AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED - INDIA BRANCHES

(Incorporated in Australia with limited liability)

INDEPENDENT AUDITOR'S REPORT

To
The Chief Executive Officer
Australia and New Zealand Banking Group Limited - India Branches

Report on the audit of financial statements

We have audited the accompanying financial statements of Australia and New Zealand Banking Group Limited - India Branches (the 'Bank'), which comprise the Balance Sheet as at 31 March 2018, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Bank's management is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the 'Act') with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/ loss and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by the Reserve Bank of India ('RBI') 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 adequate internal financial controls, that were operating 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the 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 financial statements of the Bank including its branches in accordance with the 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 from material misstatements.

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

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Act in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2018, and its profit and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements

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 Act.

As required by 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) 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. However, during the course of our audit we visited 2 branches.

Further, as required by Section 143 (3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

(c) The financial accounting systems of the Bank are centralized, therefore returns are not necessary to be submitted by the branches;

(d) 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;

(e) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, to the extent they are not inconsistent with the accounting policies prescribed by the RBI;

(f) 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 in Australia.

(g) With respect to the adequacy of the internal financial controls with reference to the financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A';

(h) 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:

  (i) The Bank does not have any pending litigations which would impact its financial position;

  (ii) The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 36 to the financial statements;

  (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank; and

  (iv) The disclosures required on holdings as well as dealing in Specified bank notes during the period from 8 November 2016 to 30 December 2016 as envisaged in notification G.S.R. 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs is not applicable to 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
14 June, 2018

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

Report on the internal financial controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

1 We have audited the internal financial controls over financial reporting of Australia and New Zealand Banking Group Limited - India Branches (the ' Bank'), as at 31 March 2018 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's responsibility for the internal financial controls

2 The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India (the 'ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (the 'Act').

Auditor's responsibility

3 Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing (the 'Standards') deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

4 Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of internal financial controls over financial reporting

6 A bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls over financial reporting

7 Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8 In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

Sd/-
Ashwin Suvarna
Partner

Mumbai
14 June, 2018 Membership No: 109503

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED - INDIA BRANCHES

(Incorporated in Australia with limited liability)

BALANCE SHEET

	Schedule	As at 31 March 2018 (₹ '000s)	As at 31 March 2017 (₹ '000s)
CAPITAL AND LIABILITIES			
Capital	1	11,311,074	11,311,074
Reserves and surplus	2	2,421,920	1,839,917
Deposits	3	27,341,670	28,435,015
Borrowings	4	-	1,144,713
Other liabilities and provisions	5	12,445,506	21,054,327
Total Capital and liabilities		**53,520,170**	**63,785,046**
ASSETS			
Cash and balances with Reserve Bank of India	6	3,722,476	2,287,205
Balances with banks and money at call and short notice	7	3,051,520	5,428,379
Investments	8	15,512,361	15,955,152
Advances	9	19,533,446	19,385,176
Fixed assets	10	621,921	739,159
Other assets	11	11,078,446	19,989,975
Total Assets		**53,520,170**	**63,785,046**
Contingent liabilities	12	761,708,769	755,674,298
Bills for collection	-	15,176,996	6,009,268
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
Chartered Accountants
Firm's Registration
No. 116231W/W-100024

Sd/-
Ashwin Suvarna
Partner
Membership No. 109503

Place: Mumbai
Date: 14 June 2018

For **Australia and New Zealand Banking Group Limited - India Branches**

Sd/-
Sanjeev Bajaj
Chief Executive Officer

Sd/-
Vinit Kumar Sarawgi
Chief Financial Officer

PROFIT AND LOSS ACCOUNT

		Schedule	For the year ended 31 March 2018 (₹ '000s)	For the year ended 31 March 2017 (₹ '000s)
I.	**INCOME**			
	Interest earned	13	2,875,013	2,455,129
	Other income	14	1,048,414	1,368,297
	Total		**3,923,427**	**3,823,426**
II.	**EXPENDITURE**			
	Interest expended	15	1,580,391	1,648,438
	Operating expenses	16	1,426,028	1,489,356
	Provisions and contingencies	16A	335,005	314,749
	Total		**3,341,424**	**3,452,543**
III.	**PROFIT/(LOSS)**			
	Net Profit for the year		582,003	370,883
	Profit / (Loss) brought forward from previous year		-	-
	Total		**582,003**	**370,883**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserves	2	145,501	92,721
	Transfer to/(from) Investment Reserve	2	295	(295)
	Remittable Surplus retained in India for : Capital to Risk-weighted Assets ratio (CRAR)	2	436,207	278,457
	Balance carried over to balance sheet	2	-	-
	Total		**582,003**	**370,883**
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
Chartered Accountants
Firm's Registration
No. 116231W/W-100024

Sd/-
Ashwin Suvarna
Partner
Membership No. 109503

Place: Mumbai
Date: 14 June 2018

For **Australia and New Zealand Banking Group Limited - India Branches**

Sd/-
Sanjeev Bajaj
Chief Executive Officer

Sd/-
Vinit Kumar Sarawgi
Chief Financial Officer

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED - INDIA BRANCHES

(Incorporated in Australia with limited liability)

CASH FLOW STATEMENT

	For the year ended 31 March 2018 (₹ '000s)	For the year ended 31 March 2017 (₹ '000s)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before taxation	946,499	700,955
Adjustments for:		
Depreciation on Bank's property	106,334	109,980
Provision in respect of non-performing assets (including general provision on standard assets and country risk exposure)	(28,799)	(16,015)
(Appreciation) / Depreciation on investments	(692)	692
(Profit) / Loss on sale of fixed assets	20,939	153
Operating profit before working capital changes	1,044,281	795,765
Adjustments for:		
Decrease in investments	443,483	1,832,796
(Increase) / Decrease in advances	(148,270)	5,921,602
Decrease/ (Increase) in other assets	8,911,529	(9,256,688)
(Decrease) / Increase in deposits	(1,093,345)	6,499,066
(Decrease) / Increase in other liabilities and provisions	(8,605,448)	8,358,147
	552,230	14,150,688
Direct taxes paid	(339,069)	(220,546)
Net cash flow from operating activities (A)	213,160	13,930,142
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets (Including Capital work in progress)	(10,553)	(37,387)
Proceeds from the sale of fixed assets	518	459
Net cash flow used in investing activities (B)	(10,035)	(36,928)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) / increase in Short term borrowings	(1,144,713)	(8,560,335)
Net cash flow used in financing activities (C)	(1,144,713)	(8,560,335)
Net increase in cash and cash equivalents (A+B+C)	(941,588)	5,332,879
Cash and cash equivalents at the beginning of the year (D)	7,715,584	2,382,705
Cash and cash equivalents at the end of the year (E)	6,773,996	7,715,584
Net (Decrease)/ Increase in cash and cash equivalents (E-D) (F)	**(941,588)**	**5,332,879**

Note : Cash and Cash equivalents represent

	Schedule	As at 31 March 2018	As at 31 March 2017
Cash and Balance with Reserve Bank of India	6	3,722,476	2,287,205
Balance with banks and money at call and short notice	7	3,051,520	5,428,379
Total		**6,773,996**	**7,715,584**

As per our report of even date

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

Sd/-
Ashwin Suvarna
Partner
Membership No. 109503

Place: Mumbai
Date: 14 June 2018

For **Australia and New Zealand Banking Group Limited - India Branches**

Sd/-
Sanjeev Bajaj
Chief Executive Officer

Sd/-
Vinit Kumar Sarawgi
Chief Financial Officer

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED - INDIA BRANCHES

(Incorporated in Australia with limited liability)

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

		As at 31 March 2018 (₹ '000s)	As at 31 March 2017 (₹ '000s)
1.	**CAPITAL**		
	Amount of deposit kept with Reserve Bank of India under Section 11 (2) (b) of the Banking Regulation Act, 1949	700,000	500,000
	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	492,119	399,398
	Transfer from Profit and Loss Account	145,501	92,721
	Balance, end of the year	637,620	492,119
b	**Remittable Surplus retained in India for CRAR**		
	Balance, beginning of the year	1,347,652	1,069,195
	Transfer from Profit and Loss Account	436,207	278,457
	Balance, end of the year	1,783,859	1,347,652
c	**Investment Reserve**		
	Balance, beginning of the year	146	441
	Transfer (to) / from Profit and Loss Account	295	(295)
	Balance, end of the year	441	146
	Total	**2,421,920**	**1,839,917**
3.	**DEPOSITS**		
a	**I. Demand Deposits**		
	From banks	99,328	200,532
	From others	1,824,052	1,890,415
	Total Demand Deposits	**1,923,380**	**2,090,947**
	II. Savings Bank Deposits		
	Total Savings Bank Deposits	39	105
	III. Term Deposits		
	From banks	-	-
	From others	25,418,251	26,343,963
	Total Term Deposits	**25,418,251**	**26,343,963**
	Total	**27,341,670**	**28,435,015**
b	I. Deposits of branches in India	27,341,670	28,435,015
	II. Deposits of branches outside India	-	-
	Total	**27,341,670**	**28,435,015**
4.	**BORROWINGS**		
a	**Borrowings in India from**		
	(i) Reserve Bank of India	-	-
	(ii) Other banks	-	-
	(iii) Other institutions and agencies	-	-
		-	-
b	**Borrowings outside India**	-	1,144,713
	Total	**-**	**1,144,713**
	Secured borrowings included in a and b above	-	-
5.	**OTHER LIABILITIES AND PROVISIONS**		
	Bills payable	10,311	6,366
	Inter office adjustment (net)	-	-
	Interest accrued	271,934	291,383
	Contingent provision against standard assets	144,504	174,937
	Provision for taxation (net of tax paid in advance/tax deducted at source)	3,853	-
	Others (including provisions) (Refer Schedule 18 Note 34)	12,014,904	20,581,641
	Total	**12,445,506**	**21,054,327**
6.	**CASH AND BALANCES WITH RESERVE BANK OF INDIA**		

