

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES

a) General

i) Background

The accompanying financial statements for the year ended March 31, 2012 comprise the accounts of the Mumbai branch (referred to as 'the Bank') of Credit Suisse AG which is incorporated in Switzerland, with limited liability.

In August 2010, the Bank's parent company, Credit Suisse AG, received the approval of the Reserve Bank of India ('RBI') for setting up a Bank Branch. The Bank commenced its banking business with effect from February 15, 2011 after obtaining the necessary clearances and approvals from RBI.

ii) Basis of preparation

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and notified by the Companies Accounting Standard Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India.

iii) Use of Estimates:

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities as of the date of the financial statements and the reported income and expenses for the reporting year. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

b) Investments

Classification and valuation of investments is carried out in accordance with extant RBI guidelines on investment classification and valuation.

Classification:

Investments are classified at the date of purchase, based on the intention at the time of acquisition, into Held for Trading ('HFT') or Available for Sale ('AFS'). Under each of these categories, investments are further classified under six groups viz. Government Securities, Other approved securities, Shares, Debentures and Bonds, Subsidiaries and / or joint ventures and Others.

Valuation:

Investments in Statutory Liquidity Ratio (SLR) securities classified under the 'Available for Sale' and 'Held for Trading' categories are valued periodically as per RBI guidelines. The market/fair value for the purpose of periodical valuation of quoted investments included in the 'Available for

Sale' and 'Held for Trading' categories is the market price of the security available from trades/quotes on the recognized stock exchanges, subsidiary general ledger account transactions, price list of RBI or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association (FIMMDA), periodically. The net depreciation, if any, in each classification as mentioned in Schedule – 8 – 'Investments' is recognized in the Profit and Loss Account. The net appreciation, if any, is ignored.

Discounted instruments are valued at carrying cost. Cost of investment excludes broken period interest paid on acquisition of investments. Brokerage and commission on debt instruments paid at the time of acquisition are charged to Profit and Loss Account. Investments are accounted on settlement date basis and cost of investments is determined on the weighted average cost basis.

Transfer between categories:

Transfer of securities between categories of investments, if any, is accounted for at the acquisition cost / book value/ market value, whichever is lower, as on the date of transfer.

c) Advances

Advances are classified into standard, sub-standard, doubtful and loss assets, as applicable, in accordance with the RBI guidelines and are stated net of provisions, if any, (except general provision) made towards non-performing advances.

The Bank also maintains a general provision on standard assets to cover potential credit losses, in accordance with the RBI guidelines.

d) Repurchase (Repo) and reverse repurchase transactions

Repo, Reverse repo transactions and Collateralised Borrowing and Lending Obligations (CBLO) entered with CCIL are considered as lending and borrowing transactions and reflected in assets and liabilities, as the case may be.

e) Derivatives

The Bank enters into derivative contracts such as interest rate swaps, cross currency swaps and foreign exchange contracts.

Derivative transactions are classified as trading derivatives and are valued at the estimated realisable market price (fair value). The resulting gains or losses are recognised in the Profit and Loss Account with the corresponding net unrealized amounts reflected in Other Assets or Other liabilities in the Balance Sheet.

The Bank also maintains a general provision on derivative exposures computed as per marked to market value of the contracts in accordance with the RBI guidelines.

f) Fixed Assets and Depreciation

Fixed assets are stated at historical cost less accumulated depreciation. Cost includes all expenses incidental to acquisition of the assets.

Depreciation on fixed assets is provided on a straight-line method over the economic useful life of the asset as determined by the management. Depreciation on additions to fixed assets has been provided from the month in which the asset is capitalised. In respect of sales/disposals no depreciation is provided in the month in which the asset is sold / disposed off. The rates for this purpose, which are based on management's estimate of the useful lives of the underlying assets,

are higher than the rates prescribed by Schedule XIV of the Companies Act, 1956, and are as follows:

Asset	Depreciation
Leasehold improvements	Period of lease
Furniture and fixtures	20.00%
Communication equipment	33.33%
<u>Computer Equipment</u>	
Distributed technology	33.33%
End user technologies	33.33%
Network	33.33%
Cabling	14.29%
Software	33.33%

Assets costing less than Rs.4,50,000 (CHF 10,000 approx) are depreciated fully in the year of purchase / acquisition. The threshold for write off is subject to the following conditions:

- Furniture and fixtures are capitalised if the aggregate cost of a purchase order for procurement exceeds Rs.4,50,000 (CHF 10,000 approx).
- Computer equipment including workstations, laptops, printers, monitors, servers, peripherals and technical equipment are capitalised regardless of purchase cost. All other computer related equipment such as mainframes, tape drives, power supplies and data center equipment are capitalised only if individual cost exceeds Rs. 4,50,000 (CHF 10,000 approx).
- The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

g) Transactions involving Foreign Exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the Balance Sheet date at rates of exchange notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resultant exchange differences are recognised in the Profit and Loss account.

Foreign currency income and expenditure items are translated at the exchange rates prevailing at the respective month-end of the transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Profit and Loss account.

