AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – INDIA BRANCHES
Basel III: Pillar 3 Disclosures as at 31 March 2019

1. Background

Australia and New Zealand Banking Group Limited, India ('ANZ India' or 'the Bank') is a branch of Australia and New Zealand Banking Group Limited ('ANZ'), which is incorporated in Australia with Limited Liability. Indian branch operations are conducted in accordance with the banking license granted by the Reserve Bank of India (RBI) under the Banking Regulation Act 1949. The Bank has three branches in India as on 31 March 2019.

Disclosures made hereunder are in accordance with Basel III Capital Regulations – Market Discipline (Pillar 3).

2. Key Management Committees, Functions and Frameworks

India Executive Committee ('India EXCO')

India EXCO is the apex committee of the Bank and has the authority to exercise all of the powers and discretions of the Board at the country level. India EXCO takes ownership of the Bank's business in India and fulfils the regulatory responsibility of conducting periodic reviews/ approvals as specified by RBI from time to time. The committee is chaired by Chief Executive Officer India. India EXCO is an in-country committee.

India Assets and Liabilities Committee ('India ALCO')

The India Asset and Liability Committee (ALCO) is a Sub-Committee of the Group Asset and Liability Committee (GALCO), and is responsible for the oversight and strategic management of the India balance sheet activities including balance sheet structure, liquidity, funding, capital management, non-traded interest rate risk, and non traded FX risks and exposures.

Risk Management Committee ('India RMC')

India RMC maintains responsibility to oversee all aspects of risk management in the country including credit risk, markets risk, operational risk and compliance related issues/activities. RMC also approves India's Risk Appetite statement.

Risk Management Framework

The oversight of risk management is conducted via three clearly articulated layers of risk management – Three lines of defense:

- The area where the risk originates is responsible for managing the risk. This is defined as 'the First Line of Defence'.
- To ensure appropriate challenge and oversight, there is a dedicated and independent risk management function. This is 'the Second Line of Defence'.

The first and second lines of defence have defined roles, responsibilities and escalation paths to support effective two way communication and management of risk.

- The Third Line of Defence' has an independent oversight role within the governance structure and is performed by Internal Audit. Internal Audit provides independent and objective assurance to management that the first and second lines of defence are functioning as intended

3. Regulatory Framework

The Bank operates as a scheduled commercial bank and is required to maintain capital ratios at par with locally incorporated banks.

Capital Adequacy requirements are outlined in the following circulars:

- Master Circular – Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework ('NCAF')
- Master Circular - Basel III Capital Regulations.

As per Basel III guidelines, currently banks should adopt Standardised Approach (SA) for credit risk, Basic Indicator Approach (BIA) for operational risk and Standardised Duration Approach (SDA) for computing capital requirement for market risks.

Basel III guidelines are structured around three 'Pillars' which are outlined below:

- Pillar 1 sets out minimum regulatory capital requirements.
- Pillar 2 sets out key principles for supervisory review of Bank's risk management framework and its capital adequacy.
- Pillar 3 aims to encourage market discipline by developing set of disclosure requirements by banks that allow market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment processes and hence the capital adequacy of the bank. Further, providing disclosures that are based on a common framework is an effective means of informing the market about exposure to those risks and provides a consistent and comprehensive disclosure framework that enhances comparability.

Basel III introduced a much stricter definition of capital. The predominant form of Tier 1 capital will be Common Equity, since it is critical that banks' risk exposures are backed by high quality capital base. Further, Basel III introduced Capital Conservation Buffer (CCB) and Countercyclical buffer with a view to ensure that banks maintain a cushion of capital that can be used to absorb losses during periods of financial and economic stress and to increase capital requirements in good times and decrease the same in bad times.

4. DF–1 Scope of Application

In terms of RBI circular dated 12 December, 2006 on Financial Regulation of Systemically Important NBFCs and banks' Relationship with them, NBFCs promoted by the parent / group of a foreign bank having presence in India, which is a subsidiary of the foreign bank's parent / group or where the parent / group is having management control would be treated as part of that foreign bank's operations in India and brought under the ambit of consolidated supervision. As at 31 March 2019 no such ANZ group owned NBFC is in operations in India, accordingly framework for consolidated supervision does not apply to the Bank.

The Bank does not have any subsidiaries in India and consequently not required to prepare Consolidated Financial Statements. The Bank does not have any interest in insurance entities.

5. DF-2 Capital Adequacy

The Bank aims to hold sufficient capital to meet the minimum regulatory requirements at all times. The Bank's capital management strategy is two fold:

- To satisfy the Basel III Regulatory Capital requirements set out by RBI in the Master Circular and
- To minimise the possibility of the Bank's capital falling below the minimum regulatory requirement by maintaining a capital buffer (in excess of the Basel III minimum requirements) sufficient to cover Pillar 2 risks and the capital impact of a severe (1 in 25 years) stress scenario over a 1 year horizon.