		As at 31 March 2018 (₹ '000s)	As at 31 March 2017 (₹ '000s)
	Cash in hand (including foreign currency notes)	842	772
	Balance with Reserve Bank of India in current account	3,721,634	2,286,433
	Total	**3,722,476**	**2,287,205**
7.	**BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE**		
	I. In India		
	(i) Balances with banks		
	(a) In current accounts	76,026	68,662
	(b) In other deposit accounts	-	-
	(ii) Money at call and short notice		
	(a) with banks	-	-
	(b) with other institutions	-	4,997,535
		76,026	**5,066,197**
	II. Outside India		
	(i) In current accounts	2,975,494	362,182
	(ii) In other deposit accounts	-	-
	(iii) In money at call and short notice	-	-
		2,975,494	**362,182**
	Total	**3,051,520**	**5,428,379**
8.	**INVESTMENTS**		
	I. Investments in India in		
	(i) Government securities	15,512,361	15,955,844
	(ii) Other approved securities	-	-
	(iii) Shares	-	-
	(iv) Debentures and bonds	-	-
	(v) Subsidiaries and/or joint ventures	-	-
	(vi) Others	-	-
	Less: Provision for depreciation on investments	-	-
		15,512,361	**15,955,844**
	II. Investments outside India in		
	(i) Government securities (including local authorities)	**-**	**-**
	(ii) Subsidiaries and/or Joint ventures abroad	**-**	**-**
	(iii) Other Investments	**-**	**-**
		-	**-**
	Gross Investments	**15,512,361**	**15,955,844**
	Less: Provision for depreciation on investments	-	692
	Total	**15,512,361**	**15,955,152**
9.	**ADVANCES**		
a.	I. Bills purchased and discounted	454,689	1,565,467
	II. Cash credits, overdrafts and loans repayable on demand	16,555,667	15,426,122
	III. Term loans	2,523,090	2,393,587
	Total	**19,533,446**	**19,385,176**
b.	I. Secured by tangible assets	6,460,119	6,246,899
	II. Covered by bank/government guarantees	-	-
	III. Unsecured	13,073,327	13,138,277
	Total	**19,533,446**	**19,385,176**
c.	I. Advances in India		
	Priority sector	5,139,263	2,663,009
	Public sector	1	1,300,000
	Banks	611,827	925,493
	Others	13,782,355	14,496,674
	Total	**19,533,446**	**19,385,176**
	II. Advances outside India		
	Due from banks	-	-

	As at 31 March 2018 (₹ '000s)	As at 31 March 2017 (₹ '000s)
Due from others	-	-
	-	-
Total (C.I & C.II)	**19,533,446**	**19,385,176**
10. FIXED ASSETS		
I. Premises	-	-
II. Other Fixed Assets (Including furniture and fixtures)		
Balance, beginning of the year	1,421,796	1,391,828
Additions during the year	18,973	32,661
Deductions during the year	(33,981)	(2,693)
Less : Depreciation to date	(784,867)	(691,057)
Net book value of other fixed assets	**621,921**	**730,739**
Capital work in progress	-	8,420
Total Net Book Value of Fixed Assets	**621,921**	**739,159**
11. OTHER ASSETS		
Inter office adjustment (net)	-	-
Interest accrued	30,497	75,902
Tax paid in advance / tax deducted at source (net of provision for tax)	-	11,857
Deferred tax asset (Refer Schedule 18 Note 30)	-	-
Stationery and stamps	-	-
Others (Refer Schedule 18 Note 34)	11,047,949	19,902,216
Total	**11,078,446**	**19,989,975**
12. CONTINGENT LIABILITIES		
Claims against the Bank not acknowledged as debts	-	-
Liability for partly paid investments	-	-
Liability on account of outstanding forward exchange contracts	253,018,727	377,184,501
Liability on account of derivative contracts	487,365,668	354,301,070
Guarantees given on behalf of constituents		
- In India*	18,755,802	23,959,188
- Outside India	-	-
Acceptances, endorsements and other obligations	490,789	229,511
Other items for which the Bank is contingently liable		
- Tax demands	32	28
- Undrawn Committed lines of credit	2,077,751	3,624,727
Total	**761,708,769**	**759,299,025**

* Margin money not netted off against guarantees is INR 77,765 (‘000s) Previour year INR 120,691 (‘000s)

	For the year ended 31 March 2018 (₹ '000s)	For the year ended 31 March 2017 (₹ '000s)
13. INTEREST EARNED		
Interest/discount on advances / bills	1,400,423	1,311,588
Income on investments	1,368,519	1,081,149
Interest on balances with Reserve Bank of India and other inter-bank funds	71,748	60,748
Others	34,323	1,644
Total	**2,875,013**	**2,455,129**
14. OTHER INCOME		
Commission, exchange and brokerage	141,226	71,224
Net profit / (loss) on sale of Investments	(28,531)	65,350
Net profit / (loss) on sale of premises and other assets	(20,939)	(153)
Net profit / (loss) on exchange transactions (including derivatives)	731,243	979,145
Miscellaneous income (Refer Schedule 18 Note 53)	225,415	252,731
Total	**1,048,414**	**1,368,297**
15. INTEREST EXPENDED		
Interest on deposits	1,379,330	1,478,804
Interest on Reserve Bank of India and inter-bank borrowings	137,011	82,084
Others	64,050	87,550
Total	**1,580,391**	**1,648,438**
16. OPERATING EXPENSES		
Payments to and provisions for employees	734,502	776,454
Rent, taxes and lighting	230,469	257,864
Printing and stationery	4,486	3,881
Advertisement and publicity	751	700
Depreciation on Bank's property	106,334	109,980
Auditors' fees and expense	3,362	3,755
Legal and professional charges	35,974	40,017
Postage, telegrams, telephones, etc.	9,582	9,285
Repairs and maintenance	7,536	5,931
Insurance	38,021	32,642
Other expenses (Refer Schedule 18 Note 32)	255,011	248,847
Total	**1,426,028**	**1,489,356**
16A PROVISIONS AND CONTINGENCIES		
Specific provisions against advances written back (net of bad debts written off)	-	-
General provision against standard assets	(30,433)	(16,015)
Provision towards country risk	1,634	-
Provision for depreciation on investments	(692)	692
Provision on account of tax		
- Current tax expense	354,780	8,560
- Deferred tax expense/(Income)	9,716	321,512
Total	**335,005**	**314,749**

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(Currency in ₹)

1. BACKGROUND

The accompanying financial statements for the year ended 31 March 2018 comprise of the accounts of the India Branches of Australia and New Zealand Banking Group Limited (the ‘Bank’) which is incorporated in Australia with limited liability. The Bank has three branches in India as on 31 March 2018.

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 Reserve Bank of India (‘RBI’) from time to time, the Accounting Standards (‘AS’) (specified under section 133 of the Companies Act, 2013 read with relevant rules 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 a 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 other than software, individually costing up to ₹ 5,000 and mobile instruments are written off in the month of acquisition.

e) Software costing up to 30,000 (in ₹ '000) is written off in the year of acquisition, in consideration that economic useful life is less than one year.

f) 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.

g) 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 and Fixtures	10.00
Office Equipment	33.33
Computers	33.33
Purchased Software	10.00
Internally developed software	20.00
Leasehold Improvements	Over remaining period of lease
Plant and Machinery	20.00

i) 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 year. 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.

j) 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) Compensated Absences-Short term

Employees may carry forward a maximum of five days of unused annual leave, which will have to be consumed within one quarter following the end of the leave year (Oct-Sep), i.e. by 31 December, beyond which it will be forfeited. The employees cannot encash un-availed /unutilised leave except in the year of resignation or retirement.

d) Employee share-based payments

The Bank participates in various share and rights compensation plans operated by the Head Office.

Compensation expense relating to the shares and rights granted to the Bank's employees by Head Office under the ANZ Employee Share Acquisition Plan (ESAP) and ANZ Share Option Plan (SOP) is borne by the Bank.

In determining the fair value of the rights, the Head Office uses standard market techniques for valuation including Monte Carlo and/or Black Scholes pricing models. The models take into account early exercise, non-transferability and internal/ market based performance hurdles (if any).

The fair value of deferred shares and rights are expensed on a straight-line basis over the relevant vesting period as share-based compensation expense. The liability with Head Office for the issue of these shares and options is settled by the Bank on a half yearly basis.

4.4. **Taxation**

Income tax expense comprises of current tax and deferred tax.

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/virtually 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 loss 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 and 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 and 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 2018, the Bank has not classified any investment 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 Investments

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 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 RBI guidelines, repurchase (repos) and reverse repurchase (reverse repos) transactions are accounted as Collateralised Borrowing and Lending Obligation.

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

4.10. **Advances**

Classification and provisions for advances of the Bank are carried out in accordance with the extant RBI guidelines on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to 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 is 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 from the specified date of payment are classified as non-performing assets.

e) The premium on option contracts is accounted for as per Foreign Exchange Dealers Association of India (FEDAI) guidelines.

