

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Financial statements for the year ended
31 December 2013
and
Independent Auditor's Report



KPMG Phoomchai Audit Ltd.

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Independent Auditor's Report

To the Management of Deutsche Bank Aktiengesellschaft, Bangkok Branch

I have audited the accompanying financial statements of Deutsche Bank Aktiengesellschaft, Bangkok Branch (the "Branch") which comprise the statement of financial position as at 31 December 2013, the statements of comprehensive income, changes in accounts with head office and other branches of the same juristic person and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The Branch is a part of Deutsche Bank Aktiengesellschaft and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

Management's Responsibility for the Financial Statements

Management of the Branch is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 entities' 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 entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



Opinion

In my opinion, the financial statements present fairly, in all material respects, the assets used in, and liabilities arising out of, the Branch's operations in Thailand as at 31 December 2013, and its financial performance and cash flows in Thailand for the year then ended in accordance with Thai Financial Reporting Standards.

Chanchai S.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
28 April 2014

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Statement of financial position

Assets	Note	31 December	
		2013	2012
		<i>(in Baht)</i>	
Cash		33,589,426	46,184,206
Interbank and money market items, net	8	27,048,377,757	46,903,405,202
Derivative assets	9	35,273,463,874	24,706,157,502
Investments, net	10	28,620,841,978	29,693,533,654
Loans to customers and accrued interest receivables, net	11		
Loans to customers		16,029,274,442	11,600,344,857
Accrued interest receivables		16,612,782	20,165,948
Total loans to customers and accrued interest receivables		16,045,887,224	11,620,510,805
Less allowance for doubtful accounts	11.4, 13	(269,989,250)	(318,255,914)
Total loans to customers and accrued interest receivables, net		15,775,897,974	11,302,254,891
Leasehold building improvements and equipment, net	14	177,510,187	214,931,329
Deferred tax assets, net	15	142,783,305	122,263,781
Trading securities receivable	16	315,836,818	1,649,838,369
Collateral per Credit Support Annex		726,561,000	-
Other assets	17	145,839,699	227,382,743
Total assets		108,260,702,018	114,865,951,677

The accompanying notes are an integral part of these financial statements.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of financial position

Liabilities and accounts with head office and other branches of the same juristic person	Note	31 December	
		2013	2012
		<i>(in Baht)</i>	
Liabilities			
Deposits	19	33,738,049,318	45,204,423,398
Interbank and money market items	20	7,923,277,732	9,844,350,281
Liabilities payable on demand		2,362,852,055	2,243,627,147
Liabilities to deliver security	21	86,072,952	100,285,901
Derivative liabilities	9	33,547,559,884	28,414,251,443
Debt issued and borrowings	22	654,153,800	630,668,168
Provisions against derivative products	23	262,198,335	185,594,161
Employee benefit obligations	24	61,635,019	62,924,348
Trading securities payable	25	10,102,268	1,287,831,407
Other liabilities	26	988,388,529	823,943,254
Total liabilities		79,634,289,892	88,797,899,508
Accounts with head office and other branches of the same juristic person			
Funds brought in to maintain assets under the Act	7, 28	17,800,000,000	17,800,000,000
Balance of inter-office accounts with head office and other branches of the same juristic person, net	7, 28	10,221,384,682	7,148,220,980
Retained earnings		605,027,444	1,119,831,189
Total accounts with head office and other branches of the same juristic person		28,626,412,126	26,068,052,169
Total liabilities and accounts with head office and other branches of the same juristic person		108,260,702,018	114,865,951,677

The accompanying notes are an integral part of these financial statements.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of comprehensive income

	Note	For the year ended 31 December	
		2013	2012
		<i>(in Baht)</i>	
Interest income	28, 30	2,457,105,666	3,117,177,597
Interest expense	28, 31	1,234,552,920	1,816,819,736
Net interest income		1,222,552,746	1,300,357,861
Fees and service income		350,798,045	269,065,415
Fees and service expenses		134,305,512	95,555,590
Net fees and service income	32	216,492,533	173,509,825
Net gains on trading and foreign exchange transactions	33	346,572,878	850,174,190
Net gain on investments	34	-	8,789,644
Other operating income		139,375,637	207,177,287
Total operating income		1,924,993,794	2,540,008,807
Other operating expenses			
Employee expenses	28, 36	472,696,110	488,644,937
Premises and equipment expenses		163,570,328	170,315,514
Taxes and duties		27,679,942	47,371,140
Expenses allocated from head office	28	704,996,043	536,299,366
Other expenses		125,080,093	186,494,034
Total other operating expenses		1,494,022,516	1,429,124,991
Bad debts, allowance for doubtful accounts and impairment loss (reversal)	35	(49,698,663)	795,844
Operating profit before income tax expense		480,669,941	1,110,087,972
Income tax expense	37	95,473,686	347,986,952
Net profit		385,196,255	762,101,020
Other comprehensive income			
Losses on revaluation of available-for-sale investments		-	(7,797,865)
Income tax for other comprehensive income		-	1,793,509
Total other comprehensive income, net	37	-	(6,004,356)
Total comprehensive income		385,196,255	756,096,664

The accompanying notes are an integral part of these financial statements.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of changes in accounts with head office and other branches of the same juristic person

	Funds brought in to maintain assets under the Act	Balance of inter-office accounts with head office and other branches of the same juristic person	Other components of accounts with head office and other branches of the same juristic person	Retained earnings	Total
Balance at 1 January 2012	17,800,000,000	5,814,780,242	6,004,356	2,257,730,169	25,878,514,767
Comprehensive income for the year					
Net profit	-	-	-	762,101,020	762,101,020
Other comprehensive income	-	-	(6,004,356)	-	(6,004,356)
Loss on revaluation of available-for-sale investments, net of income tax	-	-	(6,004,356)	-	(6,004,356)
Total other comprehensive income	-	-	(6,004,356)	-	(6,004,356)
Total comprehensive income	-	-	-	762,101,020	762,101,020
Balance of inter-office accounts with head office and other branches of the same juristic person, net	1,333,440,738	1,333,440,738	-	-	1,333,440,738
Profit remitted to head office	-	-	-	(1,710,000,000)	(1,710,000,000)
Income tax on remitted profits	-	-	-	(190,000,000)	(190,000,000)
Balance at 31 December 2012 and 1 January 2013	17,800,000,000	7,148,220,980	-	1,119,831,189	26,068,052,169
Comprehensive income for the year					
Net profit	-	-	-	385,196,255	385,196,255
Other comprehensive income	-	-	-	-	-
Loss on revaluation of available-for-sale investments, net of income tax	-	-	-	-	-
Total other comprehensive income	-	-	-	385,196,255	385,196,255
Total comprehensive income	-	-	-	-	-
Balance of inter-office accounts with head office and other branches of the same juristic person, net	3,073,163,702	3,073,163,702	-	-	3,073,163,702
Profit remitted to head office	-	-	-	(810,000,000)	(810,000,000)
Income tax on remitted profits	-	-	-	(90,000,000)	(90,000,000)
Balance at 31 December 2013	17,800,000,000	10,221,384,682	-	605,027,444	28,626,412,126

The accompanying notes are an integral part of these financial statements.

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Statement of cash flows

	For the year ended 31 December	
	2013	2012
	<i>(in Baht)</i>	
<i>Cash flows from operating activities</i>		
Operating profit before income tax expenses	480,669,941	1,110,087,972
<i>Adjustments to reconcile operating profit before income tax expense to cash received (paid) from operating activities</i>		
Depreciation	46,787,004	48,115,949
Reversal of bad debt and doubtful accounts expense	(46,123,897)	(998,532)
Losses (gains) on revaluation of securities	(16,891,925)	3,328,754
Gains on disposal of equipment	(197,196)	(1,869)
Losses from write-off of equipment	4,319	12,488
Gains on sale of available for sale investment	-	(8,789,644)
Unrealised losses (gains) on forward and derivative contracts, net	(5,433,997,931)	3,205,681,737
Increase (decrease) in provision against derivative products	76,604,174	(71,893,729)
Decrease in other provisions	(9,255,339)	(4,554,522)
Increase (decrease) in liquidity provision for investments	(219,558)	1,675,041
Net interest income	(1,222,552,746)	(1,300,357,861)
Proceeds from interest received	2,585,512,827	3,134,079,119
Interest paid	(1,252,638,666)	(1,727,547,996)
Income tax paid	(152,376,061)	(608,721,863)
Operating profit (loss) before changes in operating assets and liabilities	(4,944,675,054)	3,780,115,044
<i>Decrease (increase) in operating assets</i>		
Interbank and money market items	19,813,837,883	17,610,627,029
Investment in securities for trading	1,089,583,601	(5,435,453,175)
Loans to customers	(4,428,929,585)	650,097,676
Trading securities receivable	1,334,001,551	(771,729,039)
Collateral per Credit Support Annex	(726,561,000)	-
Other assets	(4,264,156)	263,586,852
<i>Increase (decrease) in operating liabilities</i>		
Deposits	(11,466,374,080)	10,934,274,531
Interbank and money market items	(1,921,072,548)	3,326,143,677
Liabilities payable on demand	119,224,908	338,342,418
Liabilities to deliver security	(14,212,949)	98,175,554
Short-term debts issued and borrowings	-	(30,735,239,967)
Employee benefit obligations	(1,289,329)	31,934,325
Trading securities payable	(1,277,729,138)	563,292,125
Other liabilities	228,388,768	152,495,651
Net cash provided by (used in) operating activities	(2,200,071,128)	806,662,701

The accompanying notes are an integral part of these financial statements.

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Statement of cash flows

For the year ended 31 December
2013 2012
(in Baht)

Cash flows from investing activities

Proceeds from sale of available-for-sale investment	-	12,614,372
Purchase of equipment	(9,373,453)	(2,866,313)
Proceeds from sale of equipment	200,467	1,869
Net cash provided by (used in) investing activities	(9,172,986)	9,749,928

Cash flows from financing activities

Long-term debts issued and borrowings	23,485,631	(246,450,025)
Profit remitted to head office	(810,000,000)	(1,710,000,000)
Income tax paid on profit remitted to head office	(90,000,000)	(190,000,000)
Increase in balance of inter-office accounts with head office and other branches of the same juristic person, net	3,073,163,703	1,333,440,737
Net cash provided by (used in) financing activities	2,196,649,334	(813,009,288)

Net increase (decrease) in cash	(12,594,780)	3,403,341
Cash at 1 January	46,184,206	42,780,865
Cash at 31 December	33,589,426	46,184,206

The accompanying notes are an integral part of these financial statements.

