FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

Auditors' Report on the accounts of the Indian Branch of FirstRand Bank Limited (hereinafter referred to as the 'Bank') under Section 30 of the Banking Regulation Act, 1949, of India.

We have audited the attached Balance Sheet of the Indian Branch of FirstRand Bank Limited ("the Bank") (incorporated in South Africa with limited liability) as on 31 March 2010, the annexed Profit & Loss Account and Cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, of India read with the provisions of subsection (1), (2) and (5) of Section 211 and sub section (5) of section 227 of the Indian Companies Act, 1956, the Balance Sheet and the Profit & Loss Account together with the notes thereon are not required to be drawn up in accordance with Schedule VI of the Companies Act, 1956. The accounts are therefore drawn up in conformity with Form A and B of the Third Schedule to the Banking Regulation Act, 1949, of India.

We report that:

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

(ii) The transactions of the Bank which have come to our notice, have been, in our opinion, within the powers of the Bank.

(iii) In our opinion, proper books of account, as required by law have been maintained by the Bank so far as appears from our examination of those books.

(iv) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;

(v) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Indian Companies Act, 1956, in so far as they apply to Banks and are not inconsistent with the Banking Regulation Act 1949 and the method of accounting and disclosure prescribed by the Reserve Bank of India.

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Indian Companies Act, 1956, 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;

(a) in the case of the Balance Sheet, of the state of affairs of the Bank as on 31 March 2010;

(b) in the case of the Profit & Loss Account, of the profit of the Bank for the period ended 31 March 2010; and

(c) in the case of Cash Flow Statement, of the cash flows of the Bank for the period ended 31 March 2010.

For Thingna & Contractor
Chartered Accountants

Riaz Thingna
Partner
M. No. 34864
Firm Registration No. 110963W

Place: Mumbai
Date: June 28, 2010.

FIRSTRAND BANK LIMITED – INDIA BRANCH

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Balance Sheet as on 31 March 2010

Thousands of Indian Rupees

	Schedule	Amount
CAPITAL AND LIABILITIES		
Capital	1	1,773,165
Reserves & Surplus	2	(373,250)
Deposits	3	50,623
Borrowings	4	1,087,552
Other Liabilities and Provisions	5	134,318
TOTAL		**2,672,408**
ASSETS		
Cash & Balances with Reserve Bank of India	6	18,893
Balances with Banks & Money at Call & Short Notice	7	77,475
Investments	8	2,091,239
Loans & Advances	9	200,000
Fixed Assets	10	63,096
Other Assets	11	221,705
TOTAL		**2,672,408**
Contingent Liabilities	12	12,515,082
Bills for Collection		74,181

Significant Accounting Policies and Notes to the Financial Statements 18

The accompaning notes & schedules form an integral part of the Financial Statements

Profit and Loss Account for the Period ended 31 March 2010

Thousands of Indian Rupees

	Schedule	Amount
I. INCOME		
Interest earned	13	56,489
Other Income	14	119,381
TOTAL		**175,870**
II. EXPENDITURE		
Interest Expended	15	9,755
Operating Expenses	16	538,565
Provisions and Contingencies	17	800
TOTAL		**549,120**
Net Profit/(Loss) for the period		(373,250)

Significant Accounting Policies and Notes to the Financial Statements 18

The accompaning notes & schedules form an integral part of the Financial Statements

For **Thingna & Contractor**
Chartered Accountants

Riaz Thingna
Partner
M.No. 34864
Firm Registration No.110963W

Place: Mumbai
Date : 28 June 2010

For **FirstRand Bank Limited India Branch**

Marthinus Theunis Lategan
Chief Executive Officer

Rohit Wahi
Chief Financial Officer

FIRSTRAND BANK LIMITED – INDIA BRANCH

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CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2010

Thousands of Indian Rupees

	Amount
Cash flows from Operating Activities	
Net profit before taxation and extraordinary items	(373,250)
Adjustments for:	
Depreciation on Fixed Assets	29,082
Provision for Gratuity & Leave Encashment	2,709
Provision for Standard Assets	800
Loss on sale of Fixed Assets	301
Operating Profit before changes in working capital	**(340,358)**
Adjustment for:	
(Increase)/Decrease in Investments	(2,091,239)
(Increase)/Decrease in Advances	(200,000)
(Increase)/Decrease in Other Assets	(221,705)
Increase/(Decrease) in Borrowings	1,087,552
Increase/(Decrease) in Deposits	50,623
Increase/(Decrease) in Other Liabilities and Provisions	130,809
Taxes Paid/Deducted/Refunded	–
Net Cash flow from Operating Activities (A)	**(1,584,318)**
Cash flow from Investing Activities	
Net Purchase of Fixed Assets	(92,479)
Net Cash flow from Investing Activities (B)	**(92,479)**
Cash flow from Financing Activities	
Receipt of Capital	1,773,165
Net Cash flow from Financing Activities (C)	**1,773,165**
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	**96,368**
Increase/(Decrease) in cash and cash equivalents	**96,368**
Cash and Cash equivalents at the beginning of the period	**–**
Cash and Cash equivalents at the end of the period	**96,368**