The Bank's capital management is mainly guided by current capital position, current and future business needs, regulatory environment and strategic business planning. The Bank continuously focuses on effective management of risk and corresponding capital to support the risk. India ALCO and India EXCO emphasises on the growth opportunities supported by cost effective capital.

Under the Basel III framework, on an on-going basis, the Bank has to maintain a minimum total capital of 10.875% including Capital Conversion Buffer (CCB) at 1.875% for credit risk, market risk and operational risk. The Minimum Total Capital should include minimum Common Equity Tier I (CET 1) ratio of 5.50%, minimum Tier 1 capital ratio of 7.00%. The minimum total capital requirement includes a capital conservation buffer of 1.875% (Previous Year 1.875%).

As at 31 March 2019 CRAR is 18.82 and Common Equity Tier I ratio is 18.42 as per BASEL III norms. The Bank is adequately capitalised presently. Summary of the Bank's capital requirement for credit, market and operational risk and CRAR as at 31 March 2019 is presented below.

(Amount in ₹'000)

Minimum Regulatory Capital Requirements	
Capital requirements for Credit risk (a)	**3,807,500**
Portfolios subject to standardised approach	3,807,500
Securitisation exposures.	-
Capital requirements for Market risk (b)	**2,042,560**
Standardised duration approach	
- Interest rate risk	1,679,891
- Foreign exchange risk (including gold)	362,669
- Equity risk	-
Capital requirements for Operational risk (c)	**347,558**
Basic indicator approach	347,558
Total Minimum Regulatory Capital at 9% (a+b+c)	**6,197,619**
Minimum CRAR + CCB at 10.875%	**7,488,789**
Risk Weighted Assets and Contingents	**72,211,412**
Credit Risk	42,334,930
Market Risk	25,532,006
Operational Risk	4,344,476
Capital Ratios	
CET 1 Capital	18.42%
Tier I Capital	18.42%
Total Capital	18.82%

6. DF-3 Credit Risk: General Disclosures for all Bank

Structure and organisation of credit risk management

India RMC is responsible for all aspects of risk management, including credit risk. It approves the credit exposure / concentration limits, risk management policy (involving risk identification, risk measurement/ grading, risk mitigation and control), credit risk management structure, credit pricing policy, etc. in accordance with extant regulatory guidelines. India EXCO is apprised of key risks affecting the business. RMC ensures country's risk profile remains within the agreed group risk appetite.

The Bank takes credit risk within a well defined framework that lays out the fundamental principles and guidelines for its management. Primary objective is management of risk within risk appetite and within regulator defined prudential limits. This framework has four main components:

- Credit principles.
- Credit policies.

- Line of Business/ Segment Specific Procedures.
- Organisation and People.

Key aspects of the Bank's Credit Risk Management Policy are

- Analysis of customer risk.
- Approval of limits and transactions.
- Managing and monitoring customers.
- Working out problem loans.

Credit is extended on the basis of the Bank's credit risk assessment and credit approval requirements and is not subject to any influences external to these requirements. All legal entities, with which the Bank has or is considering having, a credit relationship, is assigned a credit rating reflecting the probability of default and each facility is assigned a security indicator reflecting the 'loss given default'. Each country to which the Bank has or is considering having, a credit exposure, is assigned a country rating reflecting the risk of economic or political events detrimentally impacting a country's willingness or capacity to secure foreign exchange to service its external debt obligations.

Risk grade assignment and risk grade reviews are subject to approval by the appropriate independent risk representative. Each assigned risk grade is reviewed at an interval (never greater than 1 year) and whenever new material information relating to the customer or facility is obtained or becomes known. The Bank has an effective credit risk management system and clearly documented credit delegations which define levels of authority for credit approval. The quality of all credit relationships is monitored to provide for timely identification of problem credits and prompt application of remedial actions. Problem credits are managed to minimise losses, maximise recoveries and preserve the Bank's reputation, with attention to measurement of extent of impairment, exposure and security cover, provisioning, remediation, workout & losses. A specialist remediation team with work out skills will be applied to the management of all problem credits.

Collateral is a means of mitigating the risk involved in providing credit facilities and will be taken where obtainable and necessary to meet risk appetite requirements. Main types of collateral accepted are property, plant & machinery, current assets, cash and stand-by letters of credit. Reliance on collateral is not a substitute for appropriate credit assessment of a customer or be used to compensate for inadequate understanding of the risks. Collateral arrangements for each facility are reviewed annually to confirm the fair value of collateral and to ensure there is no impediment to realisation. The fair value of collateral will be its realisable value net of realisation costs.

6.1. Total gross credit risk exposures as at 31 March 2019

(Amount in ₹ '000)

Fund Based	**30,919,603**
Claims on Banks, Balance with RBI and Cash Balance	4,134,296
Investments (HTM)	-
Loans and Advances (excluding Interbank Loans)	22,512,650
Other Assets and Fixed Assets	4,272,657
Non Fund Based	**52,354,419**
Non Market Related Off Balance sheet items (Contingent Credits and Exposures)	9,634,390
Market Related (Foreign Exchange (Fx) and Derivative contracts)	42,720,029
Total Exposure	**83,274,022**

Notes:

Fund-Based is the outstanding amount.

