



**AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – MUMBAI BRANCH**

**Risk review and disclosures under Basel II Framework for the period ended 30 September 2012**

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 2012.

Disclosures made hereunder are in accordance with Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF) – Market Discipline (Pillar 3).

In terms of RBI circular dated December 12, 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 September 30, 2012 no such group owned NBFC is in operations in India, accordingly framework for consolidated supervision does not apply to ANZ.

Disclosures made hereunder are in accordance of Prudential Guidelines on Capital Adequacy and Market Discipline- New Capital Adequacy Framework (NCAF) – Market Discipline (Pillar 3).

**Quantitative Disclosures as at 30 September 2012**

**1. Scope of Application**

The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries.	Not Applicable
The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction.	Not Applicable



## 2. Capital Structure

	(INR'000)	
	<b>30-Sep-12</b>	<b>30-Sep-11</b>
<b>Tier I Capital</b>		
Head Office capital	6,397,074	5,854,184
Statutory Reserve	2,237	-
Debit balance Profit and Loss Account (Including losses brought forward from Previous period)	-413,512	-368,151
Intangibles	-243,312	-219,275
Deferred Tax adjustment	-191,757	-43,186
Debit Balance with HO	-115,524	0
<b>Total Tier I Capital</b>	<b>5,435,206</b>	<b>5,223,572</b>
<b>Tier II Capital</b>		
General Provisions	88,112	18,323
<b>Total Tier II Capital</b>	<b>88,112</b>	<b>18,323</b>
<b>Total Eligible Capital ( Tier I + II Capital)</b>	<b>5,523,318</b>	<b>5,241,895</b>

## 3. Capital Adequacy

	(INR'000)	
	<b>30-Sep-12</b>	<b>30-Sep-11</b>
<b>3.1 Minimum Regulatory Capital Requirements</b>		
<b>Capital requirements for Credit risk (a)</b>	<b>1,808,210</b>	<b>415,941</b>
Portfolios subject to standardised approach	1,808,210	415,941
Securitisation exposures.	-	-
<b>Capital requirements for Market risk (b)</b>	<b>290,024</b>	<b>193,332</b>
<u>Standardised duration approach;</u>		
Interest rate risk	186,524	89,832
Foreign exchange risk (including gold)	103,500	103,500
Equity risk	-	-
<b>Capital requirements for Operational risk (c)</b>	<b>186,495</b>	-
Basic indicator approach;	186,495	-
<b>Total Minimum Regulatory Capital Requirements (a+b+c)</b>	<b>2,284,729</b>	<b>609,273</b>
<b>3.2 Risk Weighted Assets and Contingents</b>	<b>25,385,887</b>	<b>6,769,700</b>
Credit Risk	20,091,224	4,621,567
Market Risk	3,222,494	2,148,133
Operational Risk	2,072,169	-
<b>3.3 Capital Ratios</b>		
Tier - I Capital	21.41%	77.16%
Tier - II Capital	0.35%	0.27%
<b>Total Capital</b>	<b>21.76%</b>	<b>77.43%</b>



#### 4. Credit Risk: General Disclosures for All Banks

##### 4.1. Total gross credit risk exposures

(INR'000)

<b>Fund Based</b>	<b>30-Sep-12</b>	<b>30-Sep-11</b>
Claims on Banks	12,254,488	5,140,855
Investments (HTM)	-	-
Loans and Advances	12,294,815	2,750,812
Other Assets and Fixed Assets	4,864,977	469,267
<b>Non Fund Based</b>		
Non Market Related Off Balance sheet items (Contingent Credits and Exposures)	4,004,325	-
Market Related (Foreign Exchange (Fx) and derivative contracts)	9,993,934	1,121,515

**Note:**

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 the 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.

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

Since all the exposures provided under Para 4.1 above are domestic, the disclosures on geographic distribution of exposures, both fund and non-fund based, has not been made.



### 4.3 Industry type distribution of exposures

#### 4.4

(INR'000)

Industry Name	Fund Based	Non Fund Based
Food Processing	975,000	484,401
Textiles	158,565	-
Chemicals, Dyes, Paints etc.	2,306,839	-
Rubber, Plastic and their Products	4,609	-
Basic Metal and Metal Products (M.1 + M.2)	1,011,105	39,200
Vehicles, Vehicle Parts and Transport Equipments	332,137	-
Infrastructure	3,031,463	147,049
Residuary Other Advances	4,475,097	500
<b>Total Loans &amp; Advances</b>	<b>12,294,815</b>	<b>671,150</b>
Claims on Banks	12,254,488	6,856,513
Investments (HTM)	-	-
Other Assets and Fixed Assets	4,864,977	-
<b>Total Exposure</b>	<b>29,414,280</b>	<b>7,527,663</b>

#### Note :

Fund Based Exposure comprises of Loans & Advances, Claims on Banks, 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). The same is reported in terms of notionals.