Outstanding foreign exchange contracts as at the balance sheet date are revalued at the rates prescribed by FEDAI as at the Balance Sheet date and the resulting profits/losses are recognised in the Profit and Loss Account. The foreign exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the exchange rates implied by the swap curves in respective currencies. The resultant gain or losses are recognised in the Profit and Loss Account.

Contingent liabilities on account of foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at the closing rates of exchange notified by FEDAI.

h) Revenue Recognition

- Interest income is recognised in the Profit and Loss Account on an accrual basis.
- Accretion of discounts is recognised as interest income over the life of the discounted instrument.
- Fees for services are recognised at the time services are rendered.

i) Taxation

Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by the Bank. Provision for current tax is recognised as per the provisions of the Income Tax Act, 1961 and is made on the tax liability computed after taking credit of allowances and exemptions. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and carried forward losses. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates 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. In case of 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.

j) Accounting for Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when the Bank has a present obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates

A disclosure for a 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.

Contingent assets are not recognised in the financial statements.

k) Operating lease transactions

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

I) Employee benefits

(a) Provident Fund

Contributions payable to the recognised provident fund which is a defined contribution scheme are charged to the profit and loss account.

(b) Gratuity

The Branch's gratuity benefit scheme is a defined benefit plan. The Branch's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on valuation by an independent actuary (under the Projected Unit Credit Method), which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yield of Government securities as at the balance sheet date.

Actuarial gains and losses are recognised immediately in the profit and loss account.

(c) Short term compensated absences

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. These benefits include compensated absences such as paid annual leave. The undiscounted amount of short term employee benefits expected to be paid in exchange for the service rendered by the employees is recognised during the year.

(d) Equity Compensation Benefits

The Bank grants shares in its ultimate parent, Credit Suisse Group to certain employees. Upon settlement the shares are transferred to its employees. The Bank has various schemes to grant share based awards to its employees, details of the current schemes are set out below:

- Special awards, which are typically awarded upon hiring of certain management personnel or in relation to business acquisitions. The terms (including amount, vesting, settlement, etc) of special awards vary significantly from award to award. Shares awarded to employees as Special awards are accrued over the vesting period as per award terms.
- Incentive Share Units (ISU) or Scaled Incentive Share Units (SISU), which are typically awarded in consideration for future services. Each ISU / SISU represents one CSG share plus any additional shares (leverage), if applicable. For ISU the number of additional shares will depend upon the share price, both at the time of grant and in the future and for SISU, it depends on both share price and Bank's performance. ISUs are accrued over the 3 year vesting period and SISUs are accrued over the 4 year vesting period.

- January 2011 Phantom shares vest in four equal instalments on each of the first, second, third and fourth anniversaries of the grant date and will be delivered to award holders within 120 days of vesting. January 2012 Phantom shares vest in three equal instalments on each of the first, second and third anniversaries of the grant date and will be delivered to award holders within 120 days of vesting. The share awards replace other plans introduced in prior years, including SISUs and ISUs in an effort to make the design of the company's compensation instruments simpler, more transparent and less leveraged and to better align the interests of the employees with those of the shareholders.

The accrual methodology for the above awards is on straight-line basis over the vesting period of the awards.

- Performance Share Awards ('PSA') are granted to certain employees, which form a portion of their deferred variable compensation. PSA are subject to claw-back provisions and will vest over three years, such that one third of the share awards vest on each of the three anniversaries of the date of the award. Unlike the share awards described above, however, the unvested performance share awards are subject to a downward adjustment in the event of a divisional loss or a negative CS Group (CSG) ROE. For employees in Investment Banking, Private Banking and Asset Management, the unvested performance shares are subject to a downward adjustment in the event of a loss in that division, unless there is a negative CSG ROE, which would call for a downward adjustment that is greater than the divisional adjustment for the year, in which case the downward adjustment is based on the CSG's negative ROE. For employees in Shared Services and other support functions, the downward adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions.

These schemes are classified as cash settled schemes. The cost of these cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in the profit and loss account for the year. In case an employee is eligible for early retirement or retirement before the end of the vesting period, the recognition of the expense is accelerated over the shorter period up to retirement. Changes in foreign exchange and market value of the above liability between grant date and settlement date are expensed to the profit and loss account

(e) Other Compensation Benefits

Other Compensation Benefits awarded in respect of Variable Compensation are -

- Restricted Cash Awards ('RCA') - The cash component of variable compensation is generally free from conditions. However, certain employees received the cash component of variable compensation in the form of a restricted cash award with rateable vesting over a two-year period and other restrictive covenants and provisions. These cash awards were paid in the first quarter of 2011 and must be repaid by the employee, either in part or in full, if a claw-back event such as voluntary termination of employment or termination for cause occurs during the vesting period

- Adjustable Performance Plan Awards (APPA) are a new form of deferred cash award granted in 2010 and 2011. The 2010 APPA are subject to a three-year, pro-rata vesting schedule. The 2011 APPA are similar to the 2010 APPA, except the pro-rata vesting will occur over a four-year period. In the event that the division in which the employee worked at the time of grant generates profits, outstanding awards will be adjusted upward on an annual basis using CSG's ROE in the respective year as a multiplier. However, should a business area in which an employee worked at the time of grant incur a loss (before charges for current year variable compensation and tax) outstanding APPAs held by employees of that business area will be adjusted downwards. Expense for the APPA award will be recognised over 3 years from year 2010 onwards. Expense for the APPA award will be recognised over 4 years from year 2011 onwards.
- 2011 Partner Asset Facility - As part of the 2011 annual compensation process, the Credit Suisse Group ("CSG") awarded a portion of their deferred variable compensation for senior employees in the form of 2011 Partner Asset Facility ("PAF2") units. PAF 2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in CSG's derivative activities, including both current and possible future swaps and other derivative transactions. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realized credit losses from a specific reference portfolio exceeds a predefined threshold. CSG will bear the first USD 500 million of such losses and the PAF2 holders will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded. As a result, the PAF2 plan is a transfer of risk from CSG to employees.

