THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

INDEPENDENT AUDITOR'S REPORT

To

The Interim Country Executive – The Royal Bank of Scotland N.V. – Indian Branches

Report on the Financial Statements

1. We have audited the accompanying financial statements of **The Royal Bank of Scotland N.V. – Indian Branches** ("the Bank"), which comprise the Balance Sheet as at 31 March 2014, the Profit and Loss Account, the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs read with guidelines issued by the Reserve Bank of India insofar as they are applicable to the Bank and in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949 as applicable. 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 in accordance with the Standards on Auditing 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 from material misstatement.
4. An audit involves performing procedures to obtain audit 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 the accounting estimates made by 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 financial statements 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 the accounting principles generally accepted in India:
   (i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March, 2014;
   (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
   (iii) in the case of the Cash Flow Statement, of cash flows for the year ended on that date.

Report on Other Legal and Regulatory Matters

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 purposes of our audit and have found them to be satisfactory.
   (b) In our opinion, the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
   (c) The financial accounting systems of the Bank are centralised and therefore financial statements are not required to be submitted by the branches; we have visited three branches for the purpose of our audit.
9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs.
10. We further report that:
   (i) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report, are in agreement with the books of account.
   (ii) 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.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
Firm's Registration Number: 301003E

Sd/
per Surekha Gracias
Partner
Membership Number: 105488
Place of Signature: Mumbai
Date: 29 June 2014

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

BALANCE SHEET AS AT 31 MARCH 2014

	Schedule	As at 31 March 2014 Rs. in 000's	As at 31 March 2013 Rs. in 000's
CAPITAL AND LIABILITIES			
Capital	1	1,690,151	1,690,151
Reserves and Surplus	2	28,518,092	26,629,070
Deposits	3	116,256,487	127,494,141
Borrowings	4	16,445,634	71,225,547
Other Liabilities and Provisions	5	40,752,494	36,556,874
TOTAL		**203,662,858**	**263,595,783**
ASSETS			
Cash and Balances with the Reserve Bank Of India	6	9,205,380	9,052,212
Balances with Banks and Money at Call and Short Notice	7	2,155,554	7,884,275
Investments	8	54,377,678	91,235,042
Advances	9	111,351,659	125,339,058
Fixed Assets	10	782,466	1,043,112
Other Assets	11	25,790,121	29,042,084
TOTAL		**203,662,858**	**263,595,783**
Contingent Liabilities	12	1,191,875,311	1,719,155,019
Bills For Collection		134,973,135	106,819,326
Significant Accounting Policies & Notes to Accounts	17/18		

Schedules referred to herein form an integral part of the Balance Sheet

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014

	Schedule	For the Year ended 31 March 2014 Rs. in 000's	For the Year ended 31 March 2013 Rs. in 000's
I INCOME			
Interest earned	13	17,437,905	18,904,073
Other income	14	6,549,541	5,469,868
TOTAL		**23,987,446**	**24,373,941**
II EXPENDITURE			
Interest expended	15	7,852,733	9,324,710
Operating expenses	16	9,318,005	10,273,879
Provisions and contingencies (Refer Schedule 18-1.18)		3,264,466	2,549,567
TOTAL		**20,435,204**	**22,148,156**
III PROFIT			
Net profit for the year (Refer Schedule 18-2.11)		3,552,242	2,225,785
TOTAL		**3,552,242**	**2,225,785**
IV APPROPRIATIONS			
Transfer to Statutory Reserve		888,061	556,446
Investment Reserve (Refer Schedule 18-2.15)		7,628	6,118
Capital reserve (Refer Schedule 18-2.15)		–	–
Balance carried forward to Balance Sheet		2,656,553	1,663,221
TOTAL		**3,552,242**	**2,225,785**
Significant Accounting Policies & Notes to Accounts	17/18		

Schedules referred to herein form an integral part of the Profit and Loss Account

As per our report of even date attached.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E

Sd/-
per Surekha Gracias
Partner
Membership No: 105488
Mumbai, 29 June 2014

For The Royal Bank of Scotland N.V. – Indian Branches

Sd/-
Brijesh Mehra
Interim Country Executive – India

Mumbai, 29 June 2014

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

CASH FLOW STATEMENT	Year ended 31 March 2014 (Rs. in 000's)	Year ended 31 March 2013 (Rs. in 000's)
Cash flows from Operating Activities		
Net Profit/(Loss) before taxes	6,621,173	4,198,021
Adjustment for		
Depreciation/(Appreciation) on bank's property	369,148	368,528
Depreciation/(Appreciation) on Investments	60,255	(14,070)
Amortisation of premium on HTM Investments	8,044	12,177
Interest on Sub-ordinated Debt / Innovative Perpetual Debt / Hybrid Capital	603,293	850,289
Provision towards NPAs (net of write backs)	(1,237,654)	(100,827)
Bad Debts written off	1,372,934	691,917
Others	6,635,405	5,803,806
Operating Profit before changes in working capital	**14,432,598**	**11,809,841**
Changes in working capital		
Increase / (Decrease) in Other Liabilities and Provisions	210,699	(1,041,875)
Increase / (Decrease) in Deposits	(11,237,654)	(2,901,214)
(Increase) / Decrease in Investments (excluding HTM category)	36,797,109	(14,343,583)
(Increase) / Decrease in Advances	13,852,119	(585,119)
(Increase) / Decrease in Other Assets	(287,592)	258,442
	39,334,681	**(18,613,349)**
Cash flows from Operating Activities	53,767,279	(6,803,508)
Taxes paid	(2,065,708)	(3,399,407)
Net cash from / (used in) Operating Activities	**51,701,571**	**(10,202,915)**
Cash flows from Investing Activities		
Purchase of Fixed Assets (includes Capital Work in Progress)	(121,375)	(377,223)
Proceeds from sale of Fixed Assets	49,101	6,754
(Increase) / Decrease in Investments (under HTM category)	–	324,215
Net cash from / (used in) Investing Activities	**(72,274)**	**(46,254)**
Cash flows from Financing Activities:		
Increase / (Decrease) in Subordinated debt	(3,944,814)	(3,634,215)
Profit remitted to Head office during the year	(1,663,221)	(3,327,432)
Increase / (Decrease) in Other Borrowings	(50,835,099)	14,468,747
Interest on Sub-ordinated Debt / Innovative Perpetual Debt / Hybrid Capital	(761,716)	(744,852)
Net cash from / (used in) Financing Activities	**(57,204,850)**	**6,762,248**
Net Increase / (Decrease) in cash and cash equivalents	**(5,575,553)**	**(3,486,921)**
Cash and cash equivalents as at April 1	16,936,487	20,423,408
Cash and cash equivalents as at March 31	**11,360,934**	**16,936,487**

Notes to the Cash flow statement:
Cash and cash equivalents includes the following

	31 March 2014 (Rs. in 000's)	**31 March 2013 (Rs. in 000's)**
Cash and Balances with Reserve Bank of India	9,205,380	9,052,212
Balances with Banks and Money at Call and Short Notice	2,155,554	7,884,275
	11,360,934	**16,936,487**

As per our report of even date attached.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E

Sd/-
per Surekha Gracias
Partner
Membership No: 105488
Mumbai, 29 June 2014

For The Royal Bank of Scotland N.V. – Indian Branches

Sd/-
Brijesh Mehra
Interim Country Executive – India

Mumbai, 29 June 2014

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2014

	As at 31 March 2014 Rs. in 000's	As at 31 March 2013 Rs. in 000's
SCHEDULE 1 – CAPITAL		
I Amount of Deposit kept with the Reserve Bank of India under Section 11(2)(b) of the Banking Regulation Act, 1949	7,150,000	6,565,000
II Head Office Account	1,690,151	1,690,151
TOTAL	1,690,151	1,690,151
SCHEDULE 2 – RESERVES AND SURPLUS		
I Statutory Reserves (Under Section 11(2)(b)(ii) of the Banking Regulation Act, 1949)		
Opening balance	7,099,362	6,542,916
Additions during the year	888,061	556,446
Closing balance	7,987,423	7,099,362
II Capital Reserve		
Opening balance	223,638	223,638
Additions during the year (Refer schedule 18-2.15)	–	–
Closing balance	223,638	223,638
III Property Investment Reserve		
Opening balance	82,749	82,749
Additions during the year	–	–
Closing balance	82,749	82,749
IV Special Reserve for Residential Housing Loans (Under Section 36(i)(viii) of the Income Tax Act, 1961)	60,355	60,355
V Head Office Charges Reserve		
Opening balance	3,006,951	3,006,951
Additions during the year (Refer schedule 18-2.3)	–	–
Closing balance	3,006,951	3,006,951
VI Investment Reserves		
Opening balance	123,231	117,113
Additions during the year (Refer Schedule 18-2.15)	7,628	6,118
Transfer to the Profit and Loss Account (Refer Schedule 18-2.15)	–	–
Closing balance	130,859	123,231
VII Remittable Surplus Retained for CRAR Requirements		
Opening balance	14,369,564	14,369,563
Additions during the Year	–	–
Closing balance	14,369,564	14,369,563
VIII Balance of Profit and Loss Account		
Opening balance	1,663,221	3,327,432
Additions during the Year	2,656,553	1,663,221
Profit remitted to Head Office during the year	(1,663,221)	(3,327,432)
Closing balance	2,656,553	1,663,221
TOTAL	28,518,092	26,629,070
SCHEDULE 3 – DEPOSITS		
A. I Demand Deposits		
i) From banks	369,340	361,148
ii) From others	25,169,564	34,931,158
II Savings Bank Deposits	22,856,149	28,019,477
III Term Deposits		
i) From banks	5,143	546,143
ii) From others	67,856,291	63,636,215
TOTAL	116,256,487	127,494,141
B. i) Deposits of branches in India	116,256,487	127,494,141
ii) Deposits of branches outside India	–	–
TOTAL	116,256,487	127,494,141

	As at 31 March 2014 Rs. in 000's	As at 31 March 2013 Rs. in 000's
SCHEDULE 4 – BORROWINGS		
I Borrowings in India		
i) Reserve Bank of India	1,000,000	23,800,000
ii) Other banks	–	8,628,550
iii) Other institutions and agencies	–	–
II Borrowings outside India		
i) From banks	5,186,823	24,593,372
ii) From others	–	–
iii) Innovative perpetual debt (Refer Schedule 18-1.1&18-2.19)	3,101,829	3,101,829
iv) Hybrid capital (Refer Schedule 18-1.1&18-2.19)	7,156,982	7,156,982
v) Sub-ordinated debt (Refer Schedule 18-1.1&18-2.19)	–	3,944,814
TOTAL	16,445,634	71,225,547

Secured Borrowings included in I and II above is Rs.1,000,000 thousand (Previous year: Rs.23,800,000 thousand)

	As at 31 March 2014 Rs. in 000's	As at 31 March 2013 Rs. in 000's
SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
I Bills payable	1,112,822	1,421,783
II Inter-branch adjustments (net)	–	–
III Interest accrued	755,965	1,043,447
IV Provisions on Standard Assets (Refer Schedule 18-1.10)	1,863,935	1,863,935
V Provision for Tax (Net of Advance Tax)	–	–
VI Others (including provisions)	37,019,772	32,227,709
TOTAL	40,752,494	36,556,874
SCHEDULE 6 – CASH AND BALANCES WITH THE RESERVE BANK OF INDIA		
I Cash in hand (including foreign currency notes)	352,966	754,358
II Balances with the Reserve Bank of India		
i) In current accounts	7,052,414	8,297,854
ii) In other accounts	1,800,000	–
TOTAL	9,205,380	9,052,212
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
i) Balances with banks		
a) In current accounts	76,241	275,731
b) In other deposit accounts	75	75
ii) Money at Call and Short Notice		
a) With banks	–	5,250,000
b) With other institutions	–	–
	76,316	5,525,806
II Outside India		
i) In current accounts	2,079,238	2,358,469
ii) Deposit accounts	–	–
iii) Money at call and short notice	–	–
	2,079,238	2,358,469
TOTAL	2,155,554	7,884,275

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2014

	As at 31 March 2014 Rs. in 000's	As at 31 March 2013 Rs. in 000's
SCHEDULE 8 – INVESTMENTS		
I Investments in India		
i) Government securities (Refer Schedule 18-2.2)	54,377,678	64,858,871
ii) Other approved securities	–	–
iii) Debentures and bonds	–	1,215,528
iv) Others (Commercial Papers and Certificate of Deposits)	–	25,160,643
	54,377,678	91,235,042
II Investments outside India	–	–
TOTAL	54,377,678	91,235,042
Gross Investments	54,455,857	91,252,966
Less: Provision for diminution in value	(78,179)	(17,924)
TOTAL	54,377,678	91,235,042
SCHEDULE 9 – ADVANCES		
A i) Bills purchased and discounted	22,085,288	27,754,811
ii) Cash credits, overdrafts and loans repayable on demand	52,408,787	66,930,514
iii) Term loans	36,857,584	30,653,733
TOTAL	111,351,659	125,339,058
B i) Secured by tangible assets*	55,653,364	66,001,437
ii) Covered by bank/ government guarantees**	2,161,040	5,263,397
iii) Unsecured	53,537,255	54,074,224
TOTAL	111,351,659	125,339,058
C I Advances in India		
i) Priority sector	53,670,421	57,569,777
ii) Public sector	75	697,763
iii) Banks	1,241,065	4,204,012
iv) Others	56,440,098	62,867,506
TOTAL	111,351,659	125,339,058
C II Advances outside India	–	–
TOTAL	111,351,659	125,339,058

* Includes advances against book debts

** Includes advances secured against Risk Allocation Letters issued by Head Office and other branches of The Royal Bank of Scotland N.V.

	As at 31 March 2014 Rs. in 000's	As at 31 March 2013 Rs. in 000's
SCHEDULE 10 – FIXED ASSETS		
I Premises		
At Book Value		
Beginning of the year	313,307	313,307
Additions during the year	–	–
Deductions during the year	(232)	–
	313,075	313,307
Depreciation to Date		
Beginning of the year	141,888	136,228
Additions during the year	5,389	5,660
Deductions during the year	(132)	–
	147,145	141,888
	165,930	171,419
II Other Fixed Assets (Refer Schedule 18-2.5 & 2.13) (including furniture and fixtures and software)		
At Book Value		
Beginning of the year	3,966,901	3,300,886
Additions during the year	184,912	726,491
Deductions during the year	(308,345)	(60,476)
	3,843,468	3,966,901
Depreciation to Date		
Beginning of the year	3,213,149	2,905,778
Additions during the year	363,759	362,868
Deductions during the year	(295,572)	(55,497)
	3,281,336	3,213,149
	562,132	753,752
III Capital Work-in-Progress (including capital advances)	54,404	117,941
TOTAL	782,466	1,043,112
SCHEDULE 11 – OTHER ASSETS		
I Inter-branch adjustments (net)	–	–
II Interest accrued	1,546,680	1,753,012
III Advance tax and tax deducted at source (net of provision for tax)	2,487,148	2,655,613
IV Stationery and stamps	–	–
V Non-banking assets acquired in satisfaction of claims	–	–
VI Deferred tax asset (Refer Schedule 18-2.9)	2,582,484	3,417,242
VII Others	19,173,809	21,216,217
TOTAL	25,790,121	29,042,084
SCHEDULE 12 – CONTINGENT LIABILITIES		
I Claims against the bank not acknowledged as debts (including tax matters)	2,183,496	1,853,040
II Liability on account of outstanding derivative contracts (including Forward rate agreements, Interest rate swaps, Currency swaps and Options)	533,667,428	864,438,962
III Liability on account of outstanding foreign exchange contracts	582,751,652	782,324,708
IV Guarantees given on behalf of constituents		
i) In India	56,203,065	50,967,178
ii) Outside India	5,234,677	4,776,801
V Acceptances, endorsements and other obligations	11,066,532	13,593,153
VI Other items for which the bank is contingently liable	768,461	1,201,177
TOTAL	1,191,875,311	1,719,155,019

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

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

	Year ended 31 March 2014 Rs. in 000's	Year ended 31 March 2013 Rs. in 000's
SCHEDULE 13 – INTEREST EARNED		
I Interest/discount on advances/bills	9,469,885	10,430,424
II Income on investments	6,331,060	7,656,175
III Interest on balances with the Reserve Bank of India and other inter bank funds	1,529,990	779,031
IV Others	106,970	38,443
TOTAL	17,437,905	18,904,073
SCHEDULE 14 – OTHER INCOME		
I Commission, exchange and brokerage	2,589,429	2,821,135
II Profit on sale of investments (net)	227,175	44,668
III Profit / (loss) on sale of land, buildings and other assets (net)	36,228	1,775
IV Profit on exchange transactions (net) (includes profit / (loss) on derivative transactions (net)	1,838,567	2,072,672
V Miscellaneous income (includes recovery from written off debts)	1,858,142	529,618
TOTAL	6,549,541	5,469,868

	Year ended 31 March 2014 Rs. in 000's	Year ended 31 March 2013 Rs. in 000's
SCHEDULE 15 – INTEREST EXPENDED		
I Interest on deposits	6,565,955	6,848,023
II Interest on Reserve Bank of India / inter bank borrowings	1,286,778	2,476,687
III Others	–	–
TOTAL	7,852,733	9,324,710
SCHEDULE 16 – OPERATING EXPENSES		
I Payments to and provision for employees (Refer Schedule 18-2.1)	3,754,145	3,463,716
II Rents, taxes and lighting (Refer Schedule 18-2.6)	904,489	1,372,170
III Printing and stationery	62,904	92,723
IV Advertisement and publicity	126,109	59,951
V Depreciation on bank's property	369,148	368,528
VI Auditors' fees and expenses	12,714	11,991
VII Law charges	30,717	12,979
VIII Postage, telegrams and telephones	246,650	362,290
IX Repairs and maintenance	304,095	1,208,688
X Insurance	81,334	134,825
XI Head Office charges	247,992	206,553
XII Other expenditure (Refer Schedule 18-2.4)	3,177,708	2,979,465
TOTAL	9,318,005	10,273,879

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014

Schedule 17

1 Background

The accompanying financial statements for the year ended 31 March 2014 comprise the balance sheet as at 31 March 2014, profit and loss account and cash flow statement for the year then ended of the Indian Branches of The Royal Bank of Scotland N.V. ('the Bank') which is incorporated in the Netherlands with limited liability.