### 4.4 Residual contractual maturity breakdown of assets

(INR'000)

	1-28 days	29days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Cash and Bank balances with RBI	520,420	453,693	151,856	583,102	36,457	44	4,527	1,750,099
Balances with Banks and money at call and short notice	3,773,697	5,780,000	2,250,000	1,650,000	-	-	-	13,453,697
Investments	3,474,915	2,318,874	776,153	2,980,298	186,337	227	23,139	9,759,943
Advances	2,948,421	6,149,212	1,464,858	1,315,135	-	-	-	11,877,626
Fixed Assets	-	-	-	-	-	-	497,681	497,681
Other Assets	45,126	70,991	151,294	47,001	389,631	-	371,540	1,075,583
<b>Total Assets</b>	<b>10,762,579</b>	<b>14,772,770</b>	<b>4,794,161</b>	<b>6,575,536</b>	<b>612,425</b>	<b>271</b>	<b>896,887</b>	<b>38,414,629</b>



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

(INR'000)

Particulars	30-Sep-12	30-Sep-11
Substandard	-	-
Doubtful 1	-	-
Doubtful 2	-	-
Doubtful 3	417,188	-
Loss	-	-
Gross NPAs	417,188	-
Provisions and Interest in Suspense	417,188	-
Net NPAs	-	-

#### 4.6 NPA Ratios

(INR'000)

Particulars	30-Sep-12	30-Sep-11
Gross NPAs to Gross advances	3.39%	-
Net NPAs to Net advances	-	-

#### 4.7 Movement of NPAs (Gross)

(INR'000)

Particulars	30-Sep-12	30-Sep-11
Opening balance	-	-
Additions	417,188	-
Reductions	-	-
Closing balance	417,188	-

#### 4.8 Movement of provisions for NPAs

(INR'000)

Particulars	30-Sep-12	30-Sep-11
Opening balance	-	-
Provisions made during the period	401,637	-
Write-off	-	-
Write-back of excess provisions	-	-
Closing balance	401,637	-

#### 4.9 Amount of Non-Performing Investments

NIL

#### 4.10 Amount of provisions held for non-performing investments

NIL



#### 4.11 Movement of provisions for depreciation on investments

(INR'000)

Particulars	30-Sep-12	30-Sep-11
Opening balance	-	-
Provisions made during the period	-	24,475
Write-off	-	-
Write-back of excess provisions	-	-
Closing balance	-	24,475

#### 5. Credit Risk: Disclosures for Portfolios Subject to the Standardised approach

(INR'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%	
<b>Fund Based</b>							
Claims on Banks	12,254,488	-	12,254,488	12,254,488	-	-	
Investments (HTM)	-	-	-	-	-	-	
Loans and Advances	12,294,815	-	12,294,815	-	12,294,815	-	
Other Assets and Fixed Assets	4,864,977	-	4,864,977	-	4,864,977	-	
<b>Non Fund Based</b>							
Non Market Related Off Balance sheet items (Contingent Credits and Exposures)	4,004,325	-	4,004,325	3,428,819	575,506	-	
Market Related (Foreign Exchange (Fx) and derivative contracts)	9,993,934	-	9,993,934	8,278,232	1,715,702	-	

#### 6. Credit Risk Mitigation: Disclosures for Standardised Approaches

(INR'000)

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

#### 7. Securitisation Exposures: Disclosure for Standardised Approach

The Bank has not securitised any asset during the period ended September 30, 2012 and hence no disclosures have been made.

#### 8. Market Risk in Trading Book

Refer Table no 3. Capital & Risk Weighted Assets above.



## 9. Interest Rate Risk in the Banking Book (IRRBB)

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

The extent of mismatching between the repricing characteristics and timing of interest bearing assets and liabilities at any point has implications for future net interest income. The Branch quantifies the potential variation in future net interest income as a result of these repricing mismatches.

The repricing gaps themselves are constructed based on contractual repricing information. However, for those assets and liabilities where the contractual term to repricing is not considered to be reflective of the actual interest rate sensitivity (for example, products priced at the Group's discretion), a profile based on historically observed and/or anticipated rate sensitivity is used. This treatment excludes the effect of basis risk between customer pricing and wholesale market pricing.

The Bank's approach is to transfer market risk from the businesses to Treasury using a funds transfer price (ftp).

### Earnings at Risk (EAR)

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

The Bank monitors the sensitivity of EAR to a 200 basis point parallel shift in interest rate, over a one year horizon.

(INR'000)

Currency	Interest Rate Risk Shocks	
	200bp up	200bp down
Rupees	35,281	-35,281
USD	7,296	-7,296

### Economic Value at Risk (VAR)

Value at Risk (VaR) is an estimate of the impact of interest rate changes on the banking book's market value, expressed to a 99% level of statistical confidence and using a 1 day holding period.

(INR'000)

Currency	Value at Risk
Rupees	8,426