Non Fund Based credit risk exposure has been computed as under:

- In case of exposures other than FX and derivative contracts, credit equivalent is arrived at by multiplying the underlying contract or notional principal amounts with the credit conversion factors prescribed by RBI under the Basel III capital framework.
- In case of Foreign exchange and derivative contracts, credit equivalents are computed using the current exposure method as prescribed by RBI.

6.2. Geographic distribution of exposures, Fund based and Non-fund based separately

Since all the exposures provided under Para 6.1 above are domestic, the disclosures on geographic distribution of exposures, both fund and non-fund based has not been made.

6.3. Industry type distribution of exposures as at 31 March 2019

(Amount in ₹ '000)

Industry Name	Fund Based	Non Fund Based
Banking & Finance *	5,192,564	35,364,122
Food Processing	2,399,784	31,760
Drugs and Pharmaceuticals	2,734,434	1,334,046
Petroleum (non-infra) Coal Products (non-mining) and Nuclear Fuels	-	828,040
Chemicals and Chemical Products (Dyes, Paints, etc.)	968,168	-
Glass & Glassware	800,000	-
Iron and Steel	660,000	69,104
Metal and Metal Products	62,052	257,736
All Engineering	-	1,205,864
Non-Metallic Mineral Product Manufacturing	1,140,000	-
Vehicles, Vehicle Parts and Transport Equipments	1,750,000	466,544
Gems and Jewellery	137,507	355
Construction	-	23,546
Infrastructure - Telecommunications	1,800,000	2,239,709
Residuary Exposure		
- of which Other Assets	4,272,657	-
- of which Exposure to Other Sectors	9,002,437	10,533,593
Total Exposure	**30,919,603**	**52,354,419**

***** Includes Cash, Balances with RBI, Balances with banks and money at call and short notice.

Notes:

Fund Based Exposure comprises of outstanding Loans & Advances, Claims on Banks and Investment in HTM & Other Assets (including fixed Assets).

Non Fund Based Exposure comprises of Non Market Related Off-Balance sheet items (Contingent Credits and Exposures) and is reported in terms of Credit equivalent.

As on 31st March 2019, the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure (outstanding):

Sr. No.	Industry Classification	Percentage of the total gross credit exposure
1	Banking & Finance	48.70%

6.4. Residual contractual maturity breakdown of assets as at 31 March 2019

(Amount in ₹ '000)

Particulars	Cash and Bank balances with RBI	Balances with Banks and money at call and short notice, Term Deposits & Other placements	Investments	Advances	Fixed Assets	Other Assets	Total Assets
Day 1	559,036	1,899,772	25,566,760	17,780	-	1,258,283	29,301,631
2 – 7 days	45,308	-	218,047	7,100,441	-	25,689	7,389,485
8-14 days	93,682	-	450,843	7,210,513	-	11,801	7,766,839
15-30 days	107,627	-	517,955	1,424,848	-	156,653	2,207,083
31 days – 2 months	150,928	-	726,342	1,614,662	-	71,305	2,563,237
2 months - 3 months	124,425	-	598,796	993,272	-	363,483	2,079,976
Over 3 months – 6 months	562,048	-	2,704,855	1,591,389	-	84,304	4,942,596
Over 6 months – 1 year	423,378	-	2,037,507	419,273	-	238,265	3,118,423
Over 1 year – 3 years	167,250	-	804,791	2,023,908	-	12,266,101	15,262,050
Over 3 years – 5 years	842	-	4,053	116,564	-	60	121,519
Over 5 years	-	-	-	-	533,252	1,905,223	2,438,475
Total	**2,234,524**	**1,899,772**	**33,629,949**	**22,512,650**	**533,252**	**16,381,167**	**77,191,315**

6.5. Details of Non-Performing Assets (NPAs) - Gross and Net

(Amount in ₹ '000)

	As at 31 Mar 2019
Substandard	999,674
Doubtful 1	-
Doubtful 2	-
Doubtful 3	-
Loss	-
Gross NPAs	**999,674**
Provisions for NPAs	999,674
Net NPAs	-

6.6. NPA Ratios

(Amount in ₹ '000)

	As at 31 Mar 2019
Gross NPAs to gross advances	4.25%
Net NPAs to net advances	0.00%

6.7. Movement of NPAs (Gross)

(Amount in ₹ '000)

	For the year ended 31 Mar 2019
Opening balance	-
Additions	999,674
Reductions	-
Closing balance	999,674

Note: YTD movement has been reported above

6.8. Movement of provisions

(Amount in ₹ '000)

Particulars	Specific Provision[1]	General Provision[2]
Opening balance as at 1st April 2018	-	146,138
Provisions made during the period	999,674	30,366
Write-off	-	-
Write-back of excess provisions	-	-
Closing balance as at 31st March 2019	**999,674**	**176,504**

[1] Specific provision relating to NPAs

[2] General provisions includes Standard assets provision (including Unhedged Foreign Currency Exposure) and Country risk provision.