Note: Cash and Cash equivalents represents

Particulars	Amount
a) Cash and balance with Reserve Bank of India	18,893
b) Balance with Banks and money at call and short notice	77,475
Total	**96,368**

For **Thingna & Contractor**
Chartered Accountants

For **FirstRand Bank Limited India Branch**

Riaz Thingna
Partner
M.No. 34864
Firm Registration No.110963W

Marthinus Theunis Lategan
Chief Executive Officer

Rohit Wahi
Chief Financial Officer

Place: Mumbai
Date : 28 June 2010

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

Schedules to Financial Statements as at 31-Mar-2010

Thousands of Indian Rupees

	Amount
SCHEDULE 1 – CAPITAL	
Amount of deposit kept with Reserve Bank of India under section 11(2)(b) of the Banking Regulation Act, 1949.	2,500
Head Office Account	
Opening Balance	–
Additions during the period	1,773,165
(Note: Additions include capital transferred from erstwhile Representative Office of FirstRand Limited Rs.111,193 ('000)	
TOTAL	**1,773,165**
SCHEDULE 2 – RESERVES & SURPLUS	
Balance in Profit & Loss account	(373,250)
TOTAL	**(373,250)**
SCHEDULE 3 – DEPOSITS	
I. Demand deposits	
– From Banks	–
– From others	419
II. Savings bank deposits	–
III. Term deposits	
– From Banks	–
– From others	50,204
TOTAL	**50,623**
SCHEDULE 4 – BORROWINGS	
I. Borrowings in India	
(i) Reserve Bank of India	–
(ii) Other Banks	200,000
(iii) Other Institutions and Agencies	609,172
II. Borrowings outside India (including borrowings from Head Office and its branches)	278,380
TOTAL	**1,087,552**
SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS	
I. Bills Payable	–
II. Inter Office adjustments (net)	–
III. Due to Head Office (HO adjustment account)	25,449
IV. Interest Accrued	253
V. Others	108,616
TOTAL	**134,318**

Thousands of Indian Rupees

	Amount
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA	
I. Cash in hand	6
II. Balances with Reserve Bank of India	
(i) in Current Accounts	18,887
(ii) in Other Accounts	–
TOTAL	**18,893**
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE	
I In India	
(i) Balance with banks	
(a) in Current Accounts	8,760
(b) in Other Deposit Accounts	–
(ii) Money at call and short notice	
(a) with banks	–
(b) with other Institutions	–
(c) with RBI	–
TOTAL	**8,760**
II Outside India	
(i) in Current Accounts	1,365
(ii) in Other Deposit Accounts	–
(iii) Money at Call and Short Notice	67,350
TOTAL	**68,715**
GRAND TOTAL	**77,475**
SCHEDULE 8 – INVESTMENTS	
I. Investments in India	
(i) Government Securities	2,091,239
(ii) Other Approved Securities	–
(iii) Shares	–
(iv) Debentures and Bonds	–
(v) Subsidiaries and/or Joint Ventures	–
(vi) Others	–
	2,091,239
II. Investments outside India	–
TOTAL	**2,091,239**

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Schedules to Financial Statements as at 31-Mar-2010

Thousands of Indian Rupees

			Amount
SCHEDULE 9 – ADVANCES			
I	(i)	Bills purchased and discounted	–
	(ii)	Cash credits, overdrafts and loans repayble on demand	–
	(iii)	Term loans	200,000
		TOTAL	**200,000**
II	(i)	Secured by tangible assets	–
	(ii)	Covered by bank/ Government guarantees	–
	(iii)	Unsecured	200,000
III	A.	Advances in India	
	(i)	Priority sectors	–
	(ii)	Public sector	–
	(iii)	Banks	–
	(iv)	Others	200,000
		TOTAL	**200,000**
III	B.	Advances outside India	
	(i)	Due from banks	–
	(ii)	Due from others	–
		(a) Bills purchased and discounted	–
		(b) Syndicated loans	–
		(c) Others	–
		TOTAL	–
		TOTAL	**200,000**
SCHEDULE 10 – FIXED ASSETS			
I	**Premises**		–
II	**Other Fixed Assets (including furniture and fixtures)**		
	Opening Balance		–
	Additions During the period		92,882
	Gross Book Value		92,882
	Deductions during the period		(704)
	Accumulated Depreciation to date		(29,082)
	Net book value		**63,096**
III.	**Capital work-in-progress**		–
(Notes: The additions to the Fixed Assets include Rs 48,322 ('000) transferred from the erstwhile Representative Office of FirstRand Bank)			
		TOTAL	**63,096**

