Australia and New Zealand Banking Group Limited – Mumbai Branch

(Incorporated in Australia with limited liability)

Independent Auditors' Report

Independent Auditor's Report on the Financial Statements of Australia and New Zealand Banking Group Limited, Mumbai Branch under section 30 of the Banking Regulation Act, 1949 of India.

We have audited the accompanying Financial Statement of Australia and New Zealand Banking Group Limited, Mumbai Branch (the Bank) which comprise the Balance Sheet as at 31st March 2013 and the Profit & Loss Account and Cash Flow Statement for the year then ended and significant accounting policies and notes forming part of financial statements for the year then ended.

Management Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance and cash flows of the Bank in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also include evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 (hereinafter referred to as "Act") in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India.

i) in the case of the Balance Sheet, of the state of affairs of the bank as at 31st March 2013;

ii) in the case of the Profit & Loss account, of the profit for the year ended on that date; and

iii) In the case of cash flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.
2. We report that:
   i. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit and found them to be satisfactory.
   ii. the transactions of the Bank which have come to our notice have been within the powers of the Bank.
3. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
4. We further report that:
   i. the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with books of Account.
   ii. in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.
   iii. the provisions of section 274 (1) (g) of the companies Act, 1956 are not applicable to the Bank as bank is a branch of Australia and New Zealand Banking Group Limited, which is incorporated with limited liability in Australia.

For **HARIBHAKTI & CO.,**
Chartered Accountants,
Firm Registration No.103523W

Sd/-
Rakesh Rathi
Partner
Membership No: 45228

Place: Mumbai
Date: 7 June, 2013

Australia and New Zealand Banking Group Limited – Mumbai Branch

(Incorporated in Australia with limited liability)

Balance Sheet as at 31 March 2013

	Schedule	As at 31 March 2013 (₹ 000s)	As at 31 March 2012 (₹ 000s)
CAPITAL & LIABILITIES			
Capital	1	11,311,074	5,854,184
Reserves and surplus	2	12,996	2,237
Deposits	3	25,092,472	17,349,574
Borrowings	4	7,865,859	5,947,294
Other liabilities and provisions	5	4,801,926	2,112,188
Total Capital and liabilities		**49,084,327**	**31,265,477**
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,648,779	1,399,819
Balances with banks and money at call and short notice	7	9,072,048	9,303,893
Investments	8	9,950,161	4,519,748
Advances	9	23,766,789	13,187,239
Fixed assets	10	461,703	399,365
Other assets	11	4,184,847	2,455,413
Total Assets		**49,084,327**	**31,265,477**
Contingent liabilities	12	323,911,087	147,695,684
Bills for collection	–	17,912	11,319
Significant accounting policies and notes to financial statements	17, 18		

The accompanying schedules form an integral part of the Balance Sheet.

Profit and Loss Account for the year ended 31 March 2013

	Schedule	For the year ended 31 March 2013 (₹ 000s)	For the Period ended 31 March 2012 (₹ 000s)
I. INCOME			
Interest earned	13	2,812,705	943,864
Other income	14	495,806	704,790
Total		**3,308,511**	**1,648,654**
II. EXPENDITURE			
Interest expended	15	1,626,745	405,353
Operating expenses	16	1,234,650	1,105,894
Provisions and contingencies	–	404,080	128,460
Total		**3,265,475**	**1,639,707**
III. PROFIT/(LOSS)			
Net Profit for the year		43,036	8,947
Profit/(Loss) brought forward from previous year		(121,847)	(128,557)
Total		**(78,811)**	**(119,610)**
IV. APPROPRIATIONS			
Transfer to statutory reserves	2	10,759	2,237
Balance carried over to balance sheet		(89,570)	(121,847)
Total		**(78,811)**	**(119,610)**
Significant accounting policies and notes to financial statements	17, 18		

The accompanying schedules form an integral part of the Profit and Loss Account.

As per our report of even date

For **Haribhakti & Co.**
Chartered Accountants
Firm Registration No. 103523W

Sd/-
Rakesh Rathi
Partner
Membership No. 45228

Place : Mumbai
Date: 7 June, 2013

For **Australia and New Zealand Banking Group Limited – Mumbai Branch**

Sd/-
Subhas DeGamia
Chief Executive Officer

Sd/-
S V Venkataraman
Chief Operating Officer

Australia and New Zealand Banking Group Limited – Mumbai Branch

(Incorporated in Australia with limited liability)

Cash Flow Statement for the year ended 31 March 2013

		For the Year ended 31 March 2013 (₹ 000s)	For the Period ended 31 March 2012 (₹ 000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit/(Loss) Before Taxation		91,286	64,505
Adjustments for:			
Depreciation on Bank's property		84,285	83,765
Provision in respect of non-performing assets (including prudential provision on standard assets and country risk exposure)		355,385	72,902
(Appreciation)/depreciation on investments		445	–
(Profit)/Loss on sale of fixed assets		2,562	167
Operating profit before working capital changes		533,963	221,339
Adjustments for:			
Decrease/(Increase) in investments (excluding HTM investments)		(5,430,858)	(4,519,748)
Decrease/(Increase) in advances		(10,860,325)	(13,187,239)
Decrease/(Increase) in other assets		(1,634,956)	(2,094,150)
Increase/(Decrease) in borrowings		1,918,565	5,947,294
Increase/(Decrease) in deposits		7,742,898	17,349,574
Increase/(Decrease) in other liabilities and provisions		2,615,129	1,914,253
		(5,115,583)	5,631,323
Direct taxes paid		(175,000)	(104,086)
Net cash used in operating activities	**(A)**	(5,290,583)	5,527,237
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (Including Capital WIP)		(151,392)	(366,751)
Proceeds from the sale of fixed assets		2,200	–
Net cash generated from investing activities	**(B)**	(149,192)	(366,751)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital infusion		5,456,890	–
Net cash generated from financing activities	**(C)**	5,456,890	–
Net increase in cash and cash equivalents (A+B+C)		17,115	5,160,486
Cash and cash equivalents at the beginning of the year/period	(D)	10,703,712	5,543,226
Cash and cash equivalents at the end of the year/period	(E)	10,720,827	10,703,712
Net increase in cash and cash equivalents (E–D)	**(F)**	**17,115**	**5,160,486**

Note: Cash and Cash Equivalent represents	**Schedule**	**As at 31 March 2013**	**As at 31 March 2012**
Cash and Balance with Reserve Bank of India	6	1,648,779	1,399,819
Balance with banks and Money at call and short notice	7	9,072,048	9,303,893
Total		**10,720,827**	**10,703,712**

As per our report of even date

For **Haribhakti & Co.**
Chartered Accountants
Firm Registration No. 103523W

Sd/-
Rakesh Rathi
Partner
Membership No. 45228

For **Australia and New Zealand Banking Group Limited – Mumbai Branch**

Sd/-
Subhas DeGamia
Chief Executive Officer

Sd/-
S V Venkataraman
Chief Operating Officer

Place: Mumbai
Date: 7 June, 2013

Australia and New Zealand Banking Group Limited – Mumbai Branch

(Incorporated in Australia with limited liability)

Schedules annexed to and forming part of the Balance Sheet

	As at 31 March 2013 (₹ 000s)	As at 31 March 2012 (₹ 000s)
1. CAPITAL		
Amount of Deposit kept with Reserve Bank of India under Section 11 (2) (b) of the Banking Regulation Act, 1949	4,237	2,000
Head Office Account		
Capital remitted by Head Office		
Opening balance	5,854,184	5,854,184
Additions during the year	5,456,890	–
Total	**11,311,074**	**5,854,184**
2. RESERVES AND SURPLUS		
a Statutory Reserves		
Balance, beginning of the year	2,237	–
Transfer from Profit and Loss Account	10,759	2,237
Balance, end of the year	12,996	2,237
Total	12,996	2,237
3. DEPOSITS		
a I. Demand Deposits		
From banks	57,423	8,974
From others	1,188,823	449,363
Total Demand Deposits	1,246,246	458,337
II. Savings Bank Deposits		
Total Savings Bank Deposits	2	–
III. Term Deposits		
From banks	–	3,000,000
From others	23,846,224	13,891,237
Total Term Deposits	23,846,224	16,891,237
Total	**25,092,472**	**17,349,574**
b I. Deposits of branches in India	25,092,472	17,349,574
II. Deposits of branches outside India	–	–
Total	**25,092,472**	**17,349,574**

	As at 31 March 2013 (₹ 000s)	As at 31 March 2012 (₹ 000s)
4. BORROWINGS		
a Borrowings in India from		
(i) Reserve Bank of India	2,000,000	–
(ii) Other banks	–	–
(iii) Other institutions and agencies	–	–
	2,000,000	**–**
b Borrowings outside India	5,865,859	5,947,294
Total	**7,865,859**	**5,947,294**
Secured Borrowings included in a and b above	2,000,000	–
5. OTHER LIABILITIES AND PROVISIONS		
Bills payable	10,299	4,556
Inter Office Adjustment (net)	–	–
Interest accrued	630,894	287,627
Contingent provision against standard assets	145,935	72,313
Others (including provisions)	4,014,798	1,747,692
Total	**4,801,926**	**2,112,188**
6. CASH AND BALANCES WITH RESERVE BANK OF INDIA		
Cash in hand (including foreign currency notes)	79	266
Balance with Reserve Bank of India in current account	1,648,700	1,399,553
Total	**1,648,779**	**1,399,819**
7. BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with banks		
(a) In current accounts	115,346	3,023,946
(b) In other deposit accounts	6,010,000	5,150,000
(ii) Money at call and short notice		
(a) with banks	–	–
(b) with other institutions	–	–
	6,125,346	**8,173,946**
II. Outside India		
(i) In current accounts	978,402	1,129,947
(ii) In other deposit accounts	1,968,300	–
(iii) In Money at call and short notice	–	–
	2,946,702	**1,129,947**
Total	**9,072,048**	**9,303,893**