The PAF2 awards vested in the first quarter of 2012. The award holders are subject to non-compete and non-solicit provisions that result in the cancellation of the award upon voluntary termination of employment for three years from the grant date. The PAF2 units have a stated maturity of four years, but may be extended to nine years at the election of either the CSG or the holders acting collectively. This election will not be made later than the end of the third year following the grant date. PAF2 units are denominated in US dollars. Holders will receive a semi-annual cash interest payment equivalent to an annual return of 6.5% applied to the then current balance of the PAF2 units. At maturity, PAF2 holders will receive a final settlement in an amount equal to the original award value less any losses. CSG can settle the PAF2 units in cash or an equivalent value in shares at its discretion.

Compensation expense of PAF2 awards has been recognized in the first quarter of 2012 as the awards will have fully vested as of March 31, 2012. These expenses will continue be updated at each reporting period date to reflect any change in the underlying fair value of the PAF2 awards until the awards are finally settled.

m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

SCHEDULE 18 – NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

1. Capital Infusion

During the year ended March 31, 2012, the Head office infused funds of Rs Nil (March 31, 2011 – Rs 11,350,000 thousand).

2. Capital Adequacy

The Bank's Capital to Risk-weighted Asset Ratio ('Capital Adequacy Ratio') is calculated in accordance with the RBI's 'Prudential Guidelines on Capital Adequacy and Market Discipline - Implementation of the New Capital Adequacy Framework' ('Basel II'). Under the Basel II framework, the Bank is required to maintain a minimum capital adequacy ratio of 9% on an ongoing basis for credit risk, market risk and operational risk, with a minimum Tier I capital ratio of 6%. Further, the minimum capital maintained by the Bank as on March 31, 2012 is subject to a prudential floor, which is the higher of the following amounts:

- Minimum capital required as per the Basel II framework.
- 80% of the minimum capital required to be maintained under the Basel I framework.

The Bank's capital adequacy ratio, calculated in accordance with the RBI guidelines under both Basel I and Basel II frameworks, is as follows:

Particulars	March 31, 2012		March 31, 2011	
	As per Basel I Framework	As per Basel II Framework	As per Basel I Framework	As per Basel II Framework
Tier I capital	12,092,283	12,092,283	11,212,387	11,212,387
Tier II capital	54,580	54,580	-	-
Total capital	12,146,863	12,146,863	11,212,387	11,212,387
Risk weighted assets	7,670,362	10,292,167	2,353,522	2,471,931
Capital Adequacy Ratios				
Tier 1	157.65%	117.49%	476.41%	453.59%
Tier 2	0.71%	0.53%	-	-
Total	158.36%	118.02%	476.41%	453.59%

Particulars	(Rs in '000)	
	March 31, 2012	March 31, 2011
Amount raised by issue of subordinated debt as Tier-II capital	-	-
Amount raised by issue of Innovative Perpetual Debt Instruments (IPDI) during the year	-	-
Amount raised by issue of Upper Tier II Instruments during the year	-	-
Amount raised by issue of Lower Tier II Instruments during the year	-	-

3. Other Assets

Other Assets include deferred tax asset (net) of Rs 69,371 thousand (March 31, 2011 - Rs 57,830 thousand). The break-up of the same is as follows:

(Rs in '000)		
Particulars	March 31, 2012	March 31, 2011
Deferred tax asset arising out of:		
Business Loss	-	46,121
Employee Benefits	36,936	10,658
Standard asset provisioning	22,937	-
Others	12,141	1,995
Total	72,014	58,774
Deferred tax liability arising out of:		
Depreciation	2,643	944
Total	2,643	944
Deferred tax asset (net)	69,371	57,830

4. Business Ratios

Particulars	March 31, 2012	March 31, 2011
Interest income as a percentage to working funds ¹	7.20%	1.06%
Non-interest income as a percentage to working funds	8.86%	-
Operating profit / (loss) ² as a percentage to working funds ¹	11.12%	(2.04%)
Return on assets ³	6.38%	(1.19%)
Business (Deposits plus advances) per employee ⁴ (Rs in '000)	187,012	-
Profit / (loss) per employee ⁴ (Rs in '000)	27,858	(4,986)

Definitions:

1. Working funds is taken as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949.
2. Profit / (loss) before taxes is considered as Operating profit / (loss).
3. Return on Assets is with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).
4. Number of employees as at year end have been considered.

5. Maturity Pattern of Key Assets and Liabilities

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI.

