AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED - MUMBAI BRANCH

(Incorporated in Australia with limited liability)

INDEPENDENT AUDITOR'S REPORT

To
The Chief Executive Officer
Australia and New Zealand Banking Group Limited – Mumbai Branch

Report on the Financial Statements

1. We have audited the accompanying financial statements of Australia and New Zealand Banking Group Limited - Mumbai Branch ('the Bank'), which comprise the Balance Sheet as at 31 March 2015, the Profit and Loss Account, the Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with provisions of the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 and Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities, selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent, and the design, implementation and maintenance of internal financial controls, that operate effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the applicable provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Bank including its branches in accordance with Standards on Auditing ('the Standards') specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Bank has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India:
   (a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31March2015;
   (b) in the case of the Profit and Loss account, of the profit of the Bank for the year ended on that date; and
   (c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
8. As required Sub section (3) of Section 30 of the Banking Regulation Act, 1949, we report that:
   (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
   (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
   (c) the Bank has one branch which we have visited during the course of our audit. Since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein.
9. Further, as required by Section 143(3) of the Companies Act, 2013, we further report that:
   (i) we have sought and obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
   (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 financial accounting systems of the Bank are centralised and, therefore, returns are not necessary to be submitted by the branches;
   (iv) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (v) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred in Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.
   (vi) the requirements of Section 164(2) of the Act are not applicable considering the Bank is a branch of Australia and New Zealand Banking Group Limited, which is incorporated and registered in Australia.
   (vii) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
      (a) the Bank does not have any pending litigations which would impact its financial position.
      (b) the Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, wherever required, on long-term contracts including derivative contracts - Refer Schedule 5 and 12 to the financial statements.
      (c) there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **B S R & Associates LLP**
Chartered Accountants
Firm's Registration No: 116231W/W-100024

Sd/-
Ashwin Suvarna
Partner
Membership No: 109503

Mumbai
22 June 2015

BALANCE SHEET

	Schedule	As at 31 March 2015 (₹ '000s)	As at 31 March 2014 (₹ '000s)
CAPITAL AND LIABILITIES			
Capital	1	11,311,074	11,311,074
Reserves and surplus	2	993,453	428,869
Deposits	3	22,302,151	21,560,692
Borrowings	4	15,359,602	14,378,639
Other liabilities and provisions	5	8,609,151	9,103,291
Total Capital and liabilities		**58,575,431**	**56,782,565**
ASSETS			
Cash and balances with Reserve Bank of India	6	3,751,363	2,009,022
Balances with banks and money at call and short notice	7	4,746,302	9,923,316
Investments	8	18,788,681	15,654,922
Advances	9	22,583,709	20,472,310
Fixed assets	10	253,667	348,683
Other assets	11	8,451,709	8,374,312
Total Assets		**58,575,431**	**56,782,565**
Contingent liabilities	12	436,757,108	448,504,155
Bills for collection	-	7,743,509	3,248,722
Significant accounting policies and notes to financial statements	17, 18		

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

As per our report of even date

For B S R & Associates LLP	For **Australia and New Zealand Banking Group Limited - Mumbai Branch**
Chartered Accountants	
Firm Registration No. 116231W/W-100024	
Sd/-	Sd/-
Ashwin Suvarna	**Sanjeev Bajaj**
Partner	*Chief Executive Officer*
Membership No. 109503	
	Sd/-
Place: Mumbai	**Vinit Kumar Sarawgi**
Date: 22 June 2015	*Chief Financial Officer*

PROFIT AND LOSS ACCOUNT

	Schedule	For the year ended 31 March 2015 (₹ '000s)	For the year ended 31 March 2014 (₹ '000s)
I. INCOME			
Interest earned	13	2,844,271	3,070,646
Other income	14	1,232,491	437,994
Total		**4,076,762**	**3,508,640**
II. EXPENDITURE			
Interest expended	15	1,715,627	1,375,332
Operating expenses	16	1,380,228	1,337,676
Provisions and contingencies	16A	416,323	290,189
Total		**3,512,178**	**3,003,197**
III. PROFIT / (LOSS)			
Net Profit for the year		564,584	505,443
Profit / (Loss) brought forward from previous year		-	(89,570)
Total		**564,584**	**415,873**
IV. APPROPRIATIONS			
Transfer to Statutory Reserves	2	141,146	126,361
Transfer to / (from) Investment Reserve	2	(142)	142
Remittable Surplus retained in India for Capital to Risk-weighted Assets ratio (CRAR)	2	423,580	289,370
Balance carried over to balance sheet	2	-	-
Total		**564,584**	**415,873**
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 B S R & Associates LLP	For **Australia and New Zealand Banking Group Limited - Mumbai Branch**
Chartered Accountants	
Firm Registration No. 116231W/W-100024	
Sd/-	Sd/-
Ashwin Suvarna	**Sanjeev Bajaj**
Partner	*Chief Executive Officer*
Membership No. 109503	
	Sd/-
Place: Mumbai	**Vinit Kumar Sarawgi**
Date: 22 June 2015	*Chief Financial Officer*

CASH FLOW STATEMENT

		For the year ended 31 March 2015 (₹ '000s)	For the year ended 31 March 2014 (₹ '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit / (Loss) Before Taxation		885,208	891,790
Adjustments for:			
Depreciation on Bank's property		118,519	142,960
Provision in respect of non-performing assets (including general provision on standard assets and country risk exposure)		94,774	(95,824)
Depreciation / (Appreciation) on investments		925	(334)
(Profit)/Loss on sale of fixed assets		(124)	2,916
Write off of fixed assets		-	-
Operating profit before working capital changes		1,099,302	941,508
Adjustments for:			
Increase in investments		(3,134,684)	(5,704,427)
(Increase) / Decrease in advances		(2,111,399)	3,389,964
Increase in other assets		(1,982)	(4,348,753)
Increase in borrowings		980,963	6,512,780
Increase / (Decrease) in deposits		741,459	(3,531,780)
(Decrease) / Increase in other liabilities and provisions		(588,915)	4,301,705
		(3,015,256)	1,560,997
Direct taxes paid		(396,038)	(316,630)
Net cash flow from / (used in) operating activities	**(A)**	(3,411,294)	1,244,367
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (Including Capital WIP)		(23,827)	(32,856)
Proceeds from the sale of fixed assets		448	-
Net cash flow from / (used in) investing activities	**(B)**	(23,379)	(32,856)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital infusion		-	-
Net cash flow from / (used in) financing activities	**(C)**	-	-
Net increase in cash and cash equivalents (A+B+C)		(3,434,673)	1,211,511
Cash and cash equivalents at the beginning of the year	(D)	11,932,338	10,720,827
Cash and cash equivalents at the end of the year	(E)	8,497,665	11,932,338
Net Increase/(Decrease) in cash and cash equivalents (E-D)	**(F)**	**(3,434,673)**	**1,211,511**
Note: Cash and Cash Equivalent represents			
	Schedule	As at 31 March 2015	As at 31 March 2014
Cash and Balance with Reserve Bank of India	6	3,751,363	2,009,022
Balance with banks and Money at call and short notice	7	4,746,302	9,923,316
Total		**8,497,665**	**11,932,338**

As per our report of even date

For B S R & Associates LLP	For **Australia and New Zealand Banking Group Limited - Mumbai Branch**
Chartered Accountants	
Firm Registration No. 116231W/W-100024	
Sd/-	Sd/-
Ashwin Suvarna	**Sanjeev Bajaj**
Partner	*Chief Executive Officer*
Membership No. 109503	
	Sd/-
Place: Mumbai	**Vinit Kumar Sarawgi**
Date: 22 June 2015	*Chief Financial Officer*

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	As at 31 March 2015 (₹ '000s)	As at 31 March 2014 (₹ '000s)
1. CAPITAL		
Amount of deposit kept with Reserve Bank of India under Section 11 (2) (b) of the Banking Regulation Act, 1949	200,000	14,997
Head Office Account		
Capital remitted by Head Office		
Opening balance	11,311,074	11,311,074
Additions during the year	-	-
Total	**11,311,074**	**11,311,074**
2. RESERVES AND SURPLUS		
a Statutory Reserves		
Balance, beginning of the year	139,357	12,996
Transfer from Profit and Loss Account	141,146	126,361
Balance, end of the year	280,503	139,357
b Remittable Surplus retained in India for Capital to Risk-weighted Assets ratio (CRAR)		
Balance, beginning of the year	289,370	-
Transfer from Profit and Loss Account	423,580	289,370
Balance, end of the year	712,950	289,370
c Investment Reserve		
Balance, beginning of the year	142	-
Transfer to Profit and Loss Account	(142)	142
Balance, end of the year	-	142
Total	**993,453**	**428,869**
3. DEPOSITS		
a I. Demand Deposits		
From banks	24,876	12,213
From others	2,496,530	1,345,779
Total Demand Deposits	**2,521,406**	**1,357,992**
II. Savings Bank Deposits		
Total Savings Bank Deposits	30	74
III. Term Deposits		
From banks	-	-
From others	19,780,715	20,202,626
Total Term Deposits	**19,780,715**	**20,202,626**
Total	**22,302,151**	**21,560,692**
b I. Deposits of branches in India	22,302,151	21,560,692
II. Deposits of branches outside India	-	-
Total	**22,302,151**	**21,560,692**
4. BORROWINGS		
a Borrowings in India from		
(i) Reserve Bank of India	-	630,000
(ii) Other banks	1,030,000	100,000
(iii) Other institutions and agencies	-	3,045,507
	1,030,000	**3,775,507**
b Borrowings outside India	14,329,602	10,603,132
Total	**15,359,602**	**14,378,639**
Secured Borrowings included in a and b above	-	3045,507
5. OTHER LIABILITIES AND PROVISIONS		
Bills payable	14,903	156,193
Inter Office Adjustment (net)	-	-
Interest accrued	476,971	470,434
Contingent provision against standard assets	241,531	147,172
Others (including provisions) (Refer Schedule 18 Note 33)	7,875,746	8,329,492
Total	**8,609,151**	**9,103,291**
6. CASH AND BALANCES WITH RESERVE BANK OF INDIA		
Cash in hand (including foreign currency notes)	424	422
Balance with Reserve Bank of India in current account	3,750,939	2,008,600
Total	**3,751,363**	**2,009,022**
7. BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with banks		
(a) In current accounts	126,334	100,194
(b) In other deposit accounts	3,550,000	9,120,000
(ii) Money at call and short notice		
(a) with banks	-	-
(b) with other institutions	-	-
	3,676,334	**9,220,194**
II. Outside India		
(i) In current accounts	1,069,968	703,122
(ii) In other deposit accounts	-	-
(iii) In money at call and short notice	-	-
	1,069,968	**703,122**
Total	**4,746,302**	**9,923,316**
8. INVESTMENTS		
I. Investments in India in		
(i) Government securities	18,789,717	15,655,033
(ii) Other approved securities	-	-
(iii) Shares	-	-
(iv) Debentures and bonds	-	-
(v) Subsidiaries	-	-
(vi) Others	-	-
Less: Diminution in the value of investments	-	-
	18,789,717	**15,655,033**
II. Investments outside India in		
(i) Government securities (including local authorities)	-	-
(ii) Subsidiaries and/or Joint venture abroad	-	-
(iii) Other Investments	-	-
Gross Investments	**18,789,717**	**15,655,033**
Less: Provision for depreciation on investments	1,036	111
Total	**18,788,681**	**15,654,922**
9. ADVANCES		
a. I. Bills purchased and discounted	2,077,995	1,567,089
II. Cash credits, overdrafts and loans repayable on demand	18,696,131	15,106,054
III. Term loans	1,809,583	3,799,167
	22,583,709	**20,472,310**
b. I. Secured by tangible assets	4,880,257	800,000
II. Covered by bank / government guarantees	-	-
III. Unsecured	17,703,452	19,672,310
	22,583,709	**20,472,310**
c. I. Advances in India		
Priority sector	8,755,738	8,397,879
Public sector	1,863,813	-
Banks	-	-
Others	11,964,158	12,074,431
	22,583,709	**20,472,310**
II. Advances outside India		
Due from banks	-	-
Due from others	-	-
Total	**22,583,709**	**20,472,310**
10. FIXED ASSETS		
I. Premises	-	-
II. Other Fixed Assets (Including furniture and fixtures)		
Balance, beginning of the year	633,775	596,345
Additions during the year	12,871	45,106
Deductions during the year	1,323	7,676
Less: Depreciation to date	419,912	302,392
Net book value of other fixed assets	**225,411**	**331,383**
Capital work in progress	28,256	17,300
Total Net Book Value of Fixed Assets	**253,667**	**348,683**
11. OTHER ASSETS		
Inter Office Adjustment (net)	-	-
Interest accrued	143,108	195,946
Tax paid in advance / tax deducted at source (net of provision for taxation)	76,225	57,442
Deferred tax asset (Refer Schedule 18 Note 30)	104,195	47,563
Stationery and stamps	-	-
Others (Refer Schedule 18 Note 33)	8,128,181	8,073,361
Total	**8,451,709**	**8,374,312**
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	186,713,109	216,526,652
Liability on account of derivative contracts	232,963,458	220,465,538
Guarantees given on behalf of constituents		
- In India	12,095,924	9,213,948
- Outside India	-	-
Acceptances, endorsements and other obligations	4,825,481	2,138,825
Other items for which the Bank is contingently liable		
- Tax demands	261	4,328
- Purchase of Investments	158,875	154,864
Total	**436,757,108**	**448,504,155**

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	For the year ended 31 March 2015 (₹ '000s)	For the year ended 31 March 2014 (₹ '000s)
13. INTEREST EARNED		
Interest/discount on advances / bills	1,167,080	1,538,168
Income on investments	1,154,029	1,000,257
Interest on balances with Reserve Bank of India and other inter-bank funds	520,992	531,365
Others	2,170	856
Total	**2,844,271**	**3,070,646**
14. OTHER INCOME		
Commission, exchange and brokerage	153,092	124,857
Net profit on sale of Investments	105,855	(24,343)
Net profit on revaluation of Investments	-	-
Net profit / (loss) on sale of premises and other assets	124	(2,916)
Net profit / (loss) on exchange transactions (including derivatives)	390,637	(346,450)
Miscellaneous income	582,783	686,846
Total	**1,232,491**	**437,994**
15. INTEREST EXPENDED		
Interest on deposits	1,535,712	1,253,014
Interest on Reserve Bank of India and inter-bank borrowings	150,740	62,635
Others	29,175	59,683
Total	**1,715,627**	**1,375,332**
16. OPERATING EXPENSES		
Payments to and provisions for employees	736,208	709,796
Rent, taxes and lighting	227,759	174,679
Printing and stationery	3,910	4,880
Advertisement and publicity	2,632	4,047
Depreciation on Bank's property	118,519	142,960
Auditors' fees and expense	2,200	1,580
Legal and professional charges	52,081	74,098
Postage, telegrams, telephones, etc.	6,205	6,974
Repairs and maintenance	4,587	8,576
Insurance	23,172	26,873
Other expenses (Refer Schedule 18 Note 32)	202,955	183,213
Total	**1,380,228**	**1,337,676**
16A PROVISIONS AND CONTINGENCIES		
Specific provisions against advances written back (net of bad debts written off)	-	(95,485)
General provision against standard assets	94,358	1,237
Provision towards country risk	416	(1,576)
Diminution in the value of Investments	925	(334)
Provision on account of tax		
- Current tax expense	377,256	336,714
- Deferred tax expense/(Income)	(56,632)	49,633
Total	**416,323**	**290,189**

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. **Background**

The accompanying financial statements for the year ended 31 March 2015 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 2015.

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 ('GAAP') in India, statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and the guidelines issued by the Reserve Bank of India ('RBI') from time to time, the Accounting Standards ('AS') (specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) to the extent applicable) 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 recognised prospectively in current and future periods.

4. **Significant accounting policies**

4.1 **Revenue recognition**

a) Interest income is recognised on an accrual basis, except in case of interest on Non Performing Assets (NPAs), which is recognised as income on receipt, in accordance with RBI guidelines.

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 as and when due once the services are rendered. In case tenor of guarantee is more than one year, fees for issuance is amortised on straight-line basis over the period of guarantee except guarantee fees up to set threshold (1% of total fees and commission income or ₹15,00,000 whichever is lower), which is recognised upfront in the year of issuance of guarantee.

d) Fees from support services are recognised based on applicable service contracts and when the service has been rendered.

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 ₹5,000 and mobile instruments are written off in the month of acquisition.

e) The useful life estimates prescribed in Part C of Schedule II to the Companies Act, 2013 are generally adhered to, except in respect of class of assets, based on internal technical evaluation, where a different estimate of useful life is considered suitable.

f) Depreciation is provided on the straight-line method over the estimated useful life of the asset, as follows:

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

g) 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.

h) 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

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Continued from Page 1.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED - MUMBAI BRANCH

(Incorporated in Australia with limited liability)

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, Liabilities and 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, suitably interpolated for in-between maturity contracts as specified by FEDAI. Contracts of maturities over 12 months (long term forex contracts) are marked to market at rates derived from the 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 2015, 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. Broken period interest on debt instrument is accounted for in accordance with RBI guidelines.

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 transactions 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.

c) Recovery in respect of non performing advances
Amount recovered from non performing advances are first applied towards outstanding principal.

4.11 **Derivative Transactions**

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

b) These derivatives are part of the trading book and are recognised at fair value. 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 values of these contracts are recorded as contingent liabilities.

c) The Bank maintains a provision on standard derivative exposure at rates 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.

SCHEDULE 18: NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. **Capital**

During the year, the Bank has not received any additional capital from Head Office. (Previous year - NIL).

The Tier 1 capital as at 31 March 2015 is 12,064,959 (₹'000s) (Previous year 11,489,674 (₹'000s)).

2. **Capital Ratios:**

The Bank's Capital to Risk-weighted Asset Ratio ('CRAR') is calculated in accordance with the RBI's 'Basel III Capital regulations' issued vide RBI circular DBOD.No.BP.BC.6/21.06.201/2014-15 dated 1 July 2014. Under the Basel III framework, the Bank is required to maintain a minimum total capital adequacy ratio of 9% on an ongoing basis for credit risk, market risk and operational risk, with a minimum Common Equity Tier I capital ratio of 5.5% and minimum Tier I capital ratio of 7%.

The Bank's capital adequacy ratio as per Basel III is as follows: (Amount in ₹'000s)

Sr No	Particulars	As at 31 March 2015	As at 31 March 2014
1	Common Equity Tier 1 capital ratio (%)	21.42%	30.43%
2	Tier 1 capital ratio (%)	21.42%	30.43%
3	Tier 2 capital ratio (%)	0.43%	0.39%
4	Total Capital ratio (CRAR) (%)	21.85%	30.82%
5	Percentage of the shareholding of the Government of India in public sector banks	-	-
6	Amount of equity capital raised	-	-
7	Amount of Additional Tier 1 capital raised; of which PNCPS: PDI:	-	-
8	Amount of Tier 2 capital raised; of which Debt capital instrument: Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-

3. **Investments**

(Amount in ₹'000s)

Particulars	As at 31 March 2015	As at 31 March 2014
1) Value of Investments		
(i) Gross Value of Investments	18,789,717	15,655,033
(a) In India	18,789,717	15,655,033
(b) Outside India		-
(ii) Provisions for Depreciation	1,036	111
(a) In India	1,036	111
(b) Outside India	-	-
(iii) Net Value of Investments	18,788,681	15,654,922
(a) In India	18,788,681	15,654,922
(b) Outside India	-	-
2) Movement of provisions held towards depreciation on Investments		
(i) Opening Balance	111	445
(ii) Add: Provisions made during the year	925	-
(iii) Less: Write-off / write back of excess provisions during the year	-	334
(iv) Closing balance	1,036	111

There are no non performing Investments as at 31 March 2015 (Previous year Nil).

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

(Amount in ₹'000s)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31 March 2015
Securities sold under repo	**250,000 (260,000)**	**1,250,000 (2,392,000)**	**650,000 (1,057,829)**	**- (-)**
i. Government securities	250,000 (260,000)	1,250,000 (2,392,000)	650,000 (1,057,829)	- (-)
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo	-	-	-	-
i. Government securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-

The above disclosure includes LAF/MSF 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 2015, 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 2015, 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 ₹'000s)

Particulars	As at 31 March 2015	As at 31 March 2014
i) The notional principal of swap agreements[1]	181,814,193	180,062,403
ii) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	1,022,209	1,224,737
iii) Collateral required by the Bank upon entering into swaps	-	-
iv) Concentration of credit risk arising from the swaps[2]		
- Banks in India	92.47%	99.01%
- Others	7.53%	0.99%
v) The fair value of the swap book[3]	(9,687)	(146,725)

There were no Forward Rate agreements (FRAs) outstanding as at 31 March 2015 (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 2015 (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 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 limits 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 International Swaps and Derivatives Association (ISDA) Master Agreements with its counterparties for derivatives activities.

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 based on its notional value and residual maturity.

The Bank has made provision on such credit exposures in accordance with RBI circular DBOD.No.BP.BC.9/21.04.048/2014-15 dated 1 July 2014.

Quantitative Disclosures[1]

(Amount in ₹'000s)

Sr. No	Particulars	As at 31 March 2015 Currency Derivatives	As at 31 March 2015 Interest Rate Derivatives	As at 31 March 2014 Currency Derivatives	As at 31 March 2014 Interest Rate Derivatives
1	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	-	-
	b) For trading	51,149,265	181,814,193	40,403,135	180,062,403
2	Marked to Market Positions (Net)				
	a) Asset (+)	2,855,116	1,022,209	1,924,068	1,224,737
	b) Liability (-)	(2,944,385)	(1,031,896)	(2,109,382)	(1,371,462)
3	Credit Exposure[2]	6,140,043	2,848,071	4,719,795	2,548,595
4	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	69,099	105,409	22,764	8,503
5	Maximum of 100*PV01 observed during the year[3]				
	a) on hedging	-	-	-	-
	b) on trading	83,356	121,847	29,427	59,890
6	Minimum of 100*PV01 observed during the year[3]				
	a) on hedging	-	-	-	-
	b) on trading	19,318	6,576	21,196	2,529

[1] Disclosure excludes foreign exchange contracts.
[2] Represents total exposure based on current exposure method as per RBI master circular Exposure Norms DBOD.No.Dir.BC.12/13.03.00/2014-15 dated 1 July 2014.
[3] The maximum / minimum calculation is based on the monthly PV01 data submitted to RBI.

9. **Asset Quality**

Non Performing Assets (Amount in ₹'000s)

Particulars	As at 31 March 2015	As at 31 March 2014
(i) Net NPAs to Net Advances (%)	-	-
(ii) Movement of NPAs (Gross)		
(a) Opening balance	185,290	280,775
(b) Additions during the year	-	-
(c) Reductions during the year	185,290	95,485
(d) Closing balance	-	185,290
(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	185,290	280,775
(b) Provisions made during the year	-	-
(c) Write-off/ write-back of excess provisions	185,290	95,485
(d) Closing balance	-	185,290

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 for asset reconstruction and details of non-performing asset purchased / sold are not applicable (Previous year Nil).

10. **Concentration of Deposits, Advances, Exposures and NPAs**

a) *Concentration of Deposits* (Amount in ₹'000s)

	As at 31 March 2015	As at 31 March 2014
Total deposits of twenty largest depositors	22,030,351	21,030,430
Percentage of deposits of twenty largest depositors to total deposits of the Bank	98.78%	97.54%

b) *Concentration of Advances** (Amount in ₹'000s)

	As at 31 March 2015	As at 31 March 2014
Total advances to twenty largest borrowers	29,898,111	25,761,855
Percentage of advance to twenty largest borrowers to total advances of the Bank	46.67%	52.29%

*Advances represent credit exposure (funded and non funded) including derivatives exposure as per RBI master circular Exposure Norms DBOD.No.Dir.BC.12/13.03.00/2014-15 dated 1 July 2014.

Concentration of Exposures** (Amount in ₹'000s)

	As at 31 March 2015	As at 31 March 2014
Total exposure to twenty largest borrowers/ customers	29,898,111	25,761,855
Percentage of exposures to twenty largest borrowers/ customers to total exposure of the Bank on borrowers/ customers	46.67%	52.29%

**Exposure includes credit exposure (funded and non-funded), derivative exposure and investment exposure as per RBI master circular Exposure Norms DBOD.No.Dir.BC.12/13.03.00/2014-15 dated 1 July 2014. However there is no investment exposure as on 31 March 2015.

c) *Concentration of NPAs* (Amount in ₹'000s)

	As at 31 March 2015	As at 31 March 2014
Total Exposure to NPA accounts	-	185,290

11. **Sector-wise Advances**

(Amount in ₹'000s)

	Sector	As at 31 March 2015 Outstanding Total Advances	As at 31 March 2015 Gross NPAs	As at 31 March 2015 Percentage of Gross NPAs to Total Advances in that sector	As at 31 March 2014 Outstanding Total Advances	As at 31 March 2014 Gross NPAs	As at 31 March 2014 Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
	1 Agriculture and allied activities	-	-	-	-	-	-
	2 Advances to industries sector eligible as priority sector lending	8,755,738	-	-	8,397,879	-	-
	3 Services	-	-	-	-	-	-
	4 Personal loans	-	-	-	-	-	-
	Sub - total - A	**8,755,738**	**-**	**-**	**8,397,879**	**-**	**-**
B	**Non Priority Sector**						
	1 Agriculture and allied activities	-	-	-	-	-	-
	2 Industry	8,626,987	-	-	6,644,809	185,290	2.79%
	3 Services	5,200,984	-	-	5,614,912	-	-
	4 Personal loans	-	-	-	-	-	-
	Sub-total -B	**13,827,971**	**-**	**-**	**12,259,721**	**-**	**-**
	Total(A + B)	**22,583,709**	**-**	**-**	**20,657,600**	**-**	**-**

12. **Movement of NPA**

(Amount in ₹'000s)

Particulars	As at 31 March 2015	As at 31 March 2014
Gross NPAs as on 1April (Opening Balance)	185,290	280,775
Additions (new NPAs) during the year	-	-
Sub-total (A)	**185,290**	**280,775**
Less:-		
(i) Upgradations	-	-
(ii) Recoveries (excluding recoveries made from upgraded accounts)	-	95,485
(iii) Write-offs	185,290	-
Sub-total (B)	**185,290**	**95,485**
Gross NPAs as on 31 March (closing balance) (A-B)	**-**	**185,290**

13. **Overseas Assets, NPAs and Revenue**
As the Bank is a branch of a foreign bank, this disclosure is considered as not applicable.

14. **Provisions on Standard Assets**

(Amount in ₹'000s)

Particulars	As at 31 March 2015	As at 31 March 2014
General Provision on Advances	90,335	81,889
General Provision on Credit Exposure on derivatives	66,373	65,283

15. **Unhedged Foreign Currency Exposure**

The Bank's credit policy governs management of currency induced credit risk. As per Bank's policy and procedures, the Bank closely monitors the unhedged foreign currency exposures of all corporate clients. The Bank collects information from clients as regards their Risk Management policy and Foreign Exchange hedging policy as well as their open Foreign Exchange positions owing to their FX denominated borrowings (ECBs, Buyers' credit etc) and other liabilities. The information available is considered in the borrower's annual review credit memorandum and assessment of qualitative scores in the risk rating score-card. Interim findings are put up for discussions and noting to Risk Management Committee (RMC).

As at 31 March 2015, the Bank has provided incremental provisions of 84,823 (₹'000s) and held incremental capital of 312,377 (₹'000s).

16. **Business Ratios**

Sr. No.	Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i.	Interest income as a % to working funds[1]	5.61%	5.70%
ii.	Non-interest income as a % to working funds[1]	2.43%	0.81%
iii.	Operating profit as a % to working funds[1]	1.93%	1.48%
iv.	Return on assets[2]	1.11%	0.94%
v.	Business per employee[3, 4] (₹'000s)	527,776	500,247
vi.	Net Profit per employee[4] (₹'000s)	6,642	6,017
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. Ratio is computed basis number of employees as at 31 March 2015.
[4] Ratio is computed basis number of employees as at 31 March 2015.

17. **Maturity Patterns of Assets and Liabilities[1]**

As at 31 March 2015 (Amount in ₹'000s)

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	81,126	3,636,757	2,784,883	4,108,555	3,554,826	1,765,031	4,982,391	1,386,961	25	1,596	**22,302,151**
Advances	57,788	1,476,880	2,787,004	3,161,975	9,977,304	2,886,859	399,197	1,836,702	-	-	**22,583,709**
Investments	11,868,406	802,286	385,673	522,335	3,157,919	584,398	1,190,172	277,128	6	358	**18,788,681**
Borrowings	8,489	2,012,190	3,145,000	3,817,190	5,609,543	767,190	-	-	-	-	**15,359,602**
Foreign Currency Assets[2]	1,128,124	9,018	25,640	1,712,274	4,411,215	2,646,698	103,218	339,160	339,160	202,599	**10,917,106**
Foreign Currency Liabilities[2]	51,816	2,203,625	3,449,764	3,824,000	5,400,533	67,196	-	591,885	-	659	**15,589,478**

As at 31 March 2014 (Amount in ₹'000s)

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	51,540	1,034,243	3,530,781	4,551,207	6,547,125	1,270,055	3,938,844	636,512	-	385	**21,560,692**
Advances	61,385	1,551,277	514,213	3,641,129	7,172,441	4,521,460	755,625	2,254,780	-	-	**20,472,310**
Investments	8,056,961	930,362	300,409	741,726	3,856,487	602,315	975,507	161,345	-	29,810	**15,654,922**
Borrowings	2,052	3,045,507	-	348,055	10,301,190	681,835	-	-	-	-	**14,378,639**
Foreign Currency Assets[2]	763,491	547,330	-	223,103	4,365,834	1,827,975	70,688	-	-	179,744	**7,978,165**
Foreign Currency Liabilities[2]	35,359	199,844	233,151	1,463,832	14,382,668	682,356	-	298,128	-	1,719	**17,297,057**

[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.

18. **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).

Page 2 Continued......

Continued from Page 2.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED - MUMBAI BRANCH

(Incorporated in Australia with limited liability)

19. Risk category wise Country Exposure

Provision for country risk exposure as per RBI circular DBOD.No.BP. BC.9/21.04.048/2014-15 dated 1 July 2014 is as follows:

(Amount in ₹'000s)

Risk Category	Funded Exposure (net) as at 31 March 2015	Provision held as at 31 March 2015	Funded Exposure (net) as at 31 March 2014	Provision held as at 31 March 2014
Insignificant	1,078,016	416	733,253	-
Low	-	-	-	-
Moderate	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	**1,078,016**	**416**	**733,253**	**-**

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 2015. Further, lower provisions of 25% of the requirement have been created with respect to short term exposures (i.e. exposures with contractual maturity of less than 180 days).

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

As at the year-end 31 March 2015, the Bank is in compliance with RBI master circular Exposure Norms DBOD.No.Dir.BC.12/13.03.00/2014-15 dated 1 July 2014 on single borrower and group borrower limits.

However, during the financial year 2014-15, breaches in SBL were observed for the following clients:

- Ruchi Soya Industries Limited
- Reliance Industries Limited

In Reliance Industries Limited a Mark to Market (MTM) movement in outstanding market trades resulted in technical SBL breach, and was corrected soon-after. The cause of breach in single borrower limit in Ruchi Soya Industries Limited, in addition to the passive movement in MTM was on account of procedural issues in calculating exposure under a new product. The procedures and processes in question have since been strengthened.

The excesses were duly reported and approved by RMC and India Executive Committee (India Exco).

As per the extant RBI guidelines, the Bank with the approval of the India Exco can enhance exposure to single borrower or group borrower by a further 5% of the capital funds. During the year ended 31 March 2015, the Bank enhanced SBL for below customers from 15% to 20% of the capital funds.

- Ruchi Soya Industries Limited
- Aditya Birla Retail Limited

Further, the Bank held India Exco approvals for incremental 5% limits for the below customers.

- JSW Steel Limited
- Reliance Industries Limited.

During previous year the Bank complied with RBI guidelines on single borrower and group borrower limits. However, breach in Single Borrower Limit was observed in case of Mylan Laboratories Limited. The same was because of MTM movement in outstanding market trades, and was corrected soon-after. Further, as per extant RBI guidelines, the Bank enhanced single borrower limit for JSW Steel Limited with the approval of the India EXCO by 5% of capital funds.

21. Intra-Group Exposures

As at the year-end 31 March 2015, the Bank is in compliance with RBI circular DBOD.No.BP.BC.96/21.06.102/2013-14 dated 11 February 2014 on Management of Intra-Group Transactions and Exposures. These guidelines became effective from 1 October 2014. During the period October 2014 to March 2015, breach in limits for Single Group Entity Exposure and Aggregate Group Exposure was observed. The same was because of guarantees issued in year 2011 and 2012 and MTM movement in outstanding market trades. Exposures have been brought within limits much earlier than RBI prescribed timelines.

Other details of Intra-Group Exposure as at 31 March 2015 are provided below:

(Amount in ₹'000s)

Particulars		As at 31 March 2015
(a)	Total amount of intra-group exposures	1,845,158
(b)	Total amount of top-20 intra-group exposures	1,845,158
(c)	Percentage of intra-group exposures to total exposure* of the bank on borrowers / customers	2.09%

*Total exposure includes Credit Exposure (funded and non funded), derivative exposure and investment exposure to all corporate and inter-bank counterparties.

22. Unsecured Advances against intangible assets

During the year ended 31 March 2015 the Bank has not granted any advances against intangible securities such as charge over the rights, licenses, authority etc. (Previous year Nil).

23. Provision made for Income tax for the year

(Amount in ₹'000s)

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Current Tax	377,256	336,714
Deferred Tax	(56,632)	49,633
Total	**320,624**	**386,347**

24. Disclosure of Penalties imposed by RBI

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

25. Liquidity Coverage Ratio

Qualitative Disclosures:

The RBI vide circular DBOD.BP.BC.No.120/21.04.098/2013-14 dated 9 June 2014 Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards (LCR guidelines) has mandated minimum LCR of 60% for 2015 with a step up of 10% each year to reach minimum requirement of 100% by 1 January 2019. The LCR guidelines aim to ensure that the bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significant severe liquidity stress scenario specified by RBI.

As at the year-end 31 March 2015, the Bank is in compliance with LCR guidelines. Over a period of time, there is a positive trend in LCR ratio with average LCR for January 2015 to March 2015 at 116% against requirement of 60%. The main drivers of LCR are holding in government securities and cash in hand (including balances held with Banks in India in INR). HQLA comprises of cash in hand (including balances held with Banks in India in INR), balance maintained with RBI in excess of CRR requirements, Government securities holdings in excess of SLR requirements, Government securities within the mandatory SLR requirement, to the extent allowed by RBI under Marginal Standing Facility, and Government securities within the mandatory SLR requirement, to the extent allowed by RBI under Facility to avail Liquidity for Liquidity Coverage Ratio (FALLCR). Along with this, the Bank has progressively, after moving into CCIL's guaranteed settlement window for FX forward transactions, lowered derivatives cash outflows. Trades which are settled through CCIL (under guaranteed settlement window) are netted. Derivatives and FX cash flows are considered on gross basis for OTC derivatives.

The Bank has diverse source of funding ranging from deposits from local corporate customers and interbank deposits, own capital funds as well as foreign currency borrowings from network branches. As at 31 March 2015 the Bank did not have Collateral Service Agreement (CSA) in place with any of its counterparty. Significant currencies are INR and USD and within the same currency the mismatches are minimal. The Bank does not hold any FCY HQLA. There is a daily monitoring of LCR at group level and there is a regular interaction between Group Treasury and Local Treasury. LCR is also monitored by India Assets and Liabilities Committee (India ALCO).

Quantitative disclosure for LCR is provided below:

(Amount in ₹'000s)

		For the year ended 31 March 2015*	
		Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		14,784,214
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:		
(i)	Stable deposits	102	5
(ii)	Less stable deposits	890	89
3	Unsecured wholesale funding, of which:		
(i)	Operational deposits (all counterparties)	1,807,483	451,161
(ii)	Non-operational deposits (all counterparties)	7,073,916	2,852,663
(iii)	Unsecured debt	-	-
4	Secured wholesale funding		
5	Additional requirements, of which		
(i)	Outflows related to derivative exposures and other collateral requirements	41,035,141	41,035,141
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	2,117,322	211,732
6	Other contractual funding obligations	5,082,807	5,082,807
7	Other contingent funding obligations	26,865,850	1,343,293
8	Total Cash Outflows		50,976,891
Cash Inflows			
9	Secured lending (e.g. reverse repos)	-	-
10	Inflows from fully performing exposures	52,013,126	47,698,551
11	Other cash inflows	104,649	52,324
12	Total Cash Inflows		47,750,875
			Total Adjusted Value
21	TOTAL HQLA		14,784,214
22	Total Net Cash Outflows		3,226,016
23	**Liquidity Coverage Ratio (%)**		**116**

*The data have been computed as simple average of monthly observation over the quarter ended 31 March 2015.

26. Employee Benefits

Provident Fund – Defined contribution plan

The Bank has recognised 24,214 (₹'000s) in the Profit and Loss Account as employer's contribution to the provident fund (Previous Year 22,806 (₹'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 ₹'000s)

Particulars	As at 31 March 2015	As at 31 March 2014
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	15,017	10,917
Interest cost	1,328	884
Current service cost	5,934	5,502
Acquisition cost	-	-
Benefits paid	(1,312)	-
Actuarial (gain)/loss on obligation	2,388	(2,286)
Present value of obligation as at March 31	**23,355**	**15,017**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	13,775	9,399
Expected return on plan assets	1,598	1,009
Contributions	8,684	3,255
Benefits paid	(1,312)	-
Actuarial gain/(loss) on plan assets	(136)	112
Fair value of plan assets as at March 31	**22,609**	**13,775**
Amount recognised in Balance sheet		
Fair value of plan assets as at March 31	22,609	13,775
Present value of obligation as at March 31	23,355	15,017
Asset/(Liability) as at March 31	(746)	(1,242)
Expenses recognised in Profit and Loss Account		
Interest Cost	1,328	884
Current Service cost	5,934	5,502
Expected return on plan assets	(1,352)	(1,009)
Net Actuarial (gain)/loss recognised in the year / period	2,278	(2,398)
Net Cost	**8,188**	**2,979**

Assumptions		
Valuation Method	Projected Unit Credit	Projected Unit Credit
Discount rate	7.80%	9.25%
Expected return on plan assets	9.15%	9.15%
Mortality	IAL Mortality Table Ult. (2006-08)	IAL Mortality Table Ult. (2006-08)
Salary escalation rate	8.00%	8.00%
Withdrawal rate	8.00%	8.00%
Retirement age	60 years	60 years

Experience History	31 March 2015	31 March 2014	31 March 2013
Defined Benefit Obligation at end of the period	(23,355)	(15,017)	(10,917)
Plan Asset at end of the period	22,609	13,775	9,399
Funded Status	(746)	(1,242)	(1,518)
Experience Gain/(Loss) adjustments on plan liabilities	434	591	1,295
Experience Gain/(Loss) adjustments on plan assets	(135)	112	219
Actuarial Gain/(Loss) due to change on assumptions	(2,821)	1,695	(524)

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, 2015 i.e. ₹1,381 (₹'000s) (Previous Year ₹1,877 (₹'000s) and as per actuarial valuation i.e. 746 (₹'000s) (Previous Year ₹ 1,242 (₹'000s).

Compensated absences – Short-term

The actuarial liability of compensated absences of the employees of the Bank as of 31 March 2015 is Nil (Previous Year Nil).

27. Segmental reporting

Part A: Business Segments

As per RBI guidelines Bank has identified "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 segment comprise 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 expenses and allocated expenses.

Corporate / Wholesale Banking segment primarily comprise 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 expenses and allocated expenses.

Retail / Private Banking segment primarily comprise 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, rental expenses, personnel costs, other direct expenses and allocated expenses.

Other Banking Business segment includes all other residual operations such as para banking transactions/activities. Basis the materiality of revenue generated, this segment has been combined with Corporate / Wholesale Banking segment.

For the year ended 31 March 2015

(Amount in ₹'000s)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Total
Revenue	2,089,281	1,987,481	-	4,076,762
Result	711,335	173,765	108	885,208
Unallocated expenses				-
Operating profit				**885,208**
Income taxes				320,624
Extraordinary profit/ loss				-
Net profit				**564,584**
Other information:				
Segment assets	35,458,765	22,789,014	-	58,247,779
Unallocated assets				327,652
Total assets				**58,575,431**
Segment liabilities	34,259,708	22,985,124	30	57,244,862
Unallocated liabilities				1,330,569
Total liabilities				**58,575,431**

For the year ended 31 March 2014

(Amount in ₹'000s)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Total
Revenue	1,083,514	2,425,126	-	3,508,640
Result	523,670	363,647	4,473	891,790
Unallocated expenses				-
Operating profit				**891,790**
Income taxes				386,347
Extraordinary profit/ loss				-
Net profit				**505,443**
Other information:				
Segment assets	35,689,462	20,753,426	-	56,442,888
Unallocated assets				339,677
Total assets				**56,782,565**
Segment liabilities	33,831,869	16,562,600	5,893,628	56,288,097
Unallocated liabilities				494,468
Total liabilities				**56,782,565**

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.

28. 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
Australia and New Zealand Banking Group Ltd – Frankfurt
Australia and New Zealand Banking Group Ltd - PNG

Other Group Entities

ANZ Bank (Vietnam) Limited
ANZ Bank New Zealand Limited
ANZ National Bank Limited
ANZ Royal Bank (Cambodia) Ltd
Australia and New Zealand Bank (China) Company Limited
ANZ Capital Private Limited
ANZ Support Services India Pvt Limited
ANZ Operations & Technology Private Limited
ANZ Support Services Employees Group Gratuity Scheme
ANZ Operations & Technology Private Limited Gratuity Fund Trust
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. Sanjeev Bajaj, Chief Executive Officer (18 February 2015 onwards).

Mr. Subhas DeGamia, Chief Executive Officer (From 1 April 2014 to 8 March 2015).

C. **Transactions with related parties**

(Amount in ₹'000s)

Particulars	Head Office and Branches		Other Group Entities	
	As at 31 March 2015	Maximum Outstanding during the year	As at 31 March 2015	Maximum Outstanding during the year
Borrowings	14,321,114	14,321,114	-	-
Deposits	8,906	242,865	6,487,367	7,392,300
Placements	-	5,864,668	-	-
Advances	-	-	-	-
Investments	-	-	-	-
Balances with Banks	155,550	1,699,220	3,993	107,457
Non-funded commitments	7,570,036	8,309,590	26,518	1,622,256

(Amount in ₹'000s)

Particulars	Head Office and Branches		Other Group Entities	
	For the year ended 31 March 2015	As at 31 March 2015	For the year ended 31 March 2015	As at 31 March 2015
Interest paid	30,674	8,563	422,381	139,333
Interest received	17,047	-	-	-
Rendering of services	608,895	52,467	-	-
Reimbursement of expenses	9,391	18,463	-	-
Receiving of services	-	-	42,940	14,171
Payment for share based payment	40,796	16,391	-	-
Fees Paid	81	-	31	-
Fees Received	15,334	-	4,507	-

(Amount in ₹'000s)

Particulars	Head Office and Branches		Other Group Entities	
	As at 31 March 2014	Maximum Outstand-ing during the year	As at 31 March 2014	Maximum Outstand-ing during the year
Borrowings	10,601,080	10,601,080	-	-
Deposits	1,662	398,225	6,041,458	6,698,089
Placements	-	7,682,339	-	-
Advances	-	-	-	-
Investments	-	-	-	-
Balances with Banks	66,758	1,295,103	2,600	7,775
Non-funded commitments	6,647,832	7,766,655	1,622,139	1,727,783

(Amount in ₹'000s)

Particulars	Head Office and Branches		Other Group Entities	
	For the year ended 31 March 2014	As at 31 March 2014	For the year ended 31 March 2014	As at 31 March 2014
Interest paid	29,535	5,638	328,149	163,525
Interest received	17,581	-	-	-
Rendering of services	686,713	32,407	-	-
Reimbursement of expenses	16,638	2,042	47	-
Receiving of services	-	-	40,560	4,790
Payment for share based payment	53,635	21,358	-	-
Fees Paid	72	-	27	-
Fees Received	9,735	-	2,925	-

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.

29. Lease Disclosures

At 31 March 2015, 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 April 2014 to March 2015 is ₹ 215,893 (₹'000s) (Previous Year ₹ 171,289 (₹'000s)).

Total future minimum lease payments under non-cancellable operating lease as at 31 March 2015:

(Amount in ₹'000s)

Particulars	As at 31 March 2015	As at 31 March 2014
Not later than one year	238,267	218,579
Later than one year but not later than five years	816,233	842,359
Later than five years	82,824	106,917

Finance Lease

Lease payments recognised in the Profit and Loss Account during the period April 2014 to March 2015 is ₹ 435 (₹ '000s) (Previous year ₹ 1,012 (₹ '000s)).

Total future minimum lease payments under the non-cancellable finance lease as at 31 March 2015:

(Amount in ₹'000s)

Particulars	As at 31 March 2015		As at 31 March 2014	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Not later than one year	308	296	1,453	1,381
Later than one year but not later than five years	93	78	611	499
Later than five years	-	-	-	-

30. Deferred Taxes

The deferred tax asset of 104,195 (₹'000s) as at 31 March 2015 is included under Schedule 11 – Other assets (Previous year 47,563 (₹'000s)).

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

(Amount in ₹'000s)

	As at 31 March 2015	As at 31 March 2014
Deferred Tax Assets		
Provision for bad and doubtful debts	-	71,911
Straight lining of rent	23,404	25,901
General provisions for standard assets and country risk*	104,666	Nil
Deferred Tax Assets	**128,070**	**97,812**
Deferred Tax Liability		
Depreciation on fixed assets	(23,875)	(50,249)
Deferred Tax Liability	**(23,875)**	**(50,249)**
Net Deferred Tax (Liability)/Asset	**104,195**	**47,563**

*The Bank did not recognise deferred tax assets of ₹63,667 (₹'000s) on general provisions on standard assets and country risk for the year ended 31 March 2014.

31. Capital Commitments

Capital Commitment as on 31 March 2015 is 11,799 (₹'000s) (Previous year 122,154 (₹'000s)).

32. Operating Expenses

Other expenses in Schedule 16, includes information service fees (data connectivity and license charges), which are in excess of 1% of total income, amounting to 53,638 (₹'000s). During the year ended 31 March 2014, support service fees amounting to 38,861 (₹'000s) was in excess of 1% of total income.

33. Other Assets and Other Liabilities

'Others' reported under Other assets in Schedule 11 includes MTM gain on outstanding FX and Derivative 5,364,662 (₹'000s) (Previous year 7,451,321 (₹'000s)). 'Others (including provisions)' reported under Other liabilities and provisions in Schedule 5 includes MTM losses on outstanding FX and Derivatives 5,445,066 (₹'000s) (Previous year 8,055,658 (₹'000s)).

34. 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).

35. Provisions and Contingencies

Break up of provisions and contingencies

(Amount in ₹'000s)

	As at 31 March 2015	As at 31 March 2014
Provisions for depreciation on investment	925	(334)
Provision towards NPA (net of bad debts written off)	-	(95,485)
Provision towards standard assets	94,358	1,237
Provision made towards Income tax		
- Current tax	377,256	336,714
- Deferred tax	(56,632)	49,633
Other provision and contingencies		
- Provision towards Country Risk Exposure	416	(1,576)
Total	**416,323**	**290,189**

36. Floating Provisions

The Bank did not maintain any floating provision during the year ended 31 March 2015 (Previous year Nil).

37. Draw Down from Reserves

The Bank has utilised Investment Reserves of 142 (₹'000s) towards provisions made during the year ended 31 March 2015 for depreciation in investments in HFT category as per extant RBI guidelines (Previous year Nil).

38. Disclosure of Complaints

In accordance with RBI circulars DBOD.No.Leg.BC.21/09.07.006/2014-15 dated 1 July 2014 details with respect to customer complaints and awards passed by Banking Ombudsman are given below:

a) **Customer Complaints**

Sr. No.	Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
(a)	No. of complaints pending at the beginning of the year	-	-
(b)	No. of complaints received during the year	2	1
(c)	No. of complaints redressed during the year	2	1
(d)	No. of complaints pending at the end of the year	-	-

b) **Awards passed by the Banking Ombudsman**

Sr. No.	Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
(a)	No. of unimplemented awards at the beginning of the year	-	-
(b)	No. of awards passed by the Banking Ombudsman during the year	-	-
(c)	No. of awards implemented during the year	-	-
(d)	No. of unimplemented awards at the end of the year	-	-

39. Letters of Comfort (LoCs) issued by Banks

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

40. Provisioning Coverage Ratio (PCR)

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

41. Bancassurance Business

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

42. 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).

43. 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 policy has been reviewed by the RMC during the year. An independent review to ensure compliance with requirements of the above guidelines was conducted in September 2014. The Bank is in compliance with requirements of the above guidelines.

44. Disclosure on Remuneration

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 Financial Stability Board (FSB) principles and standards. Hence, the disclosure is not applicable.

45. Securitisation

The Bank has not sponsored any Special Purpose Vehicle for securitization transactions and no securitization transactions are outstanding as at 31 March 2015 (Previous year Nil) and hence disclosure is not applicable.

46. Credit default swap

The Bank has not dealt in any Credit default swaps during the year ended 31 March 2015 (Previous year Nil).

47. Transfers to Depositor Education and Awareness Fund (DEAF)

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Opening balance of amounts transferred to DEAF	-	-
Add: Amounts transferred to DEAF during the year	-	-
Less: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

Page 3 Continued......

Continued from Page 3.

ANZ

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED - MUMBAI BRANCH

(Incorporated in Australia with limited liability)

48. Corporate Social Responsibility

The Bank has set up a Corporate Responsibilities (CR) Committee to implement CR programs in India in accordance with ANZ group CR policy. The Bank's CR Charter document sets out the following priorities for CR program:

- Sustainable Development
- Diversity & Inclusion
- Financial Inclusion & Capability

With reference to the RBI circular DBOD.No.Dir.BC.50/13.01.01/2005-06 dated 21 December 2005, amount to be spent by the Bank for the year ended 31 March 2015 on donations is limited to 5,054 (₹'000s) (based on 1% of published profits for the previous year ended 31 March 2014 with specific exclusions).

Amount spent under CR programs during the year and included under "Other expenses" in Schedule 16 is 2,018 (₹'000s) in accordance with the requirements stipulated in the aforesaid RBI circular.

49. Previous year

The financial statements for the year ended March 31, 2015 have been audited by the statutory auditors, B S R & Associates LLP, Chartered Accountants. The financial statements for the year ended March 31, 2014 had been audited by another firm of chartered accountants.

50. Previous period figures

Previous period's figures have been regrouped / reclassified to confirm to the current year presentation.

For **Australia and New Zealand Banking Group Limited - Mumbai Branch**	For **B S R & Associates LLP** *Chartered Accountants* Firm Registration No. 116231W/W-100024
Sd/- **Sanjeev Bajaj** *Chief Executive Officer*	Sd/- **Ashwin Suvarna** *Partner* Membership No. 109503
Sd/- **Vinit Kumar Sarawgi** *Chief Financial Officer*	

Place: Mumbai
Date: 22 June 2015

BASEL III: PILLAR 3 DISCLOSURES AS AT 31 MARCH 2015

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 2015.

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

2. Key Management Committees, Functions and Frameworks

India Executive Committee ('India EXCO')

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

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.
- Recommendations / noting to I&IB ALCO for any key local decision taken at the ALCO.

India 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 Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework ('NCAF') commonly referred as Basel II guidelines.
- Master Circular - Basel III Capital Regulations.

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

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

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

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

4. DF – 1 Scope of Application

In terms of RBI circular dated 12 December, 2006 on Financial Regulation of Systemically Important NBFCs and banks' Relationship with them, NBFCs promoted by the parent / group of a foreign bank having presence in India, which is a subsidiary of the foreign bank's parent / group or where the parent / group is having management control would be treated as part of that foreign bank's operations in India and brought under the ambit of consolidated supervision. As at 31 March 2015 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. DF -2 Capital Adequacy

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

- To satisfy the Basel III Regulatory Capital requirements set out by RBI in the Master Circular and
- To minimise the possibility of the Bank's capital falling below the minimum regulatory requirement by maintaining a capital buffer (in excess of the Basel III minimum requirements) sufficient to cover Pillar 2 risks and the capital impact of a 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 2015 CRAR was 21.85% and Common Equity Tier I ratio was 21.42% as per BASEL III norms. The Bank is adequately capitalised presently. Summary of the Bank's capital requirement for credit, market and operational risk and CRAR as at 31 March 2015 is presented below.

(Amount in ₹'000)

Minimum Regulatory Capital Requirements	
Capital requirements for Credit risk (a)	**4,060,565**
Portfolios subject to standardised approach	4,060,565
Securitisation exposures.	-
Capital requirements for Market risk (b)	**700,855**
Standardised duration approach	
- Interest rate risk	480,355
- Foreign exchange risk (including gold)	220,500
- Equity risk	-
Capital requirements for Operational risk (c)	**308,804**
Basic indicator approach	308,804
Total Minimum Regulatory Capital (a+b+c)	**5,070,224**
Risk Weighted Assets and Contingents	
Credit Risk	45,117,391
Market Risk	7,787,280
Operational Risk	3,431,159
Capital Ratios	
CET 1 Capital	21.42%
Tier I Capital	21.42%
Total Capital	21.85%

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

Structure and organisation of credit risk management

India RMC is responsible for all aspects of risk management, including credit risk. It approves the credit exposure/ concentration limits, risk management policy (involving risk identification, risk measurement/ grading, risk mitigation and control), credit risk management structure, credit pricing policy, etc. in accordance with extant regulatory guidelines. India EXCO is apprised of key risks affecting the business. 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 within risk appetite and within regulator defined prudential limits. This framework has four main components:

- Credit principles.
- Credit policies.
- Line of Business/ Segment Specific Procedures.
- Organisation and People.
- Key aspects of the Bank's Credit Risk Management Policy are
- Analysis of customer risk.
- Approval of limits and transactions.
- Managing and monitoring customers.
- Working out problem loans.

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

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

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

6.1 Total gross credit risk exposures as at 31 March 2015

(Amount in ₹'000)

Fund Based	
Claims on Banks	4,746,302
Investments (HTM)	-
Loans and Advances	22,583,709
Other Assets and Fixed Assets	8,685,559
Non Fund Based	
Non Market Related Off Balance sheet items (Contingent Credits and Exposures)	11,596,898
Market Related (Foreign Exchange (Fx) and Derivative contracts)	15,721,190

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.

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

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

6.3 Industry type distribution of exposures as at 31 March 2015

(Amount in ₹'000)

Industry Name	Fund Based	Non Fund Based
Food Processing	1,279,986	1,364,510
Beverages (excluding Tea & Coffee) and Tobacco	439,242	3,650
Textiles	43,750	127,708
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	937,500	1,960,348
Chemicals and Chemical Products (Dyes, Paints, etc.)	4,473,033	607,851
Rubber, Plastic and their Products	622,946	-
Glass & Glassware	748,765	-
Basic Metal and Metal Products	3,265,640	107,258
All Engineering	1,385,927	2,540,813
Vehicles, Vehicle Parts and Transport Equipments	204,595	1,583,003
Gems & Jewellery	80,622	-
Infrastructure	149,243	-
Other Industries	1,731,361	-
Residuary Other Advances	7,221,099	3,803,939
Total Loans & Advances	**22,583,709**	**12,099,080**
Claims on Banks	4,746,302	7,653,264
Investments (HTM)	-	-
Other Assets and Fixed Assets	8,685,559	-
Total Exposure	**36,015,570**	**19,752,344**

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) and is reported in terms of notionals.

6.4 Residual contractual maturity breakdown of assets as at 31 March 2015 (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	2,463,678	1,196,302	11,868,406	57,788	-	27,327	**15,613,501**
2 to 7 days	149,262	500,000	802,286	1,476,880	-	19,977	**2,948,405**
8 to 14 days	71,753	500,000	385,673	2,787,004	-	11,641	**3,756,071**
15 to 28 days	97,179	-	522,335	3,161,975	-	141,920	**3,923,409**
29days and upto 3 months	587,520	2,550,000	3,157,919	9,977,304	-	61,176	**16,333,919**
Over 3 months and upto 6 months	108,725	-	584,398	2,886,859	-	138,864	**3,718,846**
Over 6 months and upto 1 year	221,620	-	1,190,172	399,197	-	5,629,896	**7,440,885**
Over 1 year and upto 3 years	51,558	-	277,127	1,836,702	-	543,405	**2,708,792**
Over 3 years and upto 5 years	1	-	6	-	-	339,160	**339,167**
Over 5 years	67	-	359	-	253,667	1,538,343	**1,792,436**
Total	**3,751,363**	**4,746,302**	**18,788,681**	**22,583,709**	**253,667**	**8,451,709**	**58,575,431**

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

(Amount in ₹'000)

	As at 31 Mar 2015
Substandard	-
Doubtful 1	-
Doubtful 2	-
Doubtful 3	-
Loss	-
Gross NPAs	-
Provisions for NPAs	-
Net NPAs	-

6.6 NPA Ratios (Amount in ₹'000)

	As at 31 Mar 2015
Gross NPAs to gross advances	-
Net NPAs to net advances	-

6.7 Movement of NPAs (Gross) (Amount in ₹'000)

	For the year ended 31 Mar 2015
Opening balance	185,290
Additions	-
Reductions	185,290
Closing balance	-

Note: YTD movement has been reported above

6.8 Movement of provisions for NPAs (Amount in ₹'000)

	For the year ended 31 Mar 2015
Opening balance	185,290
Provisions made during the period	-
Write-off	185,290
Write-back of excess provisions	-
Closing balance	-

Note: YTD movement has been reported above

6.9 Amount of Non-Performing Investments

There are no non-performing investments as at 31 March 2015.

6.10 Amount of provisions held for Non-Performing Investments

There are no provisions held for non-performing investments as at 31 March 2015 as there are no non performing investments.

6.11 Movement of provisions for depreciation on Investments

(Amount in ₹'000)

	For the year ended 31 Mar 2015
Opening balance	111
Provisions made during the period	925
Write-off	-
Write-back of excess provisions	-
Closing balance	1,036

Note: YTD movement has been reported above

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

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

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

Below attached is the summary as at 31 March 2015 (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	4,746,302	-	4,746,302	4,746,302	-	-	-
Investments (HTM)	-	-	-	-	-	-	-
Loans and Advances	22,583,709	-	22,583,709	3,532,779	11,677,714	7,373,216	-
Other Assets and Fixed Assets	8,685,557	-	8,685,557	7,208,226	564,513	912,818	-
Non Fund Based							
Non Market Related Off Balance sheet items (Contingent Credits and Exposures)	11,596,898	-	11,596,898	5,508,534	1,397,886	4,690,478	-
Market Related (Foreign Exchange (FX) and derivative contracts)	15,721,190	-	15,721,190	12,526,145	2,448,565	746,480	-

8 Credit Risk Mitigation: Disclosures for Standardised Approaches

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

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

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

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

Credit Risk Mitigation details as at 31 March 2015 are as below:

(Amount in ₹'000)

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

9. Securitisation Exposures: Disclosure for Standardised Approach

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

10. Market Risk

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

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

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

- Traded market risk:

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

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

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

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

Measurement of market risk

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

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

It should be noted that because VaR is driven by actual historical observations, it is not an estimate of the maximum loss that the Bank could experience from an extreme market event. As a result of this limitation, the Bank utilises a number of other risk measures (e.g. stress testing) and risk sensitivity limits to measure and manage market risk.

Stress Testing

Bank undertakes a wide range of stress tests to the individual trading portfolios. Bank has adopted a local Stress Testing policy as mandated by RBI vide circular DBOD.BP.BC.No. 75 /21.04.103/2013-14, dated 02 Dec 2013, titled "Guidelines on Stress Testing". Stress tests as per baseline scenarios prescribed by RBI are conducted at half-yearly intervals (September and March). Results of this periodic stress testing exercise are presented to RMC for advising remedial actions, if any. Apart from this, standard stress tests, as per ANZ Group guidelines, 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 observed during the month are reported to the RMC on a monthly basis.

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

Back-Testing

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

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

11. Liquidity Risk

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

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

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

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

- Maintaining the ability to meet all payment obligations in the immediate (intraday/overnight) term.
- Ensuring that the Bank has the ability to meet 'survival horizons' under a range of Bank specific and general market liquidity stress scenarios to meet cash flow obligations over a short to medium term horizon.
- Maintaining strength in the Bank's balance sheet structure to ensure long term resilience in the liquidity and funding risk profile.
- Limiting the potential earnings at risk implications associated with unexpected increases in funding costs or the liquidation of assets under stress.
- Preparation of daily liquidity reports and scenario analyses, quantifying the Bank's positions.
- Targeting a diversified funding base, avoiding undue concentrations by investor type, maturity, market source and currency.
- Holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations.
- Establishing detailed contingency plan to cover liquidity crisis events.
- Ensuring the liquidity risk management framework is compatible with local regulatory requirements.

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

Scenario 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.

12. 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 implemented this operational risk framework since 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.

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Continued from Page 4.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED - MUMBAI BRANCH

(Incorporated in Australia with limited liability)

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

The Bank uses the Basic Indicator Approach to estimated Operational RWAs. At 31 March 2015, Operational RWAs were ₹ 3,431,159 (‘000).

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

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

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

The Bank also uses Earnings at Risk (EaR) as an estimate of the amount of the next 12 months’ income that is at risk from interest rate movements over a 1 month holding period, expressed to a 97.5% level of statistical confidence. It is calculated by applying a statistically derived interest rate shock to static re-pricing gaps over the first 12 months.

Impacts on earnings for upward and downward rate shocks of 200 bps broken down by currency are:

As at 31 March 2015:

(Amount in ₹ ‘000)

Currency	Interest Rate Risk Shocks	
	200bps up	200bps down
Rupees	6,393	(5,571)
USD	176	(181)

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

Change in MVE due to 200 bps change in interest rate	(Amount in ₹ ‘000)
31 March 2015	268,919

14. Counterparty Credit Risk

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

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

- Settlement risk, which arises where one party makes payment or delivers value in the expectation but without certainty that the counterparty will perform the corresponding obligation in a bilateral contract at settlement date.
- Market replacement risk (pre-settlement risk), which is the risk that a counterparty will default during the life of a derivative contract and that a loss will be incurred in covering the position.

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

Counterparty credit risk governance

Bank’s counterparty credit risk management is governed by its credit principles, policies and procedures. The Group Risk function is responsible for determining the counterparty credit risk exposure methodology applied to market instruments, in the framework for counterparty credit limit management, measurement and reporting.

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

Counterparty credit risk measurement and reporting

The approach to measure counterparty credit risk exposure is based on internal model. This is referred to as Counterparty Credit Risk Engine (CCRE).

CCRE uses potential future exposure (PFE) Monte Carlo based approach to assess possible exposure movements for certain derivative products and the Bank uses these estimates in internal Economic Capital calculations.

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

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

Credit Value Adjustment (CVA)

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

Impaired derivatives are also subject to a CVA.

Wrong way risk

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

Counterparty Credit Risk in FX and Derivatives

(Amount in ₹ ‘000)

	As at 31 Mar 2015
Gross positive fair value of contracts	4,959,355
Netting benefits	-
Netted current credit exposure	**4,959,355**
Collateral held (including type e.g. cash, government securities etc.)	-
Net derivatives credit exposure	**4,959,355**
Potential future exposure	10,761,835
Measures for exposure at default, or exposure amount, under CEM	**15,721,190**
The notional value of credit derivative hedges	-
Distribution of current credit exposure by types of credit exposure	
- Interest Rate contracts	8,430,323
- Fx contracts	6,733,076
- Fx Options	557,791

15. Basel III common disclosure template

(Amount in ₹ ‘000)

	Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)	Basel III Amounts	Amounts Subject to Pre-Basel III Treatment
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	11,311,074	-
2	Retained earnings	-	-
3	Accumulated other comprehensive income (and other reserves)	993,453	-
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies1)*	-	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**12,304,527**	-
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	-	-
9	Intangibles (net of related tax liability)	135,373	-
10	Deferred tax assets	104,195	-
11	Cash-flow hedge reserve	-	-
12	Shortfall of provisions to expected losses	-	-
13	Securitization gain on sale	-	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
15	Defined-benefit pension fund net assets	-	-
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	-	-
17	Reciprocal cross-holdings in common equity	-	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)3	-	-
20	Mortgage servicing rights4 (amount above 10% threshold)	-	-
21	Deferred tax assets arising from temporary differences5 (amount above 10% threshold, net of related tax liability)	-	-
22	Amount exceeding the 15% threshold6	-	-
23	*of which: significant investments in the common stock of financial entities*	-	-
24	*of which: mortgage servicing rights*	-	-
25	*of which: deferred tax assets arising from temporary differences*	-	-
26	National specific regulatory adjustments7 (26a+26b+26c+26d)	-	-
26a	*of which: Investments in the equity capital of unconsolidated insurance subsidiaries*	-	-
26b	*of which: Investments in the equity capital of unconsolidated non - financial subsidiaries8*	-	-
26c	*of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank9*	-	-
26d	*of which: Unamortized pension funds expenditures*	-	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
28	**Total regulatory adjustments to Common equity Tier 1**	**239,568**	-
29	**Common Equity Tier 1 capital (CET1)**	**12,064,959**	-
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	-	-
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-	-
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-	-
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	-	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	-
35	*of which: instruments issued by subsidiaries subject to phase out*	-	-
36	**Additional Tier 1 capital before regulatory adjustments**	-	-
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)10	-	-
41	National specific regulatory adjustments (41a+41b)	-	-
41a	*of which: Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries*	-	-
41b	*of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank*	-	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
43	**Total regulatory adjustments to Additional Tier 1 capital**	-	-
44	**Additional Tier 1 capital (AT1)**	-	-
44a	**Additional Tier 1 capital reckoned for capital adequacy11**	-	-
45	**Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)**	**12,064,959**	-
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-
47	*Directly issued capital instruments subject to phase out from Tier 2*	-	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-
49	*of which: instruments issued by subsidiaries subject to phase out*	-	-
50	Provisions *(includes Investment Reserve)*	241,946	-
51	**Tier 2 capital before regulatory adjustments**	-	-
52	Investments in own Tier 2 instruments	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-
55	Significant investments13 in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
56	National specific regulatory adjustments (56a+56b)	-	-
56a	*of which: Investments in the Tier 2 capital of unconsolidated subsidiaries*	-	-
56b	*of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank*	-	-
57	**Total regulatory adjustments to Tier 2 capital**		-
58	**Tier 2 capital (T2)**	**241,946**	-
58a	**Tier 2 capital reckoned for capital adequacy14**	**241,946**	-
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	-	-
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	**241,946**	-
59	**Total capital (TC = T1 + Admissible T2) (45 + 58c)**	**12,306,905**	-
60	**Total risk weighted assets (60a + 60b + 60c)**	**56,335,830**	-
60a	*of which: total credit risk weighted assets*	45,117,391	-
60b	*of which: total market risk weighted assets*	7,787,280	-
60c	*of which: total operational risk weighted assets*	3,431,159	-
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	21.42%	-
62	Tier 1 (as a percentage of risk weighted assets)	21.42%	-
63	Total capital (as a percentage of risk weighted assets)	21.85%	-
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	-	-
65	*of which: capital conservation buffer requirement*	-	-
66	*of which: bank specific countercyclical buffer requirement*	-	-
67	*of which: G-SIB buffer requirement*	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-	-
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	-
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	-
71	National total capital minimum ratio (if different from Basel III minimum)	-	-
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities	-	-
73	Significant investments in the common stock of financial entities	-	-
74	Mortgage servicing rights (net of related tax liability)	-	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-	-
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-
	Capital instruments subject to phase-out arrangements (only applicable betweenMarch 31, 2017 and March 31, 2022		
80	*Current cap on CET1 instruments subject to phase out arrangements*	-	-
81	*Amount excluded from CET1 due to cap (excess over cap afterredemptions and maturities)*	-	-
82	*Current cap on AT1 instruments subject to phase out arrangements*	-	-
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	-	-
84	*Current cap on T2 instruments subject to phase out arrangements*	-	-
85	*Amount excluded from T2 due to cap (excess over cap afterredemptions and maturities)*	-	-

Notes to the Template

Row No. of the template	Particular	(Amount in ₹ ‘000)
10	Deferred tax assets associated with accumulated losses	-
	Deferred tax assets (excluding those associated withaccumulated losses) net of Deferred tax liability	104,195
	Total as indicated in row 10	104,195
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	
	of which: Increase in Common Equity Tier 1 capital	
	of which: Increase in Additional Tier 1 capital	
	of which: Increase in Tier 2 capital	
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	
	(i) Increase in Common Equity Tier 1 capital	
	(ii) Increase in risk weighted assets	
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	
50	Eligible Provisions included in Tier 2 capital *(includes Investment Reserves)*	241,946
	Eligible Revaluation Reserves included in Tier 2 capital	-
	Total of row 50	241,946
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	