Note: YTD movement has been reported above

6.9. Amount of Non-Performing Investments

There are no non-performing investments as at 31 March 2019.

6.10. Amount of provisions held for Non-Performing Investments

There are no provisions held for non-performing investments as at 31 March 2019 as there are no non performing investments.

Movement of provisions for depreciation on Investments

(Amount in ₹ '000)

	For the year ended 31 March 2019
Opening balance as at 1st April 2018	-
Provisions made during the period	99
Write-off	-
Write-back of excess provisions	-
Closing balance as at 31st March 2019	**99**

Note: YTD movement has been reported above

6.11. Industry wise distribution and ageing of NPA, Specific provision separately

(Amount in ₹ '000)

Industry Classification	Gross NPA	Specific Provision
NBFC and HFC	999,674	999,674

(Amount in ₹ '000)

Category	Gross NPA	Specific Provision
Domestic	999,674	999,674
Overseas	-	-
Total	**999,674**	**999,674**

7. DF-4 Credit Risk: Disclosures for Portfolios Subject to the Standardised Approach

The Bank uses short term / long term issuer rating instruments of the accredited rating agencies viz. Credit Rating Information Services of India Limited, ICRA Limited, India Ratings and Research Private Limited (India Ratings), Credit Analysis and Research Limited, SME Rating Agency of India Limited and Brickworks Ratings India Pvt Limited to assign risk weights as per RBI guidelines. For Non-resident corporate and foreign banks ratings issued by the international rating agencies like Moody's and Standard and Poor's are used for assigning risk weights.

For assets having a contractual maturity of more than a year long term credit ratings assigned by the above mentioned rating agencies are used.

Below attached is the summary as at 31 March 2019

(Amount in ₹ '000)

Nature Of exposure	Gross Credit Exposure	Credit Risk Mitigation	Net Exposure (Before Provision)	Credit Risk weight bucket summary			Deduction from Capital
				< 100%	100%	>100%	
Fund Based	**30,919,603**	**172,720**	**30,746,884**	**20,248,961**	**10,134,777**	**363,146**	-
Claims on Banks	4,134,296	-	4,134,558	4,130,527	3,769	-	-
Investments (HTM)	-	-	-	-	-	-	-
Loans and Advances	22,512,650	172,720	22,339,930	12,673,302	9,666,628	-	-
Other Assets and Fixed Assets	4,272,657	-	4,272,657	3,445,133	464,379	363,146	-
							-
Non Fund Based	**52,354,419**	**41,453**	**52,312,966**	**50,042,829**	**2,270,137**	**-**	-
Non Market Related Off Balance sheet items (Contingent Credits and Exposures)	9,634,390	41,453	9,592,937	7,534,741	2,058,196	-	-
Market Related (Foreign Exchange (Fx) and derivative contracts)	42,720,029	-	42,720,029	42,508,088	211,941	-	-

8. DF-5 Credit Risk Mitigation: Disclosures for Standardised Approaches

RBI Basel III guidelines allow following credit risk mitigants to be recognized for regulatory capital purposes under the comprehensive approach.

- Eligible financial collateral which included cash (deposited with the Bank), gold, securities issued by Central and State governments, Kisan Vikas Patra, National Savings Certificate, life insurance policies, certain debt securities rated by a recognised credit rating agencies, mutual fund units.
- On balance sheet netting, which is confined to loans and advances and deposits where banks have legally enforceable netting arrangements, involving specific lien with proof of documentation.
- Guarantees where these are direct, explicit, irrevocable and unconditional. Further, the eligible guarantors would comprise :
  - Sovereigns, sovereign entities stipulated as per Basel II guidelines, banks and primary dealers with a lower risk weight than the counterparty.
  - other entities rated AA (-) or better.

These credit risk mitigation techniques are subject to specific conditions given in Basel III guidelines.

Main types of collateral accepted by the bank are property, plant & machinery, current assets, cash and stand-by letters of credit. Collateral arrangements for each facility are reviewed annually to confirm the fair value of collateral and to ensure there is no impediment to realisation. The fair value of collateral will be its realizable value net of realisation costs.

For the purpose of computation of credit risk the bank considers the collateral in the form of Cash / lien marked deposits as a credit risk mitigants.

Credit Risk Mitigation details as at 31 March 2019 are as below

(Amount in ₹ '000)

Exposure covered by eligible financial collateral after application of haircuts	214,173
Exposure covered by guarantees	NIL

9. DF-6 Securitisation Exposures: Disclosure for Standardised Approach

The Bank has not securitised any asset for the year under review hence no disclosures have been made.

10. DF-7 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market parameters. Bank's earnings are exposed to changes in interest rates, foreign currency exchange rates or fluctuations in bond prices. Market risk arises when changes in market rates, prices and volatilities lead to a decline in the value of assets and liabilities, including off-balance sheet positions viz financial derivatives. Market risk is generated through both trading and banking book activities.