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Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from and are consistent with the Thai language statutory financial statements, and both English and Thai language financial statements were approved and authorised for issue by the management of Deutsche Bank Aktiengesellschaft, Bangkok Branch (“the Branch”) on 28 April 2014.

1 General information

The Branch was granted a license by the Ministry of Finance to carry out domestic banking business in Thailand under the Commercial Banking Act. The Branch was granted a license to undertake its commercial banking business in October 1988.

The Branch has its registered office at 63 Athenee Tower, Wireless Road, Lumpini, Phatumwan, Bangkok.

2 Basis of preparation of the financial statements

The Branch is a part of Deutsche Bank Aktiengesellschaft and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

(a) *Statement of compliance*

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”) and guidelines promulgated by the Federation of Accounting Professions (“FAP”) and with the Bank of Thailand (“BoT”) notification number Sor Nor Sor 11/2553, dated 3 December 2010, regarding the “The preparation and announcement of the financial statements of commercial banks and holding companies which are parent company of group of companies offering financial services”, any other supplementary BoT notification.

The FAP has issued the following revised TFRS relevant to the Branch’s operations and effective for accounting periods beginning on or after 1 January 2013:

TFRS	Topic
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

The adoption of these revised TFRS has resulted in changes in the Branch’s accounting policies. The effects of these changes are disclosed in note 3.

In addition to the above revised TFRS, the FAP had issued a number of other new and revised TFRS which are effective for financial statements beginning on or after 1 January 2014 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Branch’s operations are disclosed in note 38.

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- trading and available-for-sale financial assets are measured at fair value;
- the present value of the defined benefit obligation.

(c) *Functional and presentation currency*

The financial statements are presented in Thai Baht, which is the Branch's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand, unless otherwise stated.

(d) *Use of estimates and judgements*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 13 Allowance for doubtful accounts

3 Changes in accounting policies

(a) *Overview*

From 1 January 2013, consequent to the adoption of revised TFRS as set out in note 2, the Branch has changed its accounting policies in the following areas:

- Accounting for the effects of changes in foreign exchange rates

Details of the new accounting policies adopted by the Branch are included in notes 3(b) below. Other new and revised TFRS did not have any impact on the accounting policies, financial position or performance of the Branch.

(b) *Accounting for the effects of changes in foreign exchange rates*

From 1 January 2013, the Branch has adopted TAS 21 (revised 2009) Accounting for the effects of changes in foreign exchange rates.

The principal change introduced by TAS 21 (revised 2009) is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the Branch operates. TAS 21 (revised 2009) requires the Branch to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21 (revised 2009). Foreign currencies are defined by TAS 21 (revised 2009) as all currencies other than the Branch's functional currency.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

Management has determined that the functional currency of the Branch is Thai Baht and that the adoption of TAS 21 (revised 2009) from 1 January 2013 has not had a significant impact on the Branch's reported assets, liabilities or retained earnings.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3, which addresses changes in accounting policy.

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency (Thai Baht) at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

(b) Cash

Cash comprise cash on hand and cash on collection.

(c) Investments

Investments in debt securities and equity securities

Debt securities and marketable equity securities held for trading are classified as trading securities and stated at fair value, with any resultant gain or loss recognised in profit or loss.

Debt securities and marketable equity securities, other than those securities held for trading, are classified as being available-for-sale investments. Available-for-sale investments are subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in the accounts with head office and other branches of the same juristic person. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in the accounts with head office and other branches of the same juristic person is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

The fair value of investments classified as held-for-trading and available-for-sale is determined as the quoted investments bid price at the reporting date.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in the accounts with head office and other branches of the same juristic person is recognised in profit or loss.

If the Branch disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

(d) *Loans to customers*

Loans to customers are presented using the outstanding principal amount, except for overdrafts which include accrued interest receivable. Bills purchased at a discount are stated at the face value of the bills, net of unearned discount.

(e) *Allowance for doubtful accounts*

The Branch provides allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection of loans and receivables. The estimated losses are based on historical collection experience and a review of the current status of the loans and receivables.

The BoT has guidelines for establishing a minimum level of allowance for doubtful accounts, which is primarily determined by applying specified percentages to the different classifications of financing in conjunction with the consideration of collateral valuation. Financing classifications are based principally on the period that a financing is past due. The Branch has set up, at a minimum, the allowance for doubtful accounts according to the BoT regulations.

With reference to the BoT's directive, the Branch has classified its loan portfolios into six categories, primarily based on the non-accrual period. For loans classified as pass and special-mention, the calculation of allowances for doubtful accounts is based on the regulatory minimum percentage requirement, taking into consideration the collateral value, where the collateral type and date of the latest appraisal are qualifying factors. For loans classified as sub-standard, doubtful and doubtful of loss, the allowance on these accounts will be set at 100 percent of the difference between the outstanding book value of the debt and the present value of future cashflows expected to be received or the expected proceeds from the disposal of collateral, in accordance with BoT criteria.

The allowance for doubtful accounts established during the year is charged as an expense in profit or loss.

Bad debts written off or recovered are recorded as charges or credit, respectively, to the allowance for doubtful accounts.

(f) *Troubled debt restructuring*

Losses on troubled debt restructuring resulting from the reduction of principal and accrued interest and other restructuring concessions including modification of terms, asset transfer, and debt to equity swap, etc. are recognised as expenses in profit or loss.

In case the troubled debt restructuring modifies the terms of payment, the Branch complies with the BoT's criteria requiring the Branch to choose between the collateral method by which a loss amount is to be estimated and/or the net present value method which represents expected cash flow in the future and applying the market interest rate on the restructuring date for discounting purposes to calculate fair value. Losses from such debt restructuring are recognised in profit or loss.

Subsequent to the troubled debt restructuring, the Branch recalculates fair value of restructured debt based on the aforementioned discount rates as of the reporting date and makes an adjustment for the valuation on the restructured debt, if the fair value has changed. The recalculation made to the financial statements is in accordance with the aforementioned BoT criteria. The adjustment in the valuation of restructured debt shall not cause the book value of restructured debt to exceed the investment value of restructured debt.

Restructured loans are classified as performing when the restructured loan agreements have been completed and when there is appropriate evidence that the restructured terms can be met.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

(g) *Leasehold building improvements and equipment*

Recognition and measurement

Owned assets

Leasehold building improvements and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of leasehold building improvements and equipment have different useful lives, they are accounted for as separate items of leasehold improvements and equipment.

Gains and losses on disposal of an item of leasehold building improvements and equipment are determined by difference between the proceeds from disposal and the carrying amount of leasehold building improvements and equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of leasehold building improvements and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Branch, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of leasehold building improvements and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or replacement cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of assets. The estimated useful lives are as follows:

Leasehold building improvements	10 years (or remaining lease term)
Furniture, fixtures and office equipment	4-10 years
Vehicles	5 years

No depreciation is provided on assets under construction.

Depreciation methods, useful lives and residual values are reviewed at least each financial year-end and adjusted if appropriate.

(h) *Impairment*

The carrying amounts of the Branch's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

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Notes to the financial statements

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses revaluation credited to account with the accounts with head office and other branches of the same juristic person, in case of impairment which case it is charged to the accounts with head office and other branches of the same juristic person.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in the accounts with head office and other branches of the same juristic person and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in the accounts with head office and other branches of the same juristic person is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial assets is the greater of the assets' value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

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The fair value of interest rate swaps is based on broker quotes at the reporting date. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

The fair value of forward exchange contracts is based on their listed market price at the reporting date, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate such as government bonds.

Hedging

Fair value hedges

Where a derivative financial instrument hedges the changes in fair value of a recognised asset, liability or unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on remeasuring the fair value or foreign currency component of the hedging instrument is recognised in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the accounts with head office and other branches of same juristic person.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated cumulative gains or losses that were recognised directly in the accounts with head office and other branches of same juristic person are recognised in profit or loss in the same period or periods during which the asset acquired or liability assumed affect profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gains or losses that were recognised directly in the accounts with head office and other branches of same juristic person are recognised in profit or loss in the same period or periods during which the asset acquired or liability assumed affect profit or loss.

For cash flow hedges other than those noted in the preceding two paragraphs, the associated cumulative gains or losses that were recognised directly in the accounts with head office and other branches of same juristic person are removed from the accounts with head office and other branches of same juristic person and recognised in profit or loss in the same period or periods during which the asset acquired or liability assumed affect profit or loss.

Discontinuing hedge accounting

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument existing in the accounts with head office and other branches of same juristic person is retained in the accounts with head office and other branches of same juristic person and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the accounts with head office and other branches of same juristic person is recognised in profit or loss immediately.

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Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a “host contract”). The Branch accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of embedded derivative are not closely related to the economic characteristics and risks of the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in statements of financial position together with the host contract.

(j) *Provisions against derivative products*

Certain provisions have been established against the Branch’s derivative products in order to reflect an economic assessment of their value to the Branch. The most significant provisions are as follows:

- Liquidity provision; the liquidity provision has been established in order to cover any potential costs that would be incurred if the Branch had to close out the portfolio.
- Funding cost provision; the funding cost provision has been established to reflect the cost of obtaining domestic funding from the onshore swap market.
- Other provision; the other provision has been established in order to cover any market risk under normal market conditions (value at risk) and potential defaults under contractual agreements (default risk).

(k) *Employee benefits*

Post-employment benefits

The Branch operates a number of employees’ benefit plans as follows:

Defined contribution plan

A defined contribution plan is a post-employment benefit plan where the Branch pays fixed contributions to a separate entity (provident fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Branch’s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Branch’s obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by an actuary using the projected unit credit method.

The Branch recognises all actuarial gains and losses in profit or loss.