Australia and New Zealand Banking Group Limited – Mumbai Branch

(Incorporated in Australia with limited liability)

Schedules annexed to and forming part of the Balance Sheet

	As at 31 March 2013 (₹ 000s)	As at 31 March 2012 (₹ 000s)
8. INVESTMENTS		
I. Investments in India in		
(i) Government securities	9,950,606	4,519,748
(ii) Other approved securities	–	–
(iii) Shares	–	–
(iv) Debentures and bonds	–	–
(v) Subsidiaries	–	–
(vi) Others	–	–
Less: Diminution in the value of investments	–	–
	9,950,606	**4,519,748**
II. Investments outside India in		
(i) Government securities (including local authorities)	–	–
(ii) Subsidiaries and/or Joint venture abroad	–	–
(iii) Other Investments	–	–
	–	–
Gross Investments	**9,950,606**	**4,519,748**
Less: Provision for depreciation on investments	445	–
Total	**9,950,161**	**4,519,748**
9. ADVANCES		
a. I. Bills purchased and discounted	422,265	–
II. Cash credits, overdrafts and loans repayable on demand	17,899,899	11,737,239
III. Term loans	5,444,625	1,450,000
	23,766,789	**13,187,239**
b. I. Secured by tangible assets	1,452,840	2,182,438
II. Covered by bank/ government guarantees	96,235	–
III. Unsecured	22,217,714	11,004,801
	23,766,789	**13,187,239**
c. I. Advances in India		
Priority sector	6,009,554	3,675,639
Public sector	–	–
Banks	354,607	–
Others	17,402,628	9,511,600
	23,766,789	**13,187,239**
II. Advances outside India	–	–
Due from Banks	–	–
Due from others	–	–
	–	–
Total	**23,766,789**	**13,187,239**

	As at 31 March 2013 (₹ 000s)	As at 31 March 2012 (₹ 000s)
10. FIXED ASSETS		
I. Premises		
II. Other Fixed Assets (Including furniture and fixtures)		
Balance, beginning of the year	385,674	4,204
Additions during the year	218,611	381,884
Deductions during the year	7,940	414
Less : Depreciation to date	164,191	83,602
Net book value of other fixed assets	432,154	302,072
Capital work in progress	29,549	97,293
Total Net Book Value of Fixed Assets	**461,703**	**399,365**
11. OTHER ASSETS		
Inter Office Adjustment (net)	–	–
Interest accrued	261,568	148,683
Tax paid in advance/tax deducted at source (net of provision for taxation)	77,526	58,026
Deferred tax asset	97,196	–
Stationery and stamps	–	–
Others	3,658,987	2,126,857
Debit balance in Profit and Loss Account	89,570	121,847
Total	**4,184,847**	**2,455,413**
12. CONTINGENT LIABILITIES		
Claims against the Bank not acknowledged as debts	–	–
Liability for partly paid investments in shares	–	–
Liability on account of outstanding foreign exchange contracts	199,595,909	115,680,000
Liability on account of derivative contracts	109,666,128	26,151,205
Guarantees given on behalf of constituents	–	–
– In India	7,377,093	5,148,822
– Outside India	–	–
Acceptances, endorsements and other obligations	7,271,957	715,657
Other items for which the Bank is contingently liable	–	–
Total	**323,911,087**	**147,695,684**

Australia and New Zealand Banking Group Limited – Mumbai Branch

(Incorporated in Australia with limited liability)

Schedules annexed to and forming part of the Profit and Loss account

	For the Year ended 31 March 2013 (₹ 000s)	For the Period ended 31 March 2012 (₹ 000s)
13. INTEREST EARNED		
Interest/discount on advances/bills	1,191,589	230,730
Income on investments	811,121	253,672
Interest on balances with Reserve Bank of India and other inter-bank funds	808,303	459,462
Others	1,692	–
Total	**2,812,705**	**943,864**
14. OTHER INCOME		
Commission, exchange and brokerage	208,815	279,433
Profit on sale of Investments (Net)	8,033	(26,761)
Profit on revaluation of Investments (Net)	–	–
Net profit/(loss) on sale of premises and other assets	(2,562)	(167)
Net profit/(loss) on exchange transactions (including derivatives)	(263,267)	130,086
Miscellaneous income	544,787	322,199
Total	**495,806**	**704,790**
15. INTEREST EXPENDED		
Interest on deposits	1,485,414	369,100
Interest on Reserve Bank of India and inter-bank borrowings	62,726	35,703
Others	78,605	550
Total	**1,626,745**	**405,353**

	For the Year ended 31 March 2013 (₹ 000s)	For the Period ended 31 March 2012 (₹ 000s)
16. OPERATING EXPENSES		
Payments to and provisions for employees (Refer Schedule 18 Note 43 (ii))	637,010	506,297
Rent, taxes and lighting	256,979	238,039
Printing and stationery	3,096	4,742
Advertisement and publicity	5,437	29,038
Depreciation on Bank's property (Refer Schedule 18 Note 43(i))	84,285	83,765
Auditors' fees and expense	1,423	1,053
Legal and professional charges	51,897	46,420
Postage, telegrams, telephones, etc.	6,816	6,337
Repairs and maintenance	3,210	1,751
Insurance	22,470	5,564
Other expenses (Refer Schedule 18 Note 25)	162,027	182,888
Total	**1,234,650**	**1,105,894**
PROVISIONS AND CONTINGENCIES		
Specific provisions against advances and claims (net)	280,775	–
General provision against standard assets	73,623	72,313
Provision towards country risk	987	589
Diminution in the value of Investments	445	–
Provision on account of tax		
– Current tax expense	155,505	45,500
– Deferred tax expense	(107,255)	10,058
Total	**404,080**	**128,460**

Schedule 17: Significant accounting policies for the financial statements for the year ended 31 March 2013

1. Background

The accompanying financial statements for the year ended 31 March 2013 comprise of the accounts of the Mumbai Branch of Australia and New Zealand Banking Group Limited ('the Bank') which is incorporated in Australia with limited liability. The Bank has only one branch in India as on 31 March 2013.

2. Basis of preparation

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

The financial statements are presented in Indian Rupees rounded off to the nearest thousand, unless otherwise stated.

3. Use of Estimates

The preparation of financial statements in conformity with applicable GAAP requires management to make estimates and assumptions considered in the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the result of operations during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates and assumptions is recognized prospectively in current and future periods.

4. Significant accounting policies

4.1. Revenue recognition

a) Interest income is recognised in the Profit and Loss account on an accrual basis.

b) Interest income on discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis (interest rate implied by the discounted purchased price).

c) Fees and Commission on guarantees, letters of credit and loans are recognised at the inception of the transactions.

4.2. Fixed Assets and Depreciation

a) Fixed assets are carried at cost less accumulated depreciation.

b) Cost includes purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit/capacity of such asset.

c) Cost of motor vehicles acquired on finance lease is amortised using the straight-line method over the primary period of lease.

d) Assets individually costing up to Rs 5,000 and mobile instruments are written off in the month of acquisition.

e) Depreciation is provided on a straight line basis over the estimated useful life of the asset at the rates mentioned below which are higher than the rates prescribed by Schedule XIV of the Companies Act, 1956.

Asset Type	Depreciation Rate (%) per annum
Furniture & Fixture	10.00
Office Equipment	33.33
Computers	33.33
Purchased Software	33.33
Internally Developed Software	20.00
Leasehold Improvements	Over remaining period of lease
Plant & Machinery	20.00

f) The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying value, the carrying value is reduced to the recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account for the period. If at the balance sheet date there is an indication that previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

g) Capital work in progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets

4.3. Employee Benefits

a) Provident Fund – Defined Contribution Plan

The Bank contributes to provident fund which is a defined contribution retirement plan for eligible employees. These contributions are accounted on an accrual basis and are charged to the Profit and Loss Account.

b) Gratuity – Defined benefit Plan

Gratuity Liabilities are defined obligations and bank's contribution towards the same is determined by an independent actuary based on the projected unit credit method as at the balance sheet date as per requirements of AS -15 (Revised 2005) – Employee Benefits. Actuarial gains/losses are immediately taken to Profit and Loss Account and are not deferred.

c) Employee share-based payments

The eligible employees of the Bank have been granted remuneration in the form of Equity Plans by Australia and New Zealand Banking Group Limited (Head Office). As per this plan, Equity is delivered as either the bank's shares or the bank's share rights. During the year, the Bank has charged an amount pertaining to these under the head "Payments to and provisions for employees".

