



## Independent Auditor's Report To the Chief Executive Officer of Deutsche Bank AG – India Branches

### Report on the Financial Statements

1. We have audited the accompanying financial statements of Deutsche Bank – AG India Branches ('the Bank'), which comprise the Balance Sheet as at 31 March 2014, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

2. Management is responsible for preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with provisions of section 29 of the Banking Regulation Act, 1949 read with section 211 of the Companies Act, 1956 and circulars and guidelines issued by the Reserve Bank of India from time to time. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of the Bank including its branches in accordance with Standards on Auditing ('the Standards') issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.
4. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for banking companies and give a true and fair view in conformity with 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 2014;
  - (b) in the case of Profit and Loss Account, of the profit of the Bank for the year ended on that date; and
  - (c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 read with section 211 of the Companies Act, 1956.
8. We report that:
  - (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
  - (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
  - (c) during the course of our audit we visited 2 branches. Since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein.
9. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in subsection (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.
10. We further report that:
  - (i) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (ii) the financial accounting systems of the Bank are centralised and, therefore, accounting returns are not necessary to be submitted by the branches;
  - (iii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books; and
  - (iv) the requirements of section 274 (1)(g) of the Companies Act, 1956 are not applicable considering the Bank is a branch of Deutsche Bank AG, which is incorporated with limited liability in Germany.

For **BSR & Associates LLP**  
Chartered Accountants  
Firm's Registration No: 116231W



<b>BALANCE SHEET AS ON 31 MARCH 2014</b>				<b>PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014</b>			
In thousands of Indian Rupees		<b>31 March 2014</b>	31 March 2013	In thousands of Indian Rupees		<b>Year ended 31 March 2014</b>	Year ended 31 March 2013
<b>Schedule</b>				<b>Schedule</b>			
<b>Capital and Liabilities</b>				<b>Income</b>			
Capital	1	44,971,087	40,914,087	Interest earned	13	35,468,107	27,030,878
Reserves and surplus	2	45,293,322	37,998,709	Other income	14	4,830,310	9,363,809
Deposits	3	261,135,038	207,943,102	<b>Total</b>		<b>40,298,417</b>	<b>36,394,687</b>
Borrowings	4	159,505,954	81,128,065	<b>Expenditure</b>			
Other liabilities and provisions	5	66,045,063	36,939,804	Interest expended	15	13,217,140	7,069,025
<b>Total</b>		<b>576,950,464</b>	<b>404,923,767</b>	Operating expenses	16	12,690,457	11,107,944
<b>Assets</b>				Provisions and contingencies	17	7,096,207	7,887,246
Cash and balances with Reserve Bank of India	6	35,652,446	26,768,514	<b>Total</b>		<b>33,003,804</b>	<b>26,064,215</b>
Balances with banks and money at call and short notice	7	4,199,544	11,239,840	<b>Profit</b>			
Investments	8	197,111,566	106,012,086	Net profit for the year		7,294,613	10,330,472
Advances	9	290,144,049	223,741,473	Profit brought forward		9,426,856	7,571,544
Fixed assets	10	1,698,926	1,547,376	<b>Total</b>		<b>16,721,469</b>	<b>17,902,016</b>
Other assets	11	48,143,933	35,614,478	<b>Appropriations</b>			
<b>Total</b>		<b>576,950,464</b>	<b>404,923,767</b>	Transfer to statutory reserve		1,823,653	2,582,618
Contingent liabilities	12	7,008,266,738	6,982,401,164	Transfer to/(from) investment reserve		(47,840)	(44,640)
Bills for collection		116,391,628	90,180,439	Transfer to remittable surplus retained for CRAR requirements		8,425,494	5,937,182
Significant accounting policies and Notes to the financial statements	18			Balance carried over to Balance Sheet		6,520,162	9,426,856
The accompanying notes form an integral part of this Balance Sheet				<b>Total</b>		<b>16,721,469</b>	<b>17,902,016</b>
				Significant accounting policies and Notes to the financial statements 18			
				The accompanying notes form an integral part of this Profit and Loss Account.			

In terms of our report attached.

For **B S R & Associates LLP**  
Chartered Accountants  
Firm's Registration No: 116231W

Sd/-  
**N Sampath Ganesh**  
Partner  
Membership No: 042554

For **Deutsche Bank AG**  
India Branches

Sd/-  
**Ravneet Singh Gill**  
Chief Executive Officer – India

Sd/-  
**Avinash Prabhu**  
Chief Financial Officer – India

Place : Mumbai  
Dated : 18 June 2014



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014**

In thousands of Indian Rupees	31 March 2014	31 March 2013
<b>Net profit before Taxes</b>	14,048,946	18,103,884
<b>Adjustment for:</b>		
Depreciation and amortisation for the year	324,600	260,686
Provision for depreciation on investments	112,420	102,654
Provision for loan loss (net)	161,662	22,518
Provision for contingent credit exposures	1,905	2,181
Bad-debts written off / (written back)	(32,044)	(37,313)
Provision for country risk	97,931	23,794
Loss on sale of fixed assets (net)	2,254	25,229
	<u>14,717,674</u>	<u>18,503,633</u>
<b>Adjustment for:</b>		
Increase in deposits	53,191,936	39,515,958
Increase / (Decrease) in other liabilities and provisions	29,005,423	(4,231,168)
(Increase) / Decrease in investments	(89,631,390)	(17,738,071)
(Increase) / Decrease in advances	(66,532,194)	(98,237,764)
(Increase) / Decrease in other assets	(11,994,839)	6,409,167
	<u>(71,243,390)</u>	<u>(55,778,245)</u>
Advance tax paid	(7,288,949)	(8,321,109)
<b>Net cash from / (used in) operating activities (A)</b>	<u>(78,532,339)</u>	<u>(64,099,354)</u>
<b>Cash flows from investing activities</b>		
Purchase of HTM Investments	(1,580,510)	(4,161,500)
Purchase of fixed assets	(875,003)	(346,548)
Capital Work-in-progress	395,272	(295,303)
Proceeds from sale of fixed assets	1,327	38,332
<b>Net cash used in investing activities (B)</b>	<u>(2,058,914)</u>	<u>(4,765,018)</u>
<b>Cash flows from financing activities</b>		
Increase in Capital	4,057,000	4,600,000
Increase / (Decrease) in borrowings	78,377,889	68,425,717
<b>Net cash from/(used in) financing activities (C)</b>	<u>82,434,889</u>	<u>73,025,717</u>
<b>Net Increase in cash and cash equivalents (A+B+C)</b>	1,843,636	4,161,344
Cash and cash equivalents at the beginning of the year	38,008,354	33,847,008
Cash and cash equivalents as at the end of the year	39,851,990	38,008,354
<b>Increase in cash and cash equivalents</b>	<u>1,843,636</u>	<u>4,161,344</u>
<b>Notes on cash flow statement</b>		
1. Cash and balances with Reserve Bank of India	35,652,446	26,768,514
Balances with banks and money at call and short notice	4,199,544	11,239,840
<b>Cash and cash equivalents as at 31 March</b>	<u>39,851,990</u>	<u>38,008,354</u>

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

In terms of our report attached.

For **B S R & Associates LLP**  
Chartered Accountants  
Firm's Registration No: 116231W