- Severance payment

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The severance payment plan covers on the requirement of Thai Labour Protection Act B.E. 2541 (1998).

- Other long-term employee benefits

Long service award

The Branch provides other long-term benefits to the eligible employees in return for their long-serving.

Share based payment

Fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(l) Provisions

A provision is recognised if, as a result of a past event, the Branch has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(m) Interest income recognition

The Branch recognises interest income on loans to customer as income on an accruals basis, except for interest income on non-performing loans, including accounts where principal or interest payments are more than three months overdue, is recognised when received. In accordance with the BoT's regulations, interest in arrears more than three months overdue, regardless of whether it is covered by collateral is reversed from profit or loss.

Interest income on deposits and investments is recognised on an accruals basis. Discounts received on the purchase of debt securities are recognised on a straight-line basis over the period to maturity.

(n) Interest expense recognition

The Branch recognises interest expenses on an accruals basis.

(o) Income tax

Income tax expense for the year comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in the accounts with head office and other branches of the same juristic person or in other comprehensive income.

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Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Branch expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Branch takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Branch believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Branch to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Claims on security and liabilities to deliver security

The Branch records “Claims on security” and “Liabilities to deliver security” in the statements of financial position as assets and liabilities respectively, according to the BoT’s guidance.

(q) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Branch has a legal, enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

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Notes to the financial statements

5 Financial risk management

Financial risk management policies

The Branch uses a comprehensive range of quantitative tools for monitoring and managing its major risks. Some of these tools are common to a number of risk factors, while others are tailored to the particular features of specific risk categories. These quantitative tools generate information to quantify the susceptibility of the market value of single positions or portfolios to changes in market parameters (sensitivity analysis), measure aggregate risk using statistical techniques, and capture exposure to risks from extreme movements in market prices through scenario analysis.

The most important risks the Branch is exposed to are credit risk, market risk and liquidity risk. These 3 categories of risks are further described below:

5.1 Credit risk

Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower or obligor (which refer to collectively as “counterparties”) exist. These transactions are typically part of traditional non-traded lending activities (such as loans and contingent liabilities), or direct trading activity with clients (such as OTC derivatives, FX forwards and Forward Rate Agreements). Some are related to positions in traded credit products (such as bonds). “Traded Default Risk” is managed using both credit and market risk parameters. Credit risk can be categorised into three types as follow:

- Default risk is the risk that counterparties fail to meet contractual payment obligations.
- Country risk is the risk that the Branch may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalisation and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.
- Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

Off-financial reporting of financial instruments classified by types of instruments at regulatory credit equivalent as at 31 December 2013 and 2012 were as follow:

	2013	2012
	<i>(in million Baht)</i>	
Foreign exchange forward and currency swap contracts	19,370	18,297
Interest rate swap, forward rate agreement and interest rate option contracts	6,774	5,855
Commodity forward contracts	216	528
Total	26,360	24,680

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The Branch measures and manages credit risk by following philosophy and principles:

- The key principle of credit risk management is client due diligence, which is aligned with country and industry portfolio strategies. Prudent client selection is achieved in collaboration with business line counterparts as a first line of defense. In the Group, consistent standards are applied in the respective credit decision processes.
- The Branch actively aims to prevent undue concentration and long tail-risks (large unexpected losses) by ensuring a diversified and marketable credit portfolio, effectively protecting the Branch's capital in all market conditions. Client, industry, country and product-specific concentrations are actively assessed and managed against the Branch's risk appetite.
- The Branch aims to avoid large directional credit risk on a counterparty and portfolio level by applying stringent underwriting standards combined with a pro-active hedging and distribution model and collateralization of existing portfolio where feasible.
- The Branch is selective in taking outright cash risk positions unless secured, guaranteed and/or adequately hedged. Exceptions to this general principle are lower risk, short-term transactions and facilities supporting specific trade finance requests as well as low risk businesses where the margin allows for adequate loss coverage.
- The Branch aims to secure derivative portfolio through collateral agreements and may additionally hedge concentration risks to further mitigate credit risks from underlying market movements.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level. The Branch assigns credit approval authorities to individuals according to their qualifications, experience and training, and the Branch reviews these periodically.

5.2 Market risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, foreign exchange rates, equity prices and commodity price), the correlations among them and their levels of volatility.

Risk management objectives, policies and processes for managing the risk

Deutsche Bank Global Group entities, including the Group and the Branch use a combination of risk sensitivities, Value at Risk (VaR), stress testing and economic capital metrics to manage market risks and establish limits. Steered by the Group Risk Committee, the Market Risk Management team, which is part of independent risk management function, is responsible for managing the market risk of the Branch. Limits set appropriate to the risk appetite in terms of VaR are communicated to the appropriate personnel through the limits policy and current limit structure for each business division.

The majority of the interest rate and foreign exchange risks arising from non-trading assets and liability positions has been transferred through internal hedges to Global Markets team and is thus managed on the basis of value-at-risk as reflected in trading value-at-risk numbers. For the remaining risks that have not been transferred through those hedges, such as foreign exchange risk, it is mitigated by matching the funding of investment in the same currency.

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(a) Interest rate risk

Interest rate risk refers to the risk that arises from the change in interest rates which may affect the value of the Branch's financial instruments or may cause volatility in the Branch's earnings or fluctuation in the value of the Branch's financial assets and liabilities both in the current reporting period, and in future years. Interest rate risk also arises from the structure and characteristics of the Branch's assets, liabilities and the accounts with head office and other branches of the same juristic person.

Significant financial assets and liabilities classified by types of interest rate are as follows:

	2013			Total
	Floating interest rate	Fixed interest rate <i>(in thousand Baht)</i>	Non interest bearing	
Financial assets				
Cash	-	-	33,589	33,589
Interbank and money market items*	59,573	26,511,644	492,936	27,064,153
Investments, net	1,603,394	27,017,448	-	28,620,842
Loans to customers and accrued interest receivables**	768,107	12,610,756	2,667,024	16,045,887
Trading securities receivable	-	-	315,837	315,837
Collateral per Credit Support Annex	726,561	-	-	726,561
Other assets, net	-	-	99,979	99,979
Total financial assets	3,157,635	66,139,848	3,609,365	72,906,848
Financial liabilities				
Deposits	20,225,578	4,349,644	9,162,827	33,738,049
Interbank and money market items	6,478,560	1,296,952	147,766	7,923,278
Liabilities payable on demand	-	-	2,362,852	2,362,852
Liabilities to deliver security	-	86,073	-	86,073
Debt issued and borrowings	260,000	394,154	-	654,154
Trading securities payable	-	-	10,102	10,102
Other liabilities	-	-	222,753	222,753
Total financial liabilities	26,964,138	6,126,823	11,906,300	44,997,261
On-financial reporting items, net	(23,806,503)	60,013,025	(8,296,935)	27,909,587
Off-financial reporting items, net	235,875,560	(235,875,560)	477,676	477,676

* Before deducting allowance for doubtful accounts amounting to Baht 15.8 million

** Including non-performing loans

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	2012			Total
	Floating interest rate	Fixed interest rate	Non interest bearing	
	<i>(in thousand Baht)</i>			
<i>Financial assets</i>				
Cash	-	-	46,184	46,184
Interbank and money market items*	76,668	46,371,777	468,593	46,917,038
Investments, net	8,103,908	21,589,626	-	29,693,534
Loans to customers and accrued interest receivables**	740,582	10,752,280	127,649	11,620,511
Trading securities receivable	-	-	1,649,838	1,649,838
Other assets, net	-	-	185,787	185,787
Total financial assets	<u>8,921,158</u>	<u>78,713,683</u>	<u>2,478,051</u>	<u>90,112,892</u>
<i>Financial liabilities</i>				
Deposits	16,781,909	22,399,356	6,023,158	45,204,423
Interbank and money market items	5,184,392	4,465,469	194,489	9,844,350
Liabilities payable on demand	-	-	2,243,627	2,243,627
Liabilities to deliver security	-	100,286	-	100,286
Debt issued and borrowings	260,000	370,668	-	630,668
Trading securities payable	-	-	1,287,831	1,287,831
Other liabilities	-	-	240,839	240,839
Total financial liabilities	<u>22,226,301</u>	<u>27,335,779</u>	<u>9,989,944</u>	<u>59,552,024</u>
On-financial reporting items, net	<u>(13,305,143)</u>	<u>51,377,904</u>	<u>(7,511,893)</u>	<u>30,560,868</u>
Off-financial reporting items, net	<u>30,391,258</u>	<u>(30,391,258)</u>	<u>(6,064,703)</u>	<u>(6,064,703)</u>

* Before deducting allowance for doubtful accounts amounting to Baht 13.6 million

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Details of interest rate risk based on the period to the earlier of the contractual repricing date or maturity at 31 December 2013 and 2012 were as follows:

	2013						Non-accrual loans	Total	Average interest rate (% per annum)
	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing			
<i>(in thousand Baht)</i>									
Financial assets									
Cash	-	-	-	-	-	33,589	-	33,589	-
Interbank and money market items*	59,573	26,436,886	74,758	-	-	492,936	-	27,064,153	2.39
Investments, net	-	19,498,278	6,239,500	1,729,393	1,153,671	-	-	28,620,842	2.86
Loans to customers and accrued interest receivables**	1,642,276	10,951,667	723,830	61,090	-	2,555,967	111,057	16,045,887	4.73
Trading securities receivable	-	-	-	-	-	315,837	-	315,837	-
Collateral per Credit Support Annex	726,561	-	-	-	-	-	-	726,561	-
Other assets, net	-	-	-	-	-	99,979	-	99,979	-
Total financial assets	2,428,410	56,886,831	7,038,088	1,790,483	1,153,671	3,498,308	111,057	72,906,848	
Financial liabilities									
Deposits	20,225,578	4,261,346	49,377	38,921	-	9,162,827	-	33,738,049	0.87
Interbank and money market items	425,810	6,554,702	95,000	-	700,000	147,766	-	7,923,278	1.11
Liabilities payable on demand	-	-	-	-	-	2,362,852	-	2,362,852	-
Liabilities to deliver security	-	-	-	-	86,073	-	-	86,073	3.58
Debt issued and borrowings	-	-	260,000	394,154	-	-	-	654,154	2.05
Trading securities payable	-	-	-	-	-	10,102	-	10,102	-
Other liabilities	-	-	-	-	-	222,753	-	222,753	-
Total financial liabilities	20,651,388	10,816,048	404,377	433,075	786,073	11,906,300	-	44,997,261	
On-financial reporting items, net	(18,222,978)	46,070,783	6,633,711	1,357,408	367,598	(8,407,992)	111,057	27,909,587	
Off-financial reporting items, net	-	(25,689,593)	14,135,698	19,137,321	(7,583,426)	477,676	-	477,676	