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 2018

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 2018 is – 13,192,988 (₹ '000s) (Previous year 10,345,309 (₹ '000s)).

2. Capital Adequacy Ratios:

The Bank's Capital to Risk-weighted Asset Ratio ('CRAR') is calculated in accordance with RBI's 'Basel III Capital regulations' issued vide RBI circular DBR.No.BP. BC.1/21.06.201/2015-16 dated 1 July 2015. Under the Basel III framework, on an on-going basis, the Bank has to maintain a minimum total capital ratio of 10.875 % (Previous Year 10.25%) including Capital Conversion Buffer (CCB) at 1.875% (Previous Year 1.25%) for credit risk, market risk and operational risk.

At 31 March 2018, the Bank was required to maintain a minimum Common Equity Tier-1 (CET1) capital ratio of 5.50%, minimum Tier-1 capital ratio of 7.0% and minimum total capital ratio of 10.875%. The minimum total capital requirement includes a capital conservation buffer of 1.875% (Previous Year 1.25%).

The Bank's capital adequacy ratio as per Basel III is as follows:

Sr No	Particulars	As at 31 March 2018	As at 31 March 2017
1	Common Equity Tier 1 capital ratio (%)	25.48%	19.12%
2	Tier 1 capital ratio (%)	25.20%	19.12%
3	Tier 2 capital ratio (%)	0.28%	0.33%
4	Total Capital ratio (CRAR) (%)	25.48%	19.45%
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 Perpetual Non-Cumulative Preference Shares (PNCPS): Perpetual Debt Instruments (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 2018	As at 31 March 2017
1) Value of Investments		
(i) Gross Value of Investments	15,512,361	15,955,844
(a) In India	15,512,361	15,955,844
(b) Outside India	-	-
(ii) Provisions for Depreciation	-	692
(a) In India	-	692
(b) Outside India	-	-
(iii) Net Value of Investments	15,512,361	15,955,152
(a) In India	15,512,361	15,955,152
(b) Outside India	-	-
2) Movement of provisions held towards depreciation on Investments		
(i) Opening Balance	692	-
(ii) Add: Provision made during the year	-	692
(iii) Less: Write back of excess provisions during the year	692	-
(iv) Closing balance	-	692

There are no non performing Investments as at 31 March 2018 (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 2018
Securities sold under repo	**150,000** (120,000)	**1,700,000** (5,750,000)	**478,929** (661,600)	**Nil** (Nil)
i. Government securities	**150,000** (120,000)	**1,700,000** (5,750,000)	**478,929** (661,600)	**Nil** (Nil)
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo	-	-	-	-
i. Government securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-

The above disclosure includes LAF/Marginal Standing Facility done with RBI.

The days with nil outstanding (337 days) Previous year (340 days) 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 2018, 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 2018, 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 2018	As at 31 March 2017
i)	The notional principal of swap agreements[1]	293,403,917	223,293,909
ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	1,244,521	1,366,270
iii)	Collateral required by the Bank upon entering into swaps	-	-
iv)	Concentration of credit risk arising from the swaps[2]		
	- Banks	99.21%	93.19%
	- Others	0.79%	6.81%
v)	The fair value of the swap book[3]	(56,808)	(59,253)

There were no Forward Rate agreements (FRAs) outstanding as at 31 March 2018 (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 entered into any transaction in Exchange Traded Derivatives during the year ended 31 March 2018 (Previous year Nil).

The nature and terms of interest rate swaps outstanding are set out below:

(Amount in ₹ '000s)

		As at 31 March 2018		As at 31 March 2017	
Nature	Terms	No	Notional Principal	No	Notional Principal
Trading-MIFOR	Pay Fixed-Receive Variable	40	27,450,000	34	22,075,000
	Pay Variable-Receive Fixed	42	25,850,000	33	21,250,000
Trading-MIOIS	Pay Fixed-Receive Variable	191	99,150,000	157	67,919,750
	Pay Variable-Receive Fixed	124	74,300,000	109	55,637,025
LIBOR	Pay Fixed-Receive Variable	15	19,868,315	11	31,681,529
	Pay Variable-Receive Fixed	30	46,785,602	13	24,730,604
Total			**293,403,917**		**223,293,909**

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.

Derivatives deals are 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 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 DBR.No.BP.BC.2/21.04.048/2015-16 dated 1 July 2015.

Quantitative Disclosures

(Amount in ₹ '000s)

Sr. No	Particulars	As at 31 March 2018		As at 31 March 2017	
		Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
1	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	-	-
	b) For trading	193,961,751	293,403,917	131,007,161	223,293,909
2	Marked to Market Positions (Net)				
	a) Asset (+)	3,199,898	1,244,521	5,685,758	1,366,270
	b) Liability (-)	(5,843,089)	(1,301,329)	(5,441,547)	(1,425,522)
3	Credit Exposure[2]	16,190,370	3,693,748	12,608,079	3,552,011
4	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	272,244	164,525	398,109	286,501
5	Maximum of 100*PV01 observed during the year[3]				
	a) on hedging	-	-	-	-
	b) on trading	587,519	377,290	444,952	382,983
6	Minimum of 100*PV01 observed during the year[3]				
	a) on hedging	-	-	-	-
	b) on trading	116,865	41,649	244,055	139,937

1. Disclosure excludes foreign exchange contracts.
2. Represents total exposure based on current exposure method as per RBI master circular Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated 1 July 2015.
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 2018	As at 31 March 2017
(i) Net NPAs to Net Advances (%)	-	-
(ii) Movement of NPAs (Gross)		
(a) Opening balance	-	-
(b) Additions during the year	-	-
(c) Reductions during the year	-	-
(d) Closing balance	-	-
(iii) Movement of Net NPAs		
(a) Opening balance	-	-
(b) Additions during the year	-	-
(c) Reductions during the year	-	-
(d) Closing balance	-	-
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	-	-
(b) Provisions made during the year	-	-
(c) Write-off/ write-back of excess provisions	-	-
(d) Closing balance	-	-

The Bank has no restructured accounts, sale of financial assets to securitisation / reconstruction Company, purchase / sale of Non-Performing Financial Assets 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 Financial 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 2018	As at 31 March 2017
Total deposits of twenty largest depositors	26,918,017	27,972,190
Percentage of deposits of twenty largest depositors to total deposits of the Bank	98.45%	98.37%

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

	As at 31 March 2018	As at 31 March 2017
Total advances to twenty largest borrowers	35,880,112	37,469,722
Percentage of advance to twenty largest borrowers to total advances of the Bank	56.60%	44.76%

*Advances represent credit exposure (funded and non funded) including derivatives exposure as per RBI master circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated 1 July 2015.

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

	As at 31 March 2018	As at 31 March 2017
Total exposure to twenty largest borrowers/ customers	35,880,112	37,469,722
Percentage of exposures to twenty largest borrowers/ customers to total exposure of the Bank on borrowers/ customers	56.60%	44.76%

**Exposure includes credit exposure (funded and non-funded), derivative exposure and investment exposure as per RBI master circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated 1 July 2015. However there is no investment exposure as on 31 March 2018 (Previous year Nil).

d) Concentration of NPAs (Amount in ₹ '000s)

	As at 31 March 2018	As at 31 March 2017
Total Exposure to NPA accounts	-	-

11. Sector-wise Advances (Amount in ₹ '000s)

Sector		As at 31 March 2018			As at 31 March 2017		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	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 of which:	**4,505,595**	-	-	**2,514,009**	-	-
	Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	-	-	-	-	-
	Chemicals and Chemical Products (Dyes, Paints, etc.)	-	-	-	176,730	-	-
	Basic metal and metal Products	9,57,486	-	-	12,730	-	-
	Food processing	1,192,500			1,933,909	-	-
	3. Services of which:	**633,667**	-	-	**149,000**	-	-
	Professional services	140,384	-	-	-	-	-
	Trading	4,93,283	-	-	149,000	-	-
	4. Personal loans	-	-	-	-	-	-
	Sub - total - A	**5,139,262**			**2,663,009**	**-**	**-**
B	**Non Priority Sector**						
	1. Agriculture and allied activities	-	-	-	-	-	-
	2. Industry of which:	**3,798,774**	-	-	**7,537,968**	-	-
	Food Processing	53,000	-	-	2,568,635	-	-
	Chemicals and chemical products (Dyes, Paints, etc.)	-	-	-	2,050,000	-	-
	Basic metal and metal Products	72,485	-	-	660,000	-	-
	All engineering	376,024	-	-	549,333	-	-
	Other industries	3,297,265	-	-	1,710,000	-	-
	3. Services of which:	**10,595,410**	-	-	**9,184,199**	-	-
	Tourism, hotel and restaurants	1,095,000	-	-	981,787	-	-
	Non-Banking Financial Companies(NBFC)	1,492,558	-	-	1,361,607	-	-
	Trading	3,927,313	-	-	4,385,976	-	-
	Professional services	2,302,449			2,454,829		
	4. Personal loans	-	-	-	-	-	-
	Sub-total -B	**14,394,184**	**-**	**-**	**16,722,167**	**-**	**-**
	Total(A + B)	**19,533,446**	**-**	**-**	**19,385,176**	**-**	**-**

12. Movement of NPAs

(Amount in ₹ '000s)

Particulars	As at 31 March 2018	As at 31 March 2017
Gross NPAs as on 1 April (Opening Balance)	-	-
Additions (new NPAs) during the year	-	-
Sub-total (A)	**-**	**-**
Less:-		
(i) Upgradations	-	-
(ii) Recoveries (excluding recoveries made from upgraded accounts)	-	-
(iii) Write-offs	-	-
Sub-total (B)	**-**	**-**
Gross NPAs as on 31 March (closing balance) (A-B)	**-**	**-**

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 2018	As at 31 March 2017
General Provision on Advances	78,134	77,541
General Provision on Credit Exposure on derivatives	30,160	64,657

*Does not include unhedged foreign currency exposure provision as disclosed in the Note 15

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 2018, the Bank has provided incremental provisions of 36,210 (₹ '000s) (Previous Year 32,739 (₹ '000s) and held incremental capital of 237,647 (₹ '000s) (Previous Year 185,474 (₹ '000s)).