4.4. Taxation

Income tax expense comprises of current tax and deferred tax charge.

a) Current taxes

The current charge for income tax is based on the estimated tax liability as computed after taking credit for allowances and exemptions in accordance with the Income tax Act, 1961 applicable for the year.

b) Deferred taxes

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result between the profit offered for income taxes and the profit as per the Bank's financial statements.

The deferred tax assets and liabilities are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent that their future realisation is reasonably certain. However where there is unabsorbed depreciation and carry forward losses under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such asset.

Deferred tax assets are reviewed as at each balance sheet date and appropriately adjusted to reflect the amount that there is reasonably/virtual certain to be realised.

4.5. Leases

a) Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account over the term of the lease on a straight line basis.

b) Finance Lease

Leases where the lessee effectively retains substantially all the risks and benefits of ownership of the leased items are classified as finance leases. At the inception, lease is recognised as an asset and a liability at lower of fair value of leased asset and the present value of minimum lease payments. Lease payments are appropriated between finance charge and the reduction of outstanding liability so as to produce a constant periodic rate of interest on the balance of the liability. The costs identified as directly attributable to activities performed by the lessee for a finance lease are included as part of the amount recognised as an asset under the lease.

4.6. Provisions, contingent liabilities and contingent assets

a) The Bank creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources to settle the obligation and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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

c) Contingent assets are not recognised in the financial statements.

4.7. Foreign Exchange Transactions

a) Monetary Assets and Liabilities Contingent liabilities denominated in Foreign currencies are translated at the balance sheet date at rates of exchange notified by the Foreign Exchange Dealers' Association of India (FEDAI) on that date. The resultant profit or losses including those on cancelled contracts is recognized in the profit and loss account and related assets and liabilities are accordingly stated in the balance sheet.

b) Foreign Currency profit & loss are translated at month end FEDAI Rate.

c) Foreign exchange contracts outstanding at the balance sheet date are marked to market at rates notified by FEDAI for specified maturities, suitable interpolated for in between maturity contracts as specified by FEDAI. Contracts of maturities over 12 months (long term forex contracts) are marked to market at rates derived from the Reuter's curve for that respective currency. The resulting profit or losses are recognized in the profit or loss account.

4.8. Investments

Classification and valuation of the Bank's investments is carried out in accordance with extant RBI guidelines on Investment classification and valuation.

Investments are accounted on settlement date basis. Investments are classified as "Held for trading" (HFT) or "Available for Sale" (AFS) and "Held to Maturity" (HTM) in accordance with RBI guidelines. During the year ended 31 March 2013, the Bank has not classified any investments in HTM category. Under each of these classifications, investments are further categorized under i) Government securities, ii) Other approved securities, iii) Shares, iv) Debentures and bonds, v) Subsidiaries and vi) Others.

a) Acquisition cost

Cost of Investments excludes broken period interest paid on acquisition of investments. Brokerage, Commission etc paid at the time of acquisition are charged to the Profit and Loss account.

b) Sale of Investment

Profit/Loss on sale of investments under the HFT and AFS categories are taken to the Profit and Loss account. First in First out (FIFO) method is applied to arrive at the cost of investments.

c) Valuation of Investments

Investments under AFS category are marked to market on a quarterly basis and those classified under HFT are marked to market on a monthly basis. Investments classified under the HFT and AFS categories are valued at lower of acquisition cost or market value. Securities are valued scrip wise and depreciation/appreciation is aggregated for each category. Net depreciation per category is provided for while net appreciation is ignored. Book value of the individual security is not changed consequent to revaluation of the security.

Treasury bills being discounted instruments are valued at the carrying cost.

d) Transfer of securities between categories

Reclassification of investments from one category to other is done in accordance with RBI guidelines and any such transfer is accounted for at the lower of acquisition cost/book value/market value as on the date of transfer, and depreciation if any on such transfer is fully accounted for.

4.9. Repo/reverse repo

In accordance with the RBI guidelines, repurchase (repos) and reverse repurchase (reverse repos) transactions are accounted as collateralised borrowing and lending.

The Bank follows aforesaid principle to account repo and reverse repo undertaken under Liquidity Adjustment Facility (LAF).

4.10. Advances

Classification and provisions of advances of the Bank are carried out in accordance with the extant RBI guidelines on Income Recognition and Asset Classification of Advances.

a) Classification

Advances are classified as performing and non performing based on the RBI's prudential norms on classification.

b) Provisioning

Advances are stated net of specific provisions made towards non performing advances. The Bank maintains a provision on standard assets at rates and as per norms prescribed by RBI. Loan loss provisions in respect of non performing advances are made based on management's assessment of the degree of impairment of advances subject to the minimum provisioning level in accordance with prudential norms prescribed by RBI.

4.11. Derivative Transactions

a) The Bank enters into derivative contracts such as interest rate swaps, cross currency swaps, foreign exchange contracts and forward rate agreements

b) These derivatives are part of a trading book and are recognised at a fair value on a daily basis. The resultant gain/loss are recorded in the profit and loss account while the corresponding unrealised gain/loss are reflected in the balance sheet under the head Other Assets/Other Liabilities. The notional value of these contracts are recorded as contingent liabilities

c) The Bank maintains a provision on standard derivative exposure at rates and as per norms prescribed by RBI

d) Amounts due to the Bank under derivative contracts which remain unpaid in cash for more than 90 days in the specified date of payment are classified as non-performing assets.

4.12. Cash and cash equivalents

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

Australia and New Zealand Banking Group Limited – Mumbai Branch

(Incorporated in Australia with limited liability)

Schedule 18: Notes to the financial statements for the year ended 31 March 2013

1. Capital

During the year the Bank received additional capital from Head Office 5,456,890 (₹ ‘000s) (Previous year Nil)

The Closing Tier 1 capital as at 31 March 2013 is 11,311,074 (₹ ‘000s) (Previous year 5,854,184 (₹ ‘000s))

2. Capital Ratios:

The Bank’s Capital to Risk-weighted Asset Ratio (‘CRAR’) is calculated in accordance with the RBI’s ‘Prudential Guidelines on Capital Adequacy and Market Discipline – Implementation of the New Capital Adequacy Framework’ (‘Basel II guidelines’). Under the Basel II framework, the Bank is required to maintain a minimum capital adequacy ratio of 9% on an ongoing basis for credit risk, market risk and operational risk, with a minimum Tier I capital ratio of 6%. Further, the minimum capital maintained by the Bank as on 31 March 2013 is subject to a prudential floor, which is the higher of the following amounts:

a) Minimum capital required as per the Basel II framework.

b) 80% of the minimum capital required to be maintained under the Basel I framework.

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

(Amount in ₹ ‘000)

Particulars	**As at 31 March 2013**		**As at 31 March 2012**	
	As per Basel I Framework	**As per Basel II Framework**	**As per Basel I Framework**	**As per Basel II Framework**
Tier I capital	10,342,096	10,342,096	5,528,449	5,528,449
Tier II capital	147,511	147,511	72,901	72,901
Total capital	**10,489,607**	**10,489,607**	**5,601,350**	**5,601,350**
Risk weighted assets	**37,313,438**	**39,748,641**	**19,603,159**	**21,967,058**
CRAR				
Tier 1	27.72%	26.02%	28.20%	25.17%
Tier 2	0.40%	0.37%	0.37%	0.33%
Total	28.11%	26.39%	28.57%	25.50%

(Amount in ₹ ‘000)

Particulars	**For the year ended 31 March 2013**	**For the year ended 31 March 2012**
Amount raised by issue of subordinated debt as Tier-II capital	Nil	Nil
Amount raised by issue of Innovative Perpetual Debt Instruments (IPDI) during the year	Nil	Nil
Amount raised by issue of Upper Tier II Instruments during the year	Nil	Nil
Amount raised by issue of Lower Tier II Instruments during the year	Nil	Nil

3. Investments

(Amount in ₹ ‘000)

Particulars	**As at 31 March 2013**	**As at 31 March 2012**
1) Value of Investments		
(i) Gross Value of Investments	9,950,606	4,519,748
(a) In India	9,950,606	4,519,748
(b) Outside India	–	–
(ii) Provisions for Depreciation	445	–
(a) In India	445	–
(b) Outside India	–	–
(iii) Net Value of Investments	9,950,161	4,519,748
(a) In India	9,950,161	4,519,748
(b) Outside India	–	–
2) Movement of provisions held towards depreciation on Investments		
(i) Opening Balance	–	–
(ii) Add: Provisions made during the year	445	–
(iii) Less: Write-off/write back of excess provisions during the year	–	–
(iv) Closing balance	445	–

There are no non performing Investments as at 31 March 2013. (Previous year Nil)

4. **Repo/Reverse Repo Transactions (in face value terms)**

(Amount in ₹ '000)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31 March 2013
Securities sold under repo	**262,500** **(50,000)**	**5,250,000** **(250,000)**	**2,849,259** **(227,778)**	**2,100,000** **(–)**
i. Government securities	262,500 (50,000)	5,250,000 (250,000)	2,849,259 (227,778)	2,100,000 (–)
ii. Corporate debt securities	– (–)	– (–)	– (–)	– (–)
Securities purchased under reverse repo	– (–)	– (–)	– (–)	– (–)
i. Government securities	– (–)	– (–)	– (–)	– (–)
ii. Corporate debt securities	– (–)	– (–)	– (–)	– (–)

The above disclosure includes LAF done with RBI.

The days with nil outstanding have been excluded while computing minimum, maximum and average outstanding.

Figures in brackets indicate previous year figures.

5. **Non SLR Investment Portfolio**

During the year ended 31 March 2013, there was no investment in Non SLR securities. (Previous year Nil).

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

No investments were classified under the category HTM during the year ended 31 March 2013, consequently there was no sale or transfer to/from HTM category. (Previous year Nil)

7. **Derivatives**

Details of outstanding Forward Rate Agreements/Interest Rate Swaps

(Amount in ₹ '000)

Particulars	As at 31 March 2013	As at 31 March 2012
i) The notional principal of swap agreements[1]	75,531,793	20,736,264
ii) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	257,388	30,386
iii) Collateral required by the Bank upon entering into swaps	–	–
iv) Concentration of credit risk arising from the swaps[2]		
– Banks in India	95.32%	46.43%
– Others	4.68%	53.57%
v) The fair value of the swap book[3]	30,883	1,289

There were no Forward Rate agreements (FRAs) outstanding as at 31 March 2013. (Previous year Nil)

[1] The notional principal amount does not include Cross Currency Swaps.

[2] The concentration is calculated on the basis of credit exposure.

[3] The fair value denotes mark to market on the Interest Rate Swaps.

Exchange Traded Interest Rate Derivatives

The Bank has not done any transaction in Exchange Traded Derivatives during the year ended 31 March 2013. (Previous year Nil)

8. **Disclosures on risk exposure in derivative**

Qualitative Disclosures

The Bank deals in derivatives for balance sheet management, market making purposes and also offers currency and interest rate derivatives to its customers.

Dealing in the derivatives is carried by the treasury front office team. Confirmation, settlement, accounting, risk monitoring, reporting and compliance are handled by independent teams who have clearly defined responsibilities.

Derivative financial instruments are carried at fair value.

The Bank has a detailed risk management and control framework to support its trading and balance sheet activities. The framework incorporates a risk measurement approach to quantify the magnitude of market risk within trading and balance sheet portfolios.

Market risk limits are allocated at various levels and are reported and monitored by Market Risk on a daily basis. The detailed limit framework allocates individual limits to manage and control asset classes, risk factors and profit and loss limits (to monitor and manage the performance of the trading portfolios).

A key measure of market risk is Value at Risk (VaR). VaR is a statistical estimate of the possible daily loss and is based on historical market movements. The Bank measures VaR at a 99% confidence interval. The Bank's standard VaR approach for both traded and non-traded risk is historical simulation. The Bank calculates VaR using historical changes in market rates, prices and volatilities over the previous 500 business days. Traded and non-traded VaR is calculated using a one-day holding period. The bank also utilises a number of other risk measures (e.g. stress testing) and risk sensitivity limits to measure and manage market risk.

Credit risk is managed on the basis of detailed risk profile of the counterparty, related conditions and expectations. The Bank generally uses Master Agreements with its counterparties for derivatives activities. Generally, International Swaps and Derivatives Association (ISDA) Master Agreements will be used.

The Bank applies Current exposure methodology to manage credit risk associated with derivative transactions. This is computed by taking the sum of its mark-to-market value if positive and its potential future exposure which is calculated on based on its notional value and residual maturity.

The Bank has made provision on such credit exposures in accordance with RBI guidelines.

Quantitative Disclosures[1]

(Amount in ₹ '000)

Sr. No	Particulars	As at 31 March 2013		As at 31 March 2012	
		Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
1	**Derivatives (Notional Principal Amount)**				
	a) For hedging	–	–	–	–
	b) For trading	34,134,335	75,531,793	5,414,942	20,736,264
2	Marked to Market Positions (Net)				
	a) Asset (+)	390,132	257,388	108,697	30,386
	b) Liability (–)	(392,744)	(226,505)	(88,173)	(29,097)
3	Credit Exposure[2]	4,333,806	810,992	806,494	207,749
4	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	–	–	–	–
	b) on trading derivatives	285	744	6	2
5	Maximum of 100*PV01 observed during the year[3]				
	a) on hedging	–	–	–	–
	b) on trading	432	744	6	2
6	Minimum of 100*PV01 observed during the year[3]				
	a) on hedging	–	–	–	–
	b) on trading	177	120	–	–

1 Disclosure excludes foreign exchange contracts

2 Represents Total Exposure based on Current Exposure Method as prescribed by vide RBI master circular on Exposure Norms.

3 The maximum/minimum calculation is based on the monthly PV01 data submitted to RBI.

9. Asset Quality

Non Performing Assets

Particulars	As at 31 March 2013	As at 31 March 2012
(i) Net NPAs to Net Advances (%)	–	–
(ii) Movement of NPAs (Gross)	–	–
(a) Opening balance	–	–
(b) Additions during the year	280,775	–
(c) Reductions during the year	–	–
(d) Closing balance	280,775	–
(iii) Movement of Net NPAs	–	–
(a) Opening balance	–	–
(b) Additions during the year	–	–
(c) Reductions during the year	–	–
(d) Closing balance	–	–
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)	–	–
(a) Opening balance	–	–
(b) Provisions made during the year	280,775	–
(c) Write-off/write-back of excess provisions	–	–
(d) Closing balance	280,775	–

The Bank has no accounts restructured, sale of financial assets to securitisation/reconstruction Company, purchase/sale of NPAs during the year and hence the disclosures on particulars of accounts restructured, details of financial assets sold to securitisation/reconstruction Company and details of purchase/sale of NPAs etc. are not applicable. (Previous year Nil)

10. Provisions on Standard Assets

(Amount in ₹ '000)

Particulars	As at 31 March 2013	As at 31 March 2012
Standard Provision on Advances	95,067	52,749
Standard Provision on Credit Exposure on derivatives	50,868	19,564

11. Business Ratios

(Amount in ₹ '000)

Sr. No.	Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
i.	Interest income as a % to working funds[1]	6.61%	5.51%
ii.	Non-interest income as a % to working funds[1]	1.16%	4.11%
iii.	Operating profit as a % to working funds[1]	1.05%	0.80%
iv.	Return on assets[2]	0.10%	0.05%
v.	Business per employee[3] (₹ '000s)	617,745	362,208
vi.	Net Profit per employee (₹ '000s)	545	118
vii.	Percentage of Net NPA to Net Advances	–	–

[1] Working fund is computed based on average of total assets (excluding accumulated losses) as reported to RBI in Form X under section 27 of the Banking Regulation Act, 1949 during the financial year

[2] Return on assets is with reference to average working fund (i.e. total of assets excluding accumulated losses)

[3] Business is calculated as deposits plus advances excluding interbank deposits

Above ratios are based on no of employees as at 31 March 2013

12. Maturity Patterns of Assets and Liabilities[1]

As at 31 March 2013

(Amount in ₹ '000)

Maturity Bucket	Day 1	2-7 days	8-14 days	15-28 days	29 days – 3 months	Over 3 months – 6 months	Over 6 months – 1 year	Over 1 year – 3 years	Over 3 years – 5 years	Over 5 years	Total
Deposits	52,739	483,940	429,176	712,143	11,867,177	2,530,946	8,499,905	516,446	–	–	**25,092,472**
Advances	683	1,816,952	313,350	1,209,559	10,382,672	3,298,557	3,619,960	2,387,556	737,500	–	**23,766,789**
Investments	2,356,709	819,877	186,552	447,402	2,007,070	2,525,810	1,459,787	119,389	106	27,459	**9,950,161**
Borrowings	–	2,000,000	–	–	4,451,369	1,414,490	–	–	–	–	**7,865,859**
Foreign Currency Assets[2]	978,402	2,131,288	108,570	–	3,446,941	2,340,739	1,846,514	–	–	163,250	**11,015,704**
Foreign Currency Liabilities[2]	694,597	–	–	234,834	14,524,996	2,702,307	5,944,378	–	–	–	**24,101,112**

As at 31 March 2012

(Amount in ₹ '000)

Maturity Bucket	Day 1	2-7 days	8-14 days	15-28 days	29 days – 3 months	Over 3 months – 6 months	Over 6 months – 1 year	Over 1 year – 3 years	Over 3 years – 5 years	Over 5 years	Total
Deposits	4,911	1,489,465	1,910,475	2,835,000	5,230,000	2,130,044	3,360,093	389,586	–	–	17,349,574
Advances	660	3,243,961	296,121	2,550,787	3,104,644	3,370,925	620,141	–	–	–	13,187,239
Investments	428,445	223,981	84,824	712,433	672,895	757,585	1,483,811	132,102	348	23,324	4,519,748
Borrowings	–	–	–	864,876	1,088,726	3,993,692	–	–	–	–	5,947,294
Foreign Currency Assets[2]	1,129,947	865	1,501	956,546	1,109,070	1,610,195	–	–	–	152,626	4,960,750
Foreign Currency Liabilities[2]	178,306	31,517	–	865,757	1,091,742	4,008,492	–	–	–	–	6,175,814

[1] The maturity pattern has been compiled in the same manner as required for the RBI DSB returns.

[2] Foreign currency assets/liabilities exclude off-balance sheet assets and liabilities.

13. Exposures to Real Estate Sector and Capital Market

The Bank has no direct or indirect exposure to Real Estate Sector and Capital Market hence the disclosure on Real Estate Sector and Capital Market is not applicable. (Previous year Nil)

14. Risk category wise Country Exposure

Provision for country risk exposure in terms of RBI master guidelines is as follows:

(Amount in ₹ '000)

Risk Category	Funded Exposure (net) as at 31 March 2013	Provision held as at 31 March 2013	Funded Exposure (net) as at 31 March 2012	Provision held as at 31 March 2012
Insignificant	2,995,244	1,576	1,132,113	589
Low	325	–	2	–
Moderate	–	–	–	–
High	–	–	–	–
Very High	–	–	–	–
Restricted	–	–	–	–
Off-credit	–	–	–	–
Total	**2,995,569**	**1,576**	**1,132,115**	**589**

As per RBI guidelines, the provision is created for only those countries where the net funded exposure exceeded 1% of the total assets as at 31 March 2013. Further, lower provisions of 25% of the requirement has been created with respect to short term exposures (i.e. exposures with contractual maturity of less than 180 days)

15. Details of Single Borrower Limit (SBL)/Group Borrower Limit (GBL) exceeded by the Bank

During the year ended 31 March 2013, the Bank has complied with RBI guidelines on single borrower and group borrower limit. As per the extant RBI guidelines, the Bank with the approval of the Indian Executive Committee (India EXCO) can enhance exposure to single borrower or group borrower by a further 5 percent of the capital funds. During the year ended 31 March 2013, the Bank enhanced single borrower limit for below customers with the approval of the India Executive Committee (EXCO) from 15 % to 20%.

- Reliance Industries Limited (RIL)
- Siemens Financial Services Private Limited
- Aditya Birla Retail Limited
- Indian Farmers Fertiliser Co-Operative Limited (IFFCO)

There was no enhancement of the single borrower or group borrower limit by the Bank during previous year.

16. Unsecured Advances against intangible assets

During the year ended 31 March 2013 the Bank has not granted any advances against intangible securities such as charge over the rights, licenses, authority etc. (Previous year Nil)

17. Amount of Provision made for Income Tax during the year

(Amount in ₹ '000)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Provision for Current Tax	155,505	45,500
Provision for Deferred Tax	(107,255)	10,058
Total	**48,250**	**55,558**

18. Disclosure of Penalties Imposed by RBI

During the financial year under review, no penalty was imposed by RBI on the Bank. (Previous Year Nil).

19. Employee Benefits

Provident Fund – Defined Contribution Plan

The Bank has recognised ₹ 19,254 (000s) in the Profit and Loss Account as employer's contribution to the provident fund. (Previous Year ₹ 15,599 (000s))

Gratuity – Defined benefit Plan

The Company has adopted Accounting Standard 15 (Revised 2005) – Employee Benefits (AS 15) and determined the actuarial liability for gratuity as per the projected unit credit method using an independent actuary.

The principal actuarial assumptions used as at the balance sheet date are as follows:

(Amount in ₹ '000)

Particulars	As at 31 March 2013	As at 31 March 2012
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	6635	–
Interest cost	570	162
Current service cost	4483	2,140
Acquisition cost*	–	2,495
Benefits paid	–	(127)
Actuarial (gain)/loss on obligation	(771)	1,965
Present value of obligation as at March 31	**10,917**	**6,635**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	3955	–
Expected return on plan assets	575	174
Contributions*	4650	3,939
Benefits paid	–	(127)
Actuarial gain/(loss) on plan assets	219	(31)
Fair value of plan assets as at March 31	**9399**	**3,955**
Amount recognised in Balance sheet		
Fair value of plan assets as at March 31	9,399	3,955
Present value of obligation as at March 31	10,917	6,635
Asset/(Liability) as at March 31	(1,518)	(2,680)
Expenses recognised in Profit and Loss Account		
Interest Cost	570	162
Current Service cost	4,482	2,140
Expected return on plan assets	(575)	(174)
Net Actuarial (gain)/loss recognised in the year/period	(990)	1,996
Net Cost	**3,487**	**4,124**
Assumptions		
Valuation Method	Projected Unit Credit	Projected Unit Credit
Discount rate	8.10%	8.60%
Expected return on plan assets	9.15%	9.15%
Mortality	IAL Mortality Table Ult. (2006-08)	LIC (1994-96) ultimate
Salary escalation rate	8.00%	8.00%
Withdrawal rate	8.00%	8.00%
Retirement age	60 years	60 years

Particulars	31 March 2013	31 March 2012
Experience History		
Defined Benefit Obligation at end of the period	(10,917)	(6,635)
Plan Asset at end of he period	9,399	3,955
Funded Status	(1,518)	(2,680)
Experience Gain/(Loss) adjustments on plan liabilities	1,295	(2,384)
Experience Gain/(Loss) adjustments on plan assets	219	(31)
Actuarial Gain/(Loss) due to change on assumptions	(524)	419

* During the year ended March 31, 2012, employees were transferred from ANZ Capital Private Limited (ANZ Capital) and consequently gratuity corpus, containing assets of 3,131 (₹ ‘000s) and liability of 2,495 (₹ ‘000s), held with LIC by ANZ Capital was also transferred to Bank. On account of these there is difference in the gratuity liability as per books as on March 31, 2013 i.e. 2,153 (₹ ‘000s) (Previous Year ₹ 3,315 (000s) and as per actuarial valuation i.e. 1,517 (₹ ‘000s) (Previous Year ₹ 2,680 (000s).

Compensated absences – Short-term

The actuarial liability of compensated absences of the employees of the Bank as of 31 March 2013 is Nil. (Previous Year Nil)

20. Segmental reporting

Part A: Business Segments

As per RBI guidelines Bank has recognised “Treasury”, “Corporate/Wholesale banking” and “Retail (Private Banking)” as the primary reporting segments. These segments are identified based on nature of services provided, risks and returns, organisational structure of the banks and the internal financial reporting system.

Treasury Operations comprises derivatives trading, money market operations, investments in bonds, treasury bills, government securities and foreign exchange operations. The revenue of this segment consists of interest earned on investments and gains on sale of securities, profit on exchange and derivative transactions. The principal expenses of this segment consist of interest expense on funds borrowed, occupancy expenses, personnel costs, other direct overheads and allocated expenses.

Corporate/Wholesale Banking primarily comprises funded and non-funded facilities, cash management activities and fee based activities. Revenues of this segment consist of interest earned on loans extended to clients and fees received from non-fund based activities like letter of credit, guarantee etc. The principal expenses of this segment consist of interest expense on deposits raised, occupancy expenses, personnel costs, other direct overheads and allocated expenses.

Retail/Private Banking primarily comprises of raising of deposits from retail customers and catering to loan requirements of such customers. The revenue for the segment is mainly interest earned on the loans disbursed while the expense is mainly towards interest paid on the deposits raised, occupancy expenses, personnel costs, other direct overheads and allocated expenses.

For the year ended 31 March 2013

(Amount in ₹ ‘000)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Total
Revenue	1,318,834	1,989,677	–	3,308,511
Result	351,619	(269,281)	8,948	91,286
Unallocated expenses				–
Operating profit				**91,286**
Income taxes				48,250
Extraordinary profit/loss				–
Net profit				**43,036**
Other information:				
Segment assets	24,345,321	24,211,535	–	48,556,856
Unallocated assets				527,471
Total assets				**49,084,327**
Segment liabilities	22,875,390	8,436,319	17,507,151	48,818,860
Unallocated liabilities				265,467
Total liabilities				**49,084,327**

For the year ended 31 March 2012

(Amount in ₹ '000)

Business Segments	Treasury	Corporate/ Wholesale Banking	Total
Revenue	839,109	809,545	1,648,654
Result	(367,090)	431,595	64,505
Unallocated expenses			–
Operating profit			**64,505**
Income taxes			55,558
Extraordinary profit/loss	–	–	–
Net profit			**8,947**
Other information:			
Segment assets	13,458,797	17,269,946	30,728,743
Unallocated assets			536,734
Total assets			**31,265,477**
Segment liabilities	17,766,665	13,363,982	31,130,647
Unallocated liabilities			134,830
Total liabilities			**31,265,477**

Part B: Geographic segments

The Bank operates as a single unit in India and as such has no identifiable geographical segments subject to dissimilar risk and returns. Hence, no information relating to geographical segments are presented.

21. Related Party Disclosures

Related party disclosure as required in accordance with AS 18 – "Related Party Disclosures" and RBI Guidelines, is provided below:

A. List of Related parties[1]

Head Office and Branches

Australia and New Zealand Banking Group Limited, Australia
Australia and New Zealand Banking Group Ltd – Singapore
Australia and New Zealand Banking Group Ltd – New York
Australia and New Zealand Banking Group Ltd – Japan
Australia and New Zealand Banking Group Ltd – London
Australia and New Zealand Banking Group Ltd – Hong Kong
Australia and New Zealand Banking Group Ltd – Fiji

Other Group Entities

ANZ Bank (Vietnam) Limited
ANZ National Bank Limited
ANZ Royal Bank (Cambodia) Ltd
Australia and New Zealand Bank (China) Company Limited
Australia and New Zealand Banking Group (PNG) Limited
ANZ Bank (Vanuatu) Limited
ANZ Capital Private Limited
ANZ Support Services India Pvt Limited
ANZ Operations & Technology Private Limited
PT Bank Pan Indonesia, TBK
ANZ Panin Bank
ANZ Global Services and Operations (Manila), Inc.

[1] The above category includes only those related parties with whom transactions have occurred during the year and/or previous year.

B. Key Management Personnel

Mr. Subhas DeGamia, Chief Executive Officer

C. Transactions with related parties

(Amount in ₹ '000)

Particulars	Head Office and Branches		Other Group Entities	
	As at 31 March 2013	Maximum Outstanding during the year	As at 31 March 2013	Maximum Outstanding during the year
Borrowings	5,865,859	9,639,390	–	–
Deposits	–	–	5,603,504	5,915,359
Placements	1,968,300	3,869,700	–	–
Advances	–	–	–	–
Investments	–	–	–	–
Balances with Banks	453,817	1,403,352	455	645
Non-funded commitments	5,623,177	5,847,238	1,704,365	1,705,316

(Amount in ₹ '000)

Particulars	Head Office and Branches		Other Group Entities	
	For the year ended 31 March 2013	As at 31 March 2013	For the year ended 31 March 2013	As at 31 March 2013
Purchase of fixed assets	55,632	–	–	–
Sale of fixed assets	–	–	–	–
Interest paid	62,146	7,527	303,560	168,342
Interest received	18,607	133	–	–
Rendering of services	548,664	52,744	–	–
Receiving of services	14,151	10,622	34,537	6,778
Payment for share based payment	29,410	–	–	–
Fees Received	12,335	–	1,801	–

(Amount in ₹ '000)

Particulars	Head Office and Branches		Other Group Entities	
	As at 31 March 2012	Maximum Outstanding during the year	As at 31 March 2012	Maximum Outstanding during the year
Borrowings	5,947,293	6,105,841	–	–
Deposits	–	–	3,093,498	3,506,062
Placements	–	2,665,197	–	–
Advances	–	–	–	–
Investments	–	–	–	–
Balances with Banks	185,140	685,966	–	–
Non-funded commitments	5,133,354	5,263,126	18,101	18,101

(Amount in ₹ '000)

Particulars	Head Office and Branches		Other Group Entities	
	For the year ended 31 March 2012	As at 31 March 2012	For the year ended 31 March 2012	As at 31 March 2012
Purchase of fixed assets	206,753	–	16,308	–
Sale of fixed assets	–	–	–	–
Interest paid	35,058	18,697	99,783	99,780
Interest received	4,024	–	–	–
Rendering of services	322,150	–	–	–
Receiving of services	4,595	288	86,278	9,169
Payment for share based payment	–	–	–	–
Fees Received	1,797	–	347	–

Note:
– In accordance with the guidance on compliance with the accounting standards by banks issued by Reserve Bank of India, the Bank has not disclosed the details pertaining to the related party where there is only one entity/person in any category of related parties

22. Lease Disclosures

At 31 March 2013, the Bank was obligated under operating and finance leases for motor vehicles and operating lease for premises, which were used primarily for business purposes.

Operating Lease

Lease payments recognised in the Profit and Loss Account during the period is ₹ 251,234 (000s). (Previous Year ₹ 179,194 (000s))

Total future minimum lease payments under non-cancellable operating lease at the period end:

(Amount in ₹ '000)

Particulars	As at 31 March 2013	As at 31 March 2012
Not later than one year	224,864	213,908
Later than one year but not later than five years	969,049	1,197,224
Later than five years	388,484	388,484

Finance Lease

Lease payments recognised in the Profit and Loss Account during the period April 2012 to March 2013 is ₹ 1,959 (000s). (Previous year ₹ 2,221 (000s))

Total future minimum lease payments under the non-cancellable finance lease at the 31st March 2013:

(Amount in ₹ '000)

Particulars	As at 31 March 2013		As at 31 March 2012	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Not later than one year	5,412	5,072	8,087	7,594
Later than one year but not later than five years	4,234	3,281	11,263	8,694
Later than five years	Nil	Nil	Nil	Nil

23. Deferred Taxes

The deferred tax asset of 94,404 (₹ '000s) as at 31 March 2013 is included under Schedule 11 – Other assets. (Deferred tax liability of 10,058 (₹ '000s) as at 31 March 2012 is included under Schedule 5 – Other liabilities and provisions)

The primary components that gave rise to deferred tax assets and liabilities included in the balance sheet are as follows:

(Amount in ₹ '000)

	As at 31 March 2013	As at 31 March 2012
Deferred Tax Assets		
Provision for staff compensation and benefits	–	1,393
Provision for bad and doubtful debts	113,476	–
Straight lining of rent under AS-19	53,140	21,189
Deferred Tax Assets	**166,616**	**22,582**
Deferred Tax Liability		
Depreciation on fixed assets	(69,420)	(32,640)
Deferred Tax Liability	**(69,420)**	**(32,640)**
Net Deferred Tax (Liability)/Asset	97,196	(10,058)

24. Capital Commitments

Capital Commitment as on 31 March 2013 is 3000 (₹ '000s) {Previous year 19,918 (₹ '000s)}

25. Operating Expenses

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

(Amount in ₹ '000)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Travel expenses	Nil	24,346
Intercompany expenses	Nil	91,732

26. Micro, Small and Medium Enterprises Development Act, 2006

There are no delays in payments to micro and small enterprises as required to be disclosed under 'The Micro, Small and Medium Enterprises Development Act, 2006'. The determination has been made to the extent such parties were identified based on the information available. (Previous year Nil)

27. Provisions and Contingencies

Break up of provisions and contingencies

(Amount in ₹ '000)

	As at 31 March 2013	As at 31 March 2012
Provisions for depreciation on Investment	445	–
Provision towards NPA	280,775	–
Floating Provision	–	–
Provision towards Standard Assets	73,623	72,313
Provision made towards Income tax		
– Current tax expense	155,505	45,500
– Deferred tax	(107,255)	10,058
Other Provision and Contingencies		
– Provision towards Country Risk Exposure	987	589
Total	**404,080**	**128,460**

28. Floating Provisions

The Bank did not maintain any floating provision during the year ended 31 March 2013. (Previous year Nil)

29. Draw Down from Reserves

The Bank has not drawn any amount from reserves during the year ended 31 March 2013. (Previous year Nil)

30. Disclosure of Complaints

a) Customer Complaints

(Amount in ₹ '000)

Sr. No.	Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
(a)	No. of complaints pending at the beginning of the year	Nil	Nil
(b)	No. of complaints received during the year	1	Nil
(c)	No. of complaints redressed during the year	1	Nil
(d)	No. of complaints pending at the end of the year	Nil	Nil

b) Awards passed by the Banking Ombudsman

(Amount in ₹ '000)

Sr. No.	Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
(a)	No. of unimplemented awards at the beginning of the year	Nil	Nil
(b)	No. of awards passed by the Banking Ombudsman during the year	Nil	Nil
(c)	No. of awards implemented during the year	Nil	Nil
(d)	No. of unimplemented awards at the end of the year	Nil	Nil

31. Letters of Comfort (LoCs) issued by Banks

The Bank did not issue any Letter of Comfort during the year. (Previous year Nil)

32. Provisioning Coverage Ratio (PCR)

The Bank commenced operations in the financial year 2011-12, accordingly regulations relating to PCR are not applicable.

33. Bancassurance Business

The Bank does not undertake any bancassurance business. (Previous year Nil)

34. Concentration of Deposits, Advances, Exposures and NPAs

a) Concentration of Deposits

(Amount in ₹ '000)

	As at 31 March 2013	As at 31 March 2012
Total Deposits of twenty largest Depositors	21,853,003	17,302,973
Percentage of Deposits of twenty largest depositors to Total deposits of the Bank	87.09%	99.73%

b) Concentration of Advances*

(Amount in ₹ '000)

	As at 31 March 2013	As at 31 March 2012
Total Advances to twenty largest borrowers	22,075,072	13,215,784
Percentage of Advance to twenty largest borrowers to Total Advances of the Bank	55.33%	75.07%

* Advances represent Credit Exposure (funded and non-funded) including derivatives exposure as per RBI Master circular on Exposure Norms.

c) Concentration of Exposures**

(Amount in ₹ '000)

	As at 31 March 2013	As at 31 March 2012
Total Exposure to twenty largest borrowers/customers	22,075,072	13,215,784
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the Bank on borrowers/customers	55.33%	75.07%

** Exposure includes Credit Exposure (funded and non-funded), derivative exposure and investment exposure. However there is no investment exposure as on 31 March 2013.

d) Concentration of NPAs

(Amount in ₹ '000)

	As at 31 March 2013	As at 31 March 2012
Total Exposure to NPA accounts	280,775	Nil

35. Sector-wise NPAs

Sr No.	Sector	Percentage of NPAs to Total Advances in that sector	
		As at 31 March 2013	As at 31 March 2012
1	Agriculture and allied activities	–	–
2	Industry (Micro & Small, Medium and Large)	280,775	–
3	Services	–	–
4	Personal Loans	–	–

36. Movement of NPA

(Amount in ₹ '000)

Particulars	As at 31 March 2013	As at 31 March 2012
Gross NPAs as on 1st April of particular year (Opening Balance)	–	–
Additions (Fresh NPAs) during the year	280,775	–
Sub-total (A)	280,775	–
Less:–		
(i) Upgradations	–	–
(ii) Recoveries (excluding recoveries made from upgraded accounts)	–	–
(iii) Write-offs	–	–
Sub-total (B)	–	–
Gross NPAs as on 31st March of following year (closing balance) (A-B)	280,775	–

37. Overseas Assets, NPAs and Revenue

As the Bank is a branch of a foreign bank, this disclosure is considered not applicable.

38. Off – Balance Sheet SPVs sponsored

(Which are required to be consolidated as per accounting norms)

There are no off – balance sheet SPVs sponsored during the year. (Previous year Nil)

39. In terms of guidelines issued by RBI vide circular no. DBS.CO.ITC.BC.No. 6 /31.02.008/2010-11 dated 29th April 2011 on "Working Group on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds – Implementation of recommendations", the Bank has aligned its IT Policy which was approved by Risk Management Committee of the Bank on May 01, 2012 to comply with the above guidelines. The Bank is in compliance with requirements of the above guidelines and an independent review of the same has also been conducted.

40. In terms of guidelines issued by RBI vide circular no. DBOD No.BC.72/29.67.001/2011-12 dated 13th January 2012 on "Compensation of Whole Time Directors/Chief Executive Officers/Risk Takers and Control function staff, etc." the Bank has submitted a declaration received from its Head Office to RBI to the extent that the CEO's compensation structure in India is in conformity with the FSB principles and standards. Hence, the disclosure is not applicable.

41. Securitisation

The Bank has not sponsored any Special Purpose Vehicle for securitization transactions during the year and no securitization transactions are outstanding as at 31 March 2013 and hence disclosure is not applicable.

42. Credit Default Swap

The Bank has not dealt in any Credit Default Swaps during the year ended 31 March 2013 (Previous year Nil)

43. Prior Period Income/Expense:

(i) Internally developed software has now been amortised at 20% as against 33% in the previous year resulting in write back of amortisation of 18,696 (₹ '000s).

(ii) Expenses towards employees share-based payments for the period October 2011 to March 2012 has been made in financial year 2012-13 resulting in prior period expense amounting to 14,509 (₹ '000s),

44. Previous period figures

Previous period's figures have been regrouped/rearranged wherever necessary.

For Australia and New Zealand Banking Group Limited – Mumbai Branch

Sd/-	Sd/-
Subhas DeGamia	**S V Venkataraman**
Chief Executive Officer	*Chief Operating Officer*

Mumbai
7 June 2013

Australia and New Zealand Banking Group Limited – Mumbai Branch

(Incorporated in Australia with limited liability)

Basel II: Pillar 3 Disclosures as at 31 March 2013

1. Background

Australia and New Zealand Banking Group Limited – Mumbai Branch ('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.

In October 2010, ANZ received the final approval from the Reserve Bank of India ('RBI') to open a branch in Mumbai to carry out banking business. The Bank commenced its banking business in India from 2 June, 2011. The Bank has only one branch in India as on 31 March 2013.

Disclosures made hereunder are in accordance with Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF) – 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.

Key responsibilities of the India EXCO are:

- Approving all key business policies.
- Investigating and reviewing policy breaches for credit, operational and market risks; and approving remediation actions.
- Monitoring governance and compliance with Credit, Operational and Market risk management policies, procedures and systems (including risk models) in India and instigating any necessary corrective actions to address deviations.
- Undertaking activities to support the development of new products to be introduced by the Bank.

India Assets and Liabilities Committee ('India ALCO')

India ALCO is a sub-committee of the International and Institutional Banking ALCO ('I&IB ALCO') and is responsible for the oversight and strategic management of the India balance sheet, liquidity and funding positions and capital management activities.

India ALCO's mandate for managing balance sheet, liquidity and funding and capital activities include, but are not limited to:

- Liquidity and funding;
- Capital (book, regulatory and economic);
- Non-traded Interest Rate Risk, including the investment of capital and other non-interest bearing products;
- Balance sheet structure including capital and revenue flows, but excluding traded foreign exchange exposures;
- Approval and oversight of traded market risk;
- Policy, control and compliance activities for all balance sheet, liquidity and funding and capital related risks; and
- Recommendations/noting to I&IB ALCO for any key local decision taken at the ALCO

Risk Management Committee ('India RMC')

India RMC is a sub-committee of regional RMC and acts as a forum to ensure adequate awareness and debate of all significant risk issues that the Bank faces. India RMC has management oversight and presides over credit, operational and market risk within the Bank.

Key responsibilities of the India RMC are:

- Acting as the ultimate point of escalation against agreed Risk/Return standards across division.
- Overseeing Country/Business Level Credit, Operational and Market Risk strategies.
- Recommending country risk strategies.
- Identifying actions and mandating requirements into the resolution of country risk issues.
- Reviewing and approving (for in-country adoption of regionally/globally approved products) country new and amended products/programs, and ensuring that they meet Group Policy parameters.
- Consider key activities across the bank and their risk implications, and action accordingly.

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 Norms on Capital Adequacy – Basel I Framework;
- Master Circular – Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework ('NCAF'), commonly referred as Basel II guidelines.

Presently, banks in India are required to have a parallel run of the revised framework. Banks are required to apply the prudential guidelines on capital adequacy (per both guidelines mentioned above) on an on-going basis and compute their Capital to Risk Weighted Assets Ratio ('CRAR'). Under the parallel run (which continues till 31 March 2013) Banks are required to hold capital sufficient to meet the Basel II minimum capital requirements subject to a prudential floor of 80% of minimum capital requirement computed under the Basel I framework.

As per NCAF, currently Banks should adopt Standardised Approach (SA) for credit risk and Basic Indicator Approach (BIA) for operational risk. Banks shall continue to apply the Standardised Duration Approach (SDA) for computing capital requirement for market risks.

Basel II 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.

4. 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, 2013 no such 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. Capital Structure

Tier 1 capital mainly comprises of

- Interest free capital funds injected by Head Office
- Statutory Reserves calculated at 25% net profits of each year.

Intangible assets, debit balance in Profit and Loss Account have been deducted from above to arrive at Tier I capital.

Tier 2 capital mainly comprises of

- General provision on Standard Assets
- Provision for Country Exposures

The Capital structure as at 31 March, 2013 is as presented below

(Amount in ₹ 000)

Tier I Capital	
Head Office capital	11,311,074
Statutory Reserves	12,302
Debit balance in Profit and Loss Account (Including losses brought forward from Previous period)	(91,653)
Intangibles	(270,538)
Deferred Tax adjustment	(94,419)
Debit balance with Head office	(524,669)
Total Tier I Capital	**10,342,097**
Tier II Capital	
General Provisions and other eligible provisions	147,511
Total Tier II Capital	**147,511**
Total Eligible Capital (Tier I + II Capital)	**10,489,608**

6. **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 II 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 II minimum requirements) sufficient to cover Pillar 2 risks and the capital impact of a moderate (1 in 7 years) or 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.

As at 31 March 2013 CRAR stood at 26.39% as per BASEL II norms and 28.11% as per BASEL I 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 2013 is presented below.

(Amount in ₹ 000)

Minimum Regulatory Capital Requirements	
Capital requirements for Credit risk (a)	**3,001,334**
Portfolios subject to standardised approach	3,001,334
Securitisation exposures.	–
Capital requirements for Market risk (b)	**356,664**
Standardised duration approach	
– Interest rate risk	136,164
– Foreign exchange risk (including gold)	220,500
– Equity risk	–
Capital requirements for Operational risk (c)	**219,380**
Basic indicator approach	219,380
Total Minimum Regulatory Capital (a+b+c)	**3,577,378**
Risk Weighted Assets and Contingents	**39,748,641**
Credit Risk	33,348,154
Market Risk	3,962,930
Operational Risk	2,437,557
Capital Ratios	
Tier – I Capital	26.02%
Tier – II Capital	0.37%
Total Capital	**26.39%**

7. **Credit Risk: General Disclosures for all Banks**

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. It 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 concentration within risk appetite and within regulator defined prudential limits. This framework is top down and 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. Specialist remediation and workout 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.

7.1 Total gross credit risk exposures as at 31 March, 2013

(Amount in ₹ 000)

Fund Based	
Claims on Banks	8,617,698
Investments (HTM)	–
Loans and Advances	23,766,789
Other Assets and Fixed Assets	4,189,247
Non Fund Based	
Non Market Related Off Balance sheet items (Contingent Credits and Exposures)	10,429,693
Market Related (Foreign Exchange (Fx) and Derivative contracts)	12,716,976

Notes: 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 II capital framework.
- In case of Foreign exchange and derivative contracts, credit equivalents are computed using the current exposure method as prescribed by RBI.

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

Since all the exposures provided under Para 7.1 above are domestic, the disclosures on geographic distribution of exposures, both fund and non-fund based has not been made.

7.3 Industry type distribution of exposures as at 31 March, 2013

(Amount in ₹ 000)

Industry Name	Fund Based	Non Fund Based
Food Processing	2,830,849	–
Petroleum, Coal Products and Nuclear Fuels	977,130	117,734
Chemicals and Chemical Products (Dyes, Paints, etc.)	3,780,272	–
Rubber, Plastic and their Products	687,176	7,552
Glass & Glassware	434,280	–
Basic Metal and Metal Products	1,676,932	63,799
Vehicles, Vehicle Parts and Transport Equipments	200,000	31,694
Infrastructure	2,760,000	462,870
Petro-chemicals	–	25,124
Edible Oils and Vanaspati	–	639,809
Fertilisers	–	35,700
Iron and Steel	–	403,005
Drugs and Pharmaceuticals	–	662,498
Sugar	–	24,374
Residuary Other Advances	10,420,150	579,128
Total Loans & Advances	**23,766,789**	**3,053,287**
Claims on Banks	8,617,698	20,093,382
Investments (HTM)	–	–
Other Assets and Fixed Assets	4,189,247	–
Total Exposure	**36,573,734**	**23,146,669**

Notes:

Fund Based Exposure comprises of 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)

7.4 Residual contractual maturity breakdown of assets as at 31 March, 2013

(Amount in ₹ 000)

	Cash and Bank balances with RBI	Balances with Banks and money at call and short notice	Investments	Advances	Fixed Assets	Other Assets*	Total Assets
Day 1	328,179	1,093,748	2,356,709	683	–	–	**3,779,319**
2 to 7 days	142,587	1,968,300	819,877	1,816,952	–	4,696	**4,752,412**
8 to 14 days	32,444	–	186,552	313,350	–	422	**532,768**
15 to 28 days	77,809	1,750,000	447,402	1,209,559	–	33,328	**3,518,098**
29 days and upto 3 months	349,056	4,070,000	2,007,070	10,382,672	–	283,283	**17,092,081**
Over 3 months and upto 6 months	439,271	100,000	2,525,810	3,298,557	–	19,763	**6,383,401**
Over 6 months and upto 1 year	253,876	90,000	1,459,787	3,619,960	–	3,201,258	**8,624,881**
Over 1 year and upto 3 years	20,763	–	119,389	2,387,556	–	2,912	**2,530,620**
Over 3 years and upto 5 years	18	–	104	737,500	–	6,771	**744,393**
Over 5 years	4,776	–	27,461	–	461,703	542,844	**1,036,784**
Total	**1,648,779**	**9,072,048**	**9,950,161**	**23,766,789**	**461,703**	**4,095,277**	**48,994,757**

* Other assets does not include debit balance in Profit and Loss account

7.5 Details of Non-Performing Assets (NPAs) – Gross and Net

(Amount in ₹ 000)

	As at 31 March 2013
Substandard	–
Doubtful 1	–
Doubtful 2	–
Doubtful 3	280,775
Loss	–
Gross NPAs	280,775
Provisions and Interest in Suspense	280,775
Net NPAs	–

7.6 NPA Ratios

(Amount in ₹ 000)

	As at 31 March 2013
Gross NPAs to gross advances	1.17%
Net NPAs to net advances	–

7.7 Movement of NPAs (Gross)

(Amount in ₹ 000)

	For the year ended 31 March 2013
Opening balance	–
Additions	280,775
Reductions	–
Closing balance	280,775

7.8 Movement of provisions for NPAs

(Amount in ₹ 000)

	For the year ended 31 March 2013
Opening balance	–
Provisions made during the period	280,775
Write-off	–
Write-back of excess provisions	–
Closing balance	280,775

7.9 Amount of Non-Performing Investments

There are no non-performing investments as at 31 March 2013.

7.10 Amount of provisions held for Non-Performing Investments

There are no provisions held for non-performing investments as at 31 March 2013 as there are no non performing investments.

7.11 Movement of provisions for depreciation on investments

(Amount in ₹ 000)

	For the year ended 31 March 2013
Opening balance	–
Provisions made during the period	445
Write-off	–
Write-back of excess provisions	–
Closing balance	445

8. 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, CARE, CRISIL, ICRA and Fitch to assign risk weights as per RBI guidelines. For Non resident corporate and foreign banks ratings issued by the international rating agencies like S&P, Moody's and Fitch 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. As at 31 March 2013 all of the Bank's exposures were un-rated. Below attached is the summary as at 31 March 2013.

(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							
Claims on Banks	8,617,698	–	8,617,698	8,617,698	–	–	–
Investments (HTM)	–	–	–	–	–	–	–
Loans and Advances	23,766,789	–	23,766,789	354,607	23,412,181	–	–
Other Assets and Fixed Assets	4,189,247	–	4,189,247	3,449,036	740,211	–	–
Non Fund Based							
Non Market Related Off Balance sheet items (Contingent Credits and Exposures)	10,429,693	–	10,429,693	9,675,208	754,485	–	–
Market Related (Foreign Exchange (FX) and derivative contracts)	12,716,976	–	12,716,976	10,418,174	2,298,802	–	–

9. **Credit Risk Mitigation: Disclosures for Standardised Approaches**

RBI Basel II 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 II 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 realisable value net of realisation costs.

Credit Risk Mitigation details as at 31 March 2013 are as below

(Amount in ₹ 000)

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

10. **Securitisation Exposures: Disclosure for Standardised Approach**

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

11. **Market Risk**

Market risk is the risk to the Bank's earnings arising from changes in interest rates, currency exchange rates or from 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 financial derivatives. Market risk is generated through both trading and banking book activities.

The Bank conducts trading operations in interest rates, foreign exchange and securities.

The Bank has a detailed risk management and control framework to support its trading and balance sheet activities. The framework incorporates a risk measurement approach to quantify the magnitude of market risk within trading and balance sheet portfolios.

The management of Risk Management is supported by a comprehensive limit and policy framework to control the amount of risk that the Group will accept. Market risk limits are allocated at various levels and are reported and monitored by Market Risk on a daily basis. The detailed limit framework allocates individual limits to manage and control asset classes, risk factors and profit and loss limits (to monitor and manage the performance of the trading portfolios).

To facilitate the management, measurement and reporting of market risk, the Bank has grouped 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 interbank counterparties.

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

  This comprises the management of non-traded interest rate risk and liquidity risk.

Measurement of market risk

A key measure of market risk is Value at Risk (VaR). VaR is a statistical estimate of the possible daily loss and is based on historical market movements.

The Bank measures VaR at a 99% confidence interval. The Group's standard VaR approach for both traded and non-traded risk is historical simulation. The Group calculates VaR using historical changes in market rates, prices and volatilities over the previous 500 business days. Traded and non-traded VaR is calculated using a one-day 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 (e.g. stress testing) and risk sensitivity limits to measure and manage market risk.

ANZ also undertakes a wide range of stress tests to the individual trading portfolios. Standard stress tests are applied daily and measure the potential loss impact arising from applying the largest market movements during the previous seven years over specific holding periods. The worst stress losses during the month are reported to the RMC on a monthly basis.

VaR and stress tests are also supplemented by cumulative loss limits and detailed control limits. 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 is resumed. Where necessary, detailed control limits such as sensitivity or position limits are also in place to ensure appropriate control is exercised over a specific risk or product.

Back-Testing

Back-testing involves the comparison of calculated VaR exposures with 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. 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.

12. Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations as they fall due, 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 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 term. Ensuring that the bank has the ability to meet 'survival horizons' under a range of the Bank specific and general market liquidity stress scenarios to meet cash flow obligations over the short to medium term.
- 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.
- Ensuring the liquidity management framework is compatible with local regulatory requirements.
- Preparation of daily liquidity reports and scenario analysis, 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.

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

Scenario modeling

A key component of the Group's liquidity management framework is scenario modeling. The Bank mainly assesses liquidity under different scenarios, including the 'going-concern' and 'name-crisis'. Liquidity scenario modeling stresses cash flow projections against multiple 'survival horizons' over which the Bank is required to remain cash flow positive.

Capital requirement for Market Risk is provided in section 6 above.

13. Operational Risk

The Bank understands and manages operational risk efficiently and effectively, allocating appropriate capital to cover expected and unexpected losses to protect depositors, customers and shareholders. Further, ANZ Group has introduced a revised Operational Risk Measurement and Management Framework (ORMMF), including new policies and procedures, which will enable 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. ANZ India has reached a matured stage of implementation for ORMMF and is expected to be compliant with the revised framework by 30-June-2013.

An effective and embedded governance structure is also built for managing operational risk in line with the bank's values, culture, strategy and appetite. The oversight of operational risk management is conducted via three clearly articulated layers of risk management – Three lines of defence:

- 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 operational 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 operational risk. There are also on-going review mechanisms in place to ensure the framework continues to meet organisational needs and regulatory requirements.
- '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.

  The Bank periodically 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:
- Half yearly Risk Certification
- Periodic Control Testing
- Internal Audit Reviews
- Periodic External Reviews
- Compliance Monitoring

14. 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 is monitored using VaR. 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 repricing gaps over the first 12 months.

Impact in earnings for upward and downward shocks of 200 bps broken down by currency is:

As at 31 March 2013:

(Amount in ₹ 000)

Currency	**Interest Rate Risk Shocks**	
	200bp up	**200bp down**
Rupees	23,064	(22,484)
USD	1,028	(142)

The Bank uses Duration Gap approach to measure the impact of 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:

Change in MVE due to 200 bps change in interest rate	(Amount in ₹ 000)
31 March 2013	(241,705)