* Before deducting allowance for doubtful accounts amounting to Baht 15.8 million

** Including non-performing loans

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	2012						Average interest rate (% per annum)	
	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing		Non-accrual Loans
<i>Financial assets</i>								
Cash	-	-	-	-	-	46,184	-	46,184
Interbank and money market items*	76,668	46,187,009	184,768	-	-	468,593	-	46,917,038
Investments, net	-	10,054,413	4,805,194	13,991,188	842,739	-	-	29,693,534
Loans to customers and accrued interest receivables**	1,554,321	9,491,309	446,226	1,006	-	20,166	107,483	11,620,511
Trading securities receivable	-	-	-	-	-	1,649,838	-	1,649,838
Other assets, net	-	-	-	-	-	185,787	-	185,787
Total financial assets	1,630,989	65,732,731	5,436,188	13,992,194	842,739	2,370,568	107,483	90,112,892
<i>Financial liabilities</i>								
Deposits	16,781,909	22,343,194	50,662	5,500	-	6,023,158	-	45,204,423
Interbank and money market items	309,142	8,547,198	93,521	-	700,000	194,489	-	9,844,350
Liabilities payable on demand	-	-	-	-	-	2,243,627	-	2,243,627
Liabilities to deliver security	-	-	-	100,286	-	-	-	100,286
Debt issued and borrowings	-	260,000	-	-	370,668	-	-	630,668
Trading securities payable	-	-	-	-	-	1,287,831	-	1,287,831
Other liabilities	-	-	-	-	-	240,839	-	240,839
Total financial liabilities	17,091,051	31,150,392	144,183	105,786	1,070,668	9,989,944	-	59,552,024
On-financial reporting items, net	(15,460,062)	34,582,339	5,292,005	13,886,408	(227,929)	(7,619,376)	107,483	30,560,868
Off-financial reporting items, net	-	36,033,197	(1,206,087)	(39,798,571)	4,971,461	(6,064,703)	-	(6,064,703)

* Before deducting allowance for doubtful accounts amounting to Baht 13.6 million

** Including non-performing loans

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(b) Foreign currency risk

The Branch is exposed to foreign currency risk through transactions in foreign currencies and through the translation of assets and liabilities denominated in foreign currencies into Thai Baht at the reporting date.

As at 31 December 2013 and 2012, the Branch has financial assets and liabilities denominated in various currencies, in Baht equivalent, as follows:

	THB	USD	2013 EURO	Others	Total
	<i>(in thousand Baht)</i>				
Financial assets					
Cash	33,474	6	1	108	33,589
Interbank and money market items*	26,458,075	570,194	-	35,884	27,064,153
Investments, net	28,620,842	-	-	-	28,620,842
Loans to customers and accrued interest receivables**	15,637,442	273,284	135,161	-	16,045,887
Trading securities receivable	315,748	-	-	89	315,837
Collateral per Credit Support Annex	726,561	-	-	-	726,561
Other assets, net	99,979	-	-	-	99,979
Total financial assets	71,892,121	843,484	135,162	36,081	72,906,848
Financial liabilities					
Deposits	27,052,750	5,683,161	988,932	13,206	33,738,049
Interbank and money market items	5,589,412	2,303,464	-	30,402	7,923,278
Liabilities payable on demand	2,256,644	37,030	68,926	252	2,362,852
Liabilities to deliver security	86,073	-	-	-	86,073
Debt issued and borrowings	654,154	-	-	-	654,154
Trading securities payable	10,102	-	-	-	10,102
Other liabilities	222,689	64	-	-	222,753
Total financial liabilities	35,871,824	8,023,719	1,057,858	43,860	44,997,261
On-financial reporting items, net	36,020,297	(7,180,235)	(922,696)	(7,779)	27,909,587
Off-financial reporting items, net	(13,384,789)	13,139,688	925,375	(202,598)	477,676

* Before deducting allowance for doubtful accounts amounting to Baht 15.8 million

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	THB	USD	2012 EURO	Others	Total
	<i>(in thousand Baht)</i>				
Financial assets					
Cash	45,997	-	80	107	46,184
Interbank and money market items*	45,602,458	1,242,495	-	72,085	46,917,038
Investments, net	29,693,534	-	-	-	29,693,534
Loans to customers and accrued interest receivables**	10,779,077	788,476	52,958	-	11,620,511
Trading securities receivable	1,308,536	341,302	-	-	1,649,838
Other assets, net	185,787	-	-	-	185,787
Total financial assets	87,615,389	2,372,273	53,038	72,192	90,112,892
Financial liabilities					
Deposits	40,402,849	3,977,423	805,412	18,739	45,204,423
Interbank and money market items	8,922,804	921,474	-	72	9,844,350
Liabilities payable on demand	2,193,868	38,598	11,147	14	2,243,627
Liabilities to deliver security	100,286	-	-	-	100,286
Debt issued and borrowings	630,668	-	-	-	630,668
Trading securities payable	1,287,831	-	-	-	1,287,831
Other liabilities	240,813	26	-	-	240,839
Total financial liabilities	53,779,119	4,937,521	816,559	18,825	59,552,024
On-financial reporting items, net	33,836,270	(2,565,248)	(763,521)	53,367	30,560,868
Off-financial reporting items, net	(30,578,222)	23,511,743	836,804	164,972	(6,064,703)

* Before deducting allowance for doubtful accounts amounting to Baht 13.6 million

** Including non-performing loans

5.3 Liquidity risk

Liquidity risk management safeguards ability to meet all payment obligations when they come due.

In Thailand, the Branch manages its liquidity position under the Bank of Thailand's liquidity reserve regulations and other applicable regulations. Treasury function is responsible for the management of liquidity and funding risk of Deutsche Bank globally as defined in the liquidity risk strategy. The liquidity risk management framework is designed to identify, measure and manage the liquidity risk position of the Group. Liquidity risk management is discussed at the Asset and Liability Committee "ALCO" meeting in Thailand.

Liquidity risk management approach starts at the intraday level (operational liquidity) by managing the daily payments queue, forecasting cash flows and factoring in our access to central Banks. It then covers tactical liquidity risk management dealing with access to secure and unsecure funding sources. Finally, the strategic perspective comprises the maturity profile of all assets and liabilities and the Branch's issuance strategy.

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

Stress testing and scenario analysis play a central role in the liquidity risk management framework. This also incorporates an assessment of asset liquidity i.e. the characteristics of asset, under various stress scenarios as well as contingent funding requirements from commitments.

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A maturity analysis for financial assets and liabilities as at 31 December 2013 and 2012 were as follows:

	At call	Less than 3 months	3 months to 1 year	2013 1 to 5 years (in thousand Baht)	over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	33,589	33,589
Interbank and money market items*	542,607	26,521,546	-	-	-	-	27,064,153
Derivative assets	-	5,896,379	11,492,181	13,378,889	4,506,015	-	35,273,464
Investments, net	-	19,498,278	6,239,500	1,729,393	1,153,671	-	28,620,842
Loans to customers and accrued interest receivables**	1,699,574	13,559,026	726,011	61,276	-	-	16,045,887
Trading securities receivable	-	315,837	-	-	-	-	315,837
Collateral per Credit Support Annex	726,561	-	-	-	-	-	726,561
Other assets, net	-	60,647	22,909	10,060	6,363	-	99,979
Total financial assets	2,968,742	65,851,713	18,480,601	15,179,618	5,666,049	33,589	108,180,312
Financial liabilities							
Deposits	29,388,405	4,261,346	49,377	38,921	-	-	33,738,049
Interbank and money market items	573,576	2,296,952	-	910,000	4,142,750	-	7,923,278
Liabilities payable on demand	2,362,852	-	-	-	-	-	2,362,852
Liabilities to deliver security	-	-	-	-	86,073	-	86,073
Derivative liabilities	-	7,456,685	6,703,131	16,792,741	2,595,003	-	33,547,560
Debt issued and borrowings	-	-	-	654,154	-	-	654,154
Trading securities payable	-	10,102	-	-	-	-	10,102
Other liabilities	-	199,269	23,063	421	-	-	222,753
Total financial liabilities	32,324,833	14,224,354	6,775,571	18,396,237	6,823,826	-	78,544,821
On-financial reporting items, net	(29,356,091)	51,627,359	11,705,030	(3,216,619)	(1,157,777)	33,589	29,635,491

* Before deducting allowance for doubtful accounts amounting to Baht 15.8 million

** Including non-performing loans

	At call	Less than 3 months	3 months to 1 year	2012 1 to 5 years (in thousand Baht)	over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	46,184	46,184
Interbank and money market items*	496,313	46,235,957	184,768	-	-	-	46,917,038
Derivative assets	-	2,989,597	2,465,830	11,589,638	7,661,092	-	24,706,157
Investments, net	-	10,054,413	4,805,194	13,991,188	842,739	-	29,693,534
Loans to customers and accrued interest receivables**	292,482	9,560,752	447,133	1,006	-	1,319,138	11,620,511
Trading securities receivable	-	1,649,838	-	-	-	-	1,649,838
Other assets, net	-	30,737	23,819	126,807	4,424	-	185,787
Total financial assets	788,795	70,521,294	7,926,744	25,708,639	8,508,255	1,365,322	114,819,049

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	At call	Less than 3 months	3 months to 1 year	2012 1 to 5 years	over 5 years	No maturity	Total
	<i>(in thousand Baht)</i>						
Financial liabilities							
Deposits	22,805,067	22,343,194	50,662	5,500	-	-	45,204,423
Interbank and money market items	503,631	4,448,948	16,521	790,000	4,085,250	-	9,844,350
Liabilities payable on demand	2,243,627	-	-	-	-	-	2,243,627
Liabilities to deliver security	-	-	-	100,286	-	-	100,286
Derivative liabilities	-	4,540,465	4,716,268	13,240,233	5,917,285	-	28,414,251
Debt issued and borrowings	-	-	-	260,000	370,668	-	630,668
Trading securities payable	-	1,287,831	-	-	-	-	1,287,831
Other liabilities	-	218,670	21,988	181	-	-	240,839
Total financial liabilities	25,552,325	32,839,108	4,805,439	14,396,200	10,373,203	-	87,966,275
On-financial reporting items, net	(24,763,530)	37,682,186	3,121,305	11,312,439	(1,864,948)	1,365,322	26,852,774

* Before deducting allowance for doubtful accounts amounting to Baht 13.6 million

** Including non-performing loans

6 Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Branch takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial instrument.