Thousands of Indian Rupees

		Amount
SCHEDULE 11 – OTHER ASSETS		
I.	Inter-office adjustments(net)	–
II.	Interest accrued	574
III.	Tax paid in advance / tax deducted at source	1,955
IV.	Stationery and Stamps	–
V.	Non-banking assets acquired in satisfaction of claims	–
VI.	Others	219,176
	TOTAL	**221,705**
SCHEDULE 12 – CONTINGENT LIABILITIES		
I.	Claims against the bank not acknowledged as debts	–
II.	Liability for partly paid investments	–
III.	Liability on account of outstanding forward exchange contracts	9,232,988
IV.	Guarantees given on behalf of constituents	
	(a) In India	3,282,094
	(b) Outside India	–
V.	Acceptances, endorsements and other obligations	–
VI.	Other items for which the bank is contingently liable	–
		12,515,082

Schedules to Financial Statements for the period ended 31-Mar-2010

		Amount
SCHEDULE 13 – INTEREST EARNED		
I.	Interest/discount on advances/bills	7,137
II.	Income on investments	24,822
III.	Interest on balances with RBI and other interbank funds	24,512
IV.	Others	18
	TOTAL	**56,489**

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Schedules to Financial Statements for the period ended 31-Mar-2010

Thousands of Indian Rupees

	Amount
SCHEDULE 14 – OTHER INCOME	
I. Commission, exchange and brokerage (net)	6,629
II. Profit/Loss on sale of investments (net)	(935)
III. Profit/(Loss) on revaluation of investments (net)	–
IV. Profit/(Loss) on sale of land, buildings and other assets (net)	(301)
V. Profit on exchange transactions/ Derivatives (net)	1,981
VI. Miscellaneous Income	112,007
TOTAL	**119,381**
SCHEDULE 15 – INTEREST EXPENSES	
I. Interest on deposits	32
II. Interest on Reserve Bank of India/ inter-bank borrowing	5,247
III. Others	4,476
TOTAL	**9,755**

Thousands of Indian Rupees

	Amount
SCHEDULE 16 – OPERATING EXPENSES	
I. Payment to and Provisions for employees	395,171
II. Rent, taxes and lighting	32,100
III. Printing and Stationery	659
IV. Advertisement and publicity	–
V. Depreciation on bank's property	29,082
VI. Directors' fees, allowances and expenses	–
VII. Auditors' fees and expenses	524
VIII. Law charges	6,895
IX. Postage, telegrams, telephone etc.	12,869
X. Repairs and maintenance	7,092
XI. Insurance	5,997
XII. Other expenditure	48,176
TOTAL	**538,565**
SCHEDULE 17 – PROVISIONS AND CONTINGENCIES	
Provision for Standard Assets	800
TOTAL	**800**

SCHEDULE 18: SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2010

1. INTRODUCTION

FirstRand Bank Limited, a banking company incorporated in South Africa with limited liability, was granted a license to carry on banking business in India by Reserve Bank of India (RBI) on 18 February 2009. Thereafter, the erstwhile Representative Office of FirstRand Bank in India was upgraded to a branch which commenced banking activity from 2 April 2009 and the outstanding assets and liabilities of the Representative Office were transferred to the branch. The branch was included in the Second Schedule to the RBI Act 1934 vide notification dated 12 June 2009, published in the Gazette of India dated 11 July 2009 and notified by RBI to all scheduled commercial banks vide circular date 3 August 2009.

The accompanying financial statements for the period ended 31 March 2010 comprise the accounts of FirstRand Bank India Branch. This being the first year of operations, there is no comparative information for the previous period.

2. BASIS OF PREPARATION AND USE OF ESTIMATES

The financial statements have been prepared and presented under the historical cost convention, on accrual basis of accounting, unless otherwise stated and are in accordance with generally accepted accounting principles and comply with statutory provisions prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by RBI from time to time, Accounting Standards ('AS') issued by the Institute of Chartered Accountants (ICAI) to the extent applicable and current practices prevailing within the banking industry in India.

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent liabilities as at the date of the financial statements. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable, however actual results could differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Foreign currency translation

i. Foreign currency assets and liabilities are translated at spot rates notified by the Foreign Exchange Dealers Association of India ('FEDAI') on the balance sheet date. The resultant profits/losses on such translation are included in the Profit and Loss Account.

ii. Income and expenditure items in foreign currency are translated at the spot rates notified by FEDAI prevailing on the date of the transaction.

iii. Foreign exchange contracts outstanding at the end of the year are revalued and stated at the rates notified by FEDAI as on the balance sheet date. The resulting profit or loss on account of such revaluation is recognised in the Profit and Loss Account.

iv. Contingent liabilities on account of guarantees, endorsements and other outstanding obligations in foreign currency are stated at the spot rate of exchange notified by FEDAI.