The Bank conducts trading operations in interest rates, foreign exchange (including USD-INR FX Options) and fixed-income securities.

To facilitate the management, measurement and reporting of market risk, the Bank has classified market risk into two broad categories:

- Traded market risk:

  This is the risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Trading positions arise from transactions where the bank acts as principal with customers, financial exchanges or inter-bank counterparties.

- Non-traded market risk (or balance sheet risk):

  This comprises management of interest rate risk on banking book and liquidity risk.

The Bank has a detailed market risk management and control framework to support its trading and balance sheet activities. This framework incorporates a risk measurement approach, as outlined below, to quantify the magnitude of market risk within trading and balance sheet portfolios. The framework is supported by a comprehensive limit and policy framework to control the amount of risk that the Group is willing to accept. Market risk limits are allocated at various levels/desks and are monitored and reported by Market Risk on a daily basis. While Value at Risk (VaR) and Stress Testing provide a good overview of the consolidated risk on the Traded and Non-traded portfolios, the Detailed Control Limits (DCL) framework stipulates limits to manage and control the risk of individual asset classes, risk factors and consolidated/trader-wise loss limits (to monitor and manage the performance of the trading portfolio).

Daily MIS is in place for traders' and senior management's cognizance. There is a daily sign-off process which entails traders to sign-off and agree with the Market Risk exposures. Limit utilizations, m-o-m movements, peak utilisation, average utilisation, exceptions, etc. are also placed before RMC and ALCO for discussion and suggesting appropriate remedial action wherever required.

Measurement of market risk

Bank's key market risk metrics include VaR, NPV, DV01, Bond Notional, Delta, Gamma, Vega and Theta limits.

A key measure of market risk is Value at Risk (VaR). VaR is a statistical estimate of the potential loss which could occur due to a change in market risk factors for a given holding period and confidence interval.

The Bank measures VaR at a 99% confidence interval. Group’s standard VaR approach, for both Traded as well as Non-traded risk, is historical simulation method. This method uses actual historical observations of changes in market rates, prices and volatilities over the previous 500 business days historical period (VaR window) to model P&L outcomes. Both Traded and Non-traded VaR are calculated, monitored and reported using a one-day (1D) holding period.

It should be noted that because VaR is driven by actual historical observations, it is not an estimate of the maximum loss that the Bank could experience from an extreme market event. As a result of this limitation, the Bank utilises a number of other risk measures viz Stress Testing, Back Testing) and Risk Sensitivity (NPV, DV01, Bond Notional, Delta, Gamma, Theta, etc.) limits to complement VaR and manage market risk holistically.

At 31st March 2019, Market Risk RWAs were ₹ 25,532,006 (‘000).

Stress Testing

Bank undertakes a wide range of stress tests for the trading portfolio. Bank has adopted a local Stress Testing policy as mandated by RBI vide circular DBOD.BP.BC.NO. 75/21.04.103/2013-14 dated 02 Dec 2013, titled “Guidelines on Stress Testing”. Stress tests as per baseline scenarios prescribed by RBI are conducted at half-yearly intervals (September and March). Results of this periodic stress testing exercise are presented to RMC for advising remedial

actions, if any and presented in EXCO. Apart from this, standard stress tests, as per ANZ Group guidelines, are applied daily to simulate potential loss impact arising from large historical market movements during previous seven years over specific holding periods. Worst stress losses observed during the month are reported to the RMC on a monthly basis.

VaR and stress tests are also supplemented by cumulative loss limits (CLL) and detailed control limits (DCL). Cumulative loss limits ensure that in the event of continued losses from a trading activity, the trading activity is stopped and senior management reviews before trading can resume again. Where necessary, detailed control limits such as risk-sensitivity or position limits are also in place to ensure appropriate control is exercised over a specific risk factor or asset-class.

Back-Testing

Back testing involves the comparison of calculated VaR exposures with actual profit and loss data to identify the frequency of instances when trading losses exceed the calculated VaR. The Bank uses actual and hypothetical profit and loss data for performing Back Testing. Back Testing is conducted daily and outliers are analysed to understand if the issues are the result of trading decisions, systemic changes in market conditions or issues related to the VaR model i.e. historical data or model calibration.

Capital requirement for Market Risk is provided in section 5 above.

11. Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations as they fall due across a wide range of operating circumstances, including repaying depositors or maturing debt, or that the Bank has insufficient capacity to fund increases in assets. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is recognized and closely monitored by the Bank.

The Bank maintains a portfolio of liquid assets to manage potential stresses in funding sources. The minimum level of liquidity portfolio assets to hold is based on a range of the Bank specific and general market liquidity stress scenarios such that potential cash flow obligations can be met over the short to medium term.

The Bank's liquidity and funding risks are governed by a set of principles which have been fixed by the Group. The core objective of the overall framework is to ensure that the Bank has sufficient liquidity to meet obligations as they fall due, without incurring unacceptable losses.