16. Business Ratios

Sr. No.	Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
i.	Interest income as a % to working funds[1]	4.41%	4.46%
ii.	Non-interest income as a % to working funds[1]	1.61%	2.48%
iii.	Operating profit as a % to working funds[1]	1.41%	1.24%
iv.	Return on assets[2]	0.89%	0.67%
v.	Business per employee[3, 4] (₹ '000s)	599,690	643,509
vi.	Net Profit per employee[4] (₹ '000s)	7,462	5,012

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 as at year end excluding interbank deposits. Ratio is computed basis number of employees as at respective year-ends.
4. Operating profit is profit before provisions and contingencies.

17. Maturity Patterns of certain items of Assets and Liabilities[1]

As at 31 March 2018

(Amount in ₹ '000s)

Maturity Bucket	Day 1	2 – 7 days	8-14 days	15-30 days	31 days – 2 months	2 months – 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	79,563	337,383	615,947	1,754,406	9,847,292	660,000	5,141,835	7,673,984	1,229,850	1,410	-	**27,341,670**
Advances	37,708	522,153	6,160,804	2,756,594	2,258,360	860,833	1,355,905	3,601,676	1,543,150	436,263	-	**19,533,446**
Investments	9,343,379	56,700	1,028,107	75,759	1,006,024	1,299,043	1,010,258	1,523,224	167,076	2,733	58	**15,512,361**
Borrowings	-	-	-	-	-	-	-	-	-	-	-	**-**
Foreign Currency Assets[2]	2,941,134	453	1,621,955	1,700,871	107,451	90,117	70,563	94,395	212,235	-	195,525	**7,034,699**
Foreign Currency Liabilities[2]	4,959	34,256	38,843	393	20,752	-	-	-	33,325	-	678	**1,33,206**

As at 31 March 2017

(Amount in ₹ '000s)

Maturity Bucket	Day 1	2 – 7 days	8-14 days	15-30 days	31 days – 2 months	2months – 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	555,788	3,515,831	1,749,590	5,459,472	8,196,960	3,100,347	2,811,026	1,673,776	1,370,430	585	1,210	**28,435,015**
Advances	879,006	3,126,472	2,808,558	2,881,220	1,280,939	1,608,109	4,941,155	284,315	1,269,138	306,263	-	**19,385,176**
Investments	10,785,206	71,824	451,293	1,057,626	789,657	1,511,485	627,092	397,768	253,413	9,406	382	**15,955,152**
Borrowings	1,144,713	-	-	-	-	-	-	-	-	-	-	**1,144,713**
Foreign Currency Assets[2]	329,032	224	3,165	54,608	193,131	18,985	723,607	87,978	351,912	29,498	194,550	**1,986,689**
Foreign Currency Liabilities[2]	1,154,277	55,622	66,901	1,131	2,917	-	-	-	88,355	-	1,610	**1,370,813**

1. The maturity pattern has been compiled in the same manner as required for the Liquidity 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).

19. Risk category wise Country Exposure

Provision for country risk exposure as per RBI circular DBR.No.BP. BC.2/21.04.048/2015-16 dated 1 July 2015 is as follows:

(Amount in ₹ '000s)

Risk Category	Funded Exposure (net) as at 31 March 2018	Provision held as at 31 March 2018	Funded Exposure (net) as at 31 March 2017	Provision held as at 31 March 2017
Insignificant	3,029,385	1,634	368,941	-
Low	18,603	-	6,589	-
Moderate	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	**3,047,988**	**1,634**	**375,530**	-

As per RBI guidelines, provision is created for only those countries where the net funded exposure exceeded 1% of the total assets as at 31 March 2018. 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

During the year ended 31 March 2018, the Bank is in compliance with RBI master circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated 1 July 2015 on single borrower and group borrower limits.

As per the extant RBI guidelines, the Bank with the approval of the India Executive Committee (EXCO) can enhance exposure to single borrower or group borrower by a further 5% of the capital funds. During the year ended 31 March 2018, the Bank enhanced SBL for below customers from 15% to 20% of the capital funds.

- Tata Sia Airlines Limited
- Hardcastle Restaurants Private Limited
- L&T Valves Limited
- Olam Agro India private limited

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 for 2 infrastructure clients. During the year ended 31 March 2018, the Bank enhanced SBL for below customers from 20% to 25% of the capital funds.

- Sembcorp Gayatri Power Limited
- Ericsson India Private Limited

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

- Brightstar Telecommunications India Limited
- Voith Hydro Private Limited
- BTI Payments Private Limited
- Aditya Birla Retail Limited
- Aurobindo Pharma Limited

21. Intra-Group Exposures

As at the year end 31 March 2018, 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 year ended 31 March 2018, there was no breach in limits for Single Group Entity Exposure and Aggregate Group Exposure. (Previous year-Nil)

Other details of Intra-Group Exposure as at 31 March 2018 are provided below:

(Amount in ₹ '000s)

Particulars	As at 31-Mar-18	As at 31-Mar-17
(a) Total amount of intra-group exposures	440,779	691,520
(b) Total amount of top-20 intra-group exposures	440,779	691,520
(c) Percentage of intra-group exposures to total exposure* of the bank on borrowers / customers	0.38%	0.65%

*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 2018 the Bank has not granted any advance 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 2018	For the year ended 31 March 2017
Current Tax*	354,780	8,560
Deferred Tax	9,716	321,512
Total	**364,496**	**330,072**

*Provision for Current tax includes write back of provision made in respect of previous financial years INR 26,563 (in '000) and previous year includes provision in respect of previous financial years of INR 49,768 (in '000)

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 (LCR)

Qualitative Disclosures:

The Bank has been computing its LCR on a daily basis since October 2016 and on monthly basis since January 2016 as per the extant RBI guidelines. RBI guidelines, has mandated minimum LCR of 60% for the calendar year 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 banks 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 2018, the Bank is in compliance with LCR guidelines. Over a period of time, there is a positive trend in LCR ratio with LCR as at 31 March 2018 at 342% against requirement of 90%. The main drivers of LCR are holding in government securities and cash in hand. HQLA comprises of cash in hand, 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 Clearing Corporation of India Limited (CCIL) guaranteed settlement window for Foreign exchange forward transactions, lowered derivatives cash outflows. Trades which are settled through CCIL (under guaranteed settlement window) are netted.

Effective October 2015, FX options and FX cash flows are netted at deal level. For other derivatives, the Bank continues to gross up cash flows at counterparty level.

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. 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)

		Quarter ended Mar 31, 2018		Quarter ended Dec 31, 2017		Quarter ended Sep 30, 2017		Quarter ended Jun 30, 2017		Quarter ended Mar 31, 2017	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets											
1	Total High Quality Liquid Assets (HQLA)		14,340,189		20,017,668		20,233,139		15,498,897		13,790,147
Cash Outflows											
2	Retail deposits and deposits from small business customers, of which:										
(i)	Stable deposits	19	1	13	1	14	1	60	3	136	7
(ii)	Less stable deposits	-	-	-	-	-	-	-	-	1	-
3	Unsecured wholesale funding, of which:	-	-	-	-	-	-	-	-	-	-
(i)	Operational deposits (all counterparties)	1,769,060	440,864	1,737,041	432,890	1,642,714	409,346	2,162,472	539,392	2,085,455	520,201
(ii)	Non-operational deposits (all counterparties)	8,916,295	4,028,040	10,364,121	4,925,764	4,638,419	2,035,826	7,272,241	3,835,974	7,350,347	3,842,615
(iii)	Unsecured debt	-	-	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-		-
5	Additional requirements, of which										
(i)	Outflows related to derivative exposures and other collateral requirements	6,488,149	6,488,149	2,612,795	2,612,795	2,453,909	2,453,909	2,320,192	2,320,192	4,001,197	4,001,197
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	2,122,832	212,283	3,008,969	500,969	3,411,930	535,618	3,671,964	567,959	3,799,855	580,865
6	Other contractual funding obligations	925,479	925,479	765,573	765,573	518,221	518,221	238,343	238,343	999,792	999,792
7	Other contingent funding obligations	22,229,403	1,111,200	23,878,061	1,193,441	23,749,386	1,187,145	28,734,266	1,436,409	27,370,145	1,368,356
8	Total Cash Outflows		13,206,016		10,431,433		7,140,066		8,938,272		11,313,033
Cash Inflows											
9	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	17,763,042	12,483,860	11,062,920	7,192,601	9,876,332	6,921,178	7,766,583	5,505,321	12,000,190	8,914,093
11	Other cash inflows	1,344,988	672,494	816,781	408,391	1,114,977	557,488	302,485	151,243	1,331,584	665,792
12	Total Cash Inflows		13,156,354		7,600,992		7,478,666		5,656,564		9,579,885
			Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
21	TOTAL HQLA		14,340,189		20,017,668		20,233,139		15,498,897		13,790,147
22	Total Net Cash Outflows *		3,301,504		2,830,441		1,785,016		3,281,708		2,828,258
23	Liquidity Coverage Ratio (%)		434		707		1,133		472		488

*Total Net Cash Outflows is higher of Total Cash Outflows less Total Cash Inflows and 25% of Total Cash outflows

The disclosure has been computed as simple average of daily observations.