b. Investments

i. As per RBI guidelines all investments are classified as 'Held to Maturity (HTM), 'Available for Sale' (AFS) or 'Held for Trading' (HFT) based on the intent at the time of acquisition. The investment portfolio is further classified in accordance with RBI disclosure guidelines into sub-categories of government securities, other approved securities, shares, debentures and bonds, subsidiaries/joint ventures and others.

ii. As on the Balance Sheet date, the investments of the Bank were classified in AFS and HFT categories.

iii. Treasury Bills being discounted instruments are valued at carrying cost.

iv. Investments held under the AFS and HFT categories are revalued monthly at the market price or fair value as declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA"). Securities under each category are valued scrip-wise and depreciation/appreciation is aggregated for each classification. Net depreciation, if any, is provided for and net appreciation, if any, is ignored. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification.

v. Brokerage, commission, etc. paid at the time of purchase/sale is charged to the Profit and Loss Account.

vi. Repurchase and reverse repurchase transactions are considered as outright sale and purchase contracts respectively in accordance with extant RBI guidelines. Gains and loses arising from the transaction are accounted as interest expenditure/income.

vii. Repurchase and reverse repurchase transactions with the RBI under the Liquidity Adjustment Facility ("LAF") are accounted for as secured borrowing and lending transaction.

viii. Broken period interest paid at the time of acquisition of the security is charged to the Profit and Loss Account.

ix. There was no transfer of securities within categories during the period.

c. Derivatives transactions

i. During the period the Bank has not entered into any derivative transactions except foreign exchange forward contracts.

ii. All derivative transactions are revalued and reported in the financial statements as per rates notified by FEDAI. The unrealized gains/losses are incorporated in the Profit and Loss Account and the corresponding amounts are reflected as trading assets /liabilities respectively in the Balance Sheet.

d. Advances and provision for advances

i. Advances are classified as performing and non-performing based on prudential norms for income recognition, asset classification and provisioning issued by the Reserve Bank of India.

ii. There are no non performing assets in the current period.

iii. For standard assets, general provision has been made as prescribed by RBI.

e. Fixed assets and depreciation

i. Fixed assets are stated at historical cost less accumulated depreciation. Cost includes duties, taxes and incidental expenses related to the acquisition and installation of the asset.

ii. Depreciation on fixed assets is provided on written down basis over the estimated useful life of the assets at the rates mentioned below:

Asset Type	Depreciation Rate
Office Equipment	13.91%
Computers/Hardware Equipment	40.00%
Application Software	33.33%
Furniture and Fixtures	18.10%
Motor Vehicles	25.89%

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iii. Leasehold improvements are depreciated over the original period of the lease.

iv. Depreciation is charged on a pro-rata basis from the date of purchase of an asset or till the date of sale of an asset as the case may be.

f. Revenue recognition

i. Interest income is recognised in the Profit and Loss Account on accrual basis.

ii. Fees for services are recognised at the time the services are rendered and a binding obligation to receive the fees has arisen.

iii. Commission on guarantees and letters of credit issued by the Bank are amortized over the period of the guarantee or letter of credit except when such commission is less than Rs.2,00,000/-. In such cases, the commission is recognized as income at the time a binding obligation to receive the fees has arisen.

iv. Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.

g. Operating leases

i. The Bank has entered into operating leases for office premises and staff accommodation. The total of future minimum lease payments under non-cancelable operating leases as determined by the lease agreements are as follows:

(Rs. In '000)

Particulars	2009-2010
not later than one year	18,089
later than one year and not later than five years	–
Later than five years	–
Total	**18,089**
Total minimum lease payments recognized in the Profit and Loss Account	46,575

h. Staff benefits

i. Gratuity liability under the payment of Gratuity Act is provided for on the basis of actuarial valuation, at the end of the financial period.

ii. Contribution to Provident Fund is a defined contribution and is charged to the Profit and Loss Account on an accrual basis.

iii. Other Employee Benefits - The undiscounted amount of short-term employee benefits to be paid for services rendered is recognized as an expense in the profit and loss account of the period in which the services are rendered. Expenses are accrued as liability if not already paid. These benefits include performance incentives.

i. Taxation

i. Income tax expense comprises the current tax (i.e. amount of tax for the period, determined in accordance with the Income Tax Act, 1961 and the rules framed there under) and the deferred tax charge or credit reflecting the tax effects of timing differences between accounting income and taxable income for the period. The Income tax expense for the current period is Nil.

j. Provisions, Contingent Liabilities and Contingent Assets

i. In Accordance with AS - 29 relating to Provisions, Contingent Liabilities and Contingent Assets issued by the Institute of Chartered Accountants of India, the bank recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

No provision is recognized for:

(i) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

(ii) Any present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Such obligations are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable is provided for except in the extremely rare circumstances where no reliable estimate can be made.

ii. Contingent assets are not recognised in the financial statements. However contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

k. Impairment of Assets

As at 31 March 2010 there were no events or changes in circumstances which indicate any material impairment in the carrying value of the assets covered by AS 28 on "Impairment of Assets" issued by ICAI.

l. Net Profit

Net profit is computed after usual and necessary provisions.