(Rs in '000)

As at March 31, 2012	1 day	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans & advances	-	-	-	-	-	-	1,000,000	1,500,000	-	-	2,500,000
Investments	10,916,514	8,276,153	116,475	1,935	201,867	-	527	39,110	-	1,526	19,554,107
Deposits	67,534	-	1,134,000	-	1,900,000	-	-	382,851	-	-	3,484,385
Borrowings	-	6,238,866	-	-	2,543,750	-	-	-	-	-	8,782,616
Foreign Currency Assets ¹	148,513	-	-	-	98,943	-	-	-	-	203,500	450,956
Foreign Currency Liabilities ¹	-	76,313	-	-	2,543,904	-	142,920	-	-	-	2,763,137

1. Foreign currency assets and liabilities exclude off-balance sheet items.
2. The aforesaid disclosures in the above tables are as per the Asset Liability Management ("ALM") / Liquidity guidelines issues by RBI.

(Rs in '000)

As at March 31, 2011	1 day	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans & advances	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Assets ¹	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities ¹	-	-	-	2,684	-	-	58,368	-	-	-	61,052

1. Foreign currency liabilities exclude off-balance sheet items.
2. The aforesaid disclosures in the above tables are as per the Asset Liability Management ("ALM") / Liquidity guidelines issues by RBI.

6. Provisions and Contingencies

The break-up of 'Provisions and contingencies' included in the Profit and Loss Account is given below:

(Rs in '000)

Particulars	March 31, 2012	March 31, 2011
Provision for Income Tax – Current	674,232	-
Provision for Income Tax – Deferred	(11,541)	(57,830)
Standard asset provisioning	54,580	-
Total	717,271	(57,830)

7. Investments

The following table sets forth, for the periods indicated, the details of investments and the movement of provision held towards depreciation on investments of the Bank.

(Rs in '000)		
Particulars	March 31, 2012	March 31, 2011
1. Value of Investments		
(i) Gross value of investments		
a) In India	19,554,107	-
b) Outside India	-	-
(ii) Provision for depreciation		
a) In India	-	-
b) Outside India	-	-
(iii) Net value of investments		
a) In India	19,554,107	-
b) Outside India	-	-
2. Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off/ write back of excess provisions during the year	-	-
(iv) Closing balance	-	-

8. Repo transactions

The following table sets forth, for the period indicated, the details of securities sold and purchased under repo and reverse repo in face value terms:

(Rs in '000)				
Year ended March 31, 2012	Minimum outstanding balance during the year / period	Maximum outstanding balance during the year / period	Daily average outstanding balance during the year / period	Outstanding balance at:
Securities sold under repo				
i. Government securities	100,000	4,415,900	1,912,489	1,922,300
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo				
i. Government securities	50,000	1,003,900	417,967	-
ii. Corporate debt securities	-	-	-	-

The bank did not enter into any repo / reverse repo transactions during the period ended March 31, 2011.

9. Non-SLR investment portfolio

i) Issuer composition of investments in securities, other than government and other approved securities

The following table sets forth, the issuer composition of investments of the Bank in securities, other than government and other approved securities at March 31, 2012.

(Rs in '000)

Sr. No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
(i)	PSUs	-	-	-	-	-
(ii)	FIs	-	-	-	-	-
(iii)	Banks ¹	7,837,377	-	-	-	7,837,377
(iv)	Private corporates	-	-	-	-	-
(v)	Subsidiaries / Joint ventures	-	-	-	-	-
(vi)	Others	-	-	-	-	-
(vii)	Provision held towards depreciation	-				
	Total	7,837,377	-	-	-	7,837,377

1. Includes certificate of deposits.

The bank did not have any investments as at March 31, 2011 and hence the disclosure as at March 31, 2011 is not applicable.

ii) Non performing Non-SLR investments

The bank did not have any non performing non-slr investments as at / for the period ended March 31, 2012 and March 31, 2011 and hence the disclosure is not applicable.

10. Sale and transfer to/from HTM category

During the year / period ended March 31, 2012 and March 31, 2011 respectively, the Bank did not purchase any security under HTM category and hence the disclosure is not applicable to the Bank.

11. Forward rate agreement (FRA) / Interest Rate Swaps

The following table sets forth, for the periods indicated, the details of the forward rate agreements / interest rate swaps.

Particulars	(Rs in '000)	
	March 31, 2012	March 31, 2011
i) The notional principal of swap agreements ¹	108,128,875	-
ii) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements ²	1,191,658	-
iii) Collateral required by the bank upon entering into swaps	-	-
iv) Concentration of credit risk arising from the swaps ³	340,142	-
v) The fair value of rupee trading swap book ⁴	656,115	-

1. Excludes cross currency interest rate swaps.

2. Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements represent positive mark-to-market.

3. Credit risk concentration is measured as the highest net receivable under swap contracts from a particular counterparty.

4. Fair value represents mark-to-market of single currency rupee interest rate swaps.

12. Exchange traded interest rate derivatives

The Bank has not done any exchange traded interest rate derivatives during the year / period ended March 31, 2012 and March 31, 2011 and hence the disclosure on exchange traded interest rate derivatives is not applicable.

13. Risk exposure in derivatives

The Bank is supervised by the Branch Manager ("BM") and the Local Management Committee ("LMC") comprising of key senior management in the Bank and permanent invitees from various functions with Credit Suisse. The LMC is supported by other committees for specific areas like the Asset Liability Management Committee ("ALCO"), Credit committee, Investment committee, Audit committee, Compliance committee etc.

There are processes and policies in place to support activities planned in the Bank. Apart from local policies, the Bank also adheres to Global Credit Suisse policies and best practices.

Credit risk management

Within Credit Suisse, the Credit Risk Management ('CRM team') is responsible for managing Credit Suisse's portfolio of credit risk and establishes broad policies and guidelines governing Credit Suisse's credit risk appetite. CRM team is headed globally by the Chief Credit Officer ('CCO') who reports directly to the Chief Risk Officer ('CRO') of Credit Suisse. Credit authority is delegated by the CCO to specific senior CRM team personnel based on each person's knowledge, experience and capability. These delegations of credit authority are reviewed periodically. Credit authorisation is separated from line functions. At Headquarters in Zurich, the Capital Allocation and Risk Management Committee ('CARMC'), in addition to its responsibilities for market risk described below, is also responsible for maintaining credit policies and processes, evaluating country, counterparty and transaction risk issues, applying senior level oversight for the credit review process and ensuring global consistency and quality of the credit

portfolio. CARMC regularly reviews credit limits measuring country, geographic region and product concentrations, as well as impaired assets and recommended loan loss provisions.

Globally, Credit Suisse utilises an internal counterparty rating scale assess the probability of default, which approximates that used by the major public rating agencies (ranging from AAA as the best to D as the worst) and applies this grading measure against all of its counterparties. Credit Suisse takes a proactive approach to rating each of its counterparties and obligors and, as a result, internal ratings may deviate from those assigned by public rating agencies. All counterparties are assigned a credit rating as noted above. The intensity and depth of analysis is related to the amount, duration and level of risk being proposed together with the perceived credit quality of the counterparty/issuer/obligor in question. Analysis consists of a quantitative and qualitative portion and strives to be forward looking, concentrating on economic trends and financial fundamentals. In addition, analysts make use of peer analysis, industry comparisons and other quantitative tools, including a quantitative model based rating system. All final ratings also require the consideration of qualitative factors relating to the company, its industry and management. In addition to the aforementioned analysis, all counterparty ratings are subject to the rating of the country in which they are domiciled. Analysis of key sovereign an economic issues for all jurisdictions is undertaken and these are considered when assigning the rating and risk appetite for individual counterparties.

Each credit facility is approved by senior CRM team personnel who are experienced in making lending decisions. Each facility is covered by a legal agreement that is appropriate for the type of transaction. On a case-by-case basis, Credit Suisse mitigates its credit risk associated with lending and credit related activities. This may be accomplished by taking collateral or a security interest in assets and other means.

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity, and/or currency markets. Credit Suisse's major operating divisions all assume country risk in a variety of ways. The setting of limits for this risk is the responsibility of CARMC based on recommendations of CRM team, Strategic Risk Management ('SRM') and Credit Suisse's economists. Country limits for emerging markets are approved by the Chairman's Committee of the Board of Directors of Credit Suisse Group, a portion of which is delegated to CARMC. For trading positions, country risk is a function of the mark-to-market exposure of the position, while for loans and related facilities country risk is a function of the amount that Credit Suisse has lent or committed to lend. The day-to-day management of country exposure is assigned to each of the core businesses in accordance with its business authorisations and limit allocations. Risk Analytics and Reporting ('RAR') and CRM team provide independent oversight to ensure that the core businesses operate within their limits. CRM team has the responsibility for periodically adjusting these limits to reflect changing credit fundamentals and business volumes.

The Bank leverages the CRM team expertise and processes within Credit Suisse to manage credit exposures arising from business transactions. The Businesses would be responsible for managing transactions within specified counterparty credit limits like Single Borrower and Group Borrower limits as prescribed by RBI, in consultation with CRM team.

Market risk management

Globally, Credit Suisse ensures that market risk is comprehensively captured, accurately modeled, reported and effectively managed. Trading and non-trading portfolios are managed at

various organisational levels, from the overall risk positions at the Group level down to specific portfolios. Credit Suisse uses market risk measurement and management methods designed to meet or exceed industry standards. These include both general tools capable of calculating comparable exposures across our many activities as well as focused tools that can specifically model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are VaR and scenario analysis. Additionally, the market risk exposures are also reflected in our economic capital calculations. The risk management techniques and policies are regularly reviewed to ensure that they remain appropriate.

At a local level, the bank uses Value at Risk (VaR) and Interest Rate Sensitivity (Dv01) as some of the key measures of monitoring Market Risk arising from transactions. SRM reviews the Bank business requirements and approve suitable limits in consultation with the Business. Stress testing results are reported to the ALCO on quarterly basis.

The Bank Market Risk exposure is an aggregate of Banking book and Trading book exposures. Treasury desk is responsible for Banking book exposures within the Bank, unless another desk is specifically authorised to run such exposures. Trading desk (FX/Derivatives/Bonds etc.) would run positions within their mandated exposure limits.

The following table sets forth the details of derivative positions at March 31, 2012

(Rs in '000)			
Sr. No.	Particulars	Currency derivatives ¹	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount)		
	a) For hedging	-	-
	b) For trading	269,594,811	108,128,875
(ii)	Marked to Market Positions		
	a) Asset (+)	3,294,026	1,191,663
	b) Liability (-)	2,684,797	543,503
(iii)	Credit Exposure	9,022,885	2,119,908
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	-	-
	b) on trading derivatives	188,480	88,543
(v)	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging	-	-
	b) i) on trading (Maximum)	201,262	204,207
	ii) on trading (Minimum)	187,673	(38,243)

1. Includes cross currency interest rate swaps.

The bank did not have any derivative position as at March 31, 2011 and hence the disclosure as at March 31, 2011 is not applicable.

14. Asset Quality

The Bank has no non-performing advances, accounts restructured, sale of financial assets to Securitisation / Reconstruction company or purchase / sale of non-performing financial assets during the year / period ended March 31, 2012 and March 31, 2011 respectively and hence the disclosures on non-performing assets, particulars of accounts restructured, details of financial assets sold to Securitisation / Reconstruction Company for asset reconstruction, details of non-performing financial assets purchased / sold are not applicable.

15. Provisions on Standard Assets

The Bank makes provision on standard assets as per applicable RBI guidelines. The provision on standard assets held by the Bank at March 31, 2012 was Rs. 54,580 thousand (March 31, 2011 – Nil).

16. Exposure to Real Estate Sector and Capital Market

The Bank has no direct or indirect exposure to real estate sector and capital market and hence the disclosures on real estate sector and capital market are not applicable to the Bank for the year / period ended March 31, 2012 and March 31, 2011 respectively.

17. Risk Category wise Country Exposure

The following table sets forth, for the periods indicated, the details of exposure (net) and provision held by the Bank.

Risk category	(Rs in '000)			
	Exposure (net) at March 31, 2012	Provision held at March 31, 2012	Exposure (net) at March 31, 2011	Provision held at March 31, 2011
Insignificant	258,123	-	-	-
Low	-	-	-	-
Moderate	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	258,123	-	-	-
-Of which: funded	148,514	-	-	-

18. Details of Single Borrower Limit and Borrower Group Limit exceeded by the Bank

During the year / period ended 31 March 2012 and 31 March 2011 respectively, the Bank has not exceeded single borrower or group borrower exposure limit.

19. Unsecured advances against intangible assets

The Bank has not made any advances against intangible collaterals of the borrowers which are classified as 'unsecured' in its financial statements.

20. Provision for income tax made during the year

Particulars	(Rs in '000)	
	Year / period ended	
	March 31, 2012	March 31, 2011
Provision for income tax (including deferred tax)	662,691	(57,830)

21. Floating provisions

The Bank has no floating provisions for the year ended March 31, 2012 (March 31, 2011 – Nil) and hence this disclosure is not applicable.

22. Drawdown from reserves

The Bank has not drawn down any amount from reserves for the year ended March 31, 2012 (March 31, 2011 – Nil).

23. Disclosure on letters of comfort (LoCs) issued by the Bank

The Bank has not issued any letters of comfort for the year ended March 31, 2012 (March 31, 2011 - Nil).

24. Provisioning coverage ratio

The Bank has no non performing advances as on March 31, 2012 (March 31, 2011 - Nil) and hence this disclosure is not applicable.

25. Bancassurance business

The Bank has no bancassurance business for the year ended March 31, 2012 (March 31, 2011 – Nil) and hence this disclosure is not applicable to the Bank.

26. Concentration of deposits, advances, exposures and NPAs

i) Concentration of deposits

(Rs in '000)		
	March 31, 2012	March 31, 2011
Total deposits of twenty largest depositors	3,484,285	-
Percentage of deposits of twenty largest depositors to total deposits of the bank	100.00%	-

ii) Concentration of advances

(Rs in '000)		
	March 31, 2012	March 31, 2011
Total advances to twenty largest borrowers (including banks)	12,635,249	-
Percentage of advances to twenty largest borrowers to total advances of the bank	95.52%	-

iii) Concentration of exposures

(Rs in '000)		
	March 31, 2012	March 31, 2011
Total exposure to twenty largest borrowers / customers	19,298,389	-
Percentage of exposures to twenty largest borrowers / customers to total exposure of the bank on borrowers / customers	91.61%	-

iv) Concentration of NPAs

The Bank has no NPAs as on March 31, 2012 (March 31, 2011 – Nil) and hence the disclosure on concentration of NPAs is not applicable.

27. Sector wise NPAs

The Bank has no NPAs as on March 31, 2012 (March 31, 2011 – Nil) and hence this disclosure is not applicable.

28. Movement of NPAs

The Bank has no NPAs as on March 31, 2012 (March 31, 2011 – Nil) and hence this disclosure is not applicable.

29. Overseas assets, NPAs and revenue

The Bank has no overseas operations and hence the overseas assets, NPAs and revenue as on / for the year ended March 31, 2012 is Nil (March 31, 2011 – Nil).

30. Off-balance sheet SPVs sponsored

There are no off-balance sheet SPVs sponsored by the Bank for the year ended March 31, 2012 (March 31, 2011 - Nil).

31. Employee Benefits

Gratuity	(Rs in '000)	
Particulars	March 31, 2012	March 31, 2011
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	4,747	-
Interest cost	811	-
Current service cost	5,399	4,747
Benefits paid	-	-
Actuarial (gain)/loss on obligation	(4,671)	-
Present value of obligation as at March 31	6,286	4,747
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	-	-
Expected return on plan assets	-	-
Contributions	-	-
Benefits paid	-	-
Actuarial gain/(loss) on plan assets	-	-
Fair value of plan assets as at March 31	-	-
Amount recognised in Balance sheet		
Fair value of plan assets as at March 31	-	-
Present value of obligation as at March 31	6,286	4,747
Asset/(Liability) as at March 31	(6,286)	(4,747)
Expenses recognised in Profit and Loss Account		
Interest Cost	811	-
Current Service cost	5,399	4,747
Expected return on plan assets	-	-
Net Actuarial (gain)/loss recognised in the year / period	(4,671)	-
Net Cost	1,539	4,747

Assumptions	March 31, 2012	March 31, 2011
Valuation Method	Projected Unit Credit	Projected Unit Credit
Discount rate	8.7% per annum	8.0% per annum
Expected return on plan assets	N.A.	N.A.
Mortality	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
Salary escalation rate	12.0% per annum	14.0% per annum
Retirement	58 years	58 years

32. Employees Share-based Payments

The Bank grants shares in its ultimate parent, Credit Suisse Group to certain employees. In conformity with the Guidance note on “Accounting for Employee Share-based Payments” issued by The Institute of Chartered Accountants of India in respect of the grants made on or after 01 April 2005, the following disclosures are made:

a. Method adopted for valuation:

Stock compensation expenses under the “Fair Value Method” are determined based on the “Fair Value of the Share Awards” and amortised over the vesting period.

b. Nature and extent of Employee Share-based Payment Plans:

Incentive Share Units (ISU), Scaled Incentive Share Units (SISU), Special Share Awards and Phantom Share Awards

c. Number of stock awards granted during year ended March 31, 2012 (March 31, 2011)

11,859 (March 31, 2011 - 20,860) Phantom Share Awards granted during the year.
41,272 (March 31, 2011 - 44,435) Special Phantom Share Awards granted during the year.
8,895 (March 31, 2011 - Nil) Performance Share Awards granted during the year.

The average weighted fair value of awards granted was Rs. 1,602 (CHF 28.44) (March 31, 2011 - Rs 1,918 (CHF 39.34)).

d. Method and assumptions for arriving of the Fair Value of Share Awards

The fair value of share awards is equal to the fair value of the shares at the grant date, adjusted for changes in market price as at the Balance Sheet date.

e. Expenses recognised on account of “Employees Share-based Payment” is Rs 64,051 thousand (March 31, 2011 - Rs 24,001 thousand) and carrying amount as at March 31, 2012 is Rs 39,768 thousand (March 31, 2011 - Rs 18,325 thousand).

33. Leases

The Bank entered into leasing arrangements for commercial properties. The lease rental of Rs 31,227 thousand (March 31, 2011 - Rs 18,831 thousand) has been included under Operating Expenses – Rent, Taxes and Lighting (Schedule 16 II) in the Profit and Loss Account.

The future minimum lease payments under non-cancellable operating leases are as follows
(Rs in '000)

Particulars	March 31, 2012	March 31, 2011
Not later than one year	26,348	27,825
Later than one year and not later than five years	83,800	108,839
Later than five years	2,519	1,890
Total	112,667	138,554

34. Segment Reporting

The segmental classification to the respective segments conforms to the guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007. As required under the above guidelines the following business segments have been reported

- **Treasury** primarily includes Trading and Money Market operations, Investment Banking, Derivatives and Foreign Exchange operations
- **Wholesale Banking** This segment comprises banking services / facilities to corporates and other business entities.
- **Retail Banking** constitutes banking services/ facilities to individuals.

Revenues and expenses directly attributable to each segment are included in determining the segments result. Assets employed by a segment or assets that are directly attributable to that segment are included in segment assets. Liabilities that result from operations of a segment, Head office account and Reserves and surplus are included in segment liabilities. Segment revenue includes earnings from external customers. All liabilities are managed by central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets.

Geographic Segments

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

Segment reporting for the year ended March 31, 2012 is given below

(Rs in '000)

Sr. No.	Particulars	Treasury	Wholesale	Retail	Total
1	Segment revenue	2,243,551	2,116	-	2,245,668
2	Less: Inter segment revenue				1,675
3	Income from operations (1) – (2)				2,243,993
4	Segment results	1,623,064	(68,927)	*	1,554,136
5	Unallocated expenses				-
6	Operating Profit / (loss) (4) – (5)				1,554,136
7	Income taxes (incl. deferred tax)				662,691
8	Extraordinary profit / (loss)				-
9	Net profit / (loss) (6) – (7) – (8)				891,446
10	Segment assets	22,145,807	2,500,753	-	24,646,560
11	Unallocated assets ¹				135,179
12	Total assets (10) + (11)				24,781,739
13	Segment liabilities ²	21,271,329	3,509,935	475	24,781,739
14	Unallocated liabilities				-
15	Total liabilities (13) + (14)				24,781,739
16	Capital expenditure	19,671	19	-	19,690
17	Depreciation	10,996	10	-	11,006

1. Represents advance tax (net) and deferred tax asset (net)

2. Includes share capital and reserves and surplus.

* Negligible amount.