For **Deutsche Bank AG**  
India Branches

Sd/-  
**N Sampath Ganesh**  
Partner  
Membership No: 042554

Sd/-  
**Ravneet Singh Gill**  
Chief Executive Officer – India

Sd/-  
**Avinash Prabhu**  
Chief Financial Officer – India

Place : Mumbai  
Dated : 18 June 2014



**SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31 MARCH 2014**

In thousands of Indian Rupees	31 March 2014	31 March 2013	In thousands of Indian Rupees	31 March 2014	31 March 2013
<b>Schedule 1 – Capital</b>			<b>Schedule 4 – Borrowings</b>		
Amount of deposit with Reserve Bank of India (at face value) under Section 11 (2)(b) of the Banking Regulation Act, 1949	14,500,000	11,400,000	<b>1 Borrowings in India</b>		
<b>Head Office Account</b>			(a) Reserve Bank of India	40,830,000	9,000,000
Opening Balance (including start-up capital of Rs 2 million and remittances from Head office)	40,914,087	36,314,087	(b) Banks	4,526,542	21,377,113
Additions during the year	4,057,000	4,600,000	(c) Other institutions and agencies	35,977,504	21,013,994
<b>Total</b>	<b>44,971,087</b>	<b>40,914,087</b>		<b>81,334,046</b>	<b>51,391,107</b>
<b>Schedule 2 – Reserves and Surplus</b>			<b>2 Borrowings Outside India</b>		
<b>1 Statutory reserve</b>			Banks	78,171,908	29,736,958
Opening Balance	13,646,869	11,064,251	<b>Total</b>	<b>159,505,954</b>	<b>81,128,065</b>
Additions : Transfer from Profit and Loss Account	1,823,653	2,582,618	<b>Secured borrowings included in 1 and 2 above</b>	<b>76,807,504</b>	<b>23,813,994</b>
	<b>15,470,522</b>	<b>13,646,869</b>	<b>Schedule 5 – Other Liabilities and Provisions</b>		
<b>2 Capital reserve</b>	177,207	177,207	<b>1 Bills payable</b>	2,682,433	3,603,245
	<b>177,207</b>	<b>177,207</b>	<b>2 Inter-office adjustments – branches in India (net)</b>	–	–
<b>3 Investment reserve</b>			<b>3 Interest accrued</b>	3,078,261	1,245,450
Opening Balance	366,784	411,424	<b>4 Provision for taxation (net of tax paid in advance / tax deducted at source)</b>	–	–
Additions/(Deductions): Transfer from/to Profit and Loss Account	(47,840)	(44,640)	<b>5 Others (including provisions) (Refer Schedule 18 Note–4 h v)</b>	60,284,369	32,091,109
	<b>318,944</b>	<b>366,784</b>	<b>Total</b>	<b>66,045,063</b>	<b>36,939,804</b>
<b>4 Balance in Profit and Loss Account</b>	6,520,162	9,426,856	<b>Schedule 6 – Cash and Balances with Reserve Bank of India</b>		
	<b>6,520,162</b>	<b>9,426,856</b>	<b>1 Cash in hand (including foreign currency notes)</b>	141,271	196,312
<b>5 Remittable Surplus retained for CRAR requirements</b>			<b>2 Balances with Reserve Bank of India</b>		
Opening Balance	14,380,993	8,443,811	(a) in current account	35,511,175	26,572,202
Additions : Transfer from Profit and Loss Account	8,425,494	5,937,182	(b) in other accounts	–	–
	<b>22,806,487</b>	<b>14,380,993</b>	<b>Total</b>	<b>35,652,446</b>	<b>26,768,514</b>
<b>Total</b>	<b>45,293,322</b>	<b>37,998,709</b>	<b>Schedule 7 – Balances with Banks and Money at Call and Short Notice</b>		
<b>Schedule 3 – Deposits</b>			<b>1 In India</b>		
<b>1 (a) Demand deposits</b>			(a) Balances with banks		
i. From banks	477,619	326,577	i. in current accounts	86,600	62,983
ii. From others	109,063,317	88,363,722	ii. in other deposit accounts (including with financial institutions)	–	–
	<b>109,540,936</b>	<b>88,690,299</b>	(b) Money at call and short notice		
<b>(b) Savings bank deposits</b>	12,044,995	10,760,667	i. with banks	–	–
<b>(c) Term deposits</b>			ii. with other institutions	–	446,288
i. From banks	–	–	<b>2 Outside India</b>		
ii. From others	139,549,107	108,492,136	(a) in current accounts	4,112,944	9,340,669
	<b>139,549,107</b>	<b>108,492,136</b>	(b) in deposit accounts	–	–
<b>Total</b>	<b>261,135,038</b>	<b>207,943,102</b>	(c) money at call and short notice	–	1,389,900
<b>2 (i) Deposits of branches in India</b>	261,135,038	207,943,102	<b>Total</b>	<b>4,199,544</b>	<b>11,239,840</b>
<b>(ii) Deposits of branches outside India</b>	–	–			
<b>Total</b>	<b>261,135,038</b>	<b>207,943,102</b>			


**SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31 MARCH 2014**

In thousands of Indian Rupees	31 March 2014	31 March 2013	In thousands of Indian Rupees	31 March 2014	31 March 2013
<b>Schedule 8 – Investments</b>			<b>2 Other Fixed Assets (including furniture and fixtures)</b>		
<b>Investments in India in:</b>					
1 Government securities	157,538,991	79,391,394	(a) Cost as on 31st March of the preceding year	1,928,534	1,762,914
2 Other approved securities	–	–	(b) Additions during the year	394,781	320,794
3 Shares	206,001	716,843	(c) Deductions during the year	(48,376)	(155,174)
4 Debentures and bonds	5,691,839	8,455,628	(d) Accumulated depreciation to date (Refer Schedule 18 Note-4 m vi ii)	(1,614,848)	(1,457,670)
5 Others (Includes Commercial Papers, Certificate of Deposit, Security Receipts and Deposits with SIDBI, NABARD, NHB)	34,032,111	17,693,178	<b>Total</b>	<b>660,091</b>	<b>470,864</b>
Gross Investments in India	<b>197,468,942</b>	106,257,043	<b>3 Capital Work-in-progress</b>	12,719	407,991
Less : Provision for depreciation on investments	(357,376)	(244,957)	<b>Total</b>	<b>1,698,926</b>	<b>1,547,376</b>
<b>Total</b>	<b>197,111,566</b>	106,012,086	<b>Schedule 11 – Other Assets</b>		
<b>Schedule 9 – Advances</b>			1 Inter-office adjustments – branches in India (net)	8,958	–
1 (a) Bills purchased and discounted	58,153,117	55,202,829	2 Interest accrued	5,439,236	3,117,591
(b) Cash credits, overdrafts and loans repayable on demand	176,537,659	123,193,514	3 Tax paid in advance/ tax deducted at source (net of provision for taxation)	3,373,015	2,926,905
(c) Term loans	55,453,273	45,345,130	4 Stationery and stamps	229	743
<b>Total</b>	<b>290,144,049</b>	223,741,473	5 Others (including deferred tax – Refer Schedule 18 Note – 4 m iv)	39,322,495	29,569,239
2 (a) Secured by tangible assets (includes advances against book debts)	71,614,236	58,929,323	<b>Total</b>	<b>48,143,933</b>	<b>35,614,478</b>
(b) Covered by bank / Government guarantees	7,281,121	14,542,488	<b>Schedule 12 – Contingent Liabilities</b>		
(c) Unsecured	211,248,692	150,269,662	1 Claims against the Bank not acknowledged as debts (including tax related matters)	2,580,379	1,938,200
<b>Total</b>	<b>290,144,049</b>	223,741,473	2 Liability on account of outstanding foreign exchange contracts	2,813,270,474	2,785,830,461
3 Advances in India			3 Guarantees given on behalf of customers		
(a) Priority sector (including export finance)	66,197,536	50,483,807	(a) In India	105,440,880	73,134,931
(b) Public sector	4,497,208	5,739,920	(b) Outside India	13,924,033	16,410,841
(c) Banks	41,012,548	40,931,865	4 Acceptances, endorsements and other obligations	90,321,307	130,606,303
(d) Others	178,436,757	126,585,881	5 Bills rediscounted	44,493,625	30,758,424
<b>Total</b>	<b>290,144,049</b>	223,741,473	6 Other Items for which the Bank is contingently liable		
<b>Non performing advances (net) as a % of Total advances (net), classified as per Reserve Bank of India guidelines</b>			(a) Swaps	3,802,304,840	3,815,961,517
	<b>0.0877%</b>	0.1281%	(b) Options	24,910,165	33,859,279
<b>Schedule 10 – Fixed Assets</b>			(c) Futures	–	4,797,600
1 <b>Premises (including leasehold improvements)</b>			(d) Other items	111,021,035	89,103,608
(a) Cost as on 31st March of the preceding year	1,488,620	1,524,584	<b>Total</b>	<b>7,008,266,738</b>	<b>6,982,401,164</b>
(b) Additions during the year	480,222	25,754			
(c) Deductions during the year	–	(61,718)			
(d) Accumulated depreciation to date (Refer Schedule 18 Note-4 m vi i)	(942,726)	(820,099)			
	<b>1,026,116</b>	668,521			


**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014**

In thousands of Indian Rupees			In thousands of Indian Rupees					
	<b>Year ended 31 March 2014</b>	Year ended 31 March 2013		<b>Year ended 31 March 2014</b>	Year ended 31 March 2013			
<b>Schedule 13 – Interest Earned</b>			<b>Schedule 16 – Operating Expenses</b>					
1	Interest/discounts on advances/bills	25,280,445	20,091,237	1	Payments to and provisions for employees (Refer Schedule 18 Note-4 m i) (net of cost recoveries)	5,437,518	5,161,251	
2	Income on investments	9,661,902	6,908,481	2	Rent, taxes and lighting (Refer Schedule 18 Note-4 m v) (net of cost recoveries)	692,757	623,509	
3	Interest on balances with Reserve Bank of India and other interbank funds	219,070	31,160	3	Printing and stationery	45,165	91,175	
4	Others	306,690	–	4	Advertisement and publicity	51,414	38,844	
				5	Depreciation on bank's property	324,600	260,686	
				6	Auditors' fees and expenses (includes Rs Nil (previous year Rs 3,625 thousands) paid to auditors network firm for tax representation and advice on taxation matters)	4,000	7,073	
	<b>Total</b>	<b>35,468,107</b>	<b>27,030,878</b>	7	Legal charges	109,944	115,806	
<b>Schedule 14 – Other Income</b>			<b>Schedule 17– Provision and Contingencies</b>					
1	Commission, exchange and brokerage (net) (including custodial and depository income)	4,986,879	5,275,370	1	Provision for loan loss (net)	161,662	22,518	
2	Profit/(Loss) on sale of investments (net)	(765,985)	1,003,715	2	Provision / (write back) for contingent credit exposures	1,905	2,181	
3	Profit/(Loss) on sale of land, building and other assets (net) including write off	(2,254)	(25,229)	3	Provision for standard assets	–	–	
4	Profit/(Loss) on exchange transactions (net)	(152,156)	2,650,338	4	Provision / (write back) for country risk	97,931	23,794	
5	Miscellaneous Income/(Loss)	763,826	459,615	5	Bad debts written off (net of recoveries)	(32,044)	(37,313)	
	<b>Total</b>	<b>4,830,310</b>	<b>9,363,809</b>	6	Provision / (write back) for depreciation on investments	112,420	102,654	
<b>Schedule 15 – Interest Expended</b>			<b>Schedule 18 – Notes forming part of the financial statements of the India Branches for the year ended 31 March 2014</b>					
1	Interest on deposits	9,012,557	4,591,004	1	<b>Background</b>	The accompanying financial statements for the year ended 31 March 2014 comprise accounts of the India Branches of Deutsche Bank AG (the 'Bank') which is incorporated in Germany with limited liability.		
2	Interest on Reserve Bank of India and other interbank borrowings (including from other money market participants)	4,202,440	2,443,549	2	<b>Basis of preparation and use of estimates</b>	The financial statements have been prepared and presented under the historical cost convention and on accrual basis of accounting, unless otherwise stated, and are in accordance with the generally accepted accounting principles and statutory provisions prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') and Accounting Standards ('AS') prescribed by the Companies (Accounting Standards) Rules, 2006 ('CASR') to the extent applicable and conform to the statutory requirements prescribed by the RBI from time to time and current practices prevailing within the banking industry in India.		
3	Others	2,143	34,472			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 periods.		
	<b>Total</b>	<b>13,217,140</b>	<b>7,069,025</b>			<b>Total</b>	<b>7,096,207</b>	<b>7,887,246</b>

**Schedule 18 : Notes forming part of the financial statements of the India Branches for the year ended 31 March 2014**
**1. Background**

The accompanying financial statements for the year ended 31 March 2014 comprise accounts of the India Branches of Deutsche Bank AG (the 'Bank') which is incorporated in Germany with limited liability.