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4. NOTES TO FINANCIAL STATEMENTS

a) Capital

The capital adequacy ratio of the bank, calculated as per Basel II requirement as well as under the earlier method (BASEL I), is set out below:

BASEL II

Sr. No.	Capital to Risk-Weighted Assets Ratio (CRAR)	Current Period
i)	CRAR (%)	74.73%
ii)	CRAR - Tier I Capital (%)	74.69%
iii)	CRAR - Tier II Capital (%)	0.04%
iv)	Percentage of the shareholding of the Government of India in nationalized banks	---
v)	Amount raised by issue of IPDI	---
vi)	Amount of subordinated debt raised as Tier – II capital*	---

* The total eligible amount of HO borrowings shall be disclosed in the balance sheet under the head 'Upper Tier II capital raised in the form of Head Office borrowings in foreign currency'.

BASEL I

Sr.No.	Capital to Risk-Weighted Assets Ratio (CRAR)	Current Period
i)	CRAR (%)	120.19%
ii)	CRAR - Tier I Capital (%)	120.12%
iii)	CRAR - Tier II Capital (%)	0.07%
iv)	Percentage of the shareholding of the Government of India in nationalized banks	---
v)	Amount raised by issue of IPDI	---
vi)	Amount of subordinated debt raised as Tier – II capital*	---

* The total eligible amount of HO borrowings shall be disclosed in the balance sheet under the head 'Upper Tier II capital raised in the form of Head Office borrowings in foreign currency'.

b) Investments

(Rs. In '000)

Particulars	As at 31-Mar-10
Value of Investments (*)	
Gross Value of Investments	2,091,239
Less: Provision for Depreciation	---
Net Value of Investments	2,091,239
Movement in Provisions Held towards Depreciation on Investments	
Opening Balance	---
Add: Provisions Made During the Year	---
Less: Write off/Write back of Excess provisions during the Year	---
Closing Balance	**---**

(*) All investments are held in India.

c) Repo/Reverse Repo Transactions

(Rs. In '000)

Particulars	Minimum outstanding during the period	Maximum outstanding during the period	Daily Average outstanding during the period	As on 31-Mar-10
Securities sold under Repos	---	586,700	8,949	---
Securities purchased under Reverse Repos	---	---	---	---

The above does not include Repo and Reverse Repo deals done under Liquidity Adjustment Facility (LAF) with the Reserve Bank of India or Collateralized Borrowing and Lending Obligation (CBLO) transactions concluded with Clearing Corporation of India (CCIL).

d) Non-SLR Investment Portfolio

The Bank did not have any investments under this category as on 31 March 2010.

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e) Derivatives

During the period the Bank has not dealt in any derivative products except foreign exchange forward contracts.

Disclosures on risk exposure in derivatives

The Derivatives business in the Bank is managed by the Treasury Front Office which comprises of traders who enter into derivative contracts in the normal course of business. Settlement and reporting of credit risks of all deals is undertaken by the back office. Further market risk team is responsible for setting market risks and its monitoring.

a) The risks arising out of derivative products are measured using various tools such as Value at Risk, Extended Tail Loss (ETL), Open Position, Structural Liquidity Analysis, etc. The risk monitoring reports are regularly submitted to the Management of the Bank for deciding the further course of action.

b) The outstanding forward exchange contracts are revalued at the rates notified by FEDAI for specified maturities and at interpolated rates for contracts of in-between the specified maturities. The resultant gains or losses are recognised in the Profit and Loss Account under 'Profit on Exchange transactions (net)'.

c) Credit risk management is overseen by the Chief Risk Officer, who reports to the Chief Executive Officer and is a member of Management Board (MANBO). The Bank has a Credit Risk Management unit which is responsible for setting up counterparty limits for all transactions including derivatives. While setting up these limits, the Bank follows rigorous appraisal principles and procedures similar to those for loan limits. All exposures are monitored in accordance with the RBI regulations on single/ group borrower limits.

d) The Bank applies the Current Exposure method to assess credit risk associated with Derivatives and Foreign Exchange contracts. Credit risk on a contract is computed as the sum of its marked-to-market value if positive and its potential future exposure which is calculated based on its notional value and its residual maturity.

Locally, the Asset Liability Committee (ALCO) of the bank is responsible for the overall management of risk limits and reviews the risk reports. The committee discusses the market strategy at monthly ALCO meeting.

f) Concentration of Deposits

(Rs. In 000)

Total Deposits of twenty largest depositors	50,623
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	100%

g) Concentration of Advances*

(Rs. In 000)

Total Advances to twenty largest borrowers	200,000
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	100%

* Advances have been computed as per the definition of Credit Exposure including derivatives as prescribed in RBI's Master Circular DBOD.No.Dir.BC.15/13.03.00/2009-10 dated July 1, 2009.

h) Concentration of Exposures**

(Rs. In 000)

Total Exposure to twenty largest borrowers/customers	400,000
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	100%

** Exposures are computed based on Credit and Investment exposure as prescribed in RBI's Master Circular DBOD.No.Dir.BC.15/13.03.00/2009-10 dated July 1, 2009.

i) Concentration of Non-Performing Assets (NPAs), Sector-wise NPAs, Movement in NPAs.