Key principles of the Bank's approach to liquidity risk management include:

- Maintaining the ability to meet all payment obligations in the immediate (intraday/overnight) term.
- Ensuring that the Bank has the ability to meet 'survival horizons' under a range of Bank specific and general market liquidity stress scenarios to meet cash flow obligations over a short to medium term horizon.

- Maintaining strength in the Bank's balance sheet structure to ensure long term resilience in the liquidity and funding risk profile.
- Limiting the potential earnings at risk implications associated with unexpected increases in funding costs or the liquidation of assets under stress.
- Preparation of daily liquidity reports and scenario analyses, quantifying the Bank's positions.
- Targeting a diversified funding base, avoiding undue concentrations by investor type, maturity, market source and currency.
- Holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations.
- Establishing detailed contingency plan to cover liquidity crisis events.
- Ensuring the liquidity risk management framework is compatible with local regulatory requirements.

Management of liquidity and funding risks are locally overseen by India ALCO.

Scenario modelling

A key component of the Group's liquidity management framework is scenario modeling. ANZ India adopts ANZ Group's liquidity risk management framework using cash flow forecasting models and scenario analysis to measure and monitor liquidity risks arising from on and off-balance sheet activities. The models estimate the likely net cash-flows arising over a specified time horizon to predict any funding and liquidity gaps that need to be managed. The key stress scenarios applied by ANZ India are:

- Liquidity Coverage Ratio (LCR): ANZ internal LCR is based on the APRA Prudential Standard APS 210. The objective of the LCR is to ensure that the bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA) that can be readily converted into cash to meet its liquidity needs for a 30 calendar day time period under a severe stress scenario. The LCR metric can be expressed as a ratio or as a notional volume with a scenario duration of 30 day.

- Wholesale Funding Capacity (WFC): The purpose of the metric is to ensure there are no undue maturity concentrations within the wholesale funding profile. The metric is applied to all wholesale funding instruments where ANZ has control over the instrument tenor over a pre-defined time buckets over a 3 month period. The funding instrument includes debt issuance programs (short and long term) and interbank borrowing.

Above scenario outcomes are calculated and reported on a daily basis and presented to meetings of ALCO as per the ALCO calendar.

12. DF-8 Operational Risk

The Bank understands and manages operational risk efficiently and effectively, allocate appropriate capital to cover expected and unexpected losses to protect depositors, customers and shareholders. ANZ Group has Operational Risk Measurement and Management Framework (ORMMF), which facilitates globally consistent and comparable management of operational risk. The framework sets out the minimum requirements to identify, assess, measure, monitor, control and manage operational risk.

An effective and embedded governance structure is also built for managing operational risk in line with the Bank's values, culture, strategy and appetite.

On an ongoing basis, the Bank identifies and assesses its exposure to material operational risk within all existing and new products, processes, projects and systems, and assesses the key controls in place to manage these risks. Compliance to the operational risk measurement and management framework is monitored using one or more of the following mechanisms, but is not limited to:

- Regular operational risk and compliance committee meetings
- Risk Certification
- Periodic Control Testing
- Internal Audit Reviews
- Periodic External Reviews
- Compliance Monitoring

The Bank uses the Basic Indicator Approach to estimated Operational RWAs. At 31st March 2019, Operational RWAs were ₹ 4,344,476 ('000).

13. DF-9 Interest Rate Risk in the Banking Book (IRRBB)

The objective of balance sheet interest rate risk management is to secure stable and optimal net interest income over both the short (next 12 months) and long term. Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Bank's future net interest income. This risk arises from two principal sources: mismatches between the re-pricing dates of interest bearing assets and liabilities, and the investment of capital and other non-interest bearing liabilities in interest bearing assets.

Interest rate risk on the Banking Book is measured and monitored by using VaR (Value at Risk), EaR (Earnings at Risk) and MVE (Market Value of Equity). VaR is an estimate of the impact of interest rate changes on the banking book's market value, expressed to a 99.0% level of statistical confidence using a 1 day holding period calculated using 500 days historical market movements.

The Bank also uses Earnings at Risk (EaR) as an estimate of the amount of the next 12 months' income that is at risk from interest rate movements over a 1 month holding period, expressed to a 97.5% level of statistical confidence. It is

calculated by applying a statistically derived interest rate shock to static re-pricing gaps over the first 12 months.

Impacts on earnings for upward and downward rate shocks of 200 bps, broken down by currency, are: As at 31 March 2019:

(Amount in ₹ '000)

Currency	Interest Rate Risk Shocks	
	200bps up	200bps down
Rupees	89,588	(89,588)
USD	(202)	202

Change in Market Value of Equity (MVE) due to interest rate movements directly impacts capital requirements. Bank uses Duration Gap approach to measure the impact on Market Value of Equity (MVE) for upward and downward rate shocks. This measures the potential change in MVE of the Bank for a 200 bps change in interest rates. The change in MVE due to 200 bps change in interest rate is:

(Amount in ₹ '000)

Change in MVE due to 200 bps change in interest rate	
31 March 2019	116,254

14. DF-10 Counterparty Credit Risk

Counterparty credit risk in derivative transactions arises from the risk of counterparty default before settlement date of the derivative contracts and the counterparty is unable to fulfill present and future contractual payment obligations. The amount at risk may change over time as a function of the underlying market parameters up to the positive value of the contract in favor of ANZ India.