2 Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the Reserve Bank of India (RBI) from time to time, the Accounting Standards (AS) notified under the Companies Act, 1956 ("the Act") read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs read with guidelines issued by the Reserve Bank of India insofar as they are applicable to the Bank. The Bank follows the accrual method of accounting (except where otherwise stated), and the historical cost convention.

3 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles ('GAAP') requires the Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent liabilities as at the date of the financial statements. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

4 Significant accounting policies

4.1 Investments

Recognition and Classification

Investments are accounted for in accordance with the extant RBI guidelines on investment classification and valuation.

Investments are classified into

- Held to Maturity ('HTM');
- Held for Trading ('HFT'); and
- Available for Sale ('AFS')

Under each classification, the investments are further categorised as (a) government securities, (b) other approved securities, (c) Bonds and debentures and (d) others.

For disclosure in the Balance Sheet, investments are classified under four categories – Government Securities, Other approved securities, Debentures and Bonds and Others.

The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI guidelines.

Acquisition cost / carrying cost

Cost of investment represents the acquisition cost and in case of discounted instruments, the carrying cost includes the pro rata discount accreted for the holding period. Accretion on Treasury Bills is calculated on the weighted average cost method.

Brokerages, commission, broken period interest, etc. on debt instruments, paid at the time of acquisition, are charged to the Profit and Loss Account.

Transfer between categories

Transfer of securities between categories of investments is carried out in accordance with the RBI guidelines and accounted for at the lower of acquisition cost, book value and market value on the date of transfer and the depreciation, if any, on such transfer is fully provided for.

Valuation / income recognition

Investments classified under the HTM category are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium paid on acquisition in excess of face value is amortised over the period remaining to maturity on a straight-line basis. Discount, if any, is ignored. A provision is made for other than temporary diminution in the value of the HTM security.

Realised gains on sale of investments under HTM category are recognised in the Profit and Loss Account and the profit is thereafter appropriated (net of taxes, if any and net of transfer to Statutory Reserve as applicable) to Capital Reserve Account in accordance with the RBI guidelines. Loss on sale is recognised in the Profit and Loss Account.

Investments classified as AFS are marked-to-market on a quarterly or at more frequent intervals and the net depreciation, if any, in each classification as mentioned in Schedule 8 – 'Investments' is recognised in the Profit and Loss Account. The net appreciation, if any, is ignored. The book value of the individual securities is not changed consequent to the periodical valuation of investments.

Investments classified as HFT are marked-to-market on a monthly or at more frequent intervals and the net depreciation, if any, in each classification as mentioned in Schedule 8 – 'Investments' is recognised in the Profit and Loss Account. The net appreciation, if any, is ignored. The book value of the individual securities is not changed consequent to the periodical valuation of investments.

In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss Account and the excess is thereafter appropriated (net of taxes, if any and net of transfer to Statutory Reserve as applicable) to Investment Reserve Account.

Profit or loss on sale of securities is computed on the basis of the weighted average cost. Market price of securities is sourced from the revaluation rates published by the Fixed Income Money Market and Derivatives Association of India ('FIMMDA').

Treasury Bills, Commercial Paper and Certificates of Deposit, being discounted instruments, are valued at carrying cost.

Accounting for repurchase/reverse repurchase transactions

Repurchase and reverse repurchase transactions are accounted as secured borrowing and lending transactions in accordance with the extant RBI guidelines.

Repurchase / reverse repurchase transactions under the Liquidity Adjustment Facility (LAF) with the RBI are accounted as secured borrowing and lending transactions.

4.2 Advances and Provisions / write-offs

Advances are classified as performing and non-performing in accordance with RBI prudential norms on classification. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

Advances are stated net of specific provisions, interest in suspense, provision for impaired assets, Export Credit Guarantee Corporation Limited ('ECGC') claims and bills rediscounted.

Specific loan loss provisions in respect of non-performing advances are made based on the Management's assessment of the degree of impairment of the advances after considering the prudential norms on provisioning as prescribed by the RBI.

In the case of consumer loans, provisions are made upon reaching specified stages of delinquency under each type of loan after considering the prudential norms on provisioning prescribed by the RBI.

As per the RBI guidelines, a general provision is required to be made on all standard advances based on the category of advances as prescribed in the said guidelines. These provisions are made in line with the said guidelines and are disclosed under Schedule 5 - 'Provisions on Standard Assets'.

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

Amounts recovered against debts written-off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the Profit and Loss Account.

4.3 Transactions involving foreign exchange

Monetary assets and liabilities denominated in foreign currency are translated into Indian rupees at the year end exchange rates notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resulting profits/losses from year-end revaluation are recognised in the Profit and Loss Account.

Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

Subordinated debt / hybrid capital / innovative perpetual debt capital is reported in the financial statements at the exchange rate on the date the foreign currency was swapped into Indian Rupees. The subordinated debt is thereafter revalued, at the year end and the resulting profit or loss on revaluation is recognised in the Profit and Loss Account with the corresponding effect under 'Others' in Other Assets or under 'Others' in Other Liabilities and Provisions.

Outstanding forward exchange contracts are revalued at the exchange rates notified by FEDAI for specified maturities and at extrapolated rates for contracts of intervening maturities. The foreign exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the exchange rates implied by the USD / INR Currency Swap curve. The resultant gain or losses are recognised in the Profit and Loss Account.

Income and expenditure in foreign currency are translated at the exchange rates prevailing on the date of the transaction.

Contingent liabilities denominated in foreign currencies are disclosed at the closing rates of exchange notified by FEDAI.

4.4 Derivative instruments

Derivative instruments include foreign currency options, interest rate swaps ('IRS'), cross currency interest rate swaps ('CCS') and forward rate agreements ('FRA') which are undertaken for trading or hedging purposes. Derivatives undertaken for trading purposes are measured at their fair value and the resultant gain or loss is recognised in the Profit and Loss Account.

The Bank treats all derivatives (except for derivative transactions that are undertaken for hedging are accounted on accrual basis) which include all customer and proprietary transactions together with any associated hedges and trades done for hedging the balance sheet as 'trading' derivatives.

Pursuant to RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark-to-market gains on other derivative contracts with the same counter-parties are reversed through Profit and Loss Account.

4.5 Revenue recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured.

Interest income is recognised in the Profit and Loss Account on an accrual basis except in case of interest on non-performing advances, where it is recognised on receipt basis as per the income recognition and asset classification norms of RBI and the relevant Accounting Standards.

Loan processing fee is accounted for upfront when it becomes due. Fees received on credit cards are recognised upfront in the year of issuance / renewal.

Commission on letters of credit is recognised at the inception of the transaction. Commission income on guarantees is recognised on a straight-line basis over the period of the guarantee if the commission received is greater than Eur 10,000. Commission income on buyers credit is recognised on a straight-line basis over the period of the loan if the commission received is greater than GBP 50,000.

Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.

All other fees are accounted for as and when they become due.

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

4.6 *Acquisition costs for procuring consumer loans*

Commission paid to sales agents for acquisition of consumer loans and other related loan acquisition costs is charged to the Profit and Loss Account in the year in which they are incurred.

4.7 *Fixed assets and depreciation*

Fixed assets are stated at historical cost less accumulated depreciation and provision for impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Historical cost for this purpose includes the written down value as at 31 March 1991 for fixed assets acquired up to that date and the cost of acquisition for fixed assets acquired thereafter.

Depreciation on assets (other than computer equipment and third party software) acquired up to 31 March 1999 is provided on a pro-rata basis using the Written Down Value Method at the under-mentioned rates:

Premises	5.00%
Furniture and fixtures	20.00%
Equipment and vehicles	25.00%

Depreciation on assets (other than computer equipment and third party software) acquired after 31 March 1999 is provided on a pro-rata basis using the Straight Line Method at the under-mentioned rates:

Premises	2.00%
Furniture and fixtures	20.00%
Other equipment	20.00%
Vehicles (including leased assets)	33.33%

Depreciation on computer equipment and software is provided at 33.33% on a pro-rata basis using the Straight Line Method.

The above rates are reflective of the Management's estimate of the useful lives of the related fixed assets subject to the minimum rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956.

All fixed assets individually costing less than Rs 5,000 are fully depreciated in the year of acquisition.

If the Management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter, then depreciation is provided at a higher rate based on the Management's estimate of the useful life/remaining useful life. Cost of alteration of rented/leased premises is depreciated over the primary period of the rent/lease agreements or 5 years, whichever is lower.

4.8 *Leases*

Finance Leases

Finance leases which effectively transfer substantially all the risks and benefits incidental to ownership of the lease term are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Bank will obtain the ownership by the end of the lease term, capitalised assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Assets taken on lease are recognised as fixed assets at the fair market value of the assets or present value of minimum lease payments as prescribed under Accounting Standard 19- "Leases" as notified under the Companies Act, 1956 ("the Act") read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs.

Operating Leases

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

4.9 *Employee Benefits*

Provident fund

The Provident Fund Plan of the Bank is a defined contribution scheme. The Bank's contributions paid / payable towards Provident Fund are charged to the Profit and Loss Account every year. These funds and the schemes there under are recognised by the Income-tax authorities and administered by various trustees.

Gratuity and Pension

The Bank has defined benefit plans for post employment benefits in the form of Gratuity which is funded and Pension which is partly funded. Provisions for gratuity and pension which are defined benefit schemes are made on the basis of an independent actuarial valuation carried out as per the Projected Unit Credit method as at the year end. The fair value of plan assets are compared with the liabilities and shortfall, if any, is provided in the financial statements.

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

Deferred Bonus Scheme

The Bank accounts for its defined benefit obligation for non-funded deferred bonus benefits on the basis of an independent actuarial valuation as per the Projected Unit Credit method carried out as at the year end.

Compensated absences

Liability for long term compensated absences for employees is accounted on the basis of an independent actuarial valuation as per the Projected Unit Credit method carried out as at the year end. Unutilised short term compensated absences are provided for on an undiscounted basis.

Long Service Award

Liability for long term service award for employees is accounted on the basis of an independent actuarial valuation as per the Projected Unit Credit method carried out as at the year end.

Actuarial gains/losses are immediately recognised in the Profit and Loss Account.

Other short term employee benefits are recognised on an undiscounted basis on their likely entitlement thereof.

4.10 Income taxes

Income tax comprises the current tax provision, wealth tax and the net change in the deferred tax asset or liability in the year.

The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 – Accounting for Taxes on Income notified under the Companies Act, 1956 ("the Act") read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs , respectively.

Deferred tax assets and liabilities arising on account of timing difference are recognised in the Profit and Loss Account and the cumulative effect thereof is reflected in the Balance Sheet. Deferred tax assets are recognised only if there is a reasonable certainty that they will be realised, except for deferred tax assets in respect of unabsorbed depreciation and carry forward losses which are only recognised to the extent that it is virtually certain that they will be realised. Deferred tax assets and liabilities are measured using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the period of change.

4.11 Provisions contingent liabilities and contingent assets

Provisions are created when there is a 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 a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provision for reward points are determined based on past redemption pattern and periodically reassessed and adjusted based on changes in redemption behaviour. Provisions are utilised when the customer actually redeems the points or when they lose their eligibility to utilise the points.

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

(Rs. in 000s)

Particulars	31 March 2014	31 March 2013
Opening provision for reward points	220,360	109,261
Provision for reward points made during the year	23,856	163,294
Utilisation/Write back of provision for reward points	(244,216)	(52,195)
Closing Provision for reward points	Nil	220,360

Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised. Such assets are assessed continually and recognised in the period in which it is virtually certain that the inflow of economic benefits will arise.

4.12 Impairment

The carrying amounts of assets are reviewed at each Balance Sheet date for any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and "value in use". In assessing "value in use", the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. 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.

4.13 Cash and cash equivalents

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

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

Schedule 18

1 Statutory disclosures as per the RBI guidelines

1.1 Capital adequacy ratio

The Reserve Bank of India issued the Basel III capital regulations which were effective from April 1, 2013. The capital adequacy ratio computed under Basel III capital regulations is applicable from financial year 2013-14 and accordingly, corresponding details under Basel III for previous year is not applicable.

The Bank's Capital Adequacy ratio as on March 31, 2014 computed under Basel III is given below

(Rs. in 000's)

Particulars	31 March 2014	31 March 2013*
CET I Capital	27,277,881	26,175,035
Tier II Capital	7,720,380	8,363,189
Total Capital	**34,998,261**	**34,538,224**
Total Risk Weighted assets	228,546,727	238,228,733
Capital Ratios:		
Tier I Capital	11.94%	10.99%
Tier II Capital	3.38%	3.51%
Total Capital	**15.31%**	**14.50%**
Amount of subordinated debt raised during the year as Tier-II capital	Nil	Nil
Amount of innovative perpetual debt raised during the year as Tier-I capital	Nil	Nil
Amount of hybrid capital raised during the year as Tier-II capital	Nil	Nil

*The Capital adequacy ratio as on March 31, 2013 is in accordance with the RBI guidelines (New Capital Adequacy Framework (NCAF) dated July 2, 2012) under Basel II framework.

1.2 Business ratios/information

The details relating to business ratios are given below:

Particulars	31 March 2014	31 March 2013
i) Interest income as percentage of working funds	8.20%	8.18%
ii) Non-interest income as percentage of working funds	3.08%	2.37%
iii) Operating profits as percentage of working funds	3.11%	2.07%
iv) Return on assets (%)	1.67%	0.96%
v) Business (deposits plus advances) per employee (Rs.000s)	288,734	162,114
vi) Net Profit per employee (Rs.000s)	4,514	1,432

1) For computation of ratios in (i), (ii), (iii) and (iv), working funds represent monthly average of total assets as reported to the RBI in the DSB returns.
2) For computation of ratios in (v), deposits (excluding Inter-bank deposits) plus advances as at year end have been considered.
3) For computation of ratios in (v) and (vi), number of employees as at the year end have been considered.

1.3 Derivative instruments

Risk management of derivatives

The Bank offers derivative products to its customers for hedging various types of risk exposures. The Bank is also an active market maker in the derivatives market and uses derivatives to manage balance sheet exposures.

The Bank follows the policies and controls laid out by RBS Group for identifying, evaluating, monitoring and controlling key risks pertaining to the Bank's derivative business in India. Key risks inherent in the derivative business carried out by the Bank in India include credit, market and operational risks for which policies, procedures and limits are established to manage them.