The Bank does not have any NPAs during the period.

j) Overseas Assets, NPAs and Revenue

(Rs. In '000)

Particulars	As at 31-03-10
Total Assets	68,715
Total NPAs	---
Total Revenue	27

k) Off-Balance Sheet Special Purpose Vehicles sponsored (which are required to be consolidated as per accounting norms)

The Bank does not have any off-balance sheet sponsored Special Purpose Vehicles as at 31 March 2010.

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l) **Asset Quality**

i. **Non-Performing Assets:**

Bank does not have any Non-Performing exposure as at 31 March 2010.

ii. **Particulars of Accounts Restructured:**

There were no instances of restructuring of loan assets during the current period.

iii. **Details of financial assets sold to Securitization/Reconstruction Company for Asset Reconstruction:**

There were no instances of sale of financial assets to Securitization/Reconstruction company for asset reconstruction.

iv. **Details of non-performing financial assets purchased/sold**

There were no instances of purchase/sale of non-performing assets during the current period.

v. **Provision on Standard Assets**

(Rs. In 000)

Particulars	**As at 31-03-10**
Provision towards Standard Assets	800

'Provision towards Standard Assets', is reflected under 'Other Liabilities and Provisions – Others' in Schedule No. 5 of the Balance Sheet.

vi. **Business Ratios**

Sr. No.	**Particulars**	**31-Mar-10**
1	Interest Income to working funds $	3.25%
2	Non-interest income to working funds $	6.86%
3	Operating profits to working funds $	-21.45%
4	Return on Assets #	-21.45%
5	Business (deposits plus advances) per employee (in Rs. 000's) @	7,161
6	Net Profit per employee (in Rs. 000's) *	(10,664)
7	Percentage of Net NPA to Net Advances	N.A.

$ Working funds are defined by the RBI as the monthly average of total assets reported to them in Form X. As the Bank was scheduled only on 3 August 2009, there was no requirement to submit Form X before that date. However, for the purpose of calculating the above ratios, working funds have been considered for the full year.
# Net Profit as a percentage to total assets (average working funds)
@ Business means total of net advances and deposits, excluding interBank deposits
* Productivity ratio is based on year end employee numbers

vii. **Asset Liability Management**

Maturity pattern of certain items of assets and liabilities

(Rs. In '000)

Particulars	**Deposits**	**Advances**	**Investments**	**Borrowings***	**Foreign Currency assets****	**Foreign Currency liabilities****
Day 1	419	–	782,978	809,172	1,365	–
2 to 7 days	102	–	136	–	67,350	0
8 to 14 days	–	–	1,049,251	–	–	–
15 to 28 days	102	–	23	–	–	–
29 days to 3 months	50,000	200,000	192,395	53,880	–	53,884
Over 3 months & upto 6 month	–	–	63,239	224,500	–	224,584
Over 6 month & upto 1 year	–	–	2,417	–	–	–
Over 1 year & upto 3 years	–	–	–	–	–	–
Over 3 years & upto 5 years	–	–	–	–	–	–
Over 5 years	–	-	801	–	51,635	–
Total	**50,623**	**200,000**	**2,091,239**	**1,087,552**	**120,350**	**278,467**

* Borrowings include Foreign Currency Borrowings which are also reported under Foreign Currency Liabilities
** Assets and liabilities in foreign currency exclude off-balance sheet assets and liabilities.

Classification of assets and liabilities under the different maturity buckets are compiled by management as per on the guidelines issued by the RBI and are based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI.

viii. **Exposures**

a) Exposure to Real Estate Sector:

There was no exposure to real estate sector as at 31 March 2010.

b) Exposure to Capital Market:

There was no exposure to capital market sector as at 31 March 2010.

c) Risk Category wise Country Exposure:

No provision for country risk exposure was made in the current period since the Bank's country wise net funded exposure does not exceed 1% of the total assets as on 31 March 2010.

d) Details of Single Borrower Limit (SGL)/Group Borrower Limit (GBL) exceeded by the Bank.

The Bank did not exceed the prudential exposure limits during the period.

ix. **Miscellaneous**

a) Amount of Provision made for Income tax during the period:

Bank has not created income tax provision during the period ended 31 March 2010 in view of a taxable loss.

b) Disclosure of Penalties imposed by RBI

During the period ended 31 March 2010, no penalty has been imposed by RBI on the Bank.

5. ADDITIONAL DISCLOSURES:

I. **Prior period comparatives**

This being the first period of operations of the Bank, there is no comparative information for the previous period. Please refer Schedule 18(1) above.