Counterparty credit risk is present in market instruments (derivatives and forward contracts), and comprises:

- Settlement risk, which arises where one party makes payment or delivers value in the expectation but without certainty that the counterparty will perform the corresponding obligation in a bilateral contract at settlement date.

- Market replacement risk (pre-settlement risk), which is the risk that a counterparty will default during the life of a derivative contract and that a loss will be incurred in covering the position.

Counterparty credit risk requires a different method to calculate exposure at default because actual and potential market movements impact Bank's exposure or replacement cost.

Counterparty credit risk governance

Bank's counterparty credit risk management is governed by its credit principles, policies and procedures. The Group Risk function is responsible for determining the counterparty credit risk exposure methodology applied to market

instruments, in the framework for counterparty credit limit management, measurement and reporting.

Counterparty credit limits are approved by the appropriate credit delegation holders.

Counterparty credit risk measurement and reporting

The approach to measure counterparty credit risk exposure is based on internal model. This is referred to as Counterparty Credit Risk Engine (CCRE).
CCRE uses potential future exposure (PFE) Monte Carlo based approach to assess possible exposure movements for certain derivative products and the Bank uses these estimates in internal Economic Capital calculations.

CCRE calculations recognise that prices may change over the remaining period to maturity, and that risk decreases as the contract's remaining term to maturity decreases.

CCRE is also used by credit officers to establish credit limits on an uncommitted and unadvised basis, to ensure the potential volatility of the transaction value is recognised. Counterparty credit risk exposure is calculated daily and excesses above approved limits are reported to account controllers and risk officers for action.

Credit Value Adjustment (CVA)

ANZ uses a CVA model to adjust fair value to take into account the impact of counterparty credit quality. The methodology calculates the present value of expected losses over the life of the financial instrument as a function of PD, LGD, expected credit risk exposure and an asset correlation factor.

Impaired derivatives are also subject to a CVA.

Wrong way risk

Bank's management of counterparty credit risk also considers the possibility of wrong way risk, which emerges when PD is adversely correlated with counterparty credit risk exposures. Bank's credit policies and independent transaction evaluation by Credit Risk are central to managing wrong way risk.

Counterparty Credit Risk in FX and Derivatives

(Amount in ₹ '000)

	As at 31 Mar 2019 (Credit equivalent)
Gross positive fair value of contracts	10,880,026
Netting benefits	2,961,659
Netted current credit exposure	**7,918,367**
Collateral held (including type e.g. cash, government securities etc.)	-

Net derivatives credit exposure	**7,918,367**
Potential future exposure	36,057,539
Measures for exposure at default, or exposure amount, under CEM	**43,975,906**
The notional value of credit derivative hedges	-
Distribution of current credit exposure by types of credit exposure	
- Interest Rate contracts	7,259,371
- Fx contracts & Currency Swaps	32,465,439
- Fx Options	4,251,095

15. DF-11 Composition of Capital

(Amount in ₹ '000)

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)		**Basel III Amounts**
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	11,311,074
2	Retained earnings (**(incl. Statutory Reserves and Remittable Surplus retained for Capital to Risk-weighted Assets Ratio (CRAR))**	2,459,477
3	Accumulated other comprehensive income (and other reserves)	-
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies1)*	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**13,770,551**
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Intangibles (net of related tax liability)	469,944
10	Deferred tax assets	-
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitization gain on sale	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)		Basel III Amounts
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)3	-
20	Mortgage servicing rights4 (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences5 (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold6	-
23	*of which: significant investments in the common stock of financial entities*	-
24	*of which: mortgage servicing rights*	-
25	*of which: deferred tax assets arising from temporary differences*	-
26	National specific regulatory adjustments7 (26a+26b+26c+26d)	-
26a	*of which: Investments in the equity capital of unconsolidated insurance subsidiaries*	-
26b	*of which: Investments in the equity capital of unconsolidated non - financial subsidiaries8*	-
26c	*of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank9*	-
26d	*of which: Unamortized pension funds expenditures*	-
27	Total Regulatory adjustments applied to Common Equity Tier 1	-
27a	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
27b	Other Regulatory adjustmetns applied to Common Equity Tier 1	-
28	**Total regulatory adjustments to Common equity Tier 1**	**469,994**
29	**Common Equity Tier 1 capital (CET1)**	**13,300,607**
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	-
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)		Basel III Amounts
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	*of which: instruments issued by subsidiaries subject to phase out*	-
36	**Additional Tier 1 capital before regulatory adjustments**	-
	Additional Tier 1 capital: regulatory adjustments	
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)10	-
41	National specific regulatory adjustments (41a+41b)	-
41a	*of which: Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries*	-
41b	*of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank*	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	**Total regulatory adjustments to Additional Tier 1 capital**	-
44	**Additional Tier 1 capital (AT1)**	-
44a	**Additional Tier 1 capital reckoned for capital adequacy11**	-
45	**Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)**	**13,300,606**
	Tier 2 capital: instruments and provisions	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	*Directly issued capital instruments subject to phase out from Tier 2*	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	*of which: instruments issued by subsidiaries subject to phase out*	-
50	Provisions *(includes Investment Reserve)*	290,938

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)		Basel III Amounts
51	**Tier 2 capital before regulatory adjustments**	-
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments13 in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments (56a+56b)	-
56a	*of which: Investments in the Tier 2 capital of unconsolidated subsidiaries*	-
56b	*of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank*	-
57	**Total regulatory adjustments to Tier 2 capital**	
58	**Tier 2 capital (T2)**	**290,938**
58a	**Tier 2 capital reckoned for capital adequacy14**	**290,938**
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	-
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	**290,938**
59	**Total capital (TC = T1 + Admissible T2) (45 + 58c)**	**13,591,545**
60	**Total risk weighted assets (60a + 60b + 60c)**	**72,211,412**
60a	*of which: total credit risk weighted assets*	42,334,930
60b	*of which: total market risk weighted assets*	25,532,006
60c	*of which: total operational risk weighted assets*	4,344,476
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	18.42%
62	Tier 1 (as a percentage of risk weighted assets)	18.42%
63	Total capital (as a percentage of risk weighted assets)	18.82%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.375%
65	*of which: capital conservation buffer requirement*	1.875%
66	*of which: bank specific countercyclical buffer requirement*	-
67	*of which: G-SIB buffer requirement*	-

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)		Basel III Amounts
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities	-
73	Significant investments in the common stock of financial entities	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022		
80	*Current cap on CET1 instruments subject to phase out arrangements*	-
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-
82	*Current cap on AT1 instruments subject to phase out arrangements*	-

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)		Basel III Amounts
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	-
84	*Current cap on T2 instruments subject to phase out arrangements*	-
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	-

Notes to the Template

(Amount in ₹ '000)

Row No. of the template	Particular	
10	Deferred tax assets associated with accumulated losses	-
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	-
	Total as indicated in row 10	-
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	
	of which: Increase in Common Equity Tier 1 capital	-
	of which: Increase in Additional Tier 1 capital	-
	of which: Increase in Tier 2 capital	-
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	
	(i) Increase in Common Equity Tier 1 capital	-
	(ii) Increase in risk weighted assets	-
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	-
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	-
50	Eligible Provisions included in Tier 2 capital *(includes Investment Reserves)*	290,938
	Eligible Revaluation Reserves included in Tier 2 capital	-
	Total of row 50	290,938

58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	-

16. Leverage Ratio

The Basel III leverage ratio is a simple, transparent, non-risk based measure which is calibrated to act as a credible supplementary measure to the risk based capital requirements. The Bank's leverage ratio calculated in accordance with extant RBI guidelines is as follows:

17. DF-17 Summary Comparison of accounting assets vs. leverage ratio exposure measure

(Amount in ₹ '000)

1.	Total consolidated assets as per published financial statements	77,191,314
2.	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3.	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure.	-
4.	Adjustments for derivative financial instrument.	36,057,539
5.	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6.	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	9,634,390
7.	Other adjustments	(469,583)
8.	**Leverage ratio exposure**	**122,413,661**

DF-18 Leverage Ratio Common Disclosure as at 31 March 2019

Leverage Ratio		
	On-balance sheet exposures	
1.	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	66,311,288
2.	(Asset amounts deducted in determining Basel III Tier 1 capital)	(469,583)
3.	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	65,841,706
	Derivative exposures	

Leverage Ratio		
4.	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	10,880,026
5.	Add-on amounts for PFE associated with all derivatives transactions	36,057,539
6.	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7.	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8.	(Exempted CCP leg of client-cleared trade exposures)	-
9.	Adjusted effective notional amount of written credit derivatives	-
10.	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11.	Total derivative exposures (sum of lines 4 to 10)	46,937,565
	Securities financing transaction exposures	
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13.	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14.	CCR exposure for SFT assets	-
15.	Agent transaction exposures	-
16.	Total securities financing transaction exposures (sum of lines 12 to 15)	-
	Other off-balance sheet exposures	
17.	Off-balance sheet exposure at gross notional amount	16,213,307
18.	(Adjustments for conversion to credit equivalent amounts)	6,578,917
19.	Off-balance sheet items (sum of lines 17 and 18)	9,634,390
	Capital and total exposures	
20.	**Tier 1 capital**	13,300,606
21.	**Total exposures (sum of lines 3, 11, 16 and 19)**	122,413,661
	Leverage ratio	
22.	**Basel III leverage ratio (per cent)**	10.87%

Reconciliation of total published balance sheet size and on balance sheet exposure

(Amount in ₹ 000)

	Leverage ratio framework	
1	Total consolidated assets as per published financial statements	77,191,314
2	Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation margin	(10,880,026)

3	**On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)**	**66,311,288**