs (excluding provisions on standard assets)	
a) Opening balance	106,069
b) Additions during the year	493,077
c) Reductions during the year	(204,096)
d) Closing Balance	395,050

j. Amount of NPIs

Particulars	(in Rs. '000) 31 March 2008
Closing balance for the period	20,120
Total provision held	20,120
Net book value	**0**

k. Movement in Provision for Depreciation on Investments

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

4.2 Credit risk – Portfolios subject to Standardised Approach

a. Credit rating agencies

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

There have been no instances of claim transfer as on March 31, 2008.

b. Outstanding amounts

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

Exposure Category	(In Rs'000) 31 March 2008
Under 100% risk weight	7,874,029
100% risk weight	72,277,203
Above 100% risk weight	9,845,159
Total	**89,996,391**

4.3 Credit risk mitigation policy

a. Collateral valuation and management

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

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

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

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

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

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

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

c. Exposure covered by eligible financial collateral

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

4.4 Market risk in trading book

a. Market risk Management Framework

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

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

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

b. Types of market risk

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

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

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

c. Risk Management Tools

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

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

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

The Bank believes that the value-at-risk model takes into account all material risk factors assuming normal market conditions. Examples of these factors are interest rates, equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities. The model incorporates both linear and, especially for derivatives, nonlinear effects of the risk factors on the portfolio value. The statistical parameters required for the value-at-risk calculation are based on a 261 trading day history (corresponding to at least one calendar year of trading days) with equal weighting being given to each observation.

The Bank generally calculates value-at-risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution. However, the Bank still utilizes a variance-covariance approach to calculate specific interest rate risk for some portfolios.

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

e. Back-Testing

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

f. Hedging

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

g. Capital requirements for market risk

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

4.5 Operational risk

a. Operational risk management framework

Operational Risk Management ('ORM') is responsible for defining the operational risk framework and related policies while the responsibility for implementing the framework as well as the day-to-day operational risk management lies with the business divisions. Based on the business partnership model ORM ensures close monitoring and high awareness of operational risk. Operational Risk Management is structured into global relationship teams and a central methodology team. The global relationship teams, which are aligned with the divisional and regional structure of Deutsche Bank, oversee and support the implementation of the operational risk framework within the Bank. The central methodology team develops and implements the operational risk management and reporting toolset, including the Advanced Measurement Approach (AMA) methodology. This also includes monitoring of regulatory requirements, performing value-added analysis and establishing loss thresholds.

b. Risk management tools

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

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

- Performing bottom-up "self-assessments" resulting in a specific operational risk profile for the business lines highlighting the areas with high risk potential
- Collect losses arising from operational risk events in a centralised database
- Capturing and monitoring key operational risk indicators in a Central tool
- Capturing action points resulting from ''self-assessments'' or risk indicators, and monitoring the progress of the operational risk action points on an ongoing basis

c. Policies for mitigation

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

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

Given that this is the first year of disclosures under Pillar 3 of the New Capital Adequacy Framework, comparative figures for the previous year have not been provided.

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

sd/-
Pandurang Hegde
Controller India
For **Deutsche Bank AG**
India Branches

Mumbai, June 12 , 2008

Deutsche Bank in India

Mumbai

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

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

Bangalore

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

Chennai

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

Aurangabad

A-2 Ground Floor
Aurangabad Business Center
Adalat Road
Dr. Rajendra Prasad Marg
Aurangabad - 431005

New Delhi

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

Gurgaon

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

Noida

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

Kolkata

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

Kolhapur

Deutsche Bank Centre
221B/1B, ‘E’ Ward
Tarabai Park
Kolhapur - 416 003