II. **Segmental Reporting**

In line with RBI guidelines, the Bank has identified "Treasury & Markets" and "Corporate Banking" as the primary reporting segments. The Bank does not have a Retail Banking segment.

Treasury & market activity comprise trading in bonds, derivatives and foreign exchange operations on proprietary account and for customers. Revenues under this section primarily comprise fees, gains/losses from trading and income from the investment portfolio.

Corporate Banking primarily comprises Corporate Banking, trade finance and Institutional Banking. Revenues for the segment are derived from interest and fee income on loans and advances, float income and fee based income for non funded advances.

The expenses of both the segments comprise funding costs, personnel costs and other direct and allocated overheads.

(Rs. In '000)

Business Segments	**Treasury**	**Corporate/ Wholesale Banking**	**Total**
Particulars			
Revenue	107,261	68,609	175,870
Result	–	–	–
Unallocated expenses	–	–	–
Operating Profit	(195,000)	(178,250)	(373,250)
Income Taxes	–	–	–
Extraordinary profit/loss	–	–	–
Net Profit	**(195,000)**	**(178,250)**	**(373,250)**
Other Information			
Segment Assets	2,187,607	200,000	2,387,607
Unallocated assets	178,314	106,488	284,801
Total Assets	**2,365,921**	**306,488**	**2,672,408**
Segment Liabilities	2,860,717	50,623	2,911,340
Unallocated Liabilities	66,608	67,711	134,318
Total Liabilities	**2,927,325**	**118,334**	**3,045,659**

Geographical segments

The Bank does not have overseas operations and it operates only in the domestic segment.

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III. **Related party disclosure**

Related party disclosures as required by Accounting Standard 18 - 'Related Party Disclosures' prescribed by the Companies (Accounting Standards) Rules, 2006 ('CASR') and in accordance with the guidelines issued by the Reserve Bank of India are given below:-

Relationships during the period

i. Head office and Branches
FirstRand Bank and its branches

ii. Key management personnel
Marthinus Theunis Lategan, Chief Executive Officer, India

As there has been only one related party in each category, details are not disclosed in terms of RBI guidelines.

IV. **Provisions and Contingencies:**

(Rs. In '000)

Particulars	**As at 31-03-10**
Provision for Premium on Investments	---
Provision for Depreciation on Investments	---
Provision for Standard Assets	800
Bad Debts Written-off	---
Provision for Specific Advances written back	---
Fringe Benefit Tax	---

V. **Employee Benefits**

The disclosure required under AS -15 (Revised) "Employee Benefits" issued by ICAI are given below:

i. **Voluntary retirement benefits:**

"Payments to and Provisions for employees" include Rs. Nil charged towards amortization of amount paid under Voluntary Retirement Scheme.

ii. **Provident Fund:** The Bank's contribution to the employees' Provident Fund was Rs. 9,240 (in 000's).

iii. **Gratuity:**

Principal actuarial assumptions as at balance sheet date:-

Discount Rate: -	8.00%
Salary Escalation Rate: -	8.00%
Mortality Table (L.I.C.)	1994-96 Ultimate

(Rs. In '000)

Sr. No.	**Particulars**	**Gratuity (Funded) 31.03.10**
(i)	**Changes in present value of obligation**	
	Opening Defined Benefit Obligation	---
	Interest Cost	---
	Current Service Cost	1,857
	Actuarial (Gains)/Losses	852
	Benefits Paid	–
	Closing Defined Benefit Obligation	**2,709**
(ii)	**Changes in the fair value of Plan Assets**	
	Fair value of Plan Assets at beginning of period	---
	Expected return on Plan Assets	---
	Contributions	---
	Benefits paid	---
	Actuarial Gains/(Losses)	---
	Fair value of Plan Assets at the end of the period	---
(iii)	**Fair value of Plan Assets**	
	Fair value of Plan Assets at beginning of period	---
	Actual return on Plan Assets	---
	Contributions	---
	Benefits paid	---
	Fair value of Plan Assets at the end of the period	---
	Funded Status	**(2,709)**
	Excess of Actual over estimate return on Plan Assets	---

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(iv)	**Actuarial Gain/(loss) recognized**	
	Actuarial Gain/(Loss) for the period – obligation	(852)
	Total Gain/(Loss) for the period	(852)
	Net Actuarial Gain/(Loss) recognized for the period	(852)
(v)	**Amount to be recognized in Balance Sheet and Profit and Loss Account**	
	PVO at end of period	2709
	Fair value of Plan Assets as at the end of the period	---
	Funded Status	(2,709)
	Unrecognized Actuarial Gain/(Loss)	---
	Net Asset/(liability) recognized in Balance Sheet	(2,709)
(vi)	**Expenses Recognized in Profit and Loss Account**	
	Current Service Cost	1,857
	Interest Cost	---
	Expected return on Plan assets	---
	Net Actuarial loss recognized in the period	852
	Expenses Recognized in Profit and Loss Account	**2,709**
(vii)	**Movements in the Liability recognized in Balance Sheet**	
	Opening Net Liability	2,709
	Expenses as above	---
	Contribution paid	---
	Closing Net Liability	2,709

VI. **Floating Provisions**

Bank has not created floating provisions during the period ended 31 March 2010.