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

In terms of the organisation structure for risk management, the Bank has separate teams monitoring and managing various risks such as credit risk, market risk and operational risk. All these teams report to the Credit Risk Officer - India. The Bank also has a comprehensive Client Suitability and Appropriateness Policy, to ensure that derivative products offered to clients are in line with the size and sophistication of the client, and which meet the client's risk management requirements. Derivatives transactions are covered under International Swap Dealers Association (ISDA) master agreements with the respective counter-parties.

Market risk, operational risk, and credit risk (counter-party risk) are monitored as follows:

Market risk

The Bank has set in place Value at Risk (VaR) limits, which are based on the Historical Simulation Method to control and monitor market risk. The Bank has also in place PV01 limits (impact of 1 basis point shift in the yield curve) and basis limits to control the exposures. Daily reports are made available through the risk management systems for monitoring these exposures. In addition to these limits, stress and scenario analysis are undertaken to evaluate shock impacts.

Operational risk

The Bank has made investments in known and tested software and hardware, which caters to the derivative activity. The Bank also has an approval and review process to manage risks arising out of new products and activities.

Collateral and credit risk mitigation

The Bank has set in place counterparty limits to monitor off balance sheet exposure as well as settlement risk. The off balance sheet exposure is calculated based on a dynamic method, which takes into account the positive replacement cost together with the potential future credit exposure for each trade. Counterparty exposures are monitored daily through a Global Counterparty Exposure management system.

Agreements with banks/financial institutions and corporates are under approved credit lines. For transactions with Banks as counter-parties, generally collateral is not taken. With respect to transactions with other counter-parties, generally collateral is not taken at the time of dealing. The Bank has collateral agreements with a few corporate clients, which are required to post collaterals, should the negative Mark to Market value at an aggregate level across all derivative and forward transactions with the client, exceed the threshold. As of 31 March, 2014, total collateral value held by the Bank was Rs.31,433 thousand. The corresponding value for 31 March, 2013 was Rs. 275,324 thousand.

Accounting for derivatives

The accounting policy for recording derivative transactions is in place which includes recognition of income and the treatment of gains/losses on cancellation/termination of contracts. Refer Schedule 17(4.4) and (4.5).

Disclosures in respect of Forward Rate Agreements ('FRA'), Interest Rate Swaps ('IRS') and Cross Currency Swaps ('CCS') outstanding as at 31 March 2014 is set out below:

Forward Rate Agreements

(Rs. in 000's)

Sr. No	Particulars	31 March 2014 Amount	31 March 2013 Amount
I	Notional Principal	Nil	Nil
II	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	Nil	Nil
III	Collateral required by the bank upon entering into swaps	Nil	
IV	Concentration of credit risk arising from the swaps	Banks Not Applicable Others Not Applicable	Banks Not Applicable Others Not Applicable
V	The fair value of the swap [asset / (liability)]	Nil	Nil

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

Interest Rate Swaps

(Rs. in 000's)

Sr. No	Particulars	31 March 2014 Amount	31 March 2013 Amount
I	Notional Principal	454,025,657	728,562,013
II	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	5,695,520	4,415,139
III	Collateral required by the bank upon entering into swaps	Refer Schedule 18-1.3	
IV	Concentration of credit risk arising from the swaps	Banks 91% Others 9%	Banks 86% Others 14%
V	The fair value of the swap [asset / (liability)]	2,611,268	1,404,557

Cross Currency Swaps

(Rs. in 000's)

Sr. No	Particulars	31 March 2014 Amount	31 March 2013 Amount
I	Notional Principal	67,115,292	87,803,293
II	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	1,129,805	4,074,638
III	Collateral required by the bank upon entering into swaps	Refer Schedule 18-1.3	
IV	Concentration of credit risk arising from the swaps	Banks 49% Others 51%	Banks 62% Others 38%
V	The fair value of the swap [asset / (liability)]	(6,996,534)	(909,129)

Exchange Traded Interest Rate Derivatives

(Rs. in 000's)

Sr. No.	Particulars	31 March 2014	31 March 2013
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	Nil	Nil
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued*)

Disclosures on risk exposure in derivatives:

Year Ended 31 March 2014 *(Rs. in 000's)*

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**		
	a) For hedging	Nil	9,150,000
	b) For trading	79,641,771	454,025,657
2	**Marked to Market Positions**		
	a) Asset (+)	1,264,729	5,695,520
	b) Liability (-)	(8,681,301)	(3,084,253)
3	**Credit Exposure**	8,174,315	10,123,975
4	**Likely impact of one percentage change in interest rate (100*PV01) (as at 31 March 2014)**		
	a) on hedging derivatives	Nil	246,319
	b) on trading derivatives	(208,773)	403,641
5	**Maximum and Minimum of 100*PV01 observed during the year**		
	a) on hedging		
	I) Maximum	Nil	327,596
	II) Minimum	Nil	246,319
	b) on Trading		
	I) Maximum	(208,773)	455,596
	II) Minimum	(341,653)	403,641

Note: Derivatives excludes Forward exchange contracts. The maximum and minimum of 100*PV01 observed during the year represents the maximum and minimum of observations on the last day of each quarter during the year ended 31 March 2014.

Year Ended 31 March 2013 *(Rs. in 000's)*

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**		
	a) For hedging	Nil	9,150,000
	b) For trading	135,876,949	728,562,013
2	**Marked to Market Positions**		
	a) Asset (+)	4,492,295	4,415,139
	b) Liability (-)	(5,700,023)	(3,010,582)
3	**Credit Exposure**	13,530,154	10,573,271
4	**Likely impact of one percentage change in interest rate (100*PV01) (as at 31 March 2013)**		
	a) on hedging derivatives	Nil	3,450,040
	b) on trading derivatives	(373,584)	(2,605,756)
5	**Maximum and Minimum of 100*PV01 observed during the year**		
	a) on hedging		
	I) Maximum	Nil	4,188,269
	II) Minimum	Nil	3,450,040
	b) on Trading		
	I) Maximum	(373,584)	(2,605,756)
	II) Minimum	(776,500)	(3,256,447)

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued*)

1.4 Investments

(Rs. in 000's)

Year Ended	31 March 2014	31 March 2013
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	54,455,857	91,252,966
(b) Outside India	Nil	Nil
(ii) Provisions for Diminution in Value		
(a) In India	78,179	17,924
(b) Outside India	Nil	Nil
(iii) Net Value of Investment		
(a) In India	54,377,678	91,235,042
(b) Outside India	Nil	Nil
(2) Movement of provisions held towards diminution in value of investments		
(i) Opening balance	17,924	31,994
(ii) Add: Provisions made during the year (including provision made on inter-bank repo outstanding at the end of the year)	78,179	Nil
(iii) Less: Write-off/ write-back of excess provisions during the year	(17,924)	(14,070)
(iv) Closing balance	78,179	17,924

1.5 Disclosures in respect of repo transactions

Year ended 31 March 2014 *(Rs. in 000's)*

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31 March 2014
Securities sold under repos				
i. Government securities	600,000	23,800,000	5,107,674	1,000,000
ii. Corporate debt securities	Nil	Nil	Nil	Nil
Securities purchased under reverse repos				
i. Government securities	925,600	5,880,000	87,849	1,800,000
ii. Corporate debt securities	Nil	Nil	Nil	Nil

Year Ended 31 March 2013 *(Rs. in 000's)*

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31 March 2013
Securities sold under repos				
i. Government securities	500,000	23,800,000	8,706,464	23,800,000
ii. Corporate debt securities	Nil	Nil	Nil	Nil
Securities purchased under reverse repos				
i. Government securities	100,000	19,824,600	325,379	Nil
ii. Corporate debt securities	Nil	Nil	Nil	Nil

Note: The above figures include deals under LAF with RBI.
Daily average Repo outstanding during the year is computed considering 365 days in a year.

1.6 Movement in NPAs

(Rs. in 000's)

Year ended	31 March 2014	31 March 2013
(i) Net NPAs to Net Advances (%)	-0.05%	0.29%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	2,795,950	3,465,080
(b) Additions during the year	159,567	535,076
(c) Reductions during the year	(1,819,605)	(1,204,206)
(d) Closing balance	1,135,912	2,795,950
(iii) Movement of Net NPAs		
(a) Opening balance	365,153	933,456
(b) Additions during the year	149,018	(70,627)*
(c) Reductions during the year	(571,602)	(497,676)
(d) Closing balance**	(57,431)	365,153
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)**		
(a) Opening balance	2,430,797	2,531,624
(b) Provisions made during the year	10,549	605,703
(c) Write-off/ write-back of excess provisions	(1,248,003)	(706,530)
(d) Closing balance	1,193,343	2,430,797

Note: * Negative additions denote higher amount of incremental provision over incremental gross NPA during the year.
** Includes provision held on NPA's sold in prior/current year.

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued*)

Provision Coverage Ratio:

In accordance with RBI circulars dated 1 December 2009 and 21 April 2011 the Bank's Provision Coverage Ratio as at 31 March 2014 is 98.75% (previous year 84.38%).

1.7 *Details of Financial Assets Sold to Securitisation / Reconstruction Company for Asset Reconstruction*

(Rs. in 000's)

Particulars	31 March 2014	31 March 2013
No. Of account	2,520	1
Aggregate Value (Net of Provision) of the accounts sold to Restructuring company	37,512	29,590
Aggregate Consideration	33,140	50,000
Additional consideration realised in respect of accounts transferred in earlier years	Nil	Nil
Aggregate gain over the net book value	(4,372)	20,410

Note: Does not include sale of assets which are charged off in the books of accounts.

1.8 *Details of Non performing financial assets purchased / sold*

Details of non performing assets sold during the year is as below,

(Rs. in 000's)

Particulars	31 March 2014	31 March 2013
Numbers of accounts sold	219	Nil
Aggregate Outstanding*	269,457	Nil
Aggregate consideration received	209,748	Nil

*Aggregate outstanding reflects gross book value of NPAs

1.9 *Maturity pattern*

Maturity Pattern of Assets and Liabilities as at 31 March 2014 *(Rs. in 000's)*

Particulars	Deposit	Advances	Investment	Borrowings	FCY Asset	FCY Liabilities
Up to 1 day	2,588,133	6,503,780	-	5,186,823	5,515,304	5,632,892
2 to 7 days	18,099,395	12,745,089	-	1,000,000	7,377,909	704,782
8 to 14 days	7,957,929	4,803,570	-	-	4,400,136	462,269
15 to 28 days	7,637,251	9,804,627	783,912	-	6,748,893	76,059
29 days to 3 months	19,883,650	44,383,974	6,226,755	-	8,546,898	3,680,738
Over 3 months & up to 6 months	5,797,604	11,402,878	-	-	4,542,790	1,929,200
Over 6 months & up to 1 year	4,491,006	7,240,937	5,048,793	-	80,302	380,131
Over 1 Year & up to 3 Years	49,521,014	14,336,267	16,837,983	1,971,757	15,399,654	16,280,885
Over 3 Year & up to 5 Years	280,505	68,273	23,444,573	8,287,054	-	8,291,926
Over 5 Years	-	62,264	2,035,662	-	575,416	-
Total	**116,256,487**	**111,351,659**	**54,377,678**	**16,445,634**	**53,187,302**	**37,438,882**

Maturity pattern for assets and liabilities as at 31 March 2013 *(Rs. in 000s)*

Particulars	Deposits	Advances	Investments	Borrowings	FCY Assets	FCY Liabilities
Up to 1 day	2,915,636	4,996,198	-	4,507,922	5,674,449	4,888,840
2 to 7 days	17,810,937	6,089,879	-	48,171,200	863,315	17,936,589
8 to 14 days	9,190,032	5,479,098	-	-	943,128	344,290
15 to 28 days	7,693,368	12,761,663	994,923	6,708,611	4,059,817	6,795,864
29 days to 3 months	12,609,311	46,489,258	23,494,695	1,580,857	29,369,776	1,846,763
Over 3 months & up to 6 months	7,577,101	17,250,683	11,515,984	-	6,625,863	3,694,575
Over 6 months & up to 1 year	10,672,467	3,904,645	6,315,626	-	6,742	3,720,283
Over 1 Year & up to 3 Years	58,836,025	25,783,705	12,575,094	-	48,800	6,369,771
Over 3 Year & up to 5 Years	182,235	552,883	21,196,000	3,099,975	-	3,099,975
Over 5 Years	7,029	2,031,046	15,142,720	7,156,982	408,327	7,156,988
Total	**127,494,141**	**125,339,058**	**91,235,042**	**71,225,547**	**48,000,217**	**55,853,938**

Notes:

1 In accordance with the RBI guidelines, Management has made certain assumptions in respect of behavioral maturities of non-term assets and liabilities while compiling their maturity profiles, which have been relied upon by the Auditors.

2 Advances are gross of bills rediscounted.

3 Investments are bucketed as per actual maturity, except for HFT portfolio where securities with actual maturity over 90 days have been classified under 29 days to 3 months buckets.

4 Advances have been classified in their respective maturities, except for cash credit and overdraft accounts, which have been classified as per their volatility.

5 Deposits have been classified in their respective maturities, except for savings and current account deposits, which have been classified as per their volatility.

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

1.10 Lending to sensitive sectors

Exposure to Real Estate

(Rs. in 000's)

Category	31 March 2014	31 March 2013
a) Direct exposure	70,907	3,842,974
(i) Residential Mortgages –		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	886	3,703,245
- Of which individual housing loans up to Rs.15 lakhs	886	1,663,052
(ii) Commercial Real Estate	70,021	139,729
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil
b) Indirect exposure	343,769	323,926
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	343,769	323,926
Total Exposure to Real Estate Sector	**414,676**	**4,166,900**

Exposure to Capital Market

(Rs. in 000's)

Category	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;	Nil	Nil
(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;	340	8,366
(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;	171	344,989
(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;	Nil	Nil
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	Nil	240,000
(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;	Nil	Nil
(vii) Bridge loans to companies against expected equity flows / issues;	Nil	Nil
(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;	Nil	Nil
(ix) Financing to stockbrokers for margin trading;	Nil	Nil
(x) All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	Nil	Nil
Total Exposure to Capital Market	**511**	**593,355**

Note: Advances include funded and non-funded exposures for the above categories.

![RBS The Royal Bank of Scotland]

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

1.11 Provisions on Standard Assets

(Rs. in 000's)

Particulars	31 March 2014	31 March 2013
Provisions on standard assets	1,863,935	1,863,935

The provisions held by the Bank over and above that required under the revised norms have not been reversed in accordance with these norms.

1.12 Issuer composition of Non SLR investments

As required by the RBI, details relating to issuer composition of Non SLR investments are given below:

As at 31 March 2014

(Rs. in 000's)

Issuer	Amount	Extent of private placement	Extent of Below Investment Grade Securities	Extent of Unrated Securities	Extent of Unlisted Securities*
Public Sector Undertakings	Nil	Nil	Nil	Nil	Nil
Financial Institutions	Nil	Nil	Nil	Nil	Nil
Banks	Nil	Nil	Nil	Nil	Nil
Private Corporates	Nil	Nil	Nil	Nil	Nil
Subsidiaries / Joint Ventures	Nil	Nil	Nil	Nil	Nil
Others	Nil	Nil	Nil	Nil	Nil
Provision held towards depreciation	Nil	Nil	Nil	Nil	Nil
Total	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**

As at 31 March 2013

(Rs. in 000's)

Issuer	Amount	Extent of private placement	Extent of Below Investment Grade Securities	Extent of Unrated Securities	Extent of Unlisted Securities*
Public Sector Undertakings	606,801	Nil	Nil	Nil	Nil
Financial Institutions	610,052	Nil	Nil	Nil	Nil
Banks	25,160,643	Nil	Nil	Nil	Nil
Private Corporates	Nil	Nil	Nil	Nil	Nil
Subsidiaries / Joint Ventures	Nil	Nil	Nil	Nil	Nil
Others	Nil	Nil	Nil	Nil	Nil
Provision held towards depreciation	(1,325)	Nil	Nil	Nil	Nil
Total	**26,376,171**	**Nil**	**Nil**	**Nil**	**Nil**

* Does not include investments that are exempted from applicability of the RBI prudential limit for unlisted non-SLR securities.

1.13 Non-performing Non-SLR investments

There are no non-performing non-SLR investments as at 31 March 2014 (Previous year – Nil).