Segment reporting for the period ended March 31, 2011 is given below

(Rs in '000)

Sr. No.	Particulars	Treasury	Total
1	Segment revenue	71,045	71,045
2	Less: Inter segment revenue		-
3	Income from operations (1) – (2)	71,045	71,045
4	Segment results	(137,613)	(137,613)
5	Unallocated expenses		-
6	Income taxes (incl. deferred tax)		(57,830)
7	Net profit / (loss) (4) – (5) – (6)		(79,499)
8	Segment assets	11,315,707	11,315,707
9	Unallocated assets ¹		57,830
10	Total assets (8) + (9)		11,373,537
11	Segment liabilities ²	11,373,537	11,373,537
12	Unallocated liabilities		-
13	Total liabilities (11) + (12)		11,373,537
14	Capital expenditure	30,177	30,177
15	Depreciation	1,745	1,745

1. Represents deferred tax asset (net).

2. Includes share capital and reserves and surplus.

35. Related Party Disclosures

As per AS - 18, Related Party Disclosure, issued by the ICAI, the Bank's related parties are disclosed below:

Ultimate Parent

Credit Suisse Group AG

Parent

Credit Suisse AG and its branches

Enterprises under common control which the Bank has had transactions during the year

Credit Suisse Consulting (India) Pvt. Ltd
Credit Suisse Securities (India) Pvt. Ltd
Credit Suisse Finance (India) Private Ltd
Credit Suisse Business Analytics Pvt Ltd
Credit Suisse Business Mgmt. (India) Pvt Ltd
Credit Suisse Services (India) Pvt Ltd

Key Management Personnel

Mr. Sanjeev Bajaj, Branch Manager

There is only one related party entity in the category of 'Key Management Personnel' and keeping in view the secrecy clauses and in terms of RBI circular DBOD.No.BP.BC.89/21.04.018/ 2002-03 dated March 29, 2003, no disclosure under AS-18 is made other than reporting the relationship with the related party.

The Bank's related party balances and transactions for the as on / year ended March 31, 2012 are summarised as follows:

(Rs in '000)				
Items	Parent	Maximum outstanding during the year	Enterprises under common control	Maximum outstanding during the year
Transactions during the year				
Rent and reimbursements (including cost-sharing arrangements)	53		61,457	
Profit/(loss) on forex / derivative transaction	14,253		(29,394)	
Miscellaneous income	98,872		-	
Interest on borrowings	220		-	
Interest on deposits	-		58,852	
Security deposit			14,390	
Borrowings	2,699,322		-	
Term Deposits accepted	-		8,222,500	
Closing balances				
Payable	34,377	36,847	20,284	38,743
Security deposit	-	-	25,488	25,488

receivable				
Nostro balance	10	61	-	-
MTM and other receivable	152,189	180,077	-	-
Interest payable	154	154	15,607	27,389
Current deposits	-	-	449,410	1,094,538
Term deposits	-	-	3,034,000	5,054,000
Borrowings	2,543,750	2,605,025	-	-

The Bank's related party balances and transactions for the as on / period ended March 31, 2011 are summarised as follows:

(Rs in '000)				
Items	Parent	Maximum outstanding during the period	Enterprises under common control	Maximum outstanding during the period
Transactions during the period				
Rent and reimbursements (including cost-sharing arrangements)	3,470		90,744	
Security deposit paid			11,098	
Closing balances				
Payable	3,468	3,470	9,967	9,967
Security deposit			11,098	11,098

36. Other expenses

Other expenses include cost allocation expenses of Rs 27,086 thousand (March 31, 2011 – Rs 14,991 thousand) and travel expenses of Rs 3,762 thousand (March 31, 2011 – Rs 1,756 thousand).

37. Penalties levied by the RBI

No penalty was levied on the Bank during the year ended March 31, 2012 (March 31, 2011).

38. Disclosure of complaints

The following table sets forth status of customer complaints

	Particulars	March 31, 2012	March 31, 2011
a)	No. of complaints pending at the beginning of the year / period	-	-
b)	No. of complaints received during the year / period	-	-
c)	No. of complaints redressed during the year / period	-	-
d)	No. of complaints pending at the end of the year / period	-	-

The following table sets forth status of awards

	Particulars	March 31, 2012	March 31, 2011
a)	No. of unimplemented awards at the beginning of the year / period	-	-
b)	No. of awards passed by the Banking Ombudsmen during the year / period	-	-
c)	No. of awards implemented during the year / period	-	-
d)	No. of unimplemented awards at the end of the year / period	-	-

39. Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

40. Comparative figures

Figures of the previous period have been re-grouped to conform to the current year presentation.

For **Credit Suisse AG - Mumbai branch**

Sanjeev Bajaj
Branch Manager

Reetesh Gupta
Vice President - Financial Accounting