VII. **Draw Down from Reserves**

Bank did not have draw downs from reserves during the period ended 31 March, 2010.

VIII. **Disclosure of complaints**

During the period Bank has not received any customer complaints.

IX. **Awards passed by the Banking Ombudsman**

During the period no awards were passed by the Banking Ombudsman and there are no unimplemented awards outstanding as on 31 March 2010.

X. **Disclosure of Letters of Comfort (LoCs) issued by Banks**

Bank has not issued any Letters of Comfort during the period ended March 31, 2010.

XI. **Disclosure under Micro, Small and Medium Enterprises Development Act, 2006**

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with the management and confirmation sought from suppliers on registration with specified authority under MSMED, principal amount, interest accrued and remaining unpaid and interest paid during the period to such enterprise is NIL.

XII. **Other Expenses**

Details of other expenses included in Other Expenditure in Schedule 16, exceeding 1% of the total income are:

(Rs. In'000)

Particulars	**Amount**
Professional Fees	17,136
Travel Expense	8,101
Information Services	5,470
Membership & Subscription Fees	2,333
Software Licence Fees	2,243

XIII **Subordinated Debt**

The Bank has not raised any subordinated debt during the period ended 31 March 2010.

For **FirstRand Bank India Branch**

Marthinus Theunis Lategan
Chief Executive Officer

Rohit Wahi
Chief Financial Officer

Place: Mumbai
Date : 28 June 2010

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Management disclosures under Pillar 3 of the New Capital Adequacy framework vide Reserve Bank of India circular reference RBI/2009-10/308 DBOD.No.BP.BC.73/ 21.06.001/ 2009-10 dated 8 February 2010

1. Scope of application

FirstRand Bank Limited India operates in India as a branch of FirstRand Bank Limited South Africa (the Head Office), banking entity incorporated under the laws of South Africa. The Basel II Pillar 3 disclosures contained herein relate to FirstRand Bank – India Branch ('the Bank') for the period ended 31 March 2010. The disclosures have been compiled in accordance with Reserve Bank of India's (RBI) Master Circular on Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF) reference RBI/2009-10/308 DBOD.No.BP.BC.73/21.06.001/2009-10 dated 8 February 2010 and the amendments thereto issued from time to time.

As the Bank is a branch operation of FirstRand Bank, South Africa, it operates in line with the Group principles and policies on risk management which are aligned to local regulations wherever required. As the Bank is a recently established banking operation in India, the Risk Management and Control Framework of the Group is in the process of being fully embedded/implemented.

The Bank does not have any subsidiaries, nor does it hold any stake in any companies and is not required to prepare consolidated financial statements. Furthermore, it does not have any interest in Insurance entities.

2. Capital Structure

The Bank has commenced operations on 2 April 2009 and Tier I capital of the Bank comprises only of interest-free funds provided by Head Office including amounts transferred from erstwhile Representative Office.

Tier II capital of the Bank comprises of General Provisions on Standard Assets created in accordance with RBI guidelines.

Composition of Capital

(Rs In '000)

Particulars	**31-Mar-10**
Tier I Capital	
Capital (Interest free funds from Head Office)	1,773,165
Less: Debit balance in Profit & Loss account	373,250
Less: Intangible assets	22,465
Less: Deferred tax Asset	0
Total Tier I Capital	**1,377,450**
Tier II Capital	
Provision on Standard Assets	800
Total Tier II Capital	**800**
Total eligible capital (Tier I + Tier II)	**1,378,250**

3. Capital adequacy

Allocating resources, including capital and risk capacity effectively, in terms of the risk appetite and in a manner that maximises value for stakeholders, is a core competence and a key focus area and, as such, sound capital management practices form an important component of the bank's overall business strategy.

The Bank seeks to establish and manage a portfolio of businesses and risks that will deliver sustainable returns to its stakeholders. In doing so, the Bank targets a particular earnings profile that will allow it to generate these returns within appropriate levels of volatility. Sustainability refers to the Bank's capacity to withstand periods of severe stress characterised by very high levels of unexpected financial and economic volatility, which cannot be mitigated by earnings alone. Thus, it is imperative to maintain capitalisation ratios appropriate to safeguard the operations and the interests of its stakeholders. In this respect, the overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the solvency of the Bank during calm and turbulent periods in the world economy and the financial markets.

The optimal level and composition of capital is determined after taking into account organic growth plans – provided financial targets are met – as well as targeted capital ratios, future business plans, plans for the issuance of additional capital instruments, the need for appropriate buffers in excess of minimum requirements and considerations of rating agencies. The Bank seeks to hