AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED – MUMBAI BRANCH

Risk review and disclosures under Basel II Framework for the period ended 30 September 2011

Australia and New Zealand Banking Group Limited (herein referred to "ANZ" or "the Bank") commenced its banking business from June 2, 2011. In October 2010, the Bank's parent company, Australia and New Zealand Banking Group Limited, received the final approval from the Reserve Bank of India ('RBI') to open a branch in Mumbai to carry out banking business.

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, 2011 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). Since this is first year of India Operations, no comparative data have been provided.

Quantitative Disclosures as at 30 September 2011

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)
<u>Tier I Capital</u>	
Head Office capital	5,854,184
Debit balance in Profit and Loss Account (Including losses brought forward from Previous period)	(368,151)
Intangibles	(219,275)
Deferred Tax adjustment	(43,186)
Total Tier I Capital	**5,223,572**
<u>Tier II Capital</u>	
General Provisions and other eligible provisions	18,323
Total Tier II Capital	**18,323**
Total Eligible Capital (Tier I + II Capital)	**5,241,895**

3. Capital Adequacy

(INR'000)

3.1 Minimum Regulatory Capital Requirements	
Capital requirements for Credit risk (a)	**415,941**
Portfolios subject to standardised approach	415,941
Securitisation exposures.	-
Capital requirements for Market risk (b)	**193,332**
<u>Standardised duration approach;</u>	
Interest rate risk	89,832
Foreign exchange risk (including gold)	103,500
Equity risk	-
Capital requirements for Operational risk (c)	**-**
Basic indicator approach;	-
Total Minimum Regulatory Capital Requirements (a+b+c)	**609,273**
<u>3.2 Risk Weighted Assets and Contingents</u>	**6,769,700**
Credit Risk	4,621,567
Market Risk	2,148,133
Operational Risk	0
<u>3.3 Capital Ratios</u>	
Tier - I Capital	77.16%
Tier - II Capital	0.27%
Total Capital	**77.43%**

4. Credit Risk: General Disclosures for All Banks

4.1. Total gross credit risk exposures

(INR'000)

Fund Based	
Claims on Banks	5,140,855
Investments (HTM)	-
Loans and Advances	2,750,812
Other Assets and Fixed Assets	469,267
Non Fund Based	
Non Market Related Off Balance sheet items (Contingent Credits and Exposures)	-
Market Related (Foreign Exchange (Fx) and derivative contracts)	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

(INR'000)

Industry Name	Fund Based	Non Fund Based
Mining	244,875	-
Iron & Steel	195,900	-
Sugar	470,129	-
Chemicals, Dyes,Paints etc.	1,336,674	-
of which :fertiliser	700,000	-
of which :Drugs and Pharmaceuticals	636,674	-
Infrastructure	503,234	-
Of which Telecommunications	503,234	-
Total Loans & Advances	**2,750,812**	**-**
Claims on Banks	5,140,855	-
Investments (HTM)	-	-
Other Assets and Fixed Assets	469,267	-
Total Exposure	**8,360,934**	**-**

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)

4.4 Residual contractual maturity breakdown of assets

(INR'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	9,847	1,320,855	4,013,837	554	-	1,543	**5,346,635**
2 to 7 days	1,988	250,000	7,953	473,451	-	425	**733,818**
8 to 14 days	27,567	-	110,268	3,876	-	-	**141,711**
15 to 28 days	68,643	1,450,000	274,573	7,753	-	12,509	**1,813,478**
29days and upto 3 months	209,999	870,000	839,997	1,696,437	-	103,048	**3,719,480**
Over 3 months and upto 6 months	86	-	342	466,293	-	530	**467,251**
Over 6 months and upto 1 year	106,319	1,250,000	425,276	102,448	-	18,986	**1,903,029**
Over 1 year and upto 3 years	487	-	1,949	-	-	45,178	**47,615**
Over 3 years and upto 5 years	15,551	-	57,454	-	-	170,875	**243,880**
Over 5 years	4,932	-	-	-	439,380	12,920	**457,231**
Total	**445,419**	**5,140,855**	**5,731,649**	**2,750,812**	**439,380**	**366,014**	**14,874,129**

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

(INR'000)

Substandard	NIL
Doubtful 1	NIL
Doubtful 2	NIL
Doubtful 3	NIL
Loss	NIL
Gross NPAs	NIL
Provisions and Interest in Suspense	NIL
Net NPAs	NIL

4.6 NPA Ratios

(INR'000)

Gross NPAs to gross advances	NIL
Net NPAs to net advances	NIL

4.7 Movement of NPAs (Gross)

(INR'000)

	For the period ended 30.09.2011
Opening balance	NIL
Additions	NIL
Reductions	NIL
Closing balance	NIL

4.8 Movement of provisions for NPAs

(INR'000)

	For the period ended 30.09.2011
Opening balance	NIL
Provisions made during the period	NIL
Write-off	NIL
Write-back of excess provisions	NIL
Closing balance	NIL

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)

	For the period ended 30.09.2011
Opening balance	0
Provisions made during the period	24,475
Write-off	0
Write-back of excess provisions	0
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%	
Fund Based							
Claims on Banks	5,140,855	-	5,140,855	5,140,855	-	-	-
Investments (HTM)	-	-	-	-	-	-	-
Loans and Advances	2,750,812	-	2,750,812	-	2,750,812	-	-
Other Assets and Fixed Assets	469,267	-	469,267	-	469,267	-	-
Non Fund Based							
Non Market Related Off Balance sheet items (Contingent Credits and Exposures)	-	-	-	-	-	-	-
Market Related (Foreign Exchange (FX) and derivative contracts)	1,121,515	-	1,121,515	924,264	197,251	-	-

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, 2011 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	70	(70)

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 97.5% level of statistical confidence and using a 1 day holding period.

(INR'000)

Currency	Value at Risk
Rupees	106