The fair values of financial instruments have been estimated by the Branch using available market information and appropriate valuation methodologies. Hence, estimated fair values from different technique may vary significantly.

The carrying value and estimated fair values of financial instruments as at 31 December 2013 and 2012 were as follows:

	2013		2012	
	Carrying value	Fair value	Carrying value	Fair value
	<i>(in thousand Baht)</i>			
Financial assets				
Cash	33,589	33,589	46,184	46,184
Interbank and money market items*	27,064,153	27,064,153	46,917,038	46,917,038
Derivative asset	35,273,464	35,273,464	24,706,157	24,706,157
Investments, net	28,620,842	28,620,842	29,693,534	29,693,534
Loans and accrued interest receivables, net**	15,775,898	15,775,898	11,302,255	11,302,255
Total financial assets	106,767,946	106,767,946	112,665,168	112,665,168
Financial liabilities				
Deposits	33,738,049	33,738,049	45,204,423	45,204,423
Interbank and money market items	7,923,278	7,923,278	9,844,350	9,844,350
Liabilities payable on demand	2,362,852	2,362,852	2,243,627	2,243,627
Liabilities to deliver security	86,073	86,073	100,286	100,286
Derivative liabilities	33,547,560	33,547,560	28,414,251	28,414,251
Debt issued and borrowings	654,154	647,650	630,668	616,778
Total financial Liabilities	78,311,966	78,305,462	86,437,605	86,423,715

* Before deducting allowance for doubtful accounts amounting to Baht 15.8 million in 2013 (2012: 13.6 million)

** Including non-performing loan

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The following methods and assumptions are used by the Branch in estimating fair values of financial assets and liabilities as disclosed herein:

Cash:	The carrying amount present in statements of financial position is approximates at fair value.
Interbank and money market items (Assets):	Fair value of interbank and money market items approximate the carrying value at which they are stated on the statement of financial position.
Derivatives:	The fair value of derivative assets and liabilities are stated according to the Branch's accounting policy mentioned in Note 4.
Investments:	The fair value of investments are stated according to the Branch's accounting policy mentioned in Note 4.
Loans to customers and accrued interest receivables:	The fair value of loans to customers and accrued interest receivable are considered to be materially consistent with carrying values as the majority of the loans are at market variable rates of interest and allowance for doubtful accounts are considered to materially reflect the credit risk inherent in the portfolio at the statement of financial position date.
Deposits and Interbank and money market items (liabilities):	Fair value of deposits and interbank and money market items (liabilities) approximate the carrying value at which they are stated on the statement of financial position.
Liabilities payable on demand:	The fair value of liabilities payable on demand approximates the carrying value at which they are stated on the statement of financial position.
Debt issued and borrowings:	The carrying amounts of short-term borrowings maturing within 90 days approximate their fair values. Fair values of other debt issued and borrowings are estimated using discounted cash flow analyses based on the Branch's current borrowing rates for similar type of debt issued and borrowing arrangements.

7 Maintenance of capital fund

The Branch maintains its capital funds in accordance with Section 32 of the Financial Institution Business Act, B.E. 2551 by maintaining its capital fund as a proportion of risk assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand as at 31 December 2013 can be summarised as follows:

	2013
	<i>(in thousand Baht)</i>
Thai Government bonds	2,605,865
Bank of Thailand's bonds	16,204,606
Total	<u>18,810,471</u>

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As at 31 December 2013, the Branch's capital fund can be summarised as follows:

	2013 (in thousand Baht)
Assets maintained under Section 32	18,810,471
Sum of net capital fund for maintenance of assets under Section 32 and net balance of inter-office accounts	
Net fund brought in to maintenance assets under Section 32	17,800,000
Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches of the same juristic person, the parent company and subsidiaries of the head office	10,221,385
Total	28,021,385
Capital Fund (in thousand Baht)	17,800,000
Capital Adequacy Ratio (%)	15.29

As at 31 December 2013, the Branch has applied the calculation for credit risk capital and market risk capital under "the Standard Approach (SA)" and operational risk capital under "Basic Indicator Approach (BIA)" as approved by the Bank of Thailand and in accordance with the Bank of Thailand notification.

As at 31 December 2013, the Branch met the minimum Capital Adequacy Ratio requirements set down by the Bank of Thailand, which is in compliance with the Basel III for the first time adoption, for total capital at minimum of 8.5%.

In accordance with the Bank of Thailand Notification No. Sor.Nor.Sor. 4/2556 dated 2 May 2013, Re: "The Public Disclosure of Capital Maintenance for Commercial Banks", the Branch intends to disclose Capital maintenance information as of 31 December 2013 within 4 months after year end date as indicated in the notification through the Branch's website "www.db.com/thailand".

8 Interbank and money market items, net (assets)

	2013			2012		
	At call	Term	Total	At call	Term	Total
	(in thousand Baht)					
Domestic						
The Bank of Thailand	483,035	-	483,035	419,645	-	419,645
Commercial banks	23,689	12,936,344	12,960,033	4,583	28,105,147	28,109,730
Specialised financial institutions*	-	10,000,000	10,000,000	-	17,025,000	17,025,000
Other financial institutions**	-	3,000,000	3,000,000	-	-	-
Total	506,724	25,936,344	26,443,068	424,228	45,130,147	45,554,375
Add accrued interest receivable	-	9,902	9,902	-	48,948	48,948
Less allowance for doubtful accounts	-	(15,776)	(15,776)	-	(13,633)	(13,633)
Total domestic	506,724	25,930,470	26,437,194	424,228	45,165,462	45,589,690

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	2013			2012		
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
Foreign						
US Dollar	-	575,300	575,300	-	1,241,630	1,241,630
Other currencies	35,884	-	35,884	72,085	-	72,085
Total	35,884	575,300	611,184	72,085	1,241,630	1,313,715
Total foreign	35,884	575,300	611,184	72,085	1,241,630	1,313,715
Total domestic and foreign	542,608	26,505,770	27,048,378	496,313	46,407,092	46,903,405

* Specialised financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

** Other financial institutions mean financial institutions which operate under the Interest on Loans of Finance Institution Act and apart from those listed above such as Finance company, Securities company, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and Credit Union League of Thailand Limited

As at 31 December 2013 and 2012 all interbank and money market items had residual maturities within 3 months.

9 Derivatives

9.1 Derivatives held for trading

As at 31 December 2013 and 2012, the fair value and notional amount classified by type of risks are as follows:

Type of risk	Fair value		2013		Total
	Assets	Liabilities	Notional amount		
			Up to 1 year	Over 1 year	
	<i>(in thousand Baht)</i>				
Foreign exchange forward and currency swap contracts	25,411,164	22,100,604	664,347,102	245,461,601	909,808,703
Interest rate swap, forward rate agreement contracts and interest rate option contracts	9,857,297	11,446,098	580,716,862	1,131,729,073	1,712,445,935
Commodity forward contracts	5,003	858	2,160,972	-	2,160,972
Total	35,273,464	33,547,560	1,247,224,936	1,377,190,674	2,624,415,610

Type of risk	Fair value		2012		Total
	Assets	Liabilities	Notional amount		
			Up to 1 year	Over to 1 year	
	<i>(in thousand Baht)</i>				
Foreign exchange forward and currency swap contracts	11,616,213	13,977,988	611,659,649	238,458,274	850,117,923
Interest rate swap, forward rate agreement contracts and interest rate option contracts	13,061,890	14,391,257	517,847,461	914,156,400	1,432,003,861
Commodity forward contracts	28,055	45,006	5,280,422	-	5,280,422
Total	24,706,158	28,414,251	1,134,787,532	1,152,614,674	2,287,402,206

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The Branch was a party to financial instruments with off-financial reporting credit risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to transactions in interest rates and foreign exchange rates. These financial instruments included foreign exchange forward and other derivative contracts.

The “notional amount” is a measure of volume, which may be used for examining changes in derivative activities over time. The notional amount is the face value of the contract. Unlike on-financial reporting financial instruments, the notional amount of a derivative does not necessarily reflect the amount at risk, which is generally only a small fraction of this value.

As at 31 December 2013 and 2012, proportions of the notional amount of derivative transactions, classified by counterparties, consist of:

	2013	2012
	(%)	
Counterparties		
Financial institutions	93	95
Third parties	7	5
Total	<u>100</u>	<u>100</u>

10 Investments, net

As at 31 December 2013 and 2012, the Branch classifies by investment type, as follow:

	2013	2012
	Fair value	Fair value
	(in thousand Baht)	
Trading investments		
Government and state enterprise securities	28,620,842	29,693,534
Total investments, net	<u>28,620,842</u>	<u>29,693,534</u>

11 Loans to customers and accrued interest receivables, net

11.1 Classified by type of loans

	2013	2012
	(in thousand Baht)	
Overdrafts	1,648,092	1,319,138
Loans	14,381,182	10,281,207
Total loans	16,029,274	11,600,345
Add accrued interest receivables	16,613	20,166
Total loans and accrued interest receivables	16,045,887	11,620,511
Less allowance for doubtful accounts		
- BoT's minimum requirement - individual approach	(269,989)	(226,261)
- Allowance in excess	-	(91,995)
Total loans to customers and accrued interest receivables, net	<u>15,775,898</u>	<u>11,302,255</u>

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11.2 Classified by currency and residency of customers

	2013			2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	15,622,220	-	15,622,220	10,759,643	-	10,759,643
US Dollar	235,990	35,999	271,989	624,987	162,992	787,979
EURO	135,065	-	135,065	52,723	-	52,723
Total	15,993,275	35,999	16,029,274	11,437,353	162,992	11,600,345

11.3 Classified by type of business and loan classification

	Pass	2013		Total
		Doubtful of loss		
	<i>(in thousand Baht)</i>			
Agriculture and mining	-	53,758		53,758
Manufacturing and commerce	10,152,205	57,299		10,209,504
Property development and construction	293,451	-		293,451
Infrastructure and services	870,183	-		870,183
Others	4,602,378	-		4,602,378
Total	15,918,217	111,057		16,029,274

	Pass	2012		Total
		Special Mention	Doubtful of loss	
	<i>(in thousand Baht)</i>			
Agriculture and mining	-	-	50,184	50,184
Manufacturing and commerce	8,627,633	385,000	57,299	9,069,932
Property development and construction	378,687	-	-	378,687
Infrastructure and services	449,283	-	-	449,283
Others	1,652,259	-	-	1,652,259
Total	11,107,862	385,000	107,483	11,600,345

11.4 Classified by loan grade

	2013			Allowance for doubtful accounts <i>(in thousand Baht)</i>
	Loans to customers and accrued interest receivables <i>(in thousand Baht)</i>	Net amount for setting allowance for doubtful accounts	Rate used for setting allowance for doubtful accounts (%)	
Allowance as per BoT's minimum requirement				
- Pass	15,934,830	15,893,217	1	158,932
- Doubtful loss	111,057	111,057	100	111,057
Total				269,989
Allowance in excess				-
Total *	16,045,887	16,004,274		269,989

* Loans to customers included accrued interest receivables

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	Loans to customers and accrued interest receivables (in thousand Baht)	Net amount for setting allowance for doubtful accounts	2012 Rate used for setting allowance for doubtful accounts (%)	Allowance for doubtful accounts (in thousand Baht)
Allowance as per BoT's minimum requirement				
- Pass	11,127,828	11,107,862	1	111,078
- Special Mention	385,200	385,000	2	7,700
- Doubtful loss	107,483	107,483	100	107,483
Total				226,261
Allowance in excess				91,995
Total *	11,620,511	11,600,345		318,256

* Loans to customers included accrued interest receivables

11.5 Non-performing loans

As at 31 December 2013 and 2012 the Branch had non-performing loans ("NPLs Gross") on accrual basis (including financial institutions) based on the BoT notification as follows:

	2013	2012
NPLs, gross (in thousand Baht)	111,057	107,483
Total loans used for NPLs ratio calculation ⁽¹⁾ (in thousand Baht)	42,540,919	57,972,122
Percentage of total loans ⁽²⁾	0.26	0.19

⁽¹⁾ Total loans used for NPLs ratio calculation are loans to customers as presented in the statements of financial position and loans to financial institutions as included in interbank and money market items.

⁽²⁾ The ratio of NPLs gross to total loans before allowance for doubtful accounts of non-performing loans.

As at 31 December 2013 and 2012, the Branch had non-performing loans, net ("NPLs Net") (including financial institutions) based on the BoT notification as follows:

	2013	2012
NPLs, net (in thousand Baht)	-	-
Total loans used for NPLs net ratio calculation ⁽¹⁾ (in thousand Baht)	42,429,862	57,864,639
Percentage of total loans ⁽²⁾	-	-

⁽¹⁾ Total loans used for NPLs ratio calculation are loans to customers as presented in the statements of financial position and loans to financial institutions as included in interbank and money market items net, after allowance for doubtful accounts.

⁽²⁾ The ratio of NPLs net to total loans after allowance for doubtful accounts of non-performing loans.

As at 31 December 2013, Allowance for doubtful account of Baht 111 million (2012: Baht 107 million) have been provided against the Branch's non-performing loans being those classified as doubtful loss.

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12 Troubled debt restructuring

As at 31 December 2013, the Branch had a total of 88 customers (2012: 93 customers) with gross outstanding balances of Baht 16,029 million (2012: Baht 11,600 million). The Branch has no troubled debt restructuring during 2013 and 2012.

For the years ended 31 December 2013 and 2012, no losses were incurred on debt restructuring and the Branch recognised no interest income from restructured debts.

13 Allowance for doubtful accounts

Movements in allowance for doubtful accounts for loans to customers during the years ended 31 December 2013 and 2012 consisted of:

	2013				
	Pass	Special Mention	Doubtful loss (in thousand Baht)	Allowance established in excess of Bank of Thailand regulations	Total
Beginning balance	111,078	7,700	107,483	91,995	318,256
Doubtful accounts	47,854	(7,700)	-	(91,995)	(51,841)
Others	-	-	3,574	-	3,574
Ending balance	158,932	-	111,057	-	269,989

	2012				
	Pass	Special Mention	Doubtful loss (in thousand Baht)	Allowance established in excess of Bank of Thailand regulations	Total
Beginning balance	118,512	5,800	51,920	57,299	320,695
Doubtful accounts	(7,434)	1,900	(50,184)	50,184	(703)
Others	-	-	(1,736)	-	(1,736)
Ending balance	111,078	7,700	-	107,483	318,256

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14 Leasehold building improvements and equipment, net

Changes in leasehold building improvements and equipment during the year ended 31 December 2013 and 2012 were as follows:

	Net book value At 1 January 2013	Beginning balance	Cost Additions	Disposals	Ending balance	Beginning balance (in thousand Baht)	Accumulated depreciation Depreciation	Disposals	Ending balance	Net book value at 31 December 2013
Leasehold building improvement	126,273	207,060	-	-	207,060	80,787	20,704	-	101,491	105,569
Furniture, fixtures and equipment	88,658	240,653	9,373	(1,244)	248,782	151,995	26,083	(1,237)	176,841	71,941
Vehicles	-	1,223	-	(1,223)	-	1,223	-	(1,223)	-	-
Total	214,931	448,936	9,373	(2,467)	455,842	234,005	46,787	(2,460)	278,332	177,510

	Net book value At 1 January 2012	Beginning balance	Cost Additions	Disposals	Ending balance	Beginning balance (in thousand Baht)	Accumulated depreciation Depreciation	Disposals	Ending balance	Net book value at 31 December 2012
Leasehold building improvement	146,977	207,060	-	-	207,060	60,083	20,704	-	80,787	126,273
Furniture, fixtures and equipment	113,216	241,240	2,866	(3,453)	240,653	128,024	27,411	(3,440)	151,995	88,658
Vehicles	-	1,223	-	-	1,223	1,223	-	-	1,223	-
Total	260,193	449,523	2,866	(3,453)	448,936	189,330	48,115	(3,440)	234,005	214,931

The gross amount of the Branch's fully depreciated leasehold building improvements and equipment that was still in use as at 31 December 2013 amounted to Baht 61.8 million (2012: Baht 58.0 million).

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15 Deferred tax assets, net

Deferred tax assets and liabilities determined after netting off are included in the statements of financial position as follows:

	2013	2012
	<i>(in thousand Baht)</i>	
Deferred tax assets	152,375	129,665
Deferred tax liabilities	<u>(9,592)</u>	<u>(7,401)</u>
Net	<u>142,783</u>	<u>122,264</u>

Movements in deferred tax assets and liabilities during the year ended 31 December 2013 and 2012 were as follows:

	At 1 January 2013	<i>(Charged) / credited to</i> Profit or loss <i>(note 37)</i>	At 31 December 2013
	<i>(in thousand Baht)</i>		
<i>Deferred tax assets</i>			
Loss on revaluation of structured borrowing	75,090	8,507	83,597
Loans to customers and accrued interest receivables	1,026	-	1,026
Allowance for doubtful accounts	1,858	(1,858)	-
Other assets	871	205	1,076
Provisions against derivative products	37,119	15,321	52,440
Employee benefit obligations	12,585	(258)	12,327
Other liabilities	1,116	793	1,909
Total	<u>129,665</u>	<u>22,710</u>	<u>152,375</u>
<i>Deferred tax liabilities</i>			
Investments	2,647	432	3,079
Leasehold building improvement and equipment	4,743	1,770	6,513
Liabilities to deliver security	11	(11)	-
Total	<u>7,401</u>	<u>2,191</u>	<u>9,592</u>
Net	<u>122,264</u>	<u>20,519</u>	<u>142,783</u>

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	At 1 January 2012	<i>(Charged) / credited to</i>		At 31 December 2012
		Profit or loss <i>(note 37)</i> <i>(in thousand Baht)</i>	Other comprehensive income	
<i>Deferred tax assets</i>				
Loss on revaluation of structured borrowing	70,607	4,483	-	75,090
Loans to customers and accrued interest receivables	1,246	(220)	-	1,026
Allowance for doubtful accounts	3,932	(2,074)	-	1,858
Other assets	766	105	-	871
Provisions against derivative products	59,222	(22,103)	-	37,119
Employee benefit obligations	7,381	5,204	-	12,585
Other liabilities	898	218	-	1,116
Total	144,052	(14,387)	-	129,665
<i>Deferred tax liabilities</i>				
Investments	6,353	(1,912)	(1,794)	2,647
Leasehold building improvement and equipment	2,275	2,468	-	4,743
Liabilities to deliver security	-	11	-	11
Total	8,628	567	(1,794)	7,401
Net	135,424	(14,954)	1,794	122,264

16 Trading securities receivable

The Branch records transactions for sale of investments in account trading securities receivable at the trade date while the settlement date occurs in the following period. These accounts receivable occur in the normal course of the Branch's businesses.

17 Other assets, net

	2013	2012
	<i>(in thousand Baht)</i>	
Accrued interest receivables	99,979	185,787
Others	45,861	41,596
Total	145,840	227,383

18 Classified assets

As at 31 December 2013 and 2012, classified assets of the Branch were categorised by quality in compliance with the BoT's regulations, taking into account analyses of each loan and appraisal of the financial standing of each borrower, as follows:

	2013			Total
	Investments	Interbank and money market items	Loans to customers and accrued interest receivables	
	<i>(in thousand Baht)</i>			
Pass	-	26,521,546	15,934,830	42,456,376
Doubtful loss	15,636	-	111,057	126,693
Total	15,636	26,521,546	16,045,887	42,583,069

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	2012			Total
	Investments	Interbank and money market items	Loans to customers and accrued interest receivables	
		<i>(in thousand Baht)</i>		
Pass	-	46,420,725	11,127,828	57,548,553
Special Mention	-	-	385,200	385,200
Doubtful loss	30,370	-	107,483	137,853
Total	30,370	46,420,725	11,620,511	58,071,606

19 Deposits

19.1 Classified by type of deposits

	2013	2012
	<i>(in thousand Baht)</i>	
Current	9,162,827	6,023,158
Savings	20,225,578	16,781,909
Term		
- Less than 6 months	4,239,832	18,344,911
- 6 months but less than 1 year	43,677	4,022,091
- 1 year and over	66,135	32,354
Total	33,738,049	45,204,423

19.2 Classified by currency and residency of depositors

	2013			2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	26,828,378	224,373	27,052,751	40,185,421	217,428	40,402,849
US Dollar	3,271,499	2,411,662	5,683,161	3,502,410	475,013	3,977,423
Others	998,426	3,711	1,002,137	819,507	4,644	824,151
Total	31,098,303	2,639,746	33,738,049	44,507,338	697,085	45,204,423

20 Interbank and money market items (liabilities)

	2013			2012		
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
Domestic						
Commercial banks	388,588	2,296,952	2,685,540	299,268	-	299,268
Specialised financial institutions *	225	-	225	9,666	3,530,000	3,539,666
Other financial institutions **	9,183	5,052,750	5,061,933	64,344	5,810,719	5,875,063
Total domestic	397,996	7,349,702	7,747,698	373,278	9,340,719	9,713,997

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	2013			2012		
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
Foreign						
Baht	145,054	-	145,054	130,157	-	130,157
Other currencies	30,526	-	30,526	196	-	196
Total foreign	175,580	-	175,580	130,353	-	130,353
Total domestic and foreign	573,576	7,349,702	7,923,278	503,631	9,340,719	9,844,350

* Specialised financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

** Other financial institutions mean financial institutions which operate under the Interest on Loans of Finance Institution Act and apart from those listed above such as Finance company, Securities company, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and Credit Union League of Thailand Limited

21 Liabilities to deliver security

	2013	2012
	<i>(in thousand Baht)</i>	
Securities short sold	86,073	100,286
Total	86,073	100,286

22 Debt issued and borrowings

	2013	2012
	<i>(in thousand Baht)</i>	
Domestic		
Bills of exchange	394,154	370,668
Promissory notes	260,000	260,000
Total	654,154	630,668

As at 31 December 2013, borrowings of Baht 654 million (2012: Baht 631 million) are bills of exchange and promissory notes issued by the Branch in Thai Baht and interest rates between 2.85% - 6.37% per annum (2012: 2.85% - 6.37% per annum).

23 Provisions against derivative products

	Liquidity provision	Other provision	Total
	<i>(in thousand Baht)</i>		
At 1 January 2012	120,893	136,594	257,487
Provision made	1,669	82,448	84,117
Provision used	(58,028)	(96,008)	(154,036)
Provision reversed	(4)	(1,970)	(1,974)
At 31 December 2012 and 1 January 2013	64,530	121,064	185,594
Provision made	142,053	92,172	234,225
Provision used	(16,783)	(93,568)	(110,351)
Provision reversed	(42,178)	(5,092)	(47,270)
At 31 December 2013	147,622	114,576	262,198

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24 Employee benefit obligations

	2013	2012
	<i>(in thousand Baht)</i>	
Statements of financial position obligation for		
Legal severance payment plan	43,863	41,984
Other long-term employee benefit (Long service award)	17,772	20,824
Termination	-	116
Total	<u>61,635</u>	<u>62,924</u>

For the year ended 31 December

	2013	2012
	<i>(in thousand Baht)</i>	
Statements of comprehensive income		
<i>Recognised in profit or loss</i>		
Legal severance payment plan	1,879	36,877
Other long-term employee benefit (Long service award)	(3,052)	2,841
Termination	(116)	(132)
Total	<u>(1,289)</u>	<u>39,586</u>

The Branch has defined benefit obligations in accordance with the requirement of the Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

Legal severance payment plan

Under this plan, employees are entitled to legal severance payment benefits ranging from 30 to 300 days of final salary upon retirement or involuntary separation before retirement.

Long service award

As a show of appreciation to long-serving employees, the Branch will award employees based on the duration of continuous employment from 15 to 40 years of service.

The statement of financial position obligation was determined as follows:

	2013	2012
	<i>(in thousand Baht)</i>	
Present value of unfunded obligation	<u>61,635</u>	<u>62,924</u>
Statement of financial position obligation	<u>61,635</u>	<u>62,924</u>

Movement in the present value of the defined benefit plans obligations:

	2013	2012
	<i>(in thousand Baht)</i>	
At 1 January	62,924	30,990
Current service cost	5,426	5,842
Interest on obligation	2,160	821
Actuarial losses	-	32,923
Curtailment gain	(6,973)	-
Past service cost	(1,902)	-
Benefit paid during the year	-	(7,652)
At 31 December	<u>61,635</u>	<u>62,924</u>

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Expense recognised in profit or loss:

	2013	2012
	(in thousand Baht)	
Legal severance payment plan		
- Current service costs	4,002	4,216
- Interest on obligation	1,496	256
- Actuarial losses	-	32,405
- Curtailment gain	(3,620)	-
Other long-term employee benefit (Long service award)		
- Current service costs	1,540	1,758
- Interest on obligation	664	565
- Actuarial losses	-	518
- Curtailment gain	(3,353)	-
- Past service cost	(1,902)	-
Termination		
- Current service costs	(116)	(132)
Total	(1,289)	39,586

Principal actuarial assumptions at the reporting date:

	2013	2012
	(%)	
Discount rate	3.9	3.9
Future salary increases	4.0 - 10.0	4.0 - 10.0
Turnover rate	0.0 - 25.0	0.0 - 25.0

Assumptions regarding future mortality are based on published statistics and Thai Mortality Ordinary 2008 (2012: TMO 2008).

25 Trading securities payable

The Branch records transactions for purchase of investment in account trading securities payable at the trade date while the settlement date occurs in the following period. These accounts payable occur in the normal course of the Branch's business.

26 Other liabilities

	2013	2012
	(in thousand Baht)	
Accrued staff bonus	167,520	158,814
Income tax payable	61,606	97,989
Accrued interest	222,753	240,839
Accrued deposit protection agency fee	103,971	132,469
Others	432,539	193,832
Total	988,389	823,943

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Notes to the financial statements

27 Commitments and contingent liabilities

Commitments and contingent liabilities as at 31 December 2013 and 2012 were as follows:

(a)	2013	2012
	<i>(in thousand Baht)</i>	
Avals to bills and guarantees of loans	-	3,532,147
Other guarantees	31,540,631	20,835,878
Letters of credit	6,650,791	7,853,356
Unmatured import bills	7,358,922	200,856
Total	<u>45,550,344</u>	<u>32,422,237</u>

(b) Lease and service agreement

As at 31 December 2013, the Branch had a 7 year lease and service agreement in respect of office premises and utilities. Under the terms of the above lease, the Branch has committed to pay rental and service fees as follows:

	2013	2012
	<i>(in thousand Baht)</i>	
Within one year	38,722	37,873
After one year but within five years	186,785	178,920
After five years	89,873	147,448
Total	<u>315,380</u>	<u>364,241</u>

(c) Operating leases

	2013	2012
	<i>(in thousand Baht)</i>	
Non- cancellable operating lease commitments		
Within one year	1,445	1,445
After one year but within five years	1,565	3,009
Total	<u>3,010</u>	<u>4,454</u>

(d) Other commitments

	2013	2012
	<i>(in thousand Baht)</i>	
Business Continuity Facility Charge agreement	33,329	49,040
Facility Management Solution agreement	14,937	18,348
Total	<u>48,266</u>	<u>67,388</u>

28 Related parties

For the purpose of these financial statements, parties are considered to be related to the Branch if the Branch has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Branch and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with significant key management personnel and related parties were as follows:

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Notes to the financial statements

Name of entities / person	Country of incorporation/ nationality	Nature of relationships
Key Management Personnel	Various nationalities	Persons having authority and responsibility for planning, directing and controlling the activities of the Branch, directly or indirectly. The Branch's key management personnel consisted of: <ul style="list-style-type: none"> - Chief Country Officer and General Manager - Chief Operation Officer - Head of Global Transaction Banking - Chief Head of Finance - Head of Compliance - Head of Corporate Banking and Securities
<i>Head Office and other Branches</i>		
Deutsche Bank AG, Zentral Frankfurt	Germany	Head Office
Deutsche Bank AG, Asia Pacific Head office	Singapore	Asia Pacific Head Office
Deutsche Bank AG, Singapore	Singapore	Other Branches
Deutsche Bank AG, Mumbai	India	Other Branches
Deutsche Bank AG, Hong Kong	Hong Kong	Other Branches
Deutsche Bank AG, New York	U.S.A	Other Branches
Deutsche Bank AG, London	U.K.	Other Branches
Deutsche Bank AG, Amsterdam	Netherlands	Other Branches
Deutsche Bank AG, Colombo	Sri Lanka	Other Branches
Deutsche Bank AG, Jakarta	Indonesia	Other Branches
Deutsche Bank AG, Taipei	Taiwan	Other Branches
Deutsche Bank AG, Brussels	Belgium	Other Branches
Deutsche Bank AG, Paris	France	Other Branches
Deutsche Bank AG, Shanghai	China	Other Branches
Deutsche Knowledge Services Pte. Ltd., Manila	Philippines	Other Branches
Deutsche Bank Trust Company Americas	U.S.A	Other Branches
Deutsche Bank AG, Budapest	Hungary	Other Branches
Deutsche Bank AG, Vienna	Austria	Other Branches
Deutsche Bank AG, Manila	Philippines	Other Branches
Deutsche Bank AG, Bangalore	India	Other Branches
Deutsche Bank AG, Karachi	Pakistan	Other Branches
Deutsche Bank AG, Seoul	South Korea	Other Branches
Deutsche Bank AG, Canada	Canada	Other Branches
Deutsche Bank AG, Tokyo	Japan	Other Branches
Deutsche Bank AG, Ho-Chi Minh	Vietnam	Other Branches
<i>Other Group entities</i>		
Deutsche Bank AG, New Zealand	New Zealand	Other Group entity
Deutsche Bank AG, Banco	Brazil	Other Group entity
Deutsche Securities Inc. Tokyo	Japan	Other Group entity
DWS Holding & Service GmbH	Germany	Other Group entity
Deutsche Bank Securities Inc.	U.S.A	Other Group entity
Deutsche Group Services Pty Limited	Australia	Other Group entity

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Name of entities / person	Country of incorporation/ nationality	Nature of relationships
Deutsche Bank, Madrid	Spain	Other Group entity
Deutsche Bank, Luxembourg S.A.	Luxembourg	Other Group entity
DB Services New Jersey, Inc.	U.S.A	Other Group entity
DBOI Global Services Private Limited	India	Other Group entity
DBOI Global Services (UK) Limited	U.K.	Other Group entity
DB Group Services (EURO)	U.K.	Other Group entity
Deutsche Bank Moscow	Russia	Other Group entity
Deutsche Bank (China) Co., Ltd.	China	Other Group entity
Deutsche Investor Service Private Limited	India	Other Group entity
DB Service Americas, Inc.	U.S.A	Other Group entity
Deutsche Bank A.S.	Turkey	Other Group entity
DB Service Centre Limited	U.K.	Other Group entity
Deutsche Bank AG, Malaysia	Malaysia	Other Group entity
Gemini Technology Services Inc.	U.S.A	Other Group entity
Deutsche Bank, Milan	Italy	Other Group entity
Deutsche Investment Management Americas Inc.	U.S.A	Other Group entity
Deutsche IT License GmbH	Germany	Other Group entity

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Interest income	Market rate
Interest expense	Market rate
Expense allocated	Contractually agreed price

Significant transactions for the years ended 31 December 2013 and 2012 with key management and related parties were as follows:

<i>For the year ended 31 December</i>	2013	2012
	<i>(in thousand Baht)</i>	
Head Office and other Branches		
Interest income	15	19
Interest expense	92,880	133,031
Expense allocated from head office	681,900	528,292
Profit remitted to head office	810,000	1,710,000
Other Group entities		
Expense allocated	23,096	8,008

Key management personnel

The Branch's management who are members of executive committee shall not be entitled to any other benefits than the normal benefits, for instance, salaries, directors' bonuses, post employment benefits and share based payments in the group of its major shareholder as follows:

	2013	2012
	<i>(in thousand Baht)</i>	
Key management personnel compensation		
Short-term benefits	105,057	91,548
Post-employment benefits	7,603	8,993
Total	112,660	100,541

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Significant balances as at 31 December 2013 and 2012 with related parties were as follows:

	2013	2012
	<i>(in thousand Baht)</i>	
<i>Funds brought in to maintain assets under the Act</i>		
Deutsche Bank AG, Singapore	<u>17,800,000</u>	<u>17,800,000</u>
<i>Debts issued and borrowings</i>		
Deutsche Bank AG, Singapore	<u>9,404,115</u>	<u>3,613,020</u>
<i>Accrued interest payable</i>		
Deutsche Bank AG, Singapore	<u>10,875</u>	<u>14,724</u>
Unrealised losses (gains) on derivative contracts, net	<u>(1,219,140)</u>	<u>608,806</u>
Interbranch accounts	<u>2,025,534</u>	<u>2,911,671</u>

As at 31 December 2013, debts issued and borrowings from related parties were due to mature from 2 January 2014 to 6 March 2014 (2012: 17 January 2013 to 6 March 2013) and carried interest between 0.20% - 0.29% per annum (2012: 0.33% - 0.35% per annum).

The Branch enters into certain treasury transactions, including swap, foreign exchange, and option contracts with other Deutsche Branch entities for hedging purposes.

29 The financial position and results of operations classified by domestic and foreign business

The Branch does not present the financial position and results of operations classified by domestic and foreign business in the financial statements since the Branch is engaged in only one domestic business in Thailand.

30 Interest income

	2013	2012
	<i>(in thousand Baht)</i>	
Interbank and money market items	1,278,652	1,899,373
Investments and trading transactions	751,177	838,402
Loans to customers	427,277	379,402
Total	<u>2,457,106</u>	<u>3,117,177</u>

31 Interest expenses

	2013	2012
	<i>(in thousand Baht)</i>	
Deposits	425,802	566,507
Interbank and money market items	376,937	514,049
Contribution to Deposit Protection Agency	236,574	256,436
Debt issued and borrowings	195,240	479,828
Total	<u>1,234,553</u>	<u>1,816,820</u>

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32 Net fees and service income

	2013	2012
	<i>(in thousand Baht)</i>	
Fees and service income		
- Acceptance, avals and guarantees	79,413	63,209
- Fund transfer and collection services	82,977	66,646
- Others	188,408	139,210
Total	<u>350,798</u>	<u>269,065</u>
Fees and service expenses		
- Transfer fees between financial institutions	26,102	24,811
- Others	108,203	70,744
Total	<u>134,305</u>	<u>95,555</u>
Net	<u>216,493</u>	<u>173,510</u>

33 Net gains on trading and foreign exchange transactions

	2013	2012
	<i>(in thousand Baht)</i>	
Gain (loss) on trading and foreign exchange transactions		
- Foreign currencies and foreign currencies related derivatives	4,482,457	682,630
- Interest rate related derivatives	(4,175,103)	60,197
- Debt securities	39,219	107,347
Total	<u>346,573</u>	<u>850,174</u>

34 Net gain on investments

	2013	2012
	<i>(in thousand Baht)</i>	
Gains on sales		
- Available-for-sale securities	-	8,790
Total	<u>-</u>	<u>8,790</u>

35 Bad debts, allowance for doubtful accounts and impairment loss

	2013	2012
	<i>(in thousand Baht)</i>	
Interbank and money market items	2,142	1,440
Loans to customers (reversal)	(51,841)	(644)
Total	<u>(49,699)</u>	<u>796</u>

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36 Employee expenses

	2013	2012
	<i>(in thousand Baht)</i>	
Salaries, wages and bonus	395,292	359,172
Legal severance payment plan	1,879	36,877
Long service award	(3,052)	2,841
Termination	(116)	(132)
Share-based payment transaction	21,017	19,705
Others	57,676	70,182
Total	<u>472,696</u>	<u>488,645</u>

The Branch has established contributory provident funds for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates of 10% of their basic salaries and by the Branch at 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

37 Income tax expenses

Income tax recognised in profit or loss

	<i>Note</i>	2013	2012
		<i>(in thousand Baht)</i>	
Current tax expense			
Current year		121,154	288,649
Adjustment for prior years under (over)		(5,161)	44,384
		<u>115,993</u>	<u>333,033</u>
Deferred tax expense			
Movements in temporary differences		(20,519)	(3,386)
Income tax reduction - deferred		-	18,340
	<i>15</i>	<u>(20,519)</u>	<u>14,954</u>
Total		<u>95,474</u>	<u>347,987</u>

Income tax recognised in other comprehensive income

	Before tax	2012 Tax benefit	Net of tax
	<i>(in thousand Baht)</i>		
Available-for-sale financial assets	(7,798)	1,794	(6,004)
Total	<u>(7,798)</u>	<u>1,794</u>	<u>(6,004)</u>

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<i>Reconciliation of effective tax rate</i>	2013		2012	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax expense		480,670		1,110,088
Income tax using Thai corporation tax rate	20.0	96,134	23.0	255,320
Income tax reduction - deferred	-	-	1.6	18,340
Expenses not deductible for tax purposes	0.0	13	1.9	20,831
Under (over) provided in prior years	(1.0)	(5,161)	4.0	44,384
Adjustment for prior year - deferred	0.9	4,488	0.8	9,112
Total	19.9	95,474	31.3	347,987

Income tax reduction

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness.

38 Thai Financial Reporting Standards (TFRS) not yet adopted

The Branch has not adopted the new and revised TFRS that have been issued but are not yet effective. Those new and revised TFRS that are applicable to the Branch's operations, which become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table, are as follows:

TFRS	Topic	Year effective
TAS 1 (revised 2012)	Presentation of financial statements	2014
TAS 7 (revised 2012)	Statement of Cash Flows	2014
TAS 12 (revised 2012)	Income Taxes	2014
TAS 17 (revised 2012)	Leases	2014
TAS 18 (revised 2012)	Revenue Recognition	2014
TAS 19 (revised 2012)	Employee Benefits	2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	2014
TAS 24 (revised 2012)	Related Party Disclosures	2014
TAS 36 (revised 2012)	Impairment of Assets	2014
TAS 38 (revised 2012)	Intangible Assets	2014
TFRS 2 (revised 2012)	Share-based Payment	2014
TFRS 5 (revised 2012)	Non-current Assets held for Sale and Discontinued Operations	2014
TIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	2014
TIC 32	Intangible Assets-Web Site Costs	2014

Management expects to adopt and apply these new and revised TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the Branch's financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

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39 Reclassification of accounts

Certain accounts in the 2012 financial statements have been reclassified to conform to the presentation in the 2013 financial statements as follows:

	Before reclassification	2012 Reclassification <i>(in thousand Baht)</i>	After reclassification
<i>Statement of financial position</i>			
Interbank and money market items, net	46,054,846	848,559	46,903,405
Loans to customers	12,456,601	(856,256)	11,600,345
Accrued interest receivables	21,031	(865)	20,166
Allowance for doubtful account	(326,818)	8,562	(318,256)
		-	

The reclassifications have been made, because in the opinion of management, the new classification is more appropriate to the Branch's nature of business.