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

1.14 Particulars of Accounts Restructured

Disclosure of Restructured Accounts as at 31 March 2014 (Rs. in 000s)

(Rs. in 000s)

Sr No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification Details		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured A/C - Opening balance @ 01-Apr-12	No. of borrowers	-	-	2	-	2	-	-	-	-	-	136	104	146	-	386	136	104	146	-	386
		Amount outstanding	-	-	35,700	-	35,700	-	-	-	-	-	11,295	4,836	504,533	-	520,664	11,295	4,836	504,533	-	520,664
		Provision thereon	-	-	35,700	-	35,700	-	-	-	-	-	311	3,565	504,485	-	508,361	311	3,565	504,485	-	544,061
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	2	1	-	3	-	2	1	-	3
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	25	0	-	26	-	25	0	-	26
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	18	0	-	18	-	18	0	-	18
3	Upgradations to restructured category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	5	-	(5)	-	-	5	-	(5)	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	89	-	(89)	-	-	89	-	(89)	-	-
		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 FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations to restructured category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(28)	24	4	-	-	(28)	24	4	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(948)	656	292	-	-	(948)	656	292	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(600)	308	292	-	-	(600)	308	292	-	-
6	Write-Offs of the restructured accounts during the FY	No. of borrowers	-	-	2	-	2	-	-	-	-	-	(16)	(96)	(99)	-	(211)	(16)	(96)	(97)	-	(209)
		Amount outstanding	-	-	35,700	-	35,700	-	-	-	-	-	(644)	(3,772)	(5,072)	-	(9,488)	(644)	(3,772)	30,628	-	26,212
		Provision thereon	-	-	35,700	-	35,700	-	-	-	-	-	(18)	(3,031)	(5,037)	-	(8,086)	(18)	(3,031)	30,663	-	27,614
7	Restructured A/C - Closing balance @ 31-Mar-13	No. of borrowers	-	-	-	-	-	-	-	-	-	-	36	30	32	-	98	36	30	32	-	98
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	1,310	974	497,084	-	499,368	1,310	974	497,084	-	499,368
		Provision thereon	-	-	-	-	-	-	-	-	-	-	111	618	497,084	-	497,813	111	618	497,084	-	497,813

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

1.14 *Particulars of Accounts Restructured (continued)*

Disclosure of Restructured Accounts as at 31 March 2013 (Rs. in 000s)

(Rs. in 000s)

Sr No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification Details		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured A/C - Opening balance @ 01-Apr-12	No. of borrowers	-	-	2	-	2	-	-	-	-	-	234	484	487	-	1,205	234	484	489	-	1,207
		Amount outstanding	-	-	35,700	-	35,700	-	-	-	-	-	31,273	26,809	653,489	-	711,571	31,273	26,809	689,189	-	747,271
		Provision thereon	-	-	35,700	-	35,700	-	-	-	-	-	-	17,231	609,489	-	626,720	-	17,231	645,189	-	662,420
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	79	30	-	109	-	79	30	-	109
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	2,460	1,084	-	0	-	2,460	1,084	-	0
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	2,127	1,070	-	0	-	2,127	1,070	-	0
3	Upgradations to restructured category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	30	(15)	(15)	-	-	30	(15)	(15)	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	815	(599)	(215)	-	0	815	(599)	(215)	-	0
		Provision thereon	-	-	-	-	-	-	-	-	-	-	22	(16)	(6)	-	0	22	(16)	(6)	-	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 FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations to restructured category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(33)	(1)	34	-	-	(33)	(1)	34	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(2,818)	636	2,182	-	-	(2,818)	636	2,182	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	(443)	2,182	-	0	-	(443)	2,182	-	0
6	Write-Offs of the restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(18)	(428)	(338)	-	(784)	(18)	(428)	(338)	-	(784)
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(2,285)	(20,318)	(21,982)	-	(44,584)	(2,285)	(20,318)	(21,982)	-	(44,584)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(1,758)	(16,989)	(21,910)	-	(40,657)	(1,758)	(16,989)	(21,910)	-	(40,657)
7	Restructured A/C - Closing balance @ 31-Mar-13	No. of borrowers	-	-	2	-	2	-	-	-	-	-	136	104	146	-	386	136	104	148	-	388
		Amount outstanding	-	-	35,700	-	35,700	-	-	-	-	-	11,295	4,836	504,533	-	520,664	11,295	4,836	504,233	-	556,364
		Provision thereon	-	-	35,700	-	35,700	-	-	-	-	-	311	3,565	504,485	-	508,361	311	3,565	540,185	-	544,061

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

1.15 Securitisation Transactions

There were no securitisation transactions entered during the current year (Previous year - Nil).

1.16 Single and group borrower exposures

During the year ended March 31, 2014, the Bank has complied with the Reserve Bank of India guidelines on Single borrower limit (SBL) and Group borrower limit (GBL). As per the exposure limits permitted under the extant RBI regulation, the Bank, with the approval of the ExCo, can enhance exposure to a Single borrower or Group borrower by a further 5 % of capital funds. Additionally, for infrastructure companies, the SBL and GBL limits can be enhanced by a further 5%. During the year ended March 31, 2014, with the prior approval of the EXCO, the Bank enhanced the SBL limit from 15% of capital funds to 20% for Reliance Industries Ltd and Bharat Heavy Electricals Ltd , Similarly SBL limit was enhanced from 20% to 25% for Vodafone India Ltd as applicable for an Infrastructure Company. During the year, the exposure to all the above three companies were well within the enhanced thresholds. During the year ended 31 March 2014, the Banks' Credit Exposure to Group borrowers was within the prudential exposure limits prescribed by RBI.

During the year ended 31 March, 2013 the Bank's credit exposure to single and group borrower was within the prudential exposure limits prescribed by RBI.

1.17 Country Risk

As per the extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table. As at March 31, 2014, the Bank's exposure to any individual country did not exceed 1% of the total funded assets of the Bank.

(Rs. in '000s)

Risk Category	31 March 2014		31 March 2013	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	Nil	Nil	Nil	Nil
Low	39,992	Nil	6,807,795	Nil
Moderately Low	100,722	Nil	111,995	Nil
Medium	716,997	Nil	375,506	Nil
High	7,160	Nil	9,053	Nil
Very High	Nil	Nil	Nil	Nil
Restricted	Nil	Nil	Nil	Nil
Off-Credit	Nil	Nil	Nil	Nil
Total	**864,871**	**Nil**	**7,304,349**	**Nil**

The above excludes exposure of the Bank to its Head Office in Netherlands and its branches as in the opinion of the Management the same is considered as the home country.

1.18 Provisions and contingencies charged to the Profit and Loss Account comprises of:

(Rs. in 000's)

Year ended	31 March 2014	31 March 2013
Provision towards NPA's (net of write backs)	(1,237,454)	(100,827)
Provision towards standard assets	Nil	Nil
Contingent provisions / (reversals) against derivatives	Nil	Nil
Debts written off	1,372,934	691,917
Income Tax	2,234,173	2,009,838
Deferred Tax	834,758	(37,602)
Wealth Tax	Nil	Nil
Diminution in value of investments	60,255	(14,070)
Provision on Restructured Standard Advances	(200)	311
Total	**3,264,466**	**2,549,567**

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

1.19 Disclosure of Complaints / Unimplemented Awards of Banking Ombudsman

A. Customer complaints

Particulars	31 March 2014	31 March 2013
(a) No. of Complaints pending at the beginning of the year	177	168
(b) No. of Complaints received during the year	5,601	7,786
(c) No. of Complaints redressed during the year	5,567	7,777
(d) No. of Complaints pending at the end of the year	211	177

B. Awards passed by the Banking Ombudsman

Particulars	31 March 2014	31 March 2013
(a) No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b) No. of Awards passed by the Banking Ombudsmen during the year	Nil	Nil
(c) No. of Awards implemented during the year	Nil	Nil
(d) No. of unimplemented Awards at the end of the year	Nil	Nil

The complaints which got redressed within a day are not part of the above disclosure.

The above information regarding customer complaints have been identified on the basis of the information available with the Bank and have been relied upon by the Auditors.

1.20 Penalties

During the year, no penalty was imposed by the Reserve Bank of India (Previous year Nil).

1.21 Floating Provisions

The Bank has not created any floating provisions during the year (Previous year – Nil).

1.22 Letter of Comforts

The Bank has not issued any Letter of Comforts (LOCs) during the year and there are no LOCs outstanding as at the year end. (Previous Year – Nil).

1.23 Concentration of Deposits *(Rs. in 000's)*

Particulars	31 March 2014	31 March 2013
Total Deposits of twenty largest depositors	44,989,427	35,734,814
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	39%	28%

1.24 Concentration of Advances *(Rs. in 000's)*

Particulars	31 March 2014	31 March 2013
Total Advances to twenty largest borrowers	80,023,748	69,499,039
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	29%	26%

1.25 Concentration of Exposures

(Rs. in 000's)

Particulars	31 March 2014	31 March 2013
Total Exposure to twenty largest borrowers / customers	80,023,748	71,741,400
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the bank on borrowers / customers	29%	24%

1.26 Concentration of NPAs *(Rs. in 000's)*

Particulars	31 March 2014	31 March 2013
Total Exposure to top four NPA accounts	851,053	1,234,504

Note: Represents Gross NPA.

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

1.27 Sector wise NPAs

Percentage of NPAs to Total Advances in that sector

Sr. No.	Sector	31 March 2014	31 March 2013
1	Agriculture & allied activities	Nil	Nil
2	Industry (Micro & small, Medium and Large)	1%	2%
3	Services	0.4%	0.6%
4	Personal Loans	2%	13%

1.28 Movement in NPAs

(Rs. in 000's)

Particulars	31 March 2014	31 March 2013
Gross NPAs as on 1st April of particular year (Opening Balance)	2,795,950	3,465,081
Additions (Fresh NPAs) during the year	159,567	535,076
Sub-total (A)	**2,955,517**	**4,000,157**
(i) Upgradations	1,720	68,362
(ii) Recoveries (excluding recoveries made from upgraded accounts)	444,951	443,928
(iii) Write-offs	1,372,934	691,917
Sub-total (B)	**1,819,605**	**1,204,207**
Gross NPAs as on 31st March of following year (closing balance) (A-B)	**1,135,912**	**2,795,950**

1.29 Overseas Assets and Revenues

(Rs. in 000's)

Particulars	31 March 2014	31 March 2013
Total Assets	2,306,608	2,555,011
Total NPAs	Nil	Nil
Total Revenue	79,302	281,653

1.30 Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of SPV Sponsored	
Domestic	Overseas
Nil	Nil

1.31 Intangible Security:

Advances for which intangible security has been taken as collateral as at 31 March 2014 was 2,161,039 thousand as against NIL for 31 March 2013.

1.32 Bancassurance business

The Fees / Remuneration received in respect of bancassurance business undertaken during the year is Rs.6,068 thousand towards life insurance business (Previous year: Rs. 20,987 thousand), Rs 134 thousand towards Non Life Insurance (Previous Year: Rs 1,862 thousand) and Rs. 211,252 thousand towards mutual fund business (Previous year: Rs. 337,626 thousand).

2 Other disclosures

2.1 Employee Benefits

Provident Fund

The Bank has recognised Rs. 53,601 thousand (Previous year Rs. 82,211 thousand) in the Profit and Loss Account for the year under Schedule 16 - 'Payments to and Provisions for Employees' towards contribution to Provident Fund.

Gratuity and Pension

The Bank has defined benefit scheme for gratuity as per the Payment of Gratuity Act, 1972. The Bank also has a defined benefit pension scheme for eligible employees providing a maximum pension of 50% of the "pensionable salary" in terms of which the Bank contributes at the prescribed rate to a trust. The scheme also provides for an annual increase of the pension payment which can be varied at the discretion of the Bank.

The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account, the funded status and amounts recognised in the Balance Sheet for the Gratuity and Pension benefit plans.

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

Profit and Loss Account

Net employee benefit expense (recognised in Payments to and Provisions for Employees)

(Rs. in crores)

Particulars	Gratuity		Pension	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Current service cost	2.35	2.74	5.58	5.91
Interest cost on benefit obligation	1.20	1.62	21.34	26.37
Expected return on plan assets	(1.40)	(1.43)	(5.35)	(6.14)
Net actuarial (gain) / loss recognised in the year	5.37	1.27	(24.48)	22.59
Past Service Cost	-	-	-	(7.01)
Settlement Cost		-	-	(45.92)
Net (benefit) / expense	**7.52**	**4.20**	**(2.91)**	**(4.20)**

Balance Sheet

Details of Provision for Gratuity and Pension *(Rs. in crores)*

Particulars	Gratuity		Pension	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Present value of defined benefit obligation	15.96	22.58	243.26	276.70
Fair value of plan assets	15.73	19.90	55.42	80.86
Unrecognised Past Service Cost	-	-	-	-
Net Asset / (Liability)	**(0.23)**	**(2.68)**	**(187.84)**	**(195.84)**

Changes in the present value of the defined benefit obligation are as follows:

(Rs. in crores)

Particulars	Gratuity		Pension	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Opening defined benefit obligation	22.58	20.92	276.70	335.04
Acquisitions	(0.17)	0.01	(0.12)	-
Interest cost	1.20	1.62	21.34	26.37
Settlement Cost	-	-	-	(45.92)
Plans Amendment Cost / (Credit)	-	-	-	1.20
Current service cost	2.35	2.74	5.58	5.91
Prior Period Cost	-	-	-	-
Benefits paid	(14.67)	(4.22)	(33.06)	(70.88)
Actuarial (gains) / losses on obligation	4.67	1.51	(27.18)	24.98
Closing defined benefit obligation	15.96	22.58	243.26	276.70

Changes in the fair value of plan assets are as follows:

(Rs. in crores)

Particulars	Gratuity		Pension	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Opening fair value of plan assets	19.90	17.64	80.86	81.12
Acquisitions	-	-	-	-
Expected return	1.40	1.43	5.35	6.14
Contributions by employer	9.34	4.81	4.22	61.38
Benefits paid	(14.21)	(4.22)	(32.31)	(70.17)
Actuarial gains / (losses)	(0.70)	0.24	(2.70)	2.39
Closing fair value of plan assets	15.73	19.90	55.42	80.86

Principal actuarial assumptions at the Balance Sheet date:

Particulars	Gratuity		Pension	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Discount Rate	9.10%p.a.	7.90% p.a.	9.20% p.a.	8.20% p.a.
Expected rate of Return on Plan Assets	8.00%p.a.	8.00% p.a.	8.00% p.a.	8.00% p.a.
Salary Escalation Rate	4.00%p.a.	4.00% p.a.	4.00%p.a.	4.00% p.a.
Employee Turnover	15.00%p.a.	20.00% p.a.	10.00%p.a.	7.00% p.a.
Mortality Rate	LIC (1994-96) modified ultimate			

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

Experience Adjustments are as follows:

(Rs. in crores)

Particulars	Gratuity		Pension	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Defined Benefit Obligation	(15.96)	(22.58)	(243.26)	(255.04)
Plan Assets	15.73	19.90	55.42	80.86
Funded Status	(0.23)	(2.68)	(187.84)	(174.18)
Gain / (Loss) Adjustments on Plan Liabilities	(6.12)	(1.01)	(6.09)	(0.59)
Gain / (Loss) Adjustments on Plan Assets	(0.70)	0.24	(2.70)	2.39
Gain / (Loss) due to changes in assumptions	1.45	(0.50)	33.27	(17.47)

Investment Pattern is as follows:

Particulars	Gratuity		Pension	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	Percentage		Percentage	
Government of India Securities (Central and State)	35.38	28.33	33.68	29.87
Corporate Bonds (including Public Sector Bonds)	34.86	27.91	56.39	51.61
Cash (including Deposits)	29.76	43.76	9.93	18.52
Total	100.00	100.00	100.00	100.00

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. As the contribution expected to be paid to the plan during the annual period beginning after the balance sheet date is based on various internal/external factors, a best estimate of the contribution is not determinable.
The above information is certified by the actuary and relied upon by the Auditors.

2.2 *Investments*

Investments in Government Securities include the following pledged securities (at Face value):

(Rs. in 000's)

Particulars	31 March 2014	31 March 2013
Held with RBI as collateral for Real Time Gross Settlement System (RTGS) towards Intra-Day Liquidity (IDL) facility	15,000,000	25,100,100
Held with RBI as deposit for Liquidity Adjustment Facility (LAF)	Nil	Nil
Held with RBI as collateral for LAF borrowing	1,040,000	24,990,000
Held with RBI for requirements u/s 11(2)(b) of Banking Regulation Act, 1949	7,150,000	6,565,000
Held with Clearing Corporation of India Limited (CCIL)	1,600,000	1,600,000

2.3 *Head Office charges*

During the current year and the previous year, no transfers have been made to the Head Office Charges Reserve (under Schedule 2 'Reserves and Surplus') from provision for expenses (Other Liabilities and Provisions – Schedule 5).

2.4 *Other expenses*

Details of expenses included in Other Expenditure in Schedule 16, exceeding 1% of the total income are set out below:

(Rs. in 000's)

Particulars	31 March 2014	31 March 2013
Outsourced costs	909,087	1,457,791

2.5 *Finance leased assets*

(Rs. in 000's)

	Particulars	31 March 2014	31 March 2013
1	**Assets acquired under finance lease-Vehicles (included under Schedule 10 II – Other Fixed Assets) as at the year end:**		
	– Gross value	7,950	35,730
	– Net carrying amount	58	3,249
2	**Total minimum lease payments as at the year end:**		
	– Not later than one year	1,984	8,157
	– Later than one year but not later than five years	725	4,239
3	**Total present value as at the year end:**		
	– Not later than one year	1,312	5,575
	– Later than one year but not later than five years	2,429	9,789

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

Finance lease comprises of vehicles taken on lease after 31 March 2001. There are no contingent rents recognised as income and there are no sub-lease arrangements in respect of the same in the current and previous year.

2.6 Operating leases

(Rs. in 000's)

	Particulars	31 March 2014	31 March 2013
1	**Total future minimum lease payments as at year end:**		
	– Not later than one year	473,930	963,033
	– Later than one year but not later than five years	610,968	1,754,699
	– Later than five years	6,296	15,968
2	**Lease payments recognised in the Profit and Loss Account under Rents, taxes and lighting in Schedule 16.**	935,397	1,166,597

Operating leases comprise premises and Automated Teller Machine (ATMs). There are no sub-lease arrangements in respect of the current and previous years.

2.7 Segmental reporting

In terms of the RBI guidelines on Segment Reporting, the business of the Bank is divided into four segments: Treasury, Corporate/Wholesale Banking, Retail Banking and Unallocated segment. The Bank considers the below mentioned segments as the primary segments. The principle activities of these segments are as under.

Segment	Principal Activities
Treasury	Treasury operations include investments in sovereign and corporate debt, certificate of deposits and commercial paper, money market operations, derivatives and foreign exchange operations on the proprietary account and for customers and central funding.
Retail Banking	Retail Banking constitutes lending to individuals/small businesses subject to the orientation, product and granularity criterion and also includes low value individual exposures not exceeding the threshold limit of Rs. 5 crores as defined by the RBI. Retail Banking activities also include liability products and retail loans
Corporate / Wholesale Banking	Corporate / Wholesale Banking include corporate relationships not included under Retail Banking.
Unallocated	Support Divisions costs

Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

All liabilities are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirements.

The transfer pricing mechanism of the Bank is periodically reviewed. The segment results are determined based on the transfer pricing mechanism prevailing for the respective reporting periods.

Revenues of the treasury segment primarily consist of interest income on securities, money market operations, non-convertible debentures, commercial paper, certificate of deposits, gains or losses in securities trading, derivatives and foreign exchange. Principal expenses of this segment comprise interest on market borrowings, subordinated-debt, hybrid capital and innovative perpetual debt, personnel cost and other direct overheads and allocated expenses.

Revenues from the retail banking activity are derived from interest earned on loans classified under this segment and fees earned on the retail products. Revenues from the corporate/wholesale banking lending activity consist of interest and fees earned on loans given to customers falling under this segment and commission earned on trade services. Expenses of the Corporate/ Wholesale Banking and Retail Banking activity primarily comprise interest expense on deposits, expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

Fund transfer pricing:

Treasury gives notional interest benefit in other segments for the funds mobilised by them through deposits and similarly charges notional interest to other segments for the funds utilised by them for lending and investment purposes. Based on tenors of assets / liabilities and market scenarios, notional interest rates used for this purpose are calculated.

Geographical segments

The Branches render their services within one geographical segment and have no offices or significant assets outside India.

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

Segment results for 31 March 2014 are set out below:

(Rs. in 000's)

Particulars	Treasury	Retail Banking	Corporate/ Wholesale Banking	Unallocated	Total
Revenue	15,869,615	5,397,643	12,667,405		**33,934,663**
Less: Inter Segment Revenue					**9,947,217**
Revenue net of Inter segment					**23,987,446**
Operating Profit	2,490,643	1,454,459	5,835,821	(3,159,749)	**6,621,174**
Taxes				(3,068,931)	**(3,068,931)**
Net Profit/(Loss)					**3,552,243**
Segment Assets	84,328,836	756,236	111,614,812	6,962,975	**203,662,859**
Segment Liabilities	110,823,693	33,799,302	22,100,512	36,939,352	**203,662,859**
Capital expenditure during the year				184,912	**184,912**
Depreciation on fixed assets during the year				369,148	**369,148**

Segment results for 31 March 2013 are set out below:

(Rs. in 000's)

Particulars	Treasury	Retail Banking	Corporate/ Wholesale Banking	Unallocated	Total
Revenue	16,892,132	5,346,779	12,994,115	-	**35,233,026**
Less: Inter Segment Revenue					**10,859,084**
Revenue net of Inter segment					**24,373,941**
Operating Profit	3,388,951	1,484,489	5,501,540	(6,176,959)	**4,198,021**
Taxes	-	-	-	(1,972,236)	**(1,972,236)**
Net Profit/(Loss)					**2,225,785**
Other Information:					
Segment Assets	128,364,844	5,804,476	121,010,862	8,415,601	**263,595,783**
Segment Liabilities	96,284,087	54,001,616	76,850,360	36,459,720	**263,595,783**
Capital expenditure during the year	-	-	-	726,491	**726,491**
Depreciation on fixed assets during the year	-	-	-	368,528	**368,528**

Note: In computing the above information, certain estimates and assumptions have been made by the Management which have been relied upon by the Auditors. Segment liabilities includes Share Capital and Reserves and Surplus.
Previous Year segment has been redrawn to comply with current year estimates and assumptions.

2.8 ***Related party disclosures***

(i) The Information required in this regard in accordance with Accounting Standard 18 on 'Related Party Disclosures', as notified by notified under the Companies Act, 1956 ("the Act") read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs read with guidelines issued by the Reserve Bank of India insofar as they are applicable to the Bank, is provided below:

Sr No	Relationship	Name
1	Parent/Head Office and branches of Head Office and ultimate holding company	The Royal Bank of Scotland N.V. Netherlands, and its branches The Royal Bank of Scotland Group PLC (Ultimate holding company) and its branches
2	Subsidiaries of Parent (Head Office) and entities under common control with whom there are transactions	RBS Business Services Private Limited RBS Financial Services (India) Private Limited RBS Equities (India) Limited RBS Corporate Finance (India) Private Limited RBS Foundation India RBS India Development Centre Private Limited National Westminster Bank PLC Citizens Bank National Association Coutts & Co.
3	Key Management Personnel	Brijesh Mehra, Interim Country Executive – India

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

(ii) The transactions with related parties are detailed below, except where there is only one related party at any one point in time (i.e., key management personnel):

(Rs. in 000's)

Relationships and Nature of Transactions	Maximum outstanding during the year ended 31 March 2014	As at 31 March 2014	Maximum outstanding during the year ended 31 March 2013	As at 31 March 2013
Parent/Head Office and branches of Head Office				
Deposits	*	227,164	*	
Balance due from Banks outside India	*	1,547,674	*	1,452,114
Balance due to Banks outside India	*	5,186,823	*	4,507,182
Money Market Borrowings	22,168,550	-	7,057,050	4,885,650
Money Market Lendings	-	-	-	-
Foreign exchange deals (Notional)	*	103,863,215	*	73,793,339
Derivative transactions (Notional)	*	78,505,075	*	69,034,262
Subordinated Debt	3,944,814	-	3,944,814	3,944,814
Innovative perpetual debt	3,101,829	3,101,829	3,101,829	3,101,829
Hybrid Capital	7,156,982	7,156,982	7,156,982	7,156,982
Non - funded commitments	*	37,011,853	*	30,505,776
Securities Purchased during the year	*	-	*	20,751,196
Securities Sold during the year	*	-	*	11,685,268
Other receivables	*	224,542	*	185,532
Other payables	*	1,908,772	*	1,279,062
Subsidiaries of Parent (Head Office) and entities under common control				
Advances	*	23,798	*	3,071,680
Deposits	13,885,852	12,383,070	37,738,092	9,603,718
Borrowings	-	-	-	-
Money Market Lending	-	-	-	-
Non - funded commitments	*	400,672	*	340,783
Foreign exchange deals (Notional)	*	684,102	*	835,273
Derivative transactions (Notional)	*	-	*	-
Other receivables	*	10,172	*	8,643
Other payables	*	407,500	*	353,265
Securities Purchased during the year	*	-	*	-
Securities Sold during the year	*	-	*	-
Repo Sale of Securities	-	-	-	-
Reverse Repo - Purchase of Securities	-	-	-	-

(Rs. in 000's)

Profit and Loss Account	Income/ Expense during the year ended 31 March 2014	Income/ Expense during the year ended 31 March 2013
Parent/Head Office and branches of Head Office		
Expenses incurred	952,158	641,831
Other Income	68,084	97,632
Interest expense	1,337,301	1,027,525
Interest income	3,485	1,189
Subsidiaries of Parent (Head Office) and entities under common control		
Secondment revenue and other costs recovered	38,014	44,324
Expenses recovered	199,775	24,895
Services rendered	3,712	152
Services received	1,415,048	903,939
Interest income	97,435	196,312
Interest expense **	927,460	1,894,317
Fee/commission income	7,851	1,126

* *Maximum amounts outstanding during the year have not been given/cannot be determined.*

** *Interest expense inlucdes interest on term deposits.*

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

2.9 Deferred taxation

The Bank follows the accounting policy for taxes on income in line with the Accounting Standard 22 (AS-22) on 'Accounting for Taxes on Income' as notified under the Companies Act, 1956 ("the Act") read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs.

The primary components that give rise to deferred tax assets and liabilities included in Schedule 11'Other Assets' are as follows:

(Rs. in 000's)

Particulars	31 March 2014	31 March 2013
Deferred tax asset		
Loan loss provisions	1,058,503	1,707,399
Depreciation on fixed assets and assets on lease	250,739	196,491
Provision for Employee Benefits	954,052	1,051,566
Reshaping of Retail Business	212,574	366,927
Others	132,726	120,223
Deferred tax liability		
Special reserve created for loan for residential housing purposes	26,110	25,364
Net deferred tax asset	**2,582,484**	**3,417,242**

2.10 Provisions, contingent liabilities and contingent assets

In accordance with the provisions of AS 29, 'Provisions, Contingent Liabilities and Contingent Asset', as notified under the Companies Act, 1956 ("the Act") read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs, given below are movements in provision for credit card reward points and a brief description of the nature of contingent liabilities recognised by the Bank.

Movement in provision for credit card reward points

Provision for credit card reward points is done basis the management assessment of redemption given the bank's decision to wind down its credit card business (Refer Schedule 18, 2.12 on India Retail & Commercial Business). Provisions are utilised when the customer actually redeems the points or when they lose their eligibility to utilise the points.

(Rs. in 000's)

Particulars	31 March 2014	31 March 2013
Opening provision for reward points	220,360	109,261
Provision for reward points made during the year	23,856	163,294
Utilisation/Write back of provision for reward points	(244,216)	(52,195)
Closing Provision for reward points	Nil	220,360

Description of Contingent Liabilities

Contingent Liability	Brief Description
Claims against the Bank not acknowledged as debts	Includes various legal proceedings and outstanding tax matters in the normal course of business, which are disputed by the Bank.
Liability on account of forward exchange and derivative contracts.	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Forward Rate Agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. The notional amount that are recorded, as contingent liabilities are typically amounts used as a benchmark for the calculation of the interest component of the contracts.
Guarantees given on behalf of constituents, Acceptances, Endorsements and other	As a part of its commercial banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. 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.
Other items for which the Bank is contingently liable – Others	This include Capital Commitments

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

2.11 Prior period items

There were no prior period items that have been debited / credited in the current and previous year's Profit and Loss Account.

2.12 India Retail and Commercial business

Following the announcement in November 2012 on reshaping of the Bank's Retail & Commercial Banking, the Bank has sold certain asset portfolio totaling to Rs. 574.81 crores (comprising of credit cards/ mortgage/ personal loans/ Business Lending and including charge-off portfolio) and deposit portfolio totaling to Rs. 1,071.56 crores during the year. The premium amount related to the transaction has been recorded in accordance with accounting principles generally accepted in India read with RBI guidelines

There is no impact on the Bank's Corporate and Institutional Business or its Private Banking businesses in India.

2.13 Software

Included in 'Other Fixed Assets' is capitalised software amounting:

(Rs. in 000's)

Particulars	As at 31 March 2014	As at 31 March 2013
At Book Value		
Beginning of the year	725,065	6,88,535
Additions during the year	51,092	36,570
Deductions during the year	Nil	(40)
Total	**776,157**	**725,065**
Depreciation		
Beginning of the year	682,744	657,262
Additions during the year	51,484	25,523
Deductions during the year	Nil	(40)
Total	**734,228**	**682,745**
Net Book Value	**41,929**	**42,320**

2.14 Capital commitments

The estimated amount of contracts remaining to be executed on capital account and not provided for amounting to Rs. 1,778 thousand (Previous year: Rs. 65,817 thousand).

2.15 During the year, the Bank has appropriated Rs. 7,628 thousands , net of taxes and transfer to statutory reserve to Investment Reserve account, being excess of provision on diminution of investments charged to the Profit and loss account. (previous year Rs. 6,118 thousand) in accordance with RBI guidelines.

During the year, the Bank has appropriated Nil (previous year Nil) net of taxes and transfer to statutory reserve , to the Capital Reserve, being the gain on sale of HTM investments and appropriated Rs. Nil (previous year Nil) , being the profit earned on sale of premises to the Capital Reserve in accordance with the RBI guidelines.

2.16 During the year the Bank has transferred and sold securities classified under the Held to Maturity ("HTM") category in excess of 5% of the book-value of investments held under the HTM category as at the beginning of the year. In accordance with the Master Circular issued by the RBI on "Disclosure in Financial Statements", the excess of book value over the market value of the securities classified under the HTM category at the end of the current year is 258,192 (previous year Rs. Nil).

2.17 To the extent of the information received by the Bank from its vendors, there are no transactions with "suppliers" as defined under the Micro, Small and Medium Enterprises Development Act, 2006 during the financial year, hence the disclosures as required under the said Act are not applicable. This has been relied upon by the Auditors.

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Significant accounting policies and notes forming part of the financial statements for the year ended 31 March 2014 (*Continued)*

2.18 In accordance with the requirements of the RBI circular DBOD No BC. 72/29.67.001/2011-12 dated 13 January 2012 the Bank has obtained a letter from its Head Office which states that the compensation policies in India including that for the CEO are in line with the FSB requirements.

2.19 Subordinated debt / hybrid capital / innovative perpetual debt capital is reported in the financial statements at the exchange rate on the date the foreign currency was swapped into Indian Rupees. The subordinated debt is thereafter revalued, at the year end and the resulting profit or loss on revaluation is recognised in the Profit and Loss Account with the corresponding effect under 'Others' in Other Assets or under 'Others' in Other Liabilities and Provisions. The difference between original amount swapped into INR and revalued amount as at balance sheet date Rs.463.78 crores (Previous year 682.16 crores) is shown under 'Others' in Other Liabilities and Provisions .

2.20 Previous year figures have been regrouped / reclassified, where necessary, to conform to current year's presentation.

For S. R. Batliboi & Co. LLP
Chartered Accountant
ICAI Firm Registration Number: 301003E

Sd/-
per Surekha Gracias
Partner
Membership Number: 105488

Date : 29 June 2014
Place : Mumbai

For The Royal Bank of Scotland N.V. - Indian Branches

Sd/-
Brijesh Mehra
Interim Country Executive - India

Date : 29 June 2014
Place : Mumbai

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

BASEL III – PILLAR 3 DISCLOSURES AS AT 31 MARCH 2014

The Royal Bank of Scotland N.V. - Indian Branches is subject to the Basel III framework with effect from April 1, 2013 as stipulated by the Reserve Bank of India (RBI). The Basel III framework consists of three-mutually reinforcing pillars:

(i) Pillar 1: Minimum capital requirements for credit risk, market risk and operational risk

(ii) Pillar 2: Supervisory review of capital adequacy

(iii) Pillar 3: Market discipline

Market discipline (Pillar 3) comprises disclosures on the capital adequacy and risk management framework of RBS NV, India. These disclosures have been set out in the following sections.

The Basel III capital regulations were effective April1, 2013 as per RBI guidelines. Accordingly, previous year figures of capital computation and risk weighted assets are not comparable.

I. SCOPE OF APPLICATION

These Pillar 3 disclosures apply only to The Royal Bank of Scotland N.V. - Indian Branches which is operating in India as a branch of The Royal Bank of Scotland N.V. incorporated with limited liability in the Netherlands.

These Pillar 3 disclosures, being published in accordance with the requirements of RBI for a branch of foreign bank, do not require the disclosures pertaining to the consolidation of entities.

Royal Bank of Scotland Group Pillar 3 disclosures are published in accordance with the requirements of the Capital Requirements Directive on the Group Investor relations website www.investors.rbs.com and should be read together with the Group Annual Report and Accounts.

II. CAPITAL STRUCTURE

Summary information on main terms and conditions/features of capital instruments

RBS NV, India's regulatory capital is classified for disclosure according to the RBI capital adequacy requirements. Common Equity Tier-I capital includes Interest free funds received from RBS NV Amsterdam (Head Office), statutory reserves, other disclosed free reserves and capital reserves.

Additional Tier-I capital are borrowings from RBS NV, Amsterdam that comply with RBI regulations specified for Innovative Perpetual Debt Instruments. Innovative Perpetual Debt Instruments (IPDI) are perpetual in nature with a call option after the instrument has run for 10 years. Interest on these borrowings are payable semi-annually. These borrowings have a step-up clause on interest rates ranging from 0 to 100 basis points. Capital eligible portion of IPDI is calculated as per RBI regulations.

Tier-II Capital includes general provision and loss reserve, investment reserve and borrowings from RBS NV, Amsterdam that meets RBI regulations on Hybrid Capital. Tier-II Capital (Hybrid Capital) has an original maturity of 15 years with call option after 10 years. The interest on this borrowing is payable semi-annually and has a step-up clause on interest rates of 100 basis points.

RBS NV, India has not borrowed any debt capital from Head office in the period April 2013 – March 2014.

III. CAPITAL ADEQUACY

a. Capital Management

RBS NV, India actively manages its capital position to ensure compliance with regulatory norms meeting current and future business needs in line with the Group's strategy.

Organizational set-up

The capital management framework of RBS NV, India is administered by the India Asset Liability Committee (ALCO) and the India Risk and Control Committee (RCC) under the supervision of the Executive Committee (India EXCO).

Regulatory capital

RBS NV, India is subject to the capital adequacy norms stipulated by the RBI guidelines on Basel III. The RBI guidelines on Basel III require RBS NV, India to maintain a minimum ratio of total capital to risk weighted assets of 9.0%, with a minimum Tier-I capital adequacy ratio of 6.5% and Common equity capital adequacy ratio of 5%. The total capital adequacy ratio of RBS NV, India at 31 March 2014 as per the RBI guidelines on Basel III is 15.31% with a Tier-I capital adequacy ratio of 11.94% and Common equity capital adequacy ratio of 11.54%. Under Pillar 1 of the RBI guidelines on Basel III, RBS NV, India follows the Standardized Approach for credit risk, Standardized Duration method for market risk and Basic Indicator approach for operational risk.

Internal assessment of capital

Effective management of RBS NV, India's capital is achieved by supervision of actual capital ratios and forecasting capital ratios over four year horizon. RBS NV, India's capital management framework also includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually. The ICAAP encompasses capital planning for a four year time horizon, identification and measurement of material risks and the relationship between risk and capital.

RBS NV, India's capital management framework is complemented by its risk management framework (detailed in the following sections), which includes a comprehensive assessment of material risks.

Stress testing which is a key aspect of the ICAAP and the risk management framework provides an insight on the impact of extreme but plausible scenarios on RBS NV, India's risk profile and capital position. Based on the approved stress testing framework, RBS NV, India conducts stress tests on its various portfolios and assesses the impact on its capital ratios and the adequacy of capital buffers for current and future periods. RBS NV, India periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions.

Monitoring and reporting

The Management maintains an active oversight over RBS NV, India's capital adequacy levels. On a quarterly basis the capital adequacy position and the risk weighted assets as stipulated by RBI, are reported to the ALCO and EXCO.

b. Capital requirements for various risk areas

As required by RBI guidelines on Basel III, RBS NV, India's capital requirements as at 31 March 2014 have been computed using the Standardized Approach for credit risk, Standardized Duration method for market risk and Basic Indicator approach for operational risk. The minimum total capital required to be held at 9.00% for credit, market and operational risks is given below:

DF-3: CAPITAL ADEQUACY

(Rs. in crores)

		31 March 2014	31 March 2013
A	Capital requirements for Credit Risk	1,489	1,701
	– Portfolios subject to standardized approach	1,489	1,701
	– Securitisation exposures	–	–
B	Capital requirements for Market Risk	327	173
	– Standardized duration approach		
	– Interest rate risk	273	119
	– Foreign exchange risk	54	54
	– Equity risk	–	–
C	Capital requirements for Operational risk		
	– Basic indicator approach	241	271
D	Capital Adequacy Ratio of the Bank (%)	15.31%	14.50%
E	CET 1 capital ratio (%)	11.94%	10.99%
F	Tier II capital ratio (%)	3.38%	3.51%

Risk Management Framework:

As a financial intermediary, RBS NV, India is exposed to various types of risks including credit, market, liquidity, operational, legal, compliance and reputation risks. The objective of the risk management framework at RBS NV, India is to identify measure, control and monitor as well as manage and report risks in a clear manner and that the policies and procedures established to address these risks are strictly adhered to.

The important aspects of RBS NV, India's risk management are a robust risk approval mechanism, well defined processes and guidelines and an independent internal control mechanism. The risk approval mechanism covers all the key areas of risk such as credit, market and operational risk and is involved in quantification of these risks wherever possible for effective and continuous monitoring.

Measurement of risks for capital adequacy purposes

Under Pillar 1 of the extant RBI guidelines on Basel III, RBS NV, India currently follows the Standardized approach for credit risk and Standardized Duration approach for market risk and Basic Indicator approach for operational risk.

Objectives and Policies

RBS NV, India's risk management processes are guided by well defined global as well as local policies appropriate for various risk categories. There is an independent risk team that oversees this function whose oversight is by the regional and global risk offices with periodic independent risk reviews and internal audit reviews.

The risk appetite for RBS NV, India in India is determined by the global risk committees based on inputs from the country management.

In addition to the risk management and compliance departments of RBS NV, India in India, the India Asset and Liability Committee (ALCO) and Governance and Control Committee (GCC) are involved in managing these risks within RBS NV, India's guidelines and regulatory requirements.

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

The Group has global policies for Stress Testing to measure impact of adverse stress scenarios on the adequacy of capital which are implemented locally within RBS NV, India.

Structure and Organization

RBS NV, India has well established processes for management of all material risks faced by it as outlined above and has a robust risk governance framework comprising of risk committees at the global, regional and India level.

The key components within RBS NV, India's risk management framework include:

Identification of all material risks that are relevant to RBS NV, India covering all the current activities of RBS NV, India as well as new products and initiatives.

Definition of relevant policies defined by the Head Office customised as required to suit local RBI regulations.

Measurement of its key material risks and performs stress testing to assess its position and response strategy in a stress scenario.

Having a robust control environment to monitor whether the various policies and limits are being adequately implemented.

Monitoring & reporting to the senior management on various material risks.

RBS NV, India's risk management framework is embedded in the business through the three lines of defence model supported by an appropriate level of investment in information technology and its people. The three lines of defence include the Business, Risk management department and Group Internal Audit. The Three Lines of Defence Policy Standard defines responsibilities and accountabilities of each unit. The three lines of defence are completely independent of each other. Business is independent of Risk which is independent from Group Internal Audit. The country Governance and Control Committee (GCC) and the ALCO detailed below are an important aspect of the risk management framework for RBS NV, India.

The Cross Divisional GCC is the apex In-Country Risk Governance body established by the Country Executive to manage and oversee the country's aggregate risk exposure and to facilitate consolidated risk management for the RBS group franchise in India. The GCC meets monthly and the senior management of RBS NV, India, including heads of all the businesses, operations, support functions and risk functions, participate in the meeting. Cross divisional risk issues (ranging from exceptions to policies for IT and Retail & Commercial unit to large corporate risk issues) are tabled and taken to a resolution under the ambit of the country GCC.

Country ALCO is responsible for managing balance sheet risks within its scope and ensuring all related local regulatory requirements are met on a continual basis. The ALCO is a forum for discussion and making decisions on key strategic, financial, risk, control, operational and governance matters relating to the country's balance sheet, capital, liquidity and funding, non-traded interest rate risk and intra-group limits, subject to policies, limits and targets prescribed by the Group and Regional ALCO.

RBS NV, India has constituted the following senior management level committees from the perspective of risk governance at the India and Group level:

India Level

Committee	Responsibilities
Executive Committee (EXCO)	The India Management Committee (Ex CO) is the highest in-country level decision-making forum which serves as the Local Advisory. The EXCO meets monthly and is responsible for all policy matters and periodic review of the same. It is chaired by the Country Executive and its members include the Head International Banking, Head Private Banking, Head Markets, Head Retail Banking, Head Commercial Banking, Chief Financial Officer, Country Risk Officer, Head Compliance, Chief of Internal Vigilance, Head Human Resources, COO.
Country GCC	The Cross Divisional GCC is the apex In-Country Risk Governance body established by the Country Executive Committee to Manage and oversee the country's aggregate risk exposure and to facilitate consolidated risk management for the RBS group locally regulated entities in the country, namely: RBS Bank Branch, RBS Financial Services (India) Pvt. Ltd., RBS Equities (India) Ltd. & RBS Corporate Finance India Pvt. Ltd. Support the Regional & business line Committees / Boards & Country ExCo. as it discharges its responsibilities relating to internal control, financial reporting controls, risk assessment and regulatory compliance by providing a forum for these matters to be reviewed in detail Confirm that the first line of defence and the risk management, audit and support functions are discharging their responsibilities and that they are operating adequately and effectively Receive and consider an assessment (in the form of reviews, assurance, audits, etc) by the second & third line of defence of the status of the first line's management of governance & control in the business and take appropriate action. It is chaired by the Country Executive and convened by India Country Risk Officer. Members of the GCC comprises of Divisional / Business Heads: Markets, International Banking, Private Banking, Retail Banking, Business Banking, Commercial Banking, Business Services, ID&JG. Support Function (including Risk) and Group Internal Audit

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Asset Liability Committee	India Asset Liability Committee (ALCO) is responsible for ensuring that all Balance Sheet related regulatory requirements outlined in ALCO Terms of reference as within its scope are met on a continual basis. The ALCO is a forum for discussion and making decisions on key strategic, financial, risk, control, operational and governance matters relating to the country's balance sheet, capital, liquidity and funding, non-traded interest rate risk and intra-group limits, subject to policies, limits and targets prescribed by the Group, and APAC ALCO.
India Credit Forum (ICF)	ICF mechanism covers approvals/recommendations for all credits under M&IB and Microfinance businesses. ICF members include the senior officers based in India, from Origination / TPM and the CRO office with individual delegated credit authorities.
Credit Process for Commercial Banking	All credit proposals from Commercial Banking (SME, Mid Markets, Asset Backed Finance, Channel Finance, Business Banking etc) are subject to a tiered approval process first by business / regional heads and subsequently by Commercial Credit Office (based on delegated authority).
Audit Committee	The Audit Committee for RBS NV, India is chaired by the Country Executive. Members include India EXCO and Group Internal Audit (GIA). Frequency of meetings is quarterly; however additional meetings can be convened as required. In the meetings, GIA presents to the committee inter alia, audit plan and achievement thereof, review of significant audit findings, and comment on future planned audits.

Group Level

Committee	Responsibilities
Group Board	The Group Board is the principal decision making forum for the company. It has overall responsibility for leading and controlling the company and is accountable to shareholders for financial and operational performance. The Board approves Group strategy and monitors performance.
Group Audit Committee	The Group Audit Committee is responsible for assisting the Board in discharging its responsibilities in relation to the disclosure of the financial affairs of the Group. The committee also reviews accounting and financial reporting and regulatory compliance and the Group's system of internal controls along with monitoring the Group's processes for internal audit, risk management and external audit.
Board Risk Committee	The Board Risk Committee is responsible for providing oversight and advice to the Board in relation to current and potential future risk exposures of the Group and future risk strategy, including determination of risk appetite and tolerance.
Group Performance and Remuneration Committee	The Group Performance and Remuneration Committee is responsible for the overview of the Group's remuneration policy and remuneration governance framework, ensuring that remuneration arrangements are consistent with and promote effective risk management. The committee also makes recommendations to the Board on the remuneration arrangements for the executive directors.
Group Nominations Committee	The Group Nominations Committee is responsible for assisting the Board in the formal selection and appointment of directors having regard to the overall balance of skills, knowledge, experience and diversity on the Board. The committee also considers succession planning for the Chairman, Group Chief Executive and Non-executive Directors.
Group Sustainability Committee	The Group Sustainability Committee is responsible for overseeing and challenging how management is addressing sustainability and reputation issues relating to all stakeholder groups.
Executive Committee	The Executive Committee (ExCo) reports to Group CEO and is accountable to the Board. It meets bi-weekly and focuses on substantive business decisions cutting across issues of Group-wide significance.
Management Committee	The Management Committee (ManCo), comprising our major businesses and functional leaders, meets 3 - 4 times annually and is a vehicle for strategy and business performance review.
Risk & Control Committee	The Risk & Control Committee inter alia oversees the risk framework within RBS NV, monitors the actual risk profile and advises the Managing Board. Its scope is credit, market, operational and regulatory risk within RBS NV.
Asset & Liability Management Committee (ALCO)	The Managing Board has delegated to the ALCO the responsibility for the management of capital, liquidity, interest rate risk and foreign exchange risk. This includes, among other tasks, responsibility for reviewing, approving and allocating balance sheet, capital, liquidity and funding limits.
Disclosure Committee	The Disclosure Committee advises and assists the Managing Board in fulfilling its responsibilities for overseeing the accuracy and timelines of public disclosures made by the company. This inter alia includes reviewing and advising on the adequacy of the design and establishment of controls and other procedures, including procedures currently used by RBS NV in this respect.

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

IV. CREDIT RISK

RBS NV, India is exposed to credit risk in its lending operations. Credit risk is the risk of loss that may occur from the failure of any counterparty to abide by the terms and conditions of any financial contract with RBS NV, India, principally the failure to make required payments as per the terms and conditions of the contracts.

Credit Risk Management Policy

Credit risk considers the ability of a borrower or counter-party to honor commitments under an agreement as any such failure has an adverse impact on RBS NV, India's financial performance. RBS NV, India is exposed to credit risk through its various lending activities such as funded facilities, non-funded facilities as well as hedging facilities.

RBS NV, India's credit risk management process is independent of the business so as to protect integrity of the risk assessment process and decision making. The global as well as local policies guide the credit risk team to make informed decisions.

Credit risk in respect of exposures on corporate as well as micro, small and medium enterprises (MSME) is measured and managed at both individual counterparty level as well as at a portfolio level. Selected products extended by RBS NV, India are managed at the portfolio level, as the individual loans under product programs are guided by the product program with built in triggers. Credit rating tools are an integral part of risk-assessment of the corporate borrowers and different rating models are used for each segment that has distinct risk characteristics such as Large Corporate, Small and Medium Corporate, financial companies and project finance.

The credit rating tools use a combination of quantitative inputs and qualitative inputs to arrive at a 'point-in-time' view of the rating of counterparty. Each internal rating grade corresponds to a distinct probability of default. Model validation is carried out periodically at a global level by objectively assessing the accuracy and stability of ratings.

All credit exposures, once approved, are monitored and reviewed periodically against the approved limits. Besides this there are monthly risk migration analysis and monthly watch list meetings.

RBS NV, India's retail asset portfolio is managed to ensure stable risk adjusted earnings stream by maintaining customer defaults within acceptable levels. RBS NV, India periodically carries out a comprehensive portfolio level analysis of retail asset portfolio with a risk-return perspective. Risk measurement for the retail exposures is done on the basis of comprehensive credit assessment parameters.

Risk review involves independent review of credit risk assessment, compliance with internal policies of RBS NV, India and with the regulatory framework, compliance of sanction terms and conditions and effectiveness of loan administration.

Customers with emerging credit problems are identified early and classified accordingly. Remedial action is initiated promptly to minimize the potential loss to RBS NV, India.

RBS NV, India controls and limits Concentration Risk by means of appropriate structural limits and borrower limits based on creditworthiness. The exposures to individual clients or counterparty group are based on the internal rating of the borrower as well as group-wide borrowing limits and capped by the regulatory ceiling.

Industry analysis plays an important part in assessing the Concentration Risk within the loan portfolio. Particular attention is given to industry sectors where RBS NV, India believes there is a high degree of risk or potential for volatility in the future. RBS NV, India has fixed internal limits for aggregate commitments to different sectors so that the exposures are evenly spread over various sectors.

Definition and classification of non-performing assets (NPAs)

RBI guidelines are adhered to while classifying advances into performing and non-performing advances (NPAs) as per RBI guidelines. NPAs are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

The asset classification –

Standard: less than overdue & up to a maximum of 90 days from thereon

Substandard: Overdue from the 91st day up to maximum one year from there,

Doubtful1: Substandard + up to maximum one year from there

Doubtful2: Substandard + > 1 year but up to maximum 3 years from there

Doubtful3: Substandard + > 3 years

Loss: Substandard + > 3 years

A loss asset is one where loss has been identified by RBS NV, India or internal or external auditors or during RBI inspection but the amount has not been written off fully.

An asset, including a leased asset, becomes non-performing when it ceases to generate income for RBS NV, India.

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

An NPA is defined as a loan or an advance where:

Interest and/or installment of principal remain overdue for more than 90 days in respect of a term loan. Any amount due to RBS NV, India under any credit facility is ‘overdue’ if it is not paid on the due date fixed by RBS NV, India;

if the interest due and charged during a quarter is not serviced fully within 90 days from the end of the quarter;

the account remains ‘out of order’ in respect of an overdraft/cash credit facility. An account is treated as ‘out of order’ if:

the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days; or

where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of the balance sheet; or

credits in the account are not enough to cover the interest debited during the accounting period; or

drawings have been permitted in the account for a continuous period of 90 days based on drawing power computed on the basis of stock statements that are more than three months old even though the unit may be working or the borrower’s financial position is satisfactory; or

the regular ad hoc credit limits have not been reviewed/renewed within 180 days from the due date/date of adhoc sanction.

a bill purchased / discounted by RBS NV, India remains overdue for a period of more than 90 days;

interest and or installment of principal in respect of an agricultural loan remains overdue for two crop seasons for short duration crops and one crop season for long duration crops;

In respect of a securitization transaction undertaken in terms of the RBI guidelines on securitization, the amount of liquidity facility remains outstanding for more than 90 days;

In respect of derivative transactions, if the overdue receivables representing positive mark-to-market value of a derivative contract, remain unpaid for a period of 90 days from the specified due date for payment.

Restructured assets

RBS NV, India would ensure that prudential guidelines in respect of income recognition, asset classification & provisioning (including restructuring of advances) as specified by the RBI from time to time at the minimum, should be adhered to at all times.

DF – 4: CREDIT RISK EXPOSURES

Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure

(Rs. in crores)

	31 March 2014			31 March 2013		
	Domestic	**Overseas**	**Total**	**Domestic**	**Overseas**	**Total**
Fund Based	14,289	-	14,289	19,013	-	19,013
Non Fund Based	7,273	-	7,273	11,624	-	11,624
Total	**21,562**	**-**	**21,562**	**30,637**	**-**	**30,637**

Industry distribution of exposures

(Rs. in crores)

	31 March 2014		31 March 2013	
Industry Classification	**Funded**	**Non funded**	**Funded**	**Non funded**
All Engineering	1,081	843	1,583	1,460
Basic Metal and Metal Products	86	99	408	113
Beverages (excluding Tea & Coffee) and Tobacco	-	203	-	
Cement and Cement Products	-	-	-	-
Chemicals and Chemical Products (Dyes, Paints, etc.)	988	393	1,030	51
Construction	366	301	82	330
Food Processing	282	40	432	97
Gems and Jwellery	4,517	23	4,098	-
Glass & Glassware	-	-	-	-
Infrastructure	555	1,276	48	47
Leather and Leather products	-	-	18	-
Mining and Quarrying	7	-	6	-
Other Industries	2,121	3,845	3,069	4,320
Paper and Paper Products	218	125	155	131
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	-	-	-
Residuary Other Advances	62	-	527	189
Rubber, Plastic and their Products	88	34	132	33
Textiles	125	1	101	8
Vehicles, Vehicle Parts and Transport Equipments	619	92	846	191
Wood and Wood Products	-	-	-	-
Total	**11,115**	**7,272**	**12,534**	**6,970**

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Residual Contractual Maturity breakdown of Assets March 2014

(Rs. in crores)

Particulars	Deposits	Advances	Investments	Borrowings	FCY Assets	FCY Liabilities
Day 1	259	650	-	519	552	563
2 to 7 days	1,810	1,275	-	100	738	70
8 to 15 days	796	480	-	-	440	46
15 to 28 days	764	980	78	-	675	8
29 days to 3 months	1,988	4,438	623	-	855	368
Over 3 months to 6 months	580	1,140	-	-	454	193
Over 6 months to 12 months	449	724	505	-	8	38
Over 1 Year to 3 Years	4,952	1,434	1,684	197	1,540	1,628
Over 3 Years to 5 Years	28	7	2,344	829	-	829
Over 5 Years	-	6	204	-	58	-
Total	**11,626**	**11,135**	**5,438**	**1,645**	**5,319**	**3,744**

Residual Contractual Maturity breakdown of Assets March 2013

(Rs. in crores)

Particulars	Deposits	Advances	Investments	Borrowings	FCY Assets	FCY Liabilities
Day 1	292	500	-	451	567	489
2 to 7 days	1,781	609	-	4,817	86	1,794
8 to 15 days	919	548	-	-	94	34
15 to 28 days	769	1,276	99	671	406	680
29 days to 3 months	1,261	4,649	2,349	158	2,937	185
Over 3 months to 6 months	758	1,725	1,152	-	663	369
Over 6 months to 12 months	1,067	390	632	-	1	372
Over 1 Year to 3 Years	5,884	2,578	1,258	-	5	637
Over 3 Years to 5 Years	18	55	2,120	310	-	310
Over 5 Years	1	203	1,514	716	41	716
Total	**12,749**	**12,534**	**9,124**	**7,123**	**4,800**	**5,585**

Movement of NPAs and Provision for NPAs

(Rs. in crores)

	Particulars	31 March 2014	31 March 2013
A	Amount of NPAs (Gross)	114	280
	Substandard	1	32
	Doubtful	89	247
	Loss	24	0
B	Net NPAs	(6)	37
C	NPA Ratios		
	– Gross NPAs to gross advances (%)	1.01%	2.19%
	– Net NPAs to net advances (%)	-0.05%	0.29%
D	Movement of NPAs (Gross)		
	– Opening balance	280	347
	– Additions during the year	16	54
	– Reductions during the year	(182)	120
	– Closing balance	114	280
E	Movement of Provision for NPAs		
	– Opening balance	243	253
	– Provision made during the year	1	61
	– Write – offs / Write – back of excess provision	(125)	71
	– Closing balance	119	243

Non-Performing Investments (NPIs) and Provision for depreciation on NPIs – NIL

V. CREDIT RISK: USE OF RATING AGENCY UNDER THE STANDARDIZED APPROACH

RBS NV, India has not applied external ratings to its funded and non funded short-term and long-term instruments or bank facilities' and has treated them as unrated exposure.

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

DF – 5: Details of Gross credit risk exposure (Fund based and Non-fund based) based on Risk Weight

(Rs. in crores)

	31 March 2014	31 March 2013
Below 100% risk weight	8,684	11,386
100% risk weight	14,552	18,968
More than 100% risk weight	113	283
Deductions		
– Investments in subsidiaries	–	–

VI. CREDIT RISK MITIGATION

RBS NV, India uses various collaterals both financial and non-financial, guarantees and credit insurance as credit risk mitigants. The main financial collaterals include bank deposits, National Saving Certificate (NSC), Kendriya Vikas Patra (KVP), Life Insurance Policy (LIP), while main non-financial collaterals include land and building, plant and machinery, residential and commercial property. The guarantees include those given by corporate, bank and personal guarantees.

RBS NV, India reduces its credit exposure to counterparty with the value of eligible financial collateral to take account of the risk mitigating effect of the collateral. To account for the volatility in the value of collateral, haircut is applied based on the type, issuer, maturity, rating and re-margining/revaluation frequency of the collateral.

DF – 6: Detail of total credit exposure position as on 31 March 2014

(Rs. in crores)

	31 March 2014	31 March 2013
Covered by		
– financial collaterals	418	304
– Guarantees	–	1,200

VII. SECURITIZATION

DF – 7: Securitization

There were no securitization transactions entered during the year (Previous year - Nil).

VIII. MARKET RISK IN TRADING BOOK

Market risk is the risk to RBS NV, India's earnings and capital arising from changes in the market level of interest rates or prices of securities and foreign exchange rates. RBS NV, India is exposed to market risk through its trading activities, which are carried out both for customers and on a proprietary basis. RBS NV, India adopts a comprehensive approach to market risk management for its trading, investment and asset/liability portfolios. The policies require that operations in securities, foreign exchange and derivatives are conducted in accordance with sound and acceptable business practices and are as per the extant regulatory guidelines, laws governing transactions in financial securities and the financial environment. The policies contain the limit structure that governs transactions in financial instruments. The policies are reviewed periodically to incorporate changed business requirements, economic environment and changes in regulations.

RBS NV, India uses various risk metrics, both statistical and non-statistical, including:

Non-statistical measures such as position, gaps and sensitivities

Value at risk (VaR)

RBS NV, India has set in place Value at Risk (VaR) limits, which are based on the Historical Simulation Method to control and monitor market risk. Daily reports are made available through the risk management systems for monitoring these exposures. In addition to these limits, stress and scenario analysis are undertaken to evaluate shock impacts.

RBS NV, India periodically reports on the various investments and their related risk measures to the India EXCO. RBS NV, India also periodically submits the required reports to the regulator as per the regulatory reporting requirements.

A fuller description of the Group's approach to market risk can be found in the Group's 2013 Annual Report and Accounts for market risk disclosure.

DF – 8: Capital Requirement for Market Risk

(Rs. in crores)

	Amount of Capital Required	
	31 March 2014	31 March 2013
– Interest rate risk	273	119
– Foreign exchange risk (including gold)	54	54
– Equity position risk	–	–

THE ROYAL BANK OF SCOTLAND N.V.
(Incorporated in the Netherlands with limited liability)
INDIAN BRANCHES

IX. OPERATIONAL RISK

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, and systems or from external events. Operational Risk includes legal risk but excludes strategic and reputational risk. Operational Risk is an integral and unavoidable part of RBS NV, India's business as it is inherent in the processes operating to provide services to customers and generate profit for shareholders.

The objective of RBS NV, India's Operational Risk management is to manage and control operational risks in a cost effective manner within targeted levels of Operational Risk consistent with RBS risk appetite. To ensure appropriate responsibility is allocated for the management, reporting and escalation of operational risk, RBS NV, India operates three lines of defense model which outlines principles for the roles, responsibilities and accountabilities for operational risk management.

Operational Risk – three lines of defense model

1st Line of Defence - Management & Supervision

The first line of defence includes customer franchises, Technology & Operations and the support aspects of functions such as HR, Communications and Financial MI. The first line of defence own and manage the risks within their business area.

First line responsibilities:

- Own, manage and supervise, within a defined Risk Appetite, the risks which exist in the business area.
- Ensure appropriate controls are in place to mitigate risk: balancing control, cost, customer service and competitive advantage.
- Ensure that the culture of the business supports balanced risk decisions and compliance with policy, laws and regulations.
- Ensure that the business has effective mechanisms for identifying, reporting and managing risk and controls.

2nd Line of Defence - Oversight & Control

The second line includes the Risk and Conduct functions and the financial aspects of Finance. The second line of defence oversees and / or develops the risk and control frameworks. Additionally, they are responsible for policy setting; approvals of client, transaction, product and process decisions; oversee and challenge the first line where necessary.

Second line responsibilities:

- Own and develop the risk and control policies, limits and tools for the business to use to discharge its responsibilities.
- Oversee and challenge the effective management of risks and controls independently from the business.
- Lead the design, development and communication of the bank's risk culture and appetite.
- Analyse the bank's aggregate risk profile and ensure that risks are being managed to the desired level (Risk Appetite).
- Provide expert support and advice to the business on risk management.
- Provide senior executive with relevant management information and reports and escalate concerns where appropriate.
- Undertake risk-based, proportionate assurance

3rd Line of Defence - Internal Audit

Group Internal Audit provide assurance to the Group Audit Committee and senior executive that the main business risks have been identified and that effective controls are in place to manage these risks.

Third line responsibilities:

- Provide independent assurance over the key risks to the organisation, which includes an assessment of the entire control framework.
- Hold RBS Risk Management accountable for establishing an appropriate risk management framework.

With regards to the above framework, it must be noted that all the three lines of defence are completely independent of each other.

The Operational Risk Policy Standards provide the direction for delivering effective operational risk management.

They comprise principles and processes that enable the consistent identification, assessment, management, monitoring and reporting of operational risk across the Group. The objectives of the standards is to protect the Group from financial loss or damage to its reputation, its customers or staff and to ensure that it meets all necessary regulatory and legal requirements.

The standards are supported by several key operational risk management techniques of which RBS NV, India applies the following techniques:

1. Risk assessments: business units identify and assess operational risks to ensure that they are effectively managed, prioritized, documented and aligned to risk appetite;

2. Risk Event and Loss data management: each business unit's internal loss data management process captures all operational risk loss events above certain minimum thresholds. The data is used to enhance the adequacy and effectiveness of controls, identify emerging themes, enable formal loss event reporting and inform risk and control assessments and scenario analysis.

Escalation of individual events to senior management is determined by the seriousness of the event. Operational loss events are categorized under the following headings:

Clients, products and business practices;

Technology and infrastructure failures;

Employment practices and workplace safety;

Internal fraud;

External fraud;

Execution, delivery and process management;

and Disaster and public safety

3. Risk Issues Management: This process ensures that operational risk issues are captured and classified consistently, and that there is robust governance over their closure and acceptance.

4. New products approval process: This process ensures that all new products or significant variations to existing products are subject to a comprehensive risk assessment. Products are evaluated and approved by specialist areas and are subject to executive approval prior to launch; and Scope and nature of reporting and measurement systems.

Reporting forms an integral part of operational risk management. The Group's risk management processes are designed to ensure that issues are identified, escalated and managed on a timely basis. Exposures for each division are reported through monthly risk issue reports, which provide detail on the risk issues and action plans.

Events that have a material, actual or potential impact on RBS NV, India's finances, reputation or customers, are escalated and reported to divisional and Group executive.

Policies for mitigating risks

The objective of operational risk management is not to remove operational risk altogether, but to manage the risk to an acceptable level, taking into account the cost of minimizing the risk with the resultant reduction in exposure. Strategies to manage operational risk include avoidance, transfer, acceptance and mitigation by controls.

Each business unit must manage its operational risk exposure within an acceptable level, testing the adequacy and effectiveness of controls and other risk mitigants regularly and documenting the results. Where unacceptable control weaknesses are identified, action plans must be produced and tracked to completion.

DF – 9: Approach for Operational Risk Capital Assessment

As per the RBI guidelines on Basel III, RBS NV, India has adopted Basic Indicator approach for computing capital charge for operational risk. The capital required for operational risk at March 31, 2014 was Rs. 240.65.

X. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Interest Rate Risk in the Banking Book

Risk management framework for Interest Rate Risk in the Banking Book (IRRBB) also referred as Non-Trading Interest Rate Risk (NTIRR) covers the interest rate risk outside the interest rate trading business.

The branch holds various interest rate sensitive assets, liabilities and off balance sheet items linked to various benchmark interest rates and with different re-pricing and maturity dates. IRRBB or NTIRR arises where there is potential for changes in benchmark interest rates to result in a movement in bank's future income.

Governance framework

India ALCO is responsible for evolving appropriate systems and procedures for identification and analysis of various balance sheet risks including IRRBB or NTIRR and laying down parameters for efficient management of these risks. India ALCO comprises of senior management of the branch and meets periodically. The ALCO focuses on setting interest rate risk appetite by setting limits on relevant indicators, which positively contributes to optimising the balance sheet structure and Net Interest Income (NII) over time, while limiting the susceptibility to interest changes. ALCO periodically monitors risk positions of the branch, ensures compliance with regulatory requirements and internal limits and provides strategic guidance for management of the IRRBB or NTIRR.

Measurement

The branch uses the following tools for managing interest rate risk:

Gap analysis: The interest rate gap or mismatch risk is measured by calculating gaps over different time intervals as at a given date. This static analysis measure mismatches between rate sensitive liabilities (RSL) and rate sensitive assets (RSA). The report is prepared monthly by grouping rate sensitive assets, liabilities and off-balance sheet positions into time buckets according to residual maturity or next re-pricing period. The difference between RSA and RSL for each time bucket signifies the gap in that time bucket. The direction of the gap indicates whether net interest income is positively or negatively impacted by a change in interest rates and the magnitude of the gap helps in finding out the change in net interest income for any given interest rate shift.

Earnings at risk (EaR): The interest rate gap reports mentioned above indicate whether the branch is in a position to benefit from rising interest rates by having a positive gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates by having a negative gap (RSL>RSA). EaR measures the change in NII over a one year time horizon for various levels of parallel shift in interest rates.

Economic value: Change in the interest rates have a long-term impact on the capital position of the branch, as the economic value of the Branch's assets, liabilities and off-balance sheet positions get affected by these rate changes. The branch applies modified duration approach and monitors impact of various levels of parallel shift in interest rate curves on the capital position.

PV01: PV01 measures the impact on economic value of a 1 basis point (0.01%) change in interest rates. The branch also uses PV01 limits to manage IRRBB or NTIRR.

Details of increase (decline) in earnings and economic value for upward and downward rate shocks, assuming parallel shift in the interest rate curves, based on the local currency positions as are given below:

Earnings perspective:

	31-Mar-2014		31-Mar-2013	
Amount in Rs. Crores	**-200**	**200**	**-200**	**200**
INR	(9)	9	(30)	30
USD	(63)	63	(23)	23
GBP	1	(1)	3	(3)
EUR	(1)	1	(1)	1
JPY	8	(8)	16	(16)
RES	0	(0)	1	(1)
Total	**(64)**	**64**	**(35)**	**35**

Economic value perspective:

	31-Mar-2014		31-Mar-2013	
Amount in Rs. Crores	**-200**	**200**	**-200**	**200**
INR	39	(39)	145	(145)
USD	17	(17)	(6)	6
GBP	(0)	0	(1)	1
EUR	(5)	5	(5)	5
JPY	(9)	9	(10)	10
RES	(7)	7	(1)	1
Total	**34**	**(34)**	**122**	**(122)**

XI. GENERAL DISCLOSURE FOR EXPOSURES RELATED TO COUNTERPARTY CREDIT RISK

Methodology used to assign economic capital and credit limits for counterparty credit exposures

Counterparty credit risk is covered by the Group's credit risk framework and there are policies which apply to OTC derivatives and repo products addressing documentation requirements, product-specific requirements, counterparty specific requirements, issuer risk, margin trading, collateral etc.

Counterparty exposure is calculated per each Counterparty based on RBS NV, India's approved exposure calculation methodology. The exposure takes into account of mark-to-market and potential future exposure of each trade, as well as Bank's netting / collateral opinion to the governing master agreement. Where there is a collateral agreement with clear collateral opinion in place, collateral held / posted is also used in the exposure calculation.

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

Policies for securing collateral and establishing credit reserves

The group credit policy framework governs counterparty credit risk management requirements where legal and administrative capacity of counterparties to enter into collateral agreement is assessed. The policy framework establishes minimum documentation requirements under collateral agreements including thresholds, minimum transfer amounts, haircuts, collateral eligibility criteria and collateral call frequency. Where netting and/ or collateral enforceability criteria are not fulfilled, exposure is assumed to be un-collateralized.

Policies with respect to Wrong-way risk (WWR) exposures

Wrong-way risk exposures are also governed by the group policy framework. WWR arises when the risk factors driving the exposure to counterparty are adversely correlated with the creditworthiness of that counterparty, i.e. the size of the exposure increases at the same time as the riskiness of the counterparty increases. Bank recognizes two different types of WWR – Specific WWR and General WWR.

Specific WWR arises when the exposure on transactions is by virtue of economic dependence or ownership i.e. 'self-referenced', to the counterparty. General WWR is further classified as (a) Currency Risk and (b) Correlation Risk. Currency risk arises when counterparty is correlated with a macroeconomic factor which also affects the exposure. Correlation Risk arises when the exposure on the transaction is correlated with the counterparty's creditworthiness for a reason that is specific to the counterparty. Bank monitors and manages the wrong-way risk in accordance with the group wide policy framework.

Collateral required in the event of a credit rating downgrade

The Group calculates the additional collateral it would be required to post in the event of its credit ratings being downgraded by one or two notches. This is undertaken on a daily basis for treasury and liquidity management purposes. RBS NV, India follows the group-wide policy framework on collateral requirement in the event of credit rating downgrade.

(Rs. in crores)

Particulars	IRS/CCS/FRA	OPTIONS
Gross Positive Fair Value of Contracts	1,581	13
Netting Benefits	–	–
Netted Current Credit Exposure	1,581	13
Collateral held (e.g. Cash, G-sec, etc.)	–	–
Net Derivatives Credit Exposure	1,581	13
Exposure amount (under CEM)	3,860	50
Notional value of Credit Derivative hedges	–	–
Credit derivative transactions that create exposures to CCR	–	–

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

XII. Composition of Capital

Sr. No.	Particular	Amount (Rs. in millions)	Amounts Subject to Pre-Basel III Treatment	Ref No.
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	1,690		a
2	Retained earnings	25,731		b+c+d
3	Accumulated other comprehensive income (and other reserves)	0		
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies1)	0		
	Public sector capital injections grandfathered until 1 January 2018	0		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0		
6	Common Equity Tier 1 capital before regulatory adjustments	27,421		
	Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	0		
8	Goodwill (net of related tax liability)	0		
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	0		
10	Deferred tax assets 2	1,050	2,910	e
11	Cash-flow hedge reserve	0		
12	Shortfall of provisions to expected losses	0		
13	Securitisation gain on sale	0		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0		
15	Defined-benefit pension fund net assets	0		
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0		
17	Reciprocal cross-holdings in common equity	0		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where RBS NV, India does not own more than 10% of the issued share capital (amount above 10% threshold)	0		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	0		
20	Mortgage servicing rights4 (amount above 10% threshold)	0		
21	Deferred tax assets arising from temporary differences5 (amount above 10% threshold, net of related tax liability)	0		
22	Amount exceeding the 15% threshold6	0		
23	of which: significant investments in the common stock of financial entities	0		
24	of which: mortgage servicing rights	0		
25	of which: deferred tax assets arising from temporary differences	0		
26	National specific regulatory adjustments7 (26a+26b+26c+26d)	0		
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	0		
26b	of which: Investments in the equity capital of unconsolidated on-financial subsidiaries8	0		
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	0		
26d	of which: Unamortised pension funds expenditures	0		
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	0		
	of which: [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)	0		
	of which: [INSERT TYPE OF ADJUSTMENT]	0		
	of which: [INSERT TYPE OF ADJUSTMENT]	0		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	907		
28	Total regulatory adjustments to Common equity Tier 1	143		
29	Common Equity Tier 1 capital (CET1)	27,278		
	Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	-		

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	0		
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-		
33	Directly issued capital instruments subject to phase out from Additional Tier 1	2,481		f
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-		
35	of which: instruments issued by subsidiaries subject to phase out	-		
36	Additional Tier 1 capital before regulatory adjustments	2,481		
	Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	0		
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where RBS NV, India does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)10	0		
41	National specific regulatory adjustments (41a+41b)	0		
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	0		
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with RBS NV, India	0		
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	1,575		
	of which: DTA	1,575		e
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	0		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0		
43	Total regulatory adjustments to Additional Tier 1 capital	1,575		
44	Additional Tier 1 capital (AT1)	907		
44a	Additional Tier 1 capital reckoned for capital adequacy11	-		
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	27,278		
	Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0		
47	Directly issued capital instruments subject to phase out from Tier 2	5,726		e
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0		
49	of which: instruments issued by subsidiaries subject to phase out	0		
50	Provisions12	1,995		g+h
51	Tier 2 capital before regulatory adjustments	7,720		
	Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	0		
53	Reciprocal cross-holdings in Tier 2 instruments	0		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where RBS NV, India does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	0		
55	Significant investments13 in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0		
56	National specific regulatory adjustments (56a+56b)	0		
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	0		
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with RBS NV, India	0		
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	0		
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	0		
	of which: [INSERT TYPE OF ADJUSTMENT	0		
57	Total regulatory adjustments to Tier 2 capital	0		
58	Tier 2 capital (T2)	7,720		
58a	Tier 2 capital reckoned for capital adequacy14	7,720		
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	0		
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	7,720		
59	Total capital (TC = T1 + T2) (45 + 58c)	34,998		
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	228,547		

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

	of which: [INSERT TYPE OF ADJUSTMENT]			
	Of which: …			
60	Total risk weighted assets (60a + 60b + 60c)	228,547		
60a	of which: total credit risk weighted assets	165,488		
60b	of which: total market risk weighted assets	36,320		
60c	of which: total operational risk weighted assets	26,739		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	11.94%		
62	Tier 1 (as a percentage of risk weighted assets)	11.94%		
63	Total capital (as a percentage of risk weighted assets)	15.31%		
64	Institution specific buffer requirement (minimum CET1requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	0		
65	of which: capital conservation buffer requirement	0		
66	of which: bank specific countercyclical buffer requirement	0		
67	of which: G-SIB buffer requirement	0		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	6.85%		
	National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%		
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities	0		
73	Significant investments in the common stock of financial entities	0		
74	Mortgage servicing rights (net of related tax liability)	0		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0		
	Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1,995		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	2,069		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA		
	Capital instruments subject to phase-out arrangements (only applicable between 31 March , 2017 and 31 March, 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	NA		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA		
82	Current cap on AT1 instruments subject to phase out arrangements	NA		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA		
84	Current cap on T2 instruments subject to phase out arrangements	NA		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA		

* NA - Not Applicable

Notes to the Template

	Particular	*(Rs. in million)*
10	Deferred tax assets associated with accumulated losses	0
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	2,624
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	NA
	of which: Increase in Common Equity Tier 1 capital	NA
	of which: Increase in Additional Tier 1 capital	NA
	of which: Increase in Tier 2 capital	NA
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	NA
	(i) Increase in Common Equity Tier 1 capital	NA
	(ii) Increase in risk weighted assets	NA
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	0
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	0
50	Eligible Provisions included in Tier 2 capital	1,995
	Eligible Revaluation Reserves included in Tier 2 capital	0
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	0

THE ROYAL BANK OF SCOTLAND N.V.
(Incorporated in the Netherlands with limited liability)
INDIAN BRANCHES

XIII. Composition of Capital – Reconciliation Requirements

	Particulars	Balance sheet as in financial statements As on 31 March 2014 (Rs.In Millions)	Reference No.
A	Capital & Liabilities		
i	Paid-up Capital	1,690	a
	Reserves & Surplus	28,518	
	of which :		
	Statutory Reserves	7,987	b
	Capital Reserves	224	c
	Other Revenue reserves	17,520	d
	Investment fluctuation Reserve	131	g
	Balance in Profit/ Loss account	2,657	
	Minority Interest	-	
	Total Capital	30,208	
ii	Deposits	116,256	
	of which: Deposits from banks	374	
	of which: Customer deposits	115,882	
	of which: Other deposits (pl. specify)	-	
iii	Borrowings	16,446	
	I. Borrowings in India		
	of which: From RBI	1,000	
	of which: From banks	-	
	of which: From other institutions & agencies	-	
	of which: Others (pl. specify)		
	II. Borrowings outside India	15,446	
	of which: Capital instruments	10,259	f
iv	Other liabilities & provisions	40,752	
	of which : Provision for Standard Advances	1,864	h
	Total	203,663	
B	Assets		
i	Cash and balances with Reserve Bank of India	9,205	
	Balance with banks and money at call and short notice	2,156	
ii	Investments:	54,378	
	of which: Government securities	54,378	
	of which: Other approved securities	-	
	of which: Shares	-	
	of which: Debentures & Bonds	-	
	of which: Subsidiaries / Joint Ventures / Associates		
	of which: Others (Commercial Papers, Mutual Funds etc.)	-	
iii	Loans and advances	111,352	
	of which: Loans and advances to banks	1,241	
	of which: Loans and advances to customers	110,111	
iv	Fixed assets	782	
v	Other assets	25,790	
	of which: Goodwill and intangible assets		
	of which: Deferred tax assets	2,582	e
vi	Goodwill on consolidation	-	
vii	Debit balance in Profit & Loss account	-	
	Total Assets	203,663	

THE ROYAL BANK OF SCOTLAND N.V.
(Incorporated in the Netherlands with limited liability)
INDIAN BRANCHES

XIV. Main Features Template

1	Issuer	NA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	
	Regulatory treatment	
4	Transitional Basel III rules	Tier II
5	Post-transitional Basel III rules	Ineligible
6	Eligible at solo/group/ group & solo	NA
7	Instrument type	HO - Borrowings
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	5,726
9	Par value of instrument	7,157
10	Accounting classification	Liability - Borrowings
11	Original date of issuance	31st March, 2008
12	Perpetual or dated	Dated
13	Original maturity date	31st March, 2023
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	31st March, 2018, Loan Principal amount and Accrued Interest
16	Subsequent call dates, if applicable	31 March and / or 30 September every year after 31st March, 2018
	Coupons / dividends	Coupon
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	LIBOR+4.07%
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	Yes
37	If yes, specify non-compliant features	No Basel III Loss Absorbency & Step up clause

THE ROYAL BANK OF SCOTLAND N.V.

(Incorporated in the Netherlands with limited liability)

INDIAN BRANCHES

1	Issuer	NA	NA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA
3	Governing law(s) of the instrument		
	Regulatory treatment		
4	Transitional Basel III rules	Additional Tier I	Additional Tier I
5	Post-transitional Basel III rules	Ineligible	Ineligible
6	Eligible at solo/group/ group & solo	NA	NA
7	Instrument type	HO - Borrowings	HO - Borrowings
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	2,481	
9	Par value of instrument	1,969	1,128
10	Accounting classification	Liability - Borrowings	Liability - Borrowings
11	Original date of issuance	13th March, 2008	19th December, 2006
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	NA	NA
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	13th September , 2018	21st December, 2016
16	Subsequent call dates, if applicable	13th March & 13th September after 1st call date	13th March & 13th September after 1st call date
	Coupons / dividends	Coupon	Coupon
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	LIBOR+1.4275%	LIBOR+4.2%
19	Existence of a dividend stopper	NA	NA
20	Fully discretionary, partially discretionary or mandatory	NA	NA
21	Existence of step up or other incentive to redeem	NA	NA
22	Noncumulative or cumulative	NA	NA
23	Convertible or non-convertible	NA	NA
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	NA	NA
31	If write-down, write-down trigger(s)	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	NA
36	Non-compliant transitioned features	Yes	Yes
37	If yes, specify non-compliant features	No Basel III Loss Absorbency & Step up clause	No Basel III Loss Absorbency