26. Employee Benefits

Provident Fund – Defined Contribution Plan

The Bank has recognised 21,384 (₹ '000s) in the Profit and Loss Account as employer's contribution to the provident fund (Previous Year 24,166 (₹ '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 2018**	**As at 31 March 2017**
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	33,049	28,221
Interest cost	2,273	1,901
Current service cost	8,454	8,374
Acquisition cost	-	-
Benefits paid	(2,063)	(7,689)
Actuarial (gain)/loss on obligation	(7,589)	2,242
Present value of obligation as at March 31	**34,124**	**33,049**

Particulars	**As at 31 March 2018**	**As at 31 March 2017**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	27,654	26,261
Expected return on plan assets	2,430	2,366
Contributions	8,267	6,886
Benefits paid	(2,063)	(7,689)
Actuarial gain/(loss) on plan assets	(453)	(170)
Fair value of plan assets as at March 31	**35,835**	**27,654**
Amount recognised in Balance sheet		
Fair value of plan assets as at March 31	35,835	27,654
Present value of obligation as at March 31	34,124	33,049
Asset/(Liability) as at March 31	1,710	(5,395)
Expenses recognised in Profit and Loss Account		
Interest cost	2,273	1,901
Current service cost	8,454	8,374
Expected return on plan assets	(2,430)	(2,366)
Net Actuarial (gain)/loss recognised in the year	(7,136)	2,412
Net cost	**1,161**	**10,321**

Particulars	As at 31-Mar-18	As at 31-Mar-17
Assumptions		
Valuation method	Projected Unit Credit	Projected Unit Credit
Discount rate	7.60%	7.10%
Expected return on plan assets	7.90%	7.90%
Mortality	IAL Mortality Table Ult. (2006-08)	IAL Mortality Table Ult. (2006-08)
Salary escalation rate*	6.00%	8.00%
Withdrawal rate	6.50%	8.00%
Retirement age	60 years	60 years

* The estimates of future salary average increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Experience History	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Defined Benefit Obligation at end of the period	(34,124)	(33,049)	(28,221)	(23,355)	(15,017)
Plan Asset at end of the period	35,835	27,654	26,261	22,609	13,775
Funded Status	1,710	(5,395)	(1,960)	(746)	(1,242)
Experience Gain/(Loss) adjustments on plan liabilities	(506)	(222)	2,385	434	591
Experience Gain/(Loss) adjustments on plan assets	(453)	(170)	(414)	(135)	112
Actuarial Gain/(Loss) due to change on assumptions	8,095	(2,020)	0	(2,821)	1,695

The break-up of major categories of plan assets as percentage to total plan assets is as under:

Asset Category	As at 31 March 2018	As at 31 March 2017
Others (including FDs and Special Deposits)	100.00%	100.00%
Total	**100.00%**	**100.00%**

Compensated absences – Short-term

The liability of compensated absences of the employees of the Bank as of 31 March 2018 is Nil (Previous Year Nil).

27. Segmental reporting

Part A: Business Segments

As per RBI guidelines, the Bank has identified 'Treasury', 'Corporate / Wholesale banking' and 'Retail (Private Banking)' as its primary reportable segments. These segments are identified based on nature of services provided, risks and returns, organisational structure of the bank 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 foreign 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.

Part A: Business Segments

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 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 this segment mainly consist of 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 2018 (Amount in ₹ '000s)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Total
Revenue	2,216,187	1,707,240	-	3,923,427
Result	708,560	237,938	1	946,499
Unallocated expenses				-
Operating profit				**946,499**
Income taxes				364,496
Extraordinary profit/ loss				-
Net profit				**582,003**
Other information:				
Segment assets	32,793,093	20,209,660	-	53,002,753
Unallocated assets				517,417
Total assets				**53,520,170**
Segment liabilities	23,575,832	27,211,992	39	50,787,863
Unallocated liabilities				2,732,307
Total liabilities				**53,520,170**

For the year ended 31 March 2017 (Amount in ₹ '000s)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Total
Revenue	2,148,184	1,675,242	-	3,823,426
Result	556,514	144,409	32	700,955
Unallocated expenses				-
Operating profit				**700,955**
Income taxes				330,072
Extraordinary profit/ loss				-
Net profit				**370,883**
Other information:				
Segment assets	43,050,875	20,076,990	-	63,127,865
Unallocated assets				657,181
Total assets				**63,785,046**
Segment liabilities	35,506,598	26,317,264	105	61,823,967
Unallocated liabilities				1,961,079
Total liabilities				**63,785,046**

In computing the above information, certain estimates and assumptions have been made by management and have been relied upon by the auditors.

Income, expense, assets and liabilities have been either specifically identified with individual segment or allocated to segments on a systematic basis or classified as unallocated.

Part B: Geographic segments

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

Head Office and Branches

Australia and New Zealand Banking Group Limited, Australia
Australia and New Zealand Banking Group Limited - Singapore
Australia and New Zealand Banking Group Limited - New York
Australia and New Zealand Banking Group Limited - Japan
Australia and New Zealand Banking Group Limited - London
Australia and New Zealand Banking Group Limited - Hong Kong
Australia and New Zealand Banking Group Limited – Frankfurt

Other Group Entities

ANZ Bank New Zealand Limited
ANZ Bank (Thai) Public Company Limited
Australia and New Zealand Bank (China) Company Limited

ANZ Capital Private Limited
ANZ Support Services India Private Limited
ANZ Operations and Technology Private Limited
ANZ Support Services Employees Group Gratuity Scheme
ANZ Operations and Technology Private Limited Gratuity Fund Trust
ANZ Global Services and Operations (Manila), Inc.
Bank ANZ Indonesia P.T.

The above category includes only those related parties with whom transactions have occurred during the year and / or previous years or where control exists.

B. Key Management Personnel

Mr. Sanjeev Bajaj, Chief Executive Officer

C. Transactions and balances with related parties

(Amount in ₹ '000s)

Particulars	Head Office and Branches		Other Group Entities	
	As at 31 March 2018	Maximum Outstanding during the year	As at 31 March 2018	Maximum Outstanding during the year
Borrowings	-	3,891,303	-	21,205
Deposits	48,225	268,834	12,735,556	14,475,312
Placements	-	8,084,859	-	-
Advances	-	-	-	-
Investments	-	-	-	-
Balances with Banks	107,596	1,688,124	3,484	70,061
Non-funded commitments	8,909,989	12,094,087	69,964	69,964
Other Assets	25,968	25,968	-	-
Derivative Notionals	60,948,088	64,169,984	-	-
Positive MTMs	316,000	325,756	-	-
Negative MTMs	2,005,889	2,141,828	-	-

(Amount in ₹ '000s)

Particulars	Head Office and Branches		Other Group Entities	
	For the year ended 31 March 2018	As at 31 March 2018	For the year ended 31 March 2018	As at 31 March 2018
Interest paid	7,147	-	699,548	125,569
Interest received	1,705	-	-	-
Rendering of services	224,458	28,218	-	-
Reimbursement of expenses	13,888	1,437	-	-
Receiving of services	-	-	26,678	4,715
Payment for share based payment	55,609	16,037	-	-
Fees Paid	78		11	
Fees Received	28,253	18,087	4,032	220

(Amount in ₹ '000s)

Particulars	Head Office and Branches		Other Group Entities	
	As at 31 March 2017	Maximum Outstanding during the year	As at 31 March 2017	Maximum Outstanding during the year
Borrowings	-	10,043,993	-	-
Deposits	113,578	386,206	11,640,966	14,142,238
Placements	-	10,988,256	-	-
Advances	-	-	-	-
Investments	-	-	-	-
Balances with Banks	164,680	1,725,787	3,308	74,821
Non-funded commitments	12,082,338	12,283,406	44,654	55,570
Derivative Notionals	62,868,788	64,861,430	-	-
Positive MTMs	185,585	244,231	-	-
Negative MTMs	1,828,381	3,407,506	-	-

(Amount in ₹ '000s)

Particulars	Head Office and Branches		Other Group Entities	
	For the year ended 31 March 2017	As at 31 March 2017	For the year ended 31 March 2017	As at 31 March 2017
Interest paid	11,509	-	11,509	-
Interest received	17,045	-	17,045	-
Rendering of services	253,010	13,404	253,010	13,404
Reimbursement of expenses	10,970	-	10,970	-
Receiving of services	-	-	-	-
Payment for share based payment	114,861	-	114,861	-
Fees Paid	52	-	52	-
Fees Received	10,271	-	10,271	-

Note: In accordance with the guidance on compliance with the accounting standards by banks issued by RBI, 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 2018, the Bank has entered into operating lease for premises and motor vehicles, which were used primarily for business purposes.

Operating Lease

Lease payments recognised in the Profit and Loss Account during the year ended 31 March 2018 is 206,729 (₹ '000s) (Previous Year 230,346 (₹ '000s)).

Total future minimum lease payments under non-cancellable operating lease as at 31 March 2018:

(Amount in ₹ '000s)

Particulars	As at 31 March 2018	As at 31 March 2017
Not later than one year	176,258	227,185
Later than one year but not later than five years	363,736	661,319
Later than five years	54,587	57,557

Finance Lease

Lease payments recognised in the Profit and Loss Account during the year ended 31 March 2018 is Nil. (Previous year 176 (₹ '000s)).

Total future minimum lease payments under the non-cancellable finance lease as at 31 March 2018:

(Amount in ₹ '000s)

Particulars	As at 31 March 2018		As at 31 March 2018	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Not later than one year	-	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-

30. Deferred taxes

The deferred tax liability of 72,931 (₹ '000s) as at 31 March 2018 (Previous year 63,215 (₹ '000s)) is included under Schedule 5 - Other liabilities and provisions.

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

(Amount in ₹ '000s)

Particulars	As at 31 March 2018	As at 31 March 2017
Deferred Tax Assets		
Straight lining of lease rent	8,577	16,219
General provisions for standard assets and country risk	63,219	75,678
Deferred Tax Assets	**71,796**	**91,897**
Deferred Tax Liability		
Depreciation on fixed assets	(144,728)	(155,112)
Deferred Tax Liability	**(144,728)**	**(155,112)**
Net Deferred Tax Liability	**(72,931)**	**(63,215)**

31. Capital commitments

Capital Commitment as on 31 March 2018 is Nil (Previous year 18,632 (₹ '000s)).

32. Operating expenses

During the financial year ended 31 March 2018, under Other Expenses in Schedule 16, expense in excess of 1% of total income is Nil. During the financial year ended 31 March 2017, under Other Expenses in Schedule 16, includes data connectivity line rentals, which is in excess of 1% of total income, amounting to 52,476 (₹ '000s).

33. Employee Share Based Payments

a) ANZ Employee Share Acquisition Plan

Deferred Share Plan

Certain employees are issued deferred shares, which generally vest up to four years from the date of grant. All deferred shares are issued based on the volume weighted average price of the shares traded on the Australia Stock Exchange in the week leading up to and including the date of grant. Unvested shares are forfeited on resignation or dismissal for serious misconduct unless decided otherwise by the Board of the Head Office. The deferred shares may be held in trust beyond the deferral period.

b) ANZ Share Option Plan

Performance Rights

Performance rights are granted to selected employees as part of ANZ's incentive plans. Performance rights provide the right to acquire ANZ shares at nil cost, subject to a three year vesting period and Total Shareholder Return (TSR) performance hurdles.

Deferred Share Rights

Deferred share rights are granted to selected employees as part of ANZ's incentive plans. Deferred share rights provide the right to acquire ANZ shares at nil cost after a specified vesting period without performance hurdles.

Any portion of the award of share rights may be satisfied by a cash equivalent payment rather than shares at the Board's discretion.

All unvested rights granted are forfeited on resignation or termination unless decided otherwise by the Board of the Head Office. Where an employee is terminated due to redundancy or they are classified as a 'good leaver', then:

- their deferred shares/rights are released at the original vesting date; and
- their performance rights are prorated for service to the full notice termination date and released at the original vesting date (if performance hurdles are met).

  On an employee's death or total and permanent disablement, their deferred equity vests.

(Amount in ₹ '000s)

		As at 31 March 2018	As at 31 March 2017
(i)	Outstanding at the beginning of the period	125,554	93,620
(ii)	Granted during the period	17,210	99,772
(iii)	Forfeited during the period	(8,334)	(4,608)
(iv)	Exercised during the period	(58,771)	(63,230)
(v)	Expired during the period	-	-
(vi)	Outstanding at the end of the period	75,569	125,554

The weighted average fair value of shares awarded as shown above were in the range of AUD 24 to AUD 28 for the FY 17-18 and AUD 22 to AUD 32 for the FY 16-17.

For stock options outstanding at the end of the period, the weighted average remaining contractual life is 1.08 for the FY 17-18 and 1.33 for the FY 16-17

34. Other assets and Other liabilities

'Others' reported under Other assets in Schedule 11 includes MTM gain on outstanding FX and Derivative 6,995,922 (₹ '000s) (Previous year 15,933,037 (₹ '000s)). "Others" (including provisions)' reported under Other liabilities and provisions in Schedule 5 includes MTM losses on outstanding FX and Derivatives 6,443,614 (₹ '000s) (Previous year 15,818,126 (₹ '000s)). There are no Non-banking assets acquired in satisfaction of claims.

35. 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).

36. Provisions and contingencies

Break up of provisions and contingencies

(Amount in ₹ '000s)

	As at 31 March 2018	As at 31 March 2017
Provision for depreciation on investment	(692)	692
Provision towards standard assets	(30,433)	(16,015)
Provision made towards Income tax		
- Current tax	354,780	8,560
- Deferred tax	9,716	321,512
Other provision and contingencies		
- Provision towards Country Risk Exposure	1,634	-
Total	**335,005**	**314,749**

37. Floating provisions

The Bank has not maintained any floating provision during the year ended 31 March 2018 (Previous year Nil).

38. Draw down from reserves

During the year ended 31 March 2018, the Bank has created Investment reserves of 295 (₹ '000s) towards provision written back, for depreciation on investments in HFT category as per extant RBI guidelines. During the previous year ended 31 March 2017, the Bank has utilized Investment reserves of 295 (₹ '000s) towards provision made, for depreciation on investments in HFT.

39. Disclosure of complaints

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 2018	For the year ended 31 March 2017
(a)	No. of complaints pending at the beginning of the year	-	-
(b)	No. of complaints received during the year	1	7
(c)	No. of complaints redressed during the year	1	7
(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 2018	For the year ended 31 March 2017
(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	-	-

40. Letters of comfort (LoCs) issued by Banks

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

41. Provisioning Coverage Ratio (PCR)

The Provision coverage ratio is not applicable as the Bank does not have any NPAs.

42. Bancassurance business

The Bank has not undertaken any bancassurance business (Previous year Nil).

43. Off – Balance sheet SPVs sponsored

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

44. Information Technology

In terms of guidelines elaborate by RBI vide document no. DBS.CO.ITC.BC.No. 6 /31.02.008/2010-11 dated 29 April 2011 on "Working Group on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds – Implementation of recommendations", the Bank had conducted an independent review in 2015 in order to review the Bank's posture in terms of the recommended controls enumerated therein.

45. Disclosure on remuneration

In terms of guidelines issued by RBI vide circular no. DBOD No.BC.72/29.67.001/2011-12 dated 13 January 2012 on "Guidelines 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.

46. Credit default swap

The Bank has not transacted in any Credit default swaps during the year ended 31 March 2018 (Previous year Nil).

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

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
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	-	-

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 and Inclusion
- Financial Inclusion and 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 2018 on donations is limited to 3,709 (₹ '000s) (based on 1% of published profits for the previous year ended 31 March 2017 with specific exclusions).

Amount spent under CR programs during the year and included under "Other expenses" in Schedule 16 is 2,502 (₹ '000s) (Previous year 2,666 (₹ '000s) in accordance with the requirements stipulated in the aforesaid RBI circular.

49. Securitisation

The Bank has not sponsored any Special Purpose Vehicle for securitization transactions and no securitization transactions are outstanding as at 31 March 2018 (Previous year Nil) and hence this disclosure is not applicable.

50. Details of provisioning pertaining to fraud accounts

The following table sets forth the details of provisioning pertaining to fraud accounts.

Particulars	At 31 March 2018	At 31 March 2017
Number of frauds reported	-	-
Amount involved in frauds	-	-
Provision made	-	-
Unamortised provision debited from 'other reserves'	-	-

51. Priority Sector Lending Certificate (PSLC) (Amount in ₹ '000s)

Particulars PSLC-Purchased	At 31 March 2018	At 31 March 2017
PSLC - General	6,625,000	6,700,000
PSLC – Micro Enterprises PSLC – SF/MF	975,000 -	1,400,000 150,000

The bank did not sell any PSLC during the year ended 31 March 2018. (Previous year Nil)

52. Migration to Indian Accounting Standards (Ind AS)

Banks in India currently prepare their financial statements as per the guidelines issued by the RBI, the Accounting Standards notified under section 133 of the Companies Act, 2013 and generally accepted accounting principles in India (Indian GAAP). In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), converged with International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). The roadmap requires banks to migrate to Ind AS for accounting periods beginning from 01 April 2018 onwards, with comparatives for the periods ending 31 March 2018 or thereafter.

For implementation of Ind AS, the Bank has formed a Steering Committee which has members from various functions. The Committee meets regularly to supervise the progress of the project. Progressing towards IND AS, the Bank had prepared proforma financials as on 30 June, 2017 as per extant regulatory guidelines and submitted the same to the RBI. On 05 April 2018, the RBI has announced deferment of implementation date by one year with IND AS now being applicable to banks for accounting periods beginning 01 April 2019 onwards.

53. Divergence in the asset classification and provisioning for NPAs

In terms of RBI circular no. DBR.BP.BC.No.63/21.04.018/2016-17 dated 18 April 2017, banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts to the financial statements. As per RBI's annual supervisory process for the year ended 31 March 2017 there are no divergences in the asset classification and provisioning of the Bank. The following table sets forth the details.

(Amount in ₹ '000s)

Sr.	Particulars	As at 31 March 2017
1	Gross NPAs as reported by the Bank	-
2	Gross NPAs as assessed by RBI	-
3	Divergence in Gross NPAs (2-1)	-
4	Net NPAs as reported by the Bank	-
5	Net NPAs as assessed by RBI	-
6	Divergence in Net NPAs (5-4)	-
7	Provisions for NPAs as reported by the Bank	-
8	Provisions for NPAs as assessed by RBI	-
9	Divergence in provisioning (8-7)	-
10	Reported Net Profit after Tax (PAT)	370,883
11	Adjusted (notional) Net Profit after Tax (PAT) after taking into account the divergence in provisioning	370,883

54. Miscellaneous Income

Miscellaneous Income includes income received from overseas branches for origination and support services rendered in connection with foreign currency loans provided by them to Indian customers.

55. Resolution of Stressed Assets – Revised Framework

There were no accounts during the year where resolution plans were implemented

56. Previous year figures

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

For B S R & Associates LLP *Chartered Accountants* Firm Registration No. 116231W/W-100024	For **Australia and New Zealand Banking Group Limited - India Branches**
Sd/- **Ashwin Suvarna** *Partner* Membership No. 109503	Sd/- **Sanjeev Bajaj** *Chief Executive Officer*
Place: Mumbai Date: 14 June 2018	Sd/- **Vinit Kumar Sarawgi** *Chief Financial Officer*

BASEL III: PILLAR 3 DISCLOSURES AS AT 31 MARCH 2018

1. Background

Australia and New Zealand Banking Group Limited, India ('ANZ India' or 'the Bank') is a branch of Australia and New Zealand Banking Group Limited ('ANZ'), which is incorporated in Australia with Limited Liability. Indian branch operations are conducted in accordance with the banking license granted by the Reserve Bank of India (RBI) under the Banking Regulation Act 1949. The Bank has three branches in India as on 31 March 2018.

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

2. Key Management Committees, Functions and Frameworks

India Executive Committee ('India EXCO')

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

India Assets and Liabilities Committee ('India ALCO')

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

Risk Management Committee ('India RMC')

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

Risk Management Framework

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

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

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

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

3. Regulatory Framework

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

Capital Adequacy requirements are outlined in the following circulars:

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

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

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

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

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

4. DF–1 Scope of Application

In terms of RBI circular dated 12 December, 2006 on Financial Regulation of Systemically Important NBFCs and banks' Relationship with them, NBFCs promoted by the parent / group of a foreign bank having presence in India, which is a subsidiary of the foreign bank's parent / group or where the parent / group is having management control would be treated as part of that foreign bank's operations in India and brought under the ambit of consolidated supervision. As at 31 March 2018 no such ANZ group owned NBFC is in operations in India, accordingly framework for consolidated supervision does not apply to the Bank.

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

5. DF-2 Capital Adequacy

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

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

Under the Basel III framework, on an on-going basis, the Bank has to maintain a minimum total capital of 10.875% including Capital Conversion Buffer (CCB) at 1.875% for credit risk, market risk and operational risk. The Minimum Total Capital should include minimum Common Equity Tier I (CET 1) ratio of 5.50%, minimum Tier 1 capital ratio of 7.00%. The minimum total capital requirement includes a capital conservation buffer of 1.875% (Previous Year 1.25%).

As at 31 March 2018 CRAR was 25.48% and Common Equity Tier I ratio was 25.20% 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 2018 is presented below.

(Amount in ₹ '000)

Minimum Regulatory Capital Requirements	
Capital requirements for Credit risk (a)	**3,313,679**
Portfolios subject to standardised approach	3,313,679
Securitisation exposures.	-
Capital requirements for Market risk (b)	**848,269**
Standardised duration approach	
- Interest rate risk	565,519
- Foreign exchange risk (including gold)	282,750
- Equity risk	-
Capital requirements for Operational risk (c)	**347,410**
Basic indicator approach	347,410
Total Minimum Regulatory Capital at 9% (a+b+c)	**4,509,358**
Minimum CRAR + CCB at 10.875%	**5,135,657**
Risk Weighted Assets and Contingents	**52,348,473**
Credit Risk	37,402,487
Market Risk	10,603,362
Operational Risk	4,342,624
Capital Ratios	
CET 1 Capital	25.20%
Tier I Capital	25.20%
Total Capital	25.48%

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

Structure and organisation of credit risk management

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

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

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

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

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

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

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

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

6.1. Total gross credit risk exposures as at 31 March 2018

(Amount in ₹ '000)

Fund Based	**30,099,317**
Claims on Banks, Balance with RBI and Cash Balance	6,773,996
Investments (HTM)	-
Loans and Advances (excluding Interbank Loans)	19,533,446
Other Assets and Fixed Assets	3,791,875
Non Fund Based	**40,472,587**
Non Market Related Off Balance sheet items (Contingent Credits and Exposures)	11,702,233
Market Related (Foreign Exchange (Fx) and Derivative contracts)	28,770,354

Notes:

Fund-Based is the outstanding amount.

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

- In case of exposures other than FX and derivative contracts, credit equivalent is arrived at by multiplying the underlying contract or notional principal amounts with the credit conversion factors prescribed by RBI under the Basel 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 2018

(Amount in ₹ '000)

Industry Name	Fund Based	Non Fund Based
Banking & Finance*	7,385,823	26,510,794
Food Processing	1,245,500	55,000
Fertilizers	1	-
Petroleum (non-infra) Coal Products (non-mining) and Nuclear Fuels	-	361,090
Chemicals and Chemical Products (Dyes, Paints, etc.)	2,041,754	1,135,589
Rubber, Plastic and their Products	-	6,413
Glass & Glassware	750,000	16,840
Iron and Steel	995,038	150,352
Metal and Metal Products	34,933	247,008
All Engineering	376,024	2,379,848
Vehicles, Vehicle Parts and Transport Equipment's	217,264	749,531
Gems and Jewellery	63,856	-
Construction	-	155,361
Infrastructure - Telecommunications	2,000,000	1,282,896
Other Industries	580,000	22,230
Residuary Exposure		
- Other assets	3,791,874	
- Exposure to Other Sectors	10,617,250	7,399,135
Total Exposure	**30,099,317**	**40,472,587**

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

Notes:

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

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

As on 31st March 2018, the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure (outstanding):

Sr. No.	Industry Classification	Percentage of the total gross credit exposure
1.	Banking & Finance	48.03%

6.4. Residual contractual maturity breakdown of assets as at 31 March 2018

(Amount in ₹ '000)

	Cash and Bank balances with RBI	Balances with Banks and money at call and short notice	Net Investments	Advances	Fixed Assets	Other Assets	Total Assets
Day 1	2,457,044	3,051,520	9,343,379	37,709	-	251,665	**15,141,317**
2 to 7 days	11,631	-	56,700	522,153	-	253,137	**843,621**
8 to 14 days	210,894	-	1,028,107	6,160,804	-	10,150	**7,409,955**
15 to 30 days	15,540	-	75,759	2,756,594	-	203,020	**3,050,913**
31 days and upto 2 months	206,364	-	1,006,024	2,258,360	-	122,066	**3,592,754**
Over 2 months and upto 3 months	266,470	-	1,299,043	860,833	-	76,029	**2,502,375**
Over 3 months and upto 6 months	207,232	-	1,010,258	1,355,902	-	160,706	**2,734,098**
Over 6 months and upto 1 year	312,456	-	1,523,224	3,601,676	-	354,365	**5,791,721**
Over 1 year and upto 3 years	34,272	-	167,076	1,543,150	-	7,577,992	**9,322,490**
Over 3 years and upto 5 years	561	-	2,733	436,265	-	479,584	**919,143**
Over 5 years	12	-	58	-	621,921	1,589,792	**2,211,783**
Total	**3,722,476**	**3,051,520**	**15,512,361**	**19,533,446**	**621,921**	**11,078,446**	**53,520,170**

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

(Amount in ₹ '000)

	As at 31 Mar 2018
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 2018
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 2018
Opening balance	-
Additions	-
Reductions	-
Closing balance	-

Note: YTD movement has been reported above

6.8. Movement of provisions

(Amount in ₹ '000)

Particulars	Specific Provision[1]	General Provision[2]
Opening balance as at 1st April 2017	-	174,937
Provisions made during the period	-	-
Write-off	-	-
Write-back of excess provisions	-	(28,799)
Closing balance as at 31st March 2018	-	146,138

[1] Specific provision relating to NPAs

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

Note: YTD movement has been reported above

6.9. Amount of Non-Performing Investments

There are no non-performing investments as at 31 March 2018.

6.10. Amount of provisions held for Non-Performing Investments

There are no provisions held for non-performing investments as at 31 March 2018 as there are no non performing investments.

Movement of provisions for depreciation on Investments

(Amount in ₹ '000)

	For the year ended 31 March 2018
Opening balance as at 1st April 2017	692
Provisions made during the period	-
Write-off	-
Write-back of excess provisions	(692)
Closing balance as at 31st March 2018	-

Note: YTD movement has been reported above

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

There are no NPA's as at 31st March 2018 and hence disclosures on geographic distribution, industry wise distribution and ageing of NPA and specific provision has not been made.

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

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

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

Below attached is the summary as at 31 March 2018

(Amount in ₹ '000)

Nature of exposure	Gross Credit Exposure	Credit Risk Mitigation	Net Exposure (Before Provision)	Credit Risk weight bucket summary			Deduction from Capital
				< 100%	100%	>100%	
Fund Based	**30,099,317**		**30,099,317**	**20,850,802**	**9,248,517**		
Claims on Banks	6,773,996	-	6,773,996	6,755,393	18,603	-	
Investments (HTM)	-	-	-	-	-	-	
Loans and Advances	19,533,446	-	19,533,446	11,499,201	8,034,245	-	
Other Assets and Fixed Assets	3,791,875	-	3,791,875	2,596,206	1,195,669	-	
Non Fund Based	**40,472,587**		**40,472,587**	**33,412,993**	**7,059,594**		
Non Market Related Off Balance sheet items (Contingent Credits and Exposures)	11,702,233	-	11,702,233	7,748,616	3,953,617	-	
Market Related (Foreign Exchange (FX) and derivative contracts)	28,770,354	-	28,770,354	25,664,378	3,105,976	-	

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

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

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

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

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

For the purpose of computation of credit risk the bank does not consider the credit mitigants.

Credit Risk Mitigation details as at 31 March 2018 are as below

(Amount in ₹ '000)

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

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

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

10. DF-7 Market Risk

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

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

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

- Traded market risk:

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

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

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

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

Measurement of market risk

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

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

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

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

At 31st March 2018, Market Risk RWAs were ₹ 10,603,362 (‘000).

Stress Testing

Bank undertakes a wide range of stress tests for the trading portfolio. Bank has adopted a local Stress Testing policy as mandated by RBI vide circular DBOD.BP.BC. NO. 75/21.04.103/2013-14 dated 02 Dec 2013, titled “Guidelines on Stress Testing”. Stress tests as per baseline scenarios prescribed by RBI are conducted at half-yearly intervals (September and March). Results of this periodic stress testing exercise are presented to RMC for advising remedial actions, if any and presented in EXCO. Apart from this, standard stress tests, as per ANZ Group guidelines, are applied daily to simulate potential loss impact arising from large historical market movements during previous seven years over specific holding periods. Worst stress losses observed during the month are reported to the RMC on a monthly basis.

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

Back-Testing

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

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

11. Liquidity Risk

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

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

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

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

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

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

Scenario modelling

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

- Liquidity Coverage Ratio (LCR): ANZ internal LCR is based on the APRA Prudential Standard APS 210. The objective of the LCR is to ensure that the bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA) that can be readily converted into cash to meet its liquidity needs for a 30 calendar day time period under a severe stress scenario. The LCR metric can be expressed as a ratio or as a notional volume with a scenario duration of 30 day.
- Wholesale Funding Capacity (WFC): The purpose of the metric is to ensure there are no undue maturity concentrations within the wholesale funding profile. The metric is applied to all wholesale funding instruments where ANZ has control over the instrument tenor over a pre-defined time buckets over a 3 month period. The funding instrument includes debt issuance programs (short and long term) and interbank borrowing.
- Funding Market Disruption (FMD): The scenario is a protracted, long-term stress scenario that impacts the market as a whole (i.e. not ANZ name specific). The 6-month scenario assumes that both domestic and offshore wholesale markets are adversely impacted.

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

12. DF-8 Operational Risk

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

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

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

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

The Bank uses the Basic Indicator Approach to estimated Operational RWAs. At 31st March 2018, Operational RWAs were ₹ 4,342,624 (‘000).

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

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

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

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

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

As at 31 March 2018: (Amount in ₹ ‘000)

Currency	Interest Rate Risk Shocks	
	200bps up	200bps down
Rupees	41,516	(41,516)
USD	(262)	262

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 2018	(20,238)

14. DF-10 Counterparty Credit Risk

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

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

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

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

Counterparty credit risk governance

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

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

Counterparty credit risk measurement and reporting

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

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

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

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

Credit Value Adjustment (CVA)

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

Impaired derivatives are also subject to a CVA.

Wrong way risk

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

Counterparty Credit Risk in FX and Derivatives

(Amount in ₹ '000)

	As at 31 Mar 2018 (Credit equivalent)
Gross positive fair value of contracts	6,123,208
Netting benefits	-
Netted current credit exposure	**6,123,208**
Collateral held (including type e.g. cash, government securities etc.)	-
Net derivatives credit exposure	**6,123,208**
Potential future exposure	22,647,146
Measures for exposure at default, or exposure amount, under CEM	**28,770,354**
The notional value of credit derivative hedges	-
Distribution of current credit exposure by types of credit exposure	
- Interest Rate contracts	3,693,748
- Fx contracts & Currency Swaps	21,431,036
- Fx Options	3,645,569

15. DF-11 Composition of Capital

(Amount in ₹ '000)

	Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)	Basel III Amounts
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	11,311,074
2	Retained earnings (**(incl. Statutory Reserves and Remittable Surplus retained for Capital to Risk-weighted Assets Ratio (CRAR))**	2,421,479
3	Accumulated other comprehensive income (and other reserves)	-
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies1)*	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**13,732,553**
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)	539,565
10	Deferred tax assets	-
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitization gain on sale	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
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*	-

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED - INDIA BRANCHES

(Incorporated in Australia with limited liability)

	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
27	Total Regulatory adjustments applied to Common Equity Tier 1	-
27a	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
27b	Other Regulatory adjustmetns applied to Common Equity Tier 1	-
28	**Total regulatory adjustments to Common equity Tier 1**	**539,565**
29	**Common Equity Tier 1 capital (CET1)**	**13,192,988**
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)**	**13,192,988**
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)*	146,579
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)**	**146,579**
58a	**Tier 2 capital reckoned for capital adequacy14**	**146,579**
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	-
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	**146,579**
59	**Total capital (TC = T1 + Admissible T2) (45 + 58c)**	**13,339,567**
60	**Total risk weighted assets (60a + 60b + 60c)**	**52,348,473**
60a	*of which: total credit risk weighted assets*	37,402,487
60b	*of which: total market risk weighted assets*	10,603,362
60c	*of which: total operational risk weighted assets*	4,342,624
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	25.20%
62	Tier 1 (as a percentage of risk weighted assets)	25.20%
63	Total capital (as a percentage of risk weighted assets)	25.48%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.375%
65	*of which: capital conservation buffer requirement*	1.875%
66	*of which: bank specific countercyclical buffer requirement*	-

	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
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)	5.50%
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities	-
73	Significant investments in the common stock of financial entities	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022		
80	*Current cap on CET1 instruments subject to phase out arrangements*	-
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-
82	*Current cap on AT1 instruments subject to phase out arrangements*	-
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	-
84	*Current cap on T2 instruments subject to phase out arrangements*	-
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	-

Notes to the Template

Row No. of the template	Particular	(Amount in ₹ '000)
10	Deferred tax assets associated with accumulated losses	-
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	-
	Total as indicated in row 10	-
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	
	of which: Increase in Common Equity Tier 1 capital	-
	of which: Increase in Additional Tier 1 capital	-
	of which: Increase in Tier 2 capital	-
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	
	(i) Increase in Common Equity Tier 1 capital	-
	(ii) Increase in risk weighted assets	-
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	-
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	-
50	Eligible Provisions included in Tier 2 capital *(includes Investment Reserves)*	146,579
	Eligible Revaluation Reserves included in Tier 2 capital	-
	Total of row 50	146,579
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	-

16. Leverage Ratio

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

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

(Amount in ₹ '000)

1.	Total consolidated assets as per published financial statements	53,520,170
2.	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3.	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure.	-
4.	Adjustments for derivative financial instrument.	22,647,146
5.	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6.	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	11,702,233
7.	Other adjustments	(539,565)
8.	**Leverage ratio exposure**	**87,329,984**

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED - INDIA BRANCHES

(Incorporated in Australia with limited liability)

DF-18 Leverage Ratio Common Disclosure as at 31 March 2018

	Leverage Ratio	
	Item	(Amount in ₹ '000)
	On-balance sheet exposures	
1.	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	47,396,962
2.	(Asset amounts deducted in determining Basel III Tier 1 capital)	(539,565)
3.	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	46,857,397
	Derivative exposures	
4.	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	6,123,208
5.	Add-on amounts for PFE associated with all derivatives transactions	22,647,146
6.	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7.	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8.	(Exempted CCP leg of client-cleared trade exposures)	-
9.	Adjusted effective notional amount of written credit derivatives	-
10.	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11.	Total derivative exposures (sum of lines 4 to 10)	28,770,354
	Securities financing transaction exposures	
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13.	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14.	CCR exposure for SFT assets	-
15.	Agent transaction exposures	-
16.	Total securities financing transaction exposures (sum of lines 12 to 15)	-
	Other off-balance sheet exposures	
17.	Off-balance sheet exposure at gross notional amount	21,324,343
18.	(Adjustments for conversion to credit equivalent amounts)	(9,622,110)
19.	Off-balance sheet items (sum of lines 17 and 18)	11,702,233
	Capital and total exposures	
20.	**Tier 1 capital**	13,192,988
21.	**Total exposures (sum of lines 3, 11, 16 and 19)**	87,329,984
	Leverage ratio	
22.	**Basel III leverage ratio (per cent)**	15.11%

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

	Leverage ratio framework	(Amount in ₹ '000)
1	Total consolidated assets as per published financial statements	53,520,170
2	Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation margin	(6,123,208)
3	**On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)**	**47,396,962**