**2. Basis of preparation and use of estimates**

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

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





**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
 for the year ended 31 March 2014

**3. Significant accounting policies**

**a. Foreign currency translation**

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

**b. Investments**

- i. Investments are categorised as Held to Maturity ('HTM'), Available for Sale ('AFS') and Held for Trading ('HFT') in accordance with the RBI guidelines based on intent at the time of acquisition. However, for disclosure in the Balance Sheet, these are classified as Government securities, Other approved securities, Shares, Debentures and bonds, Investment in subsidiaries / joint ventures and other investments. These are valued in accordance with extant RBI guidelines.  
Investments, which the Bank intends to hold till maturity are classified as HTM investments. Investments that are held principally for resale within a short period are classified as HFT investments. All other investments are classified as AFS investments.
- ii. Investments under HTM are carried at acquisition cost. The premium, if any, is amortised over the remaining life of the security on a straight line basis, while discount, if any, is ignored. Profit on sale of HTM securities is appropriated to Capital Reserve net of income tax and statutory reserve while loss, if any, is charged to the Profit and Loss Account.
- iii. Investments under AFS and HFT categories are revalued periodically at the market price or fair value as declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA"). Securities under each category are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net depreciation, if any, is provided for and net appreciation, if any, is ignored. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification.
- iv. Treasury bills, commercial paper and certificate of deposits, being discounted instruments, are valued at carrying cost.
- v. The market/ fair value applied for the purpose of periodical valuation of quoted investments included in the AFS and HFT categories is the market price of the scrip as available from the trades/ quotes on the stock exchanges, Subsidiary General Ledger ('SGL') account transactions, the price list published by the RBI or the prices periodically declared by PDAI jointly with FIMMDA.
- vi. The market/ fair value of unquoted government securities included in the AFS and HFT category is determined as per the FIMMDA guidelines. Further, in the case of unquoted fixed income securities (other than government securities), valuation is carried out by applying an appropriate mark-up (reflecting associated credit risk as estimated by the Bank) over the Yield to Maturity ('YTM') rates of government securities of similar tenor. Such mark up and YTM rates applied are as per the relevant rates published by FIMMDA.
- vii. Investments in security receipts issued by asset reconstruction companies have been valued at the latest Net Asset Values ("NAV") obtained from the asset reconstruction companies.
- viii. Investments in pass through certificates have been valued by adopting base yield curve and corporate bond spread relative to weighted average maturity of the security.
- ix. Quoted equity shares are valued at their closing price on a recognised stock exchange. Unquoted equity shares are valued at the book value if the latest balance sheet is available, else, at Re. 1 per company, as per relevant RBI guidelines.
- x. Cost of investments is based on the weighted average cost method.
- xi. Broken period interest paid at the time of acquisition of the security has been charged to the Profit and Loss Account.
- xii. Brokerage, commission, etc. paid at the time of purchase / sale is charged to the Profit and Loss Account.
- xiii. Repurchase (repo) and reverse repurchase (reverse repo) transactions are accounted for as secured borrowing and lending contracts, respectively, in accordance with the extant RBI guidelines. The transactions with RBI under Liquidity Adjustment Facility ("LAF") are also accounted for as secured borrowing and lending transactions.
- xiv. The difference between the consideration amount of first leg and second leg of the repo/ reverse repo is recognised as interest expenses/ income in the profit and loss account.
- xv. The bank follows value date accounting for valuation of investments.
- xvi. Transfer of investments between categories is accounted in accordance with the extant RBI guidelines
  - a) Transfer from AFS/HFT to HTM is made at the lower of book value or market value at the time of transfer.
  - b) Transfer from HTM to AFS/HFT is made at acquisition price/book value if originally placed in HTM at a discount, and at amortised cost if originally placed in HTM at a premium.
  - c) Transfer from AFS to HFT category or vice-versa is made at book value and the provisions for the accumulated depreciation, if any, held is transferred to the provisions for depreciation against the HFT securities and vice-versa.

**c. Derivatives transactions**

- i. The Bank enters into derivative contracts such as interest rate swaps, currency swaps, currency futures, foreign currency-rupee options, cross currency options and foreign exchange forward contracts for hedging or trading purposes.
- ii. All derivative transactions are reported on a mark to market basis in the financial statements, except in the case of derivatives undertaken as hedges for risk arising from on Balance Sheet / off Balance Sheet exposures. The mark to market is performed based on the valuation procedures described in para 4 (g) of the Notes to the Accounts. The unrealised gains/losses are recognised in the Profit and Loss Account and the corresponding amounts are reflected as trading assets/liabilities respectively in the Balance Sheet.



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

**3. Significant accounting policies (Continued)**

**c. Derivatives transactions (Continued)**

- iii. The accounting for derivatives transactions undertaken as hedges is as follows:  
Derivative contracts that hedge interest bearing assets or liabilities are valued for in the same manner as the underlying asset or liability. The bank identifies the hedged item (asset or liability) at the inception of the transaction itself.  
Gains or losses on the termination of derivative transaction would be recognised when the offsetting gain or loss is recognised on the underlying asset or liability. This implies that any gain or loss on the terminated derivative would be deferred and recognised over the shorter of the remaining contractual life of the derivative or the remaining life of the asset/liability.
- iv. Overdue receivables under derivative contracts are identified and recognised through the Profit and Loss Account in accordance with the applicable RBI guidelines.
- v. Foreign exchange contracts outstanding at the Balance Sheet date are marked to market at rates notified by FEDAI for specified maturities, suitably interpolated for in-between maturity contracts as specified by FEDAI. Contracts of maturities over 12 months (Long Term Forex Contracts) are marked to market at rates derived from the Reuters curve for that respective currency. The resulting profits or losses are recognised in the Profit and Loss Account.
- vi. In case of foreign currency rupee option trades, the premium received / paid is reflected on the Balance Sheet and recognised in the Profit and Loss Account only on maturity of trade.

**d. Advances and provision for advances**

- i. Advances are stated after deduction of borrowings on inter-bank participation certificate with risk, interest in suspense, bills rediscounting and provisions on non-performing advances.
- ii. Non-performing advances are identified by periodic appraisals of the portfolio by the management and appropriate provisions are made which meets the prudential accounting norms prescribed by the RBI for asset classification, income recognition, and provisioning after considering subsequent recoveries.  
Further to the provisions required to be held according to the asset classification status, country risk provisions are held for individual country exposures (other than for home country exposure) in accordance with RBI guidelines.
- iii. For standard assets, general provision has been made as prescribed by the RBI. In addition, the Bank also maintains a general provision to cover potential credit losses which are inherent in any loan portfolio but, not yet identified, which is disclosed under 'Other liabilities and provisions– Others'.
- iv. Purchase / sale of non-performing assets are reflected in accordance with the RBI regulations. Provisioning for non-performing assets purchased is made appropriate to the asset classification status determined in accordance with the said guidelines. In case of sale of non-performing assets at a price below the net book value, the loss is debited to the Profit and Loss Account whereas in case of a sale at higher than the net book value, the excess provision is not reversed but retained to meet the shortfall / loss on account of sale of other non-performing financial assets. Recovery in respect of a non-performing asset purchased is first adjusted against its acquisition cost. Recovery in excess of the acquisition cost is recognised as gain in the Profit and Loss Account.
- v. Provision for restructured assets is made in accordance with the applicable RBI guidelines on restructuring of advances by banks.

**e. Fixed assets and depreciation**

- i. Fixed assets are stated at historical cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.
- ii. Fixed assets other than software costing less than Rs 30 thousand are written off in the Profit and Loss Account.
- iii. Depreciation on fixed assets is provided on straight-line basis over the estimated useful life of the assets as determined by the Management. The rates for this purpose are as follows:

Asset Type	Depreciation rate per annum
Cost of buildings	2.50%
Other fixed assets	
□ Furniture, fixtures and office equipment	10.00%
□ Vehicles	20.00%
□ Electronic Data Processing (EDP) hardware	33.33%
□ Communication equipment	20.00%

- iv. Depreciation for the entire month is charged in the month in which the asset is purchased.
- v. Depreciation for the entire month is charged in the month of sale if the asset is sold after 15th day of the month. Depreciation is not provided for the month of sale if the asset is sold on or before 15th of the month.
- vi. Leasehold improvements are depreciated over the residual period of the lease or over a period of 10 years whichever is shorter.
- vii. Software is amortised on a straight-line basis over its estimated useful life upto 10 years.





**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
 for the year ended 31 March 2014

**3. Significant accounting policies (Continued)**

**e. Fixed assets and depreciation (Continued)**

- viii. If at the Balance Sheet date there is an indication that an impairment of fixed assets exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.
- ix. Leasehold land and building thereon is amortised over the period of lease. The lease period of land, acquired by the Bank from Brihanmumbai Municipal Corporation ('BMC') on which the Bank has two buildings has expired in September 2001 & September 2004 respectively. The Bank has applied for renewal of the lease and the Bank's solicitor has advised that it is a normal market practice that the lease would get renewed at least for another 30 years. Accordingly, the Bank has amortised the leasehold land and building thereon of Rs 689,647 thousands upto September 2031 and September 2034 respectively.

**f. Lease transactions:**

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

**g. Income recognition**

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

**h. Staff benefits**

- i. The Bank pays gratuity to employees who retire or resign after a minimum period of five years of continuous service. The Bank's Contributory Gratuity Scheme bestows benefits to employees which are generally higher than those under the Payment of Gratuity Act, 1972. The Bank makes contributions to a separate gratuity fund at the rate of 8.33% of the basic salary on monthly basis subject to the adjustment based on an actuarial valuation. This fund is recognised by the Income-tax authorities and administered by a trust. Gratuity Scheme is treated as defined benefit plan and provision for gratuity expenses are made based on independent actuarial valuation conducted by a qualified actuary at year-end.
- ii. Bank contributes 12% of basic salary as employer's contribution towards Provident Fund which is administered by a trust. This Provident Fund is classified as a defined benefit plan under AS 15, Employee benefits (revised) as the same is created with a guaranteed return linked with that under Employees Provident Fund ('EPF') Scheme, 1952. The trust retains the amount earned in excess of guaranteed rate in a separate account (Surplus account) to finance the future shortfall, if any. During the year the actuary has estimated the present value obligations (PVO) of the future guaranteed rate(s) of interest as per the guidance from the Institute of Actuaries of India in this regard. The shortfall if any of the PVO and the fair value of surplus account is reflected in the Profit and Loss Account for the year.
- iii. Provision for compensated absences, pre-retirement leave and long-term awards are made based on independent actuarial valuation conducted by a qualified actuary at year-end. Provision for compensated absences includes provision for pre-retirement leave.
- iv. The eligible employees of the Bank have been granted stock awards under various plans of equity shares of the ultimate holding company, Deutsche Bank AG. As per the various plans, these stock awards vest in installments (tranches) over multi year periods. During the year, the Bank has charged an amount pertaining to these under the head "Payments to and provisions for employees" as compensation cost.
- v. Actuarial gains/losses are immediately taken to the Profit and Loss Account.

**i. Taxation**

- i. Income tax expense comprises the current tax (i.e. amount of tax for the year, determined in accordance with the Income Tax Act, 1961 and the rules framed there under) and the deferred tax charge or credit comprises the tax effects of timing differences between accounting income and taxable income for the year.
- ii. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.
- iii. Current tax Assets and Current tax liabilities are off-set as the Bank has a legal right to set off the amounts representing taxes on income levied by the same governing taxation laws and the Bank intends to settle the amounts on a net basis. Deferred tax assets and deferred tax liabilities are off-set as the Bank has a legal right to set off the assets and liabilities and the amounts are related to the taxes on income levied by the same governing taxation laws.
- iv. Deferred tax assets are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realised.



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

**3. Significant accounting policies (Continued)**

**j. Provisions, contingent liabilities and contingent assets**

- i. The Bank creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.
- ii. Provisions are reviewed at each Balance-Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.
- iii. Contingent assets are not recognised or disclosed in the financial statements.

**k. Debit Card Reward Points**

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

**4. Notes to financial statements**

**a. Capital adequacy ratio**

The Bank is subject to the Basel III capital adequacy guidelines stipulated by RBI with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till March 31, 2019.

The capital adequacy ratio as on March 31, 2014, computed under Basel III is given below:

(In Rs.'000)

Sr No	Particulars	31 March 2014
i)	Common Equity Tier 1 capital ratio (%)	14.23
ii)	Tier 1 capital ratio (%)	14.23
iii)	Tier 2 capital ratio (%)	0.61
iv)	<b>Total Capital ratio (CRAR) (%)</b>	<b>14.84</b>
v)	Percentage of the shareholding of the Government of India in public sector banks	NA
vi)	Amount of equity capital raised	4,057,000
vii)	Amount of Additional Tier 1 capital raised; of which	
	PNCPS:	-
	PDI:	-
viii)	Amount of Tier 2 capital raised; of which	
	Debt capital instrument:	-
	Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-

The capital adequacy ratio as on March 31, 2013, computed under Basel II is given below:

(In Rs.'000)

Year ended	31 March 2013
Tier I capital	67,298,048
Tier II capital	3,469,384
Total capital	70,767,432
Total risk weighted assets and contingents	502,586,862
Capital ratios (per cent)	
CRAR - Tier I capital	13.39
CRAR -Tier II capital	0.69
Total Capital	14.08
Subordinated debt included in Tier II Capital for Capital adequacy	-



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

**b. Investments**

(In Rs.'000)

Items	31 March 2014	31 March 2013
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	197,468,942	106,257,043
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	(357,376)	(244,957)
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	197,111,566	106,012,086
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance (as on April 1)	244,957	142,303
(ii) Add: Provisions made during the year	112,419	102,654
(iii) Less: Write-off/ (write-back) of excess provisions during the year	-	-
(iv) Closing balance (as on March 31)	357,376	244,957

Investments – Government securities (Schedule 8.1) include:

- Government securities amounting to Rs. 17,500,000 thousand representing face value (Previous year: Rs. 18,050,000 thousand) are collateral holdings parked with Clearing Corporation of India Limited ('CCIL') for securities and Collateralised Borrowing and Lending Obligation ('CBLO') segment.
- Government securities amounting to Rs. 42,463,200 thousand representing face value (Previous year Rs. 9,450,000) are repoed under Liquidity Adjustment Facility ('LAF') with RBI.
- Government securities amounting to Rs. 9,700,000 thousand representing face value (Previous year: Rs. 4,700,000 thousand) are deposited with RBI in Intra Day Liquidity ('IDL') for availing Real Time Gross Settlement ('RTGS').
- Government securities amounting to Rs. 27,002,400 thousand representing face value (Previous year Rs. 1,050,000) are pledged under repurchase transactions.

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

(In Rs. '000)

31 March 2014	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As on 31 March 2014
Securities sold under repos	-	77,013,800	16,461,489	27,002,400
(i) Government securities	-	77,013,800	16,461,489	27,002,400
(ii) Corporate debt Securities	-	-	-	-
Securities purchased under reverse repo	-	32,304,000	1,159,741	-
(i) Government securities	-	32,304,000	1,159,741	-
(ii) Corporate debt Securities	-	-	-	-

(In Rs. '000)

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

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



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

**d. Issuer composition of non statutory liquidity ratio investments**

(In Rs.'000)

Issuer 31 March 2014	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
Public sector undertakings	2,508,018	1,000,000	–	–	–
Financial Institutions(FIs)	7,544,176	6,742,010	–	–	5,742,010
Banks	27,933,726	26,951,334	–	–	–
Private Corporates	1,587,655	1,386,001	–	–	–
Subsidiaries / Joint Ventures	–	–	–	–	–
Others (including SC/ARC)	356,376	356,376	–	–	356,376
Provision held towards depreciation	(357,376)	(357,376)	–	–	–
<b>Total</b>	<b>39,572,575</b>	<b>36,078,345</b>	–	–	<b>6,098,386</b>

Amounts reported under the above columns are not mutually exclusive.

(In Rs'000)

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

Amounts reported under the above columns are not mutually exclusive.

**e. Movement in non-performing non-SLR investments**

(In Rs.'000)

Particulars	31 March 2014	31 March 2013
Opening Balance	3,000	3,000
Reductions during the year	–	–
Closing Balance	3,000	3,000
Total Provisions held	3,000	3,000

**f. Sale and Transfers to/from HTM category**

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

**g. Derivatives**

**i. Details of outstanding interest rate swap agreements**

(In Rs.'000)

Items	31 March 2014	31 March 2013
1. The Notional principal of swap agreements	3,617,079,576	3,600,704,314
2. Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	7,154,256	6,907,130
3. Collateral required by the bank upon entering into swaps	Nil	Nil
4. Concentration of credit risk arising from the Swaps %		
– Banks	92.21%	95.50%
– Others	7.79%	4.50%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
5. The fair value of the swap book	2,150,789	3,509,201



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

**g. Derivatives (Continued)**

- Nature and terms of interest rate swaps

		(In Rs.'000)	
Items		31 March 2014	31 March 2013
Trading - MIBOR*	Pay Fixed - Receive Floating	582,552,692	750,700,464
Trading - MIBOR*	Pay Floating - Receive Fixed	604,431,513	808,323,903
Trading - MIFOR **	Pay Fixed - Receive Floating	217,279,014	271,496,805
Trading - MIFOR **	Pay Floating - Receive Fixed	180,189,770	203,509,770
Trading - INBMK ***	Pay Fixed - Receive Floating	51,330,000	54,530,000
Trading - INBMK ***	Pay Floating - Receive Fixed	32,500,000	38,500,000
Trading - MIOIS****	Pay Fixed - Receive Floating	3,763,333	5,930,000
Trading - Others (Incl LIBOR)	Pay Fixed - Receive Floating	975,721,501	674,108,994
Trading - LIBOR	Pay Floating - Receive Fixed	933,239,723	716,336,448
Trading - LIBOR	Pay Floating - Receive Floating	36,072,028	77,267,930
<b>Total</b>		<b>3,617,079,576</b>	<b>3,600,704,314</b>

\* Mumbai Interbank Offer Rate

\*\* Mumbai Interbank Forward Offer Rate

\*\*\* India Benchmark

\*\*\*\* Mumbai Interbank Overnight Indexed Swap

- There were no rupee forward rate agreements ("FRA's") outstanding as at 31 March 2014 and 31 March 2013.

ii Exchange Traded Interest Rate Derivatives

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

iii Disclosures on risk exposure in Derivatives

Qualitative Disclosures

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

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

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

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

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

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

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

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

To reduce derivatives-related credit risk, the Bank regularly seeks the execution of master agreements (such as the International Swap Dealers Association contract) with clients.

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.

For credit exposure measurement purposes, as the replacement values of the portfolios fluctuate with movements in market rates and with changes in the transactions in the portfolios, the Bank also estimates the potential future replacement costs of the portfolios over their lifetimes.

**Hedging**

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



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

**g. Derivatives (Continued)**

**Accounting, Valuation & Provisioning**

*Accounting & Provisioning*

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

*Valuation*

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

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

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

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

Quantitative Disclosures

(In Rs. '000)

Sr. No	Particulars	31 March 2014		31 March 2013	
		Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
1.	Derivatives (Notional Principal Amounts)				
	a) For hedging	79,147,715	—	—	—
	b) For Trading	2,944,258,189	3,617,079,575	3,039,744,543	3,600,704,314
2.	Marked to Market Positions (net)				
	a) Asset (+)	15,254,959	7,154,256	11,426,777	6,907,130
	b) Liability (-)	(32,817,634)	(5,003,467)	(15,564,478)	(3,397,929)
3.	Credit Exposure #	150,675,495	66,644,659	126,756,808	69,131,467
4.	Likely impact of one percentage upward change in interest rates (100 * PV01)				
	a) On hedging	(80,333)	—	—	—
	b) On Trading	(219,909)	1,168,719	(411,099)	527,682
5.	Maximum of 100*PV01 observed during the year @				
	a) On hedging	—	—	—	—
	b) On Trading	62,551	2,296,836	349,254	1,057,515
6.	Minimum of 100*PV01 observed during the year @				
	a) On hedging	(165,046)	—	—	—
	b) On Trading	(456,592)	(144,868)	(529,746)	(19,551)

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

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

**h. Asset Quality**

**i Non-Performing Assets (NPAs):**

(In Rs.'000)

Movement in NPAs (funded)		31 March 2014	31 March 2013
(i)	<b>Net NPAs to Net Advance (%)</b>	0.0877%	0.1281%
(ii)	<b>Movement of Gross NPAs</b>		
	a) Opening balance	1,543,845	1,348,495
	b) Additions during the year	373,942	370,703
	c) Reductions during the year	(244,378)	(175,353)
	d) Closing Balance	1,673,409	1,543,845
(iii)	<b>Movement of Net NPAs</b>		
	a) Opening balance	286,533	113,701
	b) Additions during the year	111,804	282,152
	c) Reductions during the year	(143,903)	(109,320)
	d) Closing Balance	254,434	286,533
(iv)	<b>Movement of Provisions for NPAs</b> (excluding provisions on standard assets)		
	a) Opening balance	1,257,312	1,234,794
	b) Provisions made during the year	262,138	88,551
	c) Write off/ write back of excess provisions during the year	(100,475)	(66,033)
	d) Closing Balance	1,418,975	1,257,312





**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

**h. Asset Quality (Continued)**

ii Particulars of Accounts Restructured (financial year ended 31 March 2014)

(In Rs.'000)

SI No	Type of Restructuring →	Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total					
		Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	
Details ↓																						
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	5	16	-	21	-	5	16	-	21
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	1143	3,656	-	4,799	-	1143	3,656	-	4,799
		Provision* thereon	-	-	-	-	-	-	-	-	-	-	-	68	283	-	352	-	68	283	-	352
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision* thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision* thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision* thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(2)	2	-	-	-	(2)	2	-	0
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	(823)	823	-	-	-	(823)	823	-	0
		Provision* thereon	-	-	-	-	-	-	-	-	-	-	-	(50)	50	-	-	-	(50)	50	-	0
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	3	6	-	9	-	3	6	-	9
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	320	2,485	-	2,805	-	320	2,485	-	2,805
7	Restructured Accounts as on March 31 of the FY (closing figures)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	0	12	-	12	-	0	12	-	12
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	0	1,994	-	1,994	-	0	1,994	-	1,994
		Provision* thereon	-	-	-	-	-	-	-	-	-	-	-	0	0	-	0	-	0	0	-	0

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



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

**h. Asset Quality (Continued)**

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

(In Rs.'000)

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

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



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

**h. Asset Quality (Continued)**

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

(In Rs.'000)

Item	31 March 2014	31 March 2013
No. of accounts		
Aggregate value( net of provisions) of accounts sold to SC/RC	-	-
Aggregate consideration	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/loss over net book value.	-	-

iv Details of non-performing financial assets purchased:

A. Details of non-performing financial assets purchased:

(In Rs.'000)

	31 March 2014	31 March 2013
1 (a) No. of accounts purchased during the year	-	-
(b) Aggregate outstanding	-	-
2 (a) Of these, number of accounts restructured during the year	-	-
(b) Aggregate outstanding	-	-

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

(In Rs.'000)

	31 March 2014	31 March 2013
1. No. of accounts sold settled	-	-
2. Aggregate outstanding	-	-
3. Aggregate consideration received	-	-

v Provision for standard assets

Other liabilities and provisions – Others (Schedule 5.5) includes

(In Rs.'000)

Particulars	31 March 2014	31 March 2013
Provisions on Standard Assets	1,730,914	1,730,914

**i. Business Ratios**

Year ended	31 March 2014	31 March 2013
Interest income as a percentage of working funds\$	7.48%	7.80%
Non-interest income as a percentage of working funds\$	1.02%	2.70%
Operating profit as a percentage of working funds \$	3.04%	5.26%
Return on assets #	1.54%	2.98%
Business per employee (in Rs. 000's) *@	318,382	257,527
Profit per employee (in Rs. 000's) *	4,213	6,167

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

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

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

\* Productivity ratios are based on year end employee numbers.

**j. Asset Liability Management**

Maturity pattern of certain items of assets and liabilities

(In Rs. '000)

Maturity Bucket (31 Mar 2014)	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	Total
Deposits	19,078,173	32,193,491	9,024,167	14,146,919	16,729,183	15,772,969	8,951,690	139,527,401	5,711,045	-	261,135,038
Advances	33,674,728	9,706,742	9,641,500	20,513,827	59,372,624	38,799,299	26,751,719	54,948,014	5,864,205	30,871,391	290,144,049
Investments (Gross)	123,939,927	5,978,420	6,825,029	3,185,664	11,679,703	11,274,741	7,097,979	25,012,519	1,329,014	1,145,946	197,468,942
Borrowings	44,547	120,072,509	-	-	-	-	29,862,413	-	9,526,485	-	159,505,954
Foreign Currency Assets	7,070,835	4,152,457	5,355,670	9,178,657	16,385,068	8,380,662	4,783,232	-	-	-	55,306,580
Foreign Currency Liabilities	5,294,794	39,204,125	2,562,700	324	1,516,565	10,018,916	38,210,000	51,255,129	9,546,507	-	157,609,061



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

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

Maturity pattern of certain items of assets and liabilities

(In Rs. '000)

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

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

**k. Exposures**

i Exposure to Real Estate Sector

(In Rs. '000)

Category	31 March 2014	31 March 2013
<b>a) Direct exposure</b>		
(i) Residential Mortgages –	<b>22,465,746</b>	21,021,258
(a) Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented [includes an amount of Rs 395,137 thousand (Previous year Rs 487,608 thousand) pertaining to individual housing loans eligible for priority sector advances];		
(b) Other lendings secured by mortgage on residential property	<b>17,475,012</b>	11,174,200
(ii) Commercial Real Estate (CRE)* – Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	<b>5,605,829</b>	4,648,790
(iii) Other exposure (lendings secured by commercial property not falling under CRE definition)	<b>5,053,029</b>	3,662,198
(iv) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a. Residential,		
b. Commercial Real Estate.		
<b>b) Indirect Exposure</b>	<b>11,616,391</b>	4,108,405
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		
<b>TOTAL</b>	<b>62,216,007</b>	44,614,851

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



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

**k. Exposures (Continued)**

ii Exposure to Capital Market

(In Rs.'000)

Items	31 March 2014	31 March 2013
(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;	206,001	716,843
(ii) advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	19,010	19,715
(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;	1,440,521	607,442
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	590,000	800,000
(vi) loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(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)	-	-
<b>Total Exposure to Capital Market</b>	<b>2,255,532</b>	<b>2,144,000</b>

iii Risk Category wise Country Exposure

(In Rs.'000)

Risk Category	Exposure(net) as at 31 March 2014	Provision held as at 31 March 2014
Insignificant	75,940,043	179,729
Low	9,437,787	-
Moderate	1,102,449	-
High	326,848	-
Very High	50,620	-
Restricted	-	-
Off-credit	-	-
<b>Total</b>	<b>86,857,747</b>	<b>179,729</b>

(In Rs.'000)

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



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

**k. Exposures (Continued)**

**iv. Single and Group Borrower Exposures**

Presently, banks are allowed to assume single borrower (SBL) and group borrower (GBL) credit exposure up to 15 and 40 per cent of capital funds (i.e. Tier I & Tier II Capital) respectively, with an additional allowance of 5 and 10 per cent of capital funds for infrastructure sector exposure. SBL has been raised to 25% of capital funds in respect of Oil companies who have been issued Oil Bonds (which do not have SLR status) by the Government of India.

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

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

- BHARAT PETROLEUM CORPORATION LIMITED
- LARSEN & TOUBRO LIMITED
- RELIANCE INDUSTRIES LIMITED

**v. Unsecured Advances**

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

**I. Disclosure of Penalties Imposed by RBI**

A penalty of Rs 10,000 thousand (Previous year Rs Nil) was imposed on the bank by the Reserve Bank of India under section 47A(1)(c) read with section 46(4)(i) of the Banking Regulation Act, 1949.

**m. Disclosure requirements as per Accounting Standards**

**i AS 15 – Employee Benefits**

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

(In Rs.'000)

Items	31 March 2014	31 March 2013
1. Provident Fund Contribution	172,004	133,955
2. Compensated Absences	54,343	18,185
3. Long-Term Award	(11,896)	57,043

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

Particulars	31 March 2014	31 March 2013
Defined benefit obligation	683,148	603,756
Fair value of plan assets	788,774	707,351
Deficit/(Surplus)	(105,626)	(103,595)
<b>Changes in present value of defined benefits obligations</b>		
Opening Balance	603,756	487,083
Current service cost	89,397	72,088
Interest cost	45,279	38,883
Benefits paid	(61,207)	(70,964)
Actuarial (gain)/loss recognised during the year	5,923	76,666
Closing Balance	683,148	603,756
<b>Changes in fair value of plan assets</b>		
Opening Balance	707,351	672,543
Expected return on plan assets	57,862	51,678
Contributions by the Bank	93,052	17,832
Benefits paid	(61,207)	(70,964)
Actuarial gain/(loss) recognised during the year	(8,284)	36,262
Closing Balance	788,774	707,351
Actual return on plan assets	-	-





**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

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

**i AS 15 – Employee Benefits (Continued)**

Particulars	31 March 2014	31 March 2013
<b>Total expense recognised in the Profit and Loss Account in schedule 16(1)</b>		
Current service cost	89,397	72,088
Interest cost	45,279	38,883
Expected return on plan assets	(57,862)	(51,678)
Net actuarial (gain)/loss recognised during the year	14,206	40,404
Expense recognised in the Profit and Loss Account	91,020	99,697
<b>Key Assumptions</b>		
Salary Escalation	10.00%	10.00%
Discount rate	9.25%	7.90%
Expected rate of return on plan assets	8.00%	8.00%
Attrition rate - 0 to 5 years of service	20.00%	20.00%
Attrition rate - 6 to 10 years of service	15.00%	20.00%
Attrition rate - above years of service	5.00%	20.00%

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

Gratuity Investment Pattern is as follows:

(In Rs.'000)

Particulars	31 March 2014	31 March 2013
Government of India Securities (Central and State)	23.68%	20.08%
Corporate Bonds (Including Public Sector Bonds)	63.81%	51.45%
Cash (including Deposits)	6.48%	22.02%
Others	6.03%	6.45%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Experience adjustments are as follows:

(In Rs.'000)

	For the financial year ended				
	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Defined Benefit Obligation	683,148	603,756	487,083	521,821	NA
Funded Assets	788,774	707,351	672,542	575,073	NA
Deficit/ (Surplus)	(105,626)	(103,595)	(185,459)	(53,252)	NA
Experience Gain/(Loss) adjustments on plan liabilities	(34,990)	(55,324)	36,372	NA	NA
Experience Gain/(Loss) adjustments on plan assets	(8,284)	36,262	14,969	NA	NA
Actuarial Gain/(Loss) due to change of assumptions	29,068	(21,342)	12,554	NA	NA

**ii AS 17– Segment reporting:**

Segmental reporting disclosures as required by AS 17 –

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

(In Rs.'000)

Business Segments	Global Markets	Commercial Banking	Retail Banking	Others	Total
<b>Particulars</b>	<b>For the year ended 31 March 2014</b>				
Revenue	7,825,267	21,772,698	3,788,964	6,911,488	40,298,417
Less: Inter-segment revenue	(3,048,362)	(1,183,128)	(2,052,893)	6,284,383	-
Income from operations	10,873,629	22,955,826	5,841,857	627,105	40,298,417
Results	(1,696,385)	10,553,266	400,729	5,127,843	14,385,453
Unallocated Expenses					(336,507)
Operating Profit before tax	-	-	-	-	14,048,946
Income Tax and Deferred Tax	-	-	-	-	(6,754,333)
Extraordinary profit/Loss (pre-tax)	-	-	-	-	-
Net Profit after tax	-	-	-	-	7,294,613
<b>Other Information</b>					
Segment Assets	261,525,338	251,816,713	54,669,624	3,797,283	571,808,958
Unallocated Assets	-	-	-	-	5,141,506
Total Assets	-	-	-	-	576,950,464
Segment Liabilities	205,577,155	243,091,396	30,120,984	98,160,929	576,950,464
Unallocated Liabilities	-	-	-	-	-
Total Liabilities	-	-	-	-	576,950,464



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

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

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

(In Rs.'000)

Business Segments Particulars	Global Markets	Commercial Banking	Retail Banking	Others	Total
Capital expenditure	6,131	2,784	20,604	450,212	479,731
Depreciation	87,766	187,730	49,104	-	324,600
Non cash expenses excluding depreciation (net)	262,007	545,043	87,805	-	894,854

(In Rs.'000)

Business Segments Particulars	Global Markets	Commercial Banking	Retail Banking	Others	Total
Revenue	9,544,138	18,026,663	2,888,043	5,935,844	36,394,687
Less: Inter-segment revenue	(3,113,637)	(1,038,486)	(1,205,427)	5,357,550	-
Income from operations	12,657,775	19,065,149	4,093,469	578,293	36,394,687
Results	3,930,052	9,336,323	94,913	4,742,596	18,103,884
Unallocated Expenses					
Operating Profit before tax	-	-	-	-	18,103,884
Income Tax, Deferred Tax and Fringe Benefit Tax	-	-	-	-	(7,773,412)
Extraordinary profit/Loss	-	-	-	-	-
Net Profit after tax	-	-	-	-	10,330,472
Other Information					
Segment Assets	164,591,306	192,572,416	40,475,378	2,677,776	400,316,876
Unallocated Assets	-	-	-	-	4,606,891
Total Assets	-	-	-	-	404,923,767
Segment Liabilities	101,005,111	197,134,709	23,176,435	83,607,511	404,923,767
Unallocated Liabilities	-	-	-	-	-
Total Liabilities	-	-	-	-	404,923,767
Capital expenditure	258	4,217	45,051	592,325	641,851
Depreciation	90,799	138,662	31,225	-	260,686
Non cash expenses excluding depreciation (net)	251,141	312,914	(23,910)	-	540,145

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

The Bank has classified its business groups into following segments:

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

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

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

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

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

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

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



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
 for the year ended 31 March 2014

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

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

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

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

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

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

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

**iii AS 18 – Related party disclosure**

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

**Relationships during the year**

**i. Head office**

Deutsche Bank AG and its branches

**ii. Associate**

Comfund Consulting Limited

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

Deutsche Securities (India) Private Limited, Deutsche Trustee Services (India) Private Limited, Deutsche Asset Management (India) Private Limited, Deutsche Investments India Private Limited, Deutsche Investor Services Private Limited, RREEF India Advisors Private Limited, Deutsche CIB Centre Private Limited, Deutsche Equities India Private Limited, Deutsche India Holdings Private Limited, DBOI Global Services Private Limited, DB Servicios México, S.A. de C.V., DWS Investments Distributors, Inc., Deutsche Asia Pacific Holdings Pte Ltd, Deutsche Bank Ltd Moscow, Deutsche Bank (China) Co., Ltd., DB Services New Jersey, Inc., DB Services Americas, Inc., DB Investment Partners, Inc., DB Trust Company Limited Japan, Deutsche Bank International Asia Limited, Deutsche Bank, Sociedad Anónima Española, Deutsche Bank Polska Spółka Akcyjna, DWS Investment GmbH, Deutsche Knowledge Services Pte. Ltd., Manila Branch, Deutsche Bank (China) Co., Ltd., Beijing Branch, Deutsche Asset Management (UK) Limited, DB Energy Trading LLC, DB HR Solutions GmbH, Deutsche Bank National Trust Company, Deutsche Bank Trust Company Americas, Deutsche Securities Korea Co., Deutsche Securities Mauritius Limited, Finanza & Futuro Banca SpA, Deutsche Group Services Pty Limited, Deutsche Asset Management (Hong Kong) Limited, Deutsche Asset Management Group Limited, Deutsche International Corporate Services (Ireland) Limited, Deutsche Bank Securities Inc., Deutsche Bank (Mauritius) Limited, Deutsche Asset Management (Korea) Company Limited, RREEF Management L.L.C., DWS Investments Service Company, Deutsche Investment Management Americas Inc., Gemini Technology Services Inc., Deutsche Bank Società per Azioni, Deutsche Bank (Suisse) SA, Deutsche Securities Inc., Deutsche Bank Luxembourg S.A., Deutsche Asset Management (Japan) Limited, Deutsche Bank S.A. - Banco Alemão, Deutsche Bank (Malaysia) Berhad, Deutsche Bank Securities Limited, Deutsche Bank Americas Holding Corp., DWS Investment S.A., Deutsche New Zealand Limited, Deutsche Securities Asia Limited Singapore Branch, Sal. Oppenheim jr. & Cie. Luxembourg S.A., Deutsche CIB Centre Private Limited, Birmingham Branch, DB Consorzio S. Cons. a r. l., Deutsche Bank Nederland N.V., DBOI Global Services (UK) Limited, Deutsche Trustees Malaysia Berhad, DB Securities Services NJ Inc., MortgageIT, Inc.,

Deutsche Knowledge Services Pte. Ltd.,

DB Group Services (EURO), Deutsche IT License GmbH, DB Risk Center GmbH, Deutsche Securities (Proprietary) Limited, DB Service Centre Limited, DB International (Asia) Limited, Deutsche Bank A.S., Deutsche Trust Company Limited Japan, Deutsche Securities Menkul Degerler A.S., Deutsche Bank International Trust Co. Limited, B.V. Matura Handelmaatschappij, DB Fund Services LLC, Deutsche Bank Privat- und Geschäftskunden AG, DWS Holding & Service GmbH, Deutsche Asset & Wealth Management International GmbH, Deutsche Bank S.A., Deutsche Bank (China) Co., Ltd., Shanghai Branch, Deutsche Bank (China) Co., Ltd., Guangzhou Branch, Deutsche Bank (China) Co., Ltd., Beijing Branch, Deutsche Asset Management Investmentgesellschaft mbH vormals DEGEF Deutsche Gesellschaft für Fondsverwaltung mbH, Deutsche Asset & Wealth Management Investment GmbH, German American Capital Corporation, Deutsche Bank Polska Spółka Akcyjna (merged per 31.01.2014), Deutsche Bank International Limited, Deutsche Bank México, S.A., Institución de Banca Múltiple, Deutsche Bank Europe GmbH

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

**iv. Key management personnel**

In accordance with the RBI circular DBOD.BP.BC No.14/21.04.018/2013-13 dated 2 July 2013, only the Chief Executive Officer of the Bank, falls under the category of key management personnel, hence, no disclosures pertaining to him are provided.

Chief Executive Officer of the Bank: Mr. Ravneet Singh Gill



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

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

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

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

(In Rs.'000)

Items/Related Party	Head Office (as per ownership or control) Note	Associates/ Joint Venture Note	Other Related Party in Deutsche Bank Group	Key Management Personnel Note	Relatives of Key Management Personnel	Total
Sale of fixed assets	-	-	<b>34,619</b>	-	-	<b>34,619</b>
	-	-	(37,813)	-	-	(37,813)
Purchase of fixed assets	-	-	<b>300</b>	-	-	<b>300</b>
	-	-	-	-	-	-
Interest paid	-	-	<b>1,295,604</b>	-	-	<b>1,295,604</b>
	-	-	(1,559,842)	-	-	(1,559,618)
Interest received	-	-	<b>8,608</b>	-	-	<b>8,608</b>
	-	-	(6,220)	-	-	(6,220)
Rendering of services-receipt	-	-	<b>343,042</b>	-	-	<b>343,042</b>
	-	-	(270,305)	-	-	(270,305)
Receiving of services-payment	-	-	<b>554,795</b>	-	-	<b>554,795</b>
	-	-	(349,201)	-	-	(349,201)
Management contracts	-	-	<b>(282,141)</b>	-	-	<b>(282,141)</b>
	-	-	(65,176)	-	-	(65,176)
Loss on Derivatives (IRS)	-	-	-	-	-	-
Purchase of Securities	-	-	<b>55,835,180</b>	-	-	<b>55,835,180</b>
	-	-	(39,345,950)	-	-	(39,345,950)
Sale of Securities	-	-	<b>6,433,855</b>	-	-	<b>6,433,855</b>
	-	-	(13,837,787)	-	-	(13,837,787)
Amount borrowed on repo Call	-	-	<b>16,240,000</b>	-	-	<b>16,240,000</b>
	-	-	(3,500,000)	-	-	(3,500,000)
Lending Amount lent on Reverse Repo	-	-	-	-	-	-

Note: As per the guidance on compliance with the accounting standards by banks issued by the RBI on 1 July 2013, 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.

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

(In Rs.'000)

Items/Related Party	Head Office (as per ownership or control) Note	Associates/ Joint Venture Note	Other Related Party in Deutsche Bank Group	Key Management Personnel Note	Relatives of Key Management Personnel	Total
Borrowings	-	-	-	-	-	-
Deposits	-	-	<b>17,452,307</b>	-	-	<b>17,452,307</b>
	-	-	(23,977,961)	-	-	(23,977,961)
Placement of deposits	-	-	-	-	-	-
Advances	-	-	<b>12,128</b>	-	-	<b>12,128</b>
	-	-	(33,187)	-	-	(33,187)
Investments	-	-	-	-	-	-
Balances with Banks	-	-	<b>1,344,933</b>	-	-	<b>1,344,933</b>
	-	-	(6,796,144)	-	-	(6,796,144)
Non-funded commitments	-	-	<b>7,616,190</b>	-	-	<b>7,616,190</b>
	-	-	(25,411,817)	-	-	(25,411,817)
Leasing / HP arrangements availed	-	-	-	-	-	-
Leasing / HP arrangements provided	-	-	-	-	-	-
Other Asset	-	-	<b>626,194</b>	-	-	<b>626,194</b>
	-	-	(519,790)	-	-	(519,790)
Other Liability	-	-	<b>718,888</b>	-	-	<b>718,888</b>
	-	-	(873,442)	-	-	(873,442)

Note: As per the guidance on compliance with the accounting standards by banks issued by the RBI on 1 July 2013, 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.



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

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

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

- vii. Details of maximum balances outstanding with related parties during financial year ended 31 March 2014. (Current year figures are shown in bold. Previous year's figures are shown in brackets):

(In Rs.'000)

Items/Related Party	Head Office (as per ownership or control)	Associates/ Joint Venture	Other Related Party in Deutsche Bank Group	Key Management Personnel	Relatives of Key Management Personnel	Total
<b>Borrowings</b>	-	-	<b>5,269,409</b>	-	-	<b>5,269,409</b>
	-	-	-	-	-	-
<b>Deposits</b>	-	-	<b>27,784,413</b>	-	-	<b>27,784,413</b>
	-	-	(30,220,837)	-	-	(30,220,837)
<b>Advances</b>	-	-	<b>47,239</b>	-	-	<b>47,239</b>
	-	-	(1,381,247)	-	-	(1,381,247)
<b>Balances with Banks</b>	-	-	<b>16,465,401</b>	-	-	<b>16,465,401</b>
	-	-	(6,796,144)	-	-	(6,796,144)
<b>Non-funded commitments</b>	-	-	<b>27,889,844</b>	-	-	<b>27,889,844</b>
	-	-	(29,939,443)	-	-	(29,939,443)
<b>Other Asset</b>	-	-	<b>768,646</b>	-	-	<b>768,646</b>
	-	-	(727,358)	-	-	(727,358)
<b>Other Liability</b>	-	-	<b>1,221,971</b>	-	-	<b>1,221,971</b>
	-	-	(1,967,772)	-	-	(1,967,772)

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

- viii. The following are the material transactions between the Bank and its related parties for the year ended 31 March 2014. A specific related party transaction is disclosed as material wherever it exceeds 10% of all related party transactions in that category and it does not conflict with the Bank's duties of customer confidentiality.

**Rendering of services - receipt**

Income from Deutsche Bank Trust Company Americas Rs. 123,717 thousand (Previous year: Rs. 132,810 thousand), Deutsche Bank, Mauritius Rs.46,503 thousand (Previous year: Rs. 52,736 thousand), DB International Asia Ltd Rs. 71,419 thousand (Previous year : Rs. 69,367 thousand), Deutsche Investments India Private Limited Rs. 68,169 thousand (Previous year: Rs. Nil)

**Receiving of services - payment**

Expenses for receiving services from Deutsche Bank Trust Company Americas Rs 73,317 thousand (Previous year: Rs. 43,260 thousand), DBOI Global Services Private Limited Rs 379,688 thousand (Previous year: Rs. Nil), Deutsche CIB Centre Private Limited Rs. Nil (Previous year: Rs. 68,378 thousand), Deutsche Investor Services Private Limited Rs. Nil (Previous year: Rs. 205,156 thousand)

**Management contract**

Receipts from Deutsche Equities India Private Limited Rs 133,164 thousand (Previous Year: Rs. 139,103 thousand), Deutsche Asset Management (India) Private Limited Rs. 61,578 thousand (Previous year: Rs. 56,023 thousand), Deutsche Securities (India) Private Limited Rs. 27,823 thousand, (Previous year: Rs. 25,041 thousand), Deutsche Investments India Private Limited Rs. 52,765 thousand (Previous year: Rs. 69,226 thousand), DBOI Global Services Private Limited Rs. 235,516 thousand (Previous year: Rs. Nil), Deutsche CIB Centre Private Limited Rs. Nil (Previous year: Rs. 98,947 thousand), Deutsche Investor Services Private Limited Rs. Nil (Previous year: Rs. 13,623 thousand), Deutsche Bank Trust Company Americas Rs. Nil (Previous year: Rs. 14,697 thousand)

Payment to Deutsche Group Services Pty Limited Rs. 31,596 thousand (Previous year: Rs. 31,307 thousand), DB Services New Jersey, Inc. 74,604 thousand (Previous year: Rs. 14,954), DB Group Services (EURO) Rs. 576,832 thousand (Previous year: Rs. 263,001 thousand), Deutsche Investor Services Private Limited Rs. 84,764 thousand (Previous year: Rs. Nil), DB Securities Services NJ Inc. Rs. 38,247 thousand (Previous year: Rs. Nil), DBOI Global Services Private Limited Rs. Nil (Previous year: Rs. 137,352 thousand), Deutsche Securities Inc. Rs. Nil (Previous year: Rs. 7,542 thousand), Deutsche Knowledge Services Pte. Ltd Rs. Nil (Previous year: Rs. 20,810 thousand),

**Balance with Bank**

Balance with Bank Trust Company Americas Rs. 1,343,265 thousand (Previous year: Rs. 6,771,569 thousand)

**Other Assets**

Receivable from Deutsche Equities India Private Limited Rs. 90,817 thousand (Previous year: Rs. 82,915 thousand), Deutsche Investments India Private Limited Rs. 72,490 thousand (Previous year: Rs. Nil), Deutsche CIB Centre Private Limited Rs. 73,027 thousand (Previous year: Rs. 64,192 thousand), DBOI Global Services Private Limited Rs. 110,460 thousand (Previous year: Rs. 143,304 thousand), Deutsche Bank Trust Company Americas Rs.157,072 thousand (Previous year: Rs. 182,193 thousand)



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

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

**Other Liabilities**

Payable to Deutsche Equities India Private Limited Rs. 136,392 thousand (Previous year: Rs. 197,552 thousand), DBOI Global Services Private Limited Rs. 123,643 thousand (Previous year: Rs. 149,892 thousand), DB Group Services (EURO) Rs. 242,886 thousand (Previous year: Rs. 235,624 thousand)

**iv AS 22 – Accounting for taxes on income**

Amount of provision made for income-tax during the year

(In Rs.'000)

Provision for:	31 March 2014	31 March 2013
Current income-tax	6,842,839	7,810,673
Deferred-tax	(88,506)	(37,261)

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

(In Rs.'000)

Particulars	31 March 2014	31 March 2013
Provision for bad and doubtful debts	1,056,908	1,089,797
Depreciation on fixed assets	30,253	20,053
Provision for staff compensation and benefits	208,953	221,178
Others	472,378	348,958
<b>Deferred tax asset</b>	<b>1,768,492</b>	<b>1,679,986</b>

**v AS 19 – Leases - Operating leases**

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

- Cancellable leasing arrangement for premises: Total lease rental of Rs.66,916 thousand (Previous year: Rs. 102,370 thousand) has been included under Operating expenses – Rent, taxes and lighting (Schedule 16.2) in the Profit and Loss Account.
- Non-cancellable leasing arrangement for premises: Total lease rental of Rs. 427,465 thousand (Previous year: Rs. 307,849 thousand) has been included under the head Operating expenses – Rent, taxes and lighting (Schedule 16.2) in the Profit and Loss Account.
- Non-cancellable leasing arrangement for vehicles: Total lease rental of Rs. 25,476 thousand (Previous year: Rs. 27,991 thousand) has been included under the head Operating expenses – Other expenditure (net of cost recoveries) (Schedule 16.12) in the Profit and Loss Account.

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

(In Rs.'000)

Particulars	31 March 2014	31 March 2013
Not later than one year	304,883	371,983
Later than one year and not later than five years	679,484	889,019
Later than five years	–	–

**vi Other accounting standards**

- AS 6 – Depreciation - Movement in Accumulated depreciation:

(In Rs.'000)

Depreciation to date	31 March 2014	31 March 2013
<b>PREMISES</b>		
Beginning of the year	(820,099)	(742,548)
Additions during the year	(122,627)	(92,673)
Deductions during the year	–	15,122
Closing balance	(942,726)	(820,099)
<b>OTHER FIXED ASSETS</b>		
Beginning of the year	(1,457,670)	(1,427,866)
Additions during the year	(201,973)	(168,013)
Deductions during the year	44,795	138,209
Closing balance	(1,614,848)	(1,457,670)





**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

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

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

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

(In Rs'000)

Particulars	31 March 2014	31 March 2013
Cost as on 31 March of the preceding year	357,802	228,875
Addition during the year	10,687	128,927
Deduction during the year	(90,489)	–
Accumulated depreciation to date	(239,301)	(216,680)
Net Value as at 31 March of the current year	38,697	141,122

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

**n. Additional disclosures**

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

(In Rs.'000)

Particulars	31 March 2014	31 March 2013
Provisions/ (write back) for depreciation on Investment	112,420	102,654
Provision for loan loss (net)	161,662	22,518
Provision/ (write back) for contingent credit exposures	1,905	2,181
Bad debts written off (net of recoveries)	(32,044)	(37,313)
Provision towards standard assets	–	–
Provision/ (write back) towards country risk	97,931	23,794
Provision made towards Income tax	6,842,839	7,810,673
Other Provision and Contingencies (with details):		
Deferred tax	(88,506)	(37,261)
<b>Total</b>	<b>7,096,207</b>	<b>7,887,246</b>

- ii) Floating provision

(In Rs'000)

Particulars	31 March 2014	31 March 2013
Opening balance	712,260	712,260
Add: Quantum of floating provisions made during the year	–	–
Less: Amount of draw down made during the year	–	–
Closing balance	712,260	712,260

- iii) Drawdown on reserves

The Bank has drawn down investment reserve of Rs. 47,840 thousand during the year ended 31 March, 2014 (Previous year: Rs. 44,640 thousand) as required by RBI circular DBOD No. BP. BC.8/21.04.141/2013-14 dated 1 July 2013.

- iv) Customer complaints

A	Customer complaints	31 March 2014	31 March 2013
(a)	No. of complaints pending at the beginning of the year	90	168
(b)	No. of complaints received during the year	4492	6,561
(c)	No. of complaints redressed during the year	4342	6,639
(d)	No. of complaints pending at the end of the year	240	90
<b>B</b>	<b>Unimplemented awards of Banking Ombudsman</b>		
(a)	No. of unimplemented awards at the beginning of the year	-	-
(b)	No. of Awards passed by the Banking Ombudsman during the year	-	-
(c)	No. of Awards implemented during the year	-	-
(d)	No. of unimplemented Awards at the end of the Year	-	-

- v) Letter of comfort

The Bank has not issued any letter of comfort during the year ended 31 March, 2014 and (Previous year Rs. Nil).

- vi) Provisioning Coverage Ratio as at 31 March 2014 is 84.80% (Previous year: 81.44%).



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

**n. Additional disclosures (Continued)**

vii Bancassurance business

Fees / remuneration received in respect of bancassurance business during the year is Rs. 544,306 thousand (Previous year: Rs 528,145 thousand).

(In Rs. '000)

Particulars	31 March 2014	31 March 2013
For selling life insurance products	63,703	117,992
For selling non life insurance products	6,831	2,771
For selling Mutual fund products	426,857	374,639
For selling PMS products	44,865	29,904
Others	2,050	2,839
Total	544,306	528,145

viii Concentration of Deposits, Advances, Exposures and NPAs

i Concentration of Deposits

(In Rs. '000)

	31 March 2014	31 March 2013
Total Deposits of twenty largest depositors	86,423,508	79,989,899
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	33.10%	38.47%

ii Concentration of Advances\*

(In Rs. '000)

	31 March 2014	31 March 2013
Total Advances to twenty largest borrowers	188,575,379	145,414,644
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	34.93%	30.31%

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

iii Concentration of Exposures\*\*

(In Rs. '000)

	31 March 2014	31 March 2013
Total Exposure to twenty largest borrowers/customers	188,575,379	145,414,644
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	26.38%	22.96%

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

iv Concentration of NPAs

(In Rs. '000)

	31 March 2014	31 March 2013
Total Exposure to top four NPA accounts	1,326,798	1,376,756

ix Sectorwise NPAs

Sl. No.	Sector	31 March 2014	31 March 2013
		Percentage of NPAs to Total Advances in that sector	
1	Agriculture & allied activities	-	-
2	Industry (Micro & small, Medium and Large)	0.80%	0.95%
3	Services	0.28%	0.44%
4	Personal Loans#	0.64%	0.38%

# Includes retail loans and advances.



**Schedule 18: Notes forming part of the financial statements of the India Branches (Continued)**  
for the year ended 31 March 2014

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

**n. Additional disclosures (Continued)**

x Movement of NPAs

(In Rs. '000)

Particulars	31 March 2014	31 March 2013
Gross NPAs as on 1st April (Opening Balance)	1,543,845	1,348,495
Additions (Fresh NPAs) during the year	373,942	370,703
Sub-total (A)	1,917,787	1,719,198
Less:-		
(i) Up gradations	291	54,805
(ii) Recoveries (excluding recoveries made from upgraded accounts)	228,159	74,079
(iii) Write-offs	15,928	46,469
Sub-total (B)	244,378	175,353
Gross NPAs as on 31st March (closing balance) (A-B)	1,673,409	1,543,845

xi Overseas Assets, NPAs and Revenue

(In Rs. '000)

Particulars	31 March 2014	31 March 2013
Total Assets	4,112,944	10,730,569
Total NPAs	-	-
Total Revenue	9,433	8,253

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

xiii Disclosure requirements for remuneration

In accordance with the requirements of the RBI Circular No. DBOD.NO.BC. 72/29.67/001/2011-12 dated 13 January 2012, the Asia Pacific Head Office of the Bank has submitted a declaration to RBI that the Bank's compensation policies including that of CEO's, is in conformity with the Financial Stability Board principles and standards.

xiv Disclosures relating to Securitisation

During the year, the Bank has not entered into any securitisation transactions (Previous year Rs Nil).

xv Credit Default Swaps

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

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

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with the management and confirmation sought from suppliers on registration with specified authority under MSMED, principal amount paid to such an enterprise is Rs 338 thousand (Previous year Rs. Nil) and the interest payable as at 31 March 2014 to such enterprise is Rs 3 thousand (Previous year Rs Nil).

**p. Movement in provision for credit card/debit card reward points**

(In Rs '000)

Particulars	31 March 2014	31 March 2013
Opening provision	2,262	700
Provision made during the year	2,419	2,262
Utilization/(write back) of provision during the year	(2,262)	(700)
Closing provision	2,419	2,262



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

**q. Provisions, Contingent liabilities and contingent Asset**

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

**r. 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.

In terms of our report attached.

For **BSR & Associates LLP**  
 Chartered Accountants  
 Firm's Registration No: 116231W

For **Deutsche Bank AG**  
**India Branches**

Sd/-  
**N Sampath Ganesh**  
 Partner  
 Membership No: 042554

Sd/-  
**Ravneet Singh Gill**  
 Chief Executive Officer – India

Sd/-  
**Avinash Prabhu**  
 Chief Financial Officer – India

Mumbai  
 Date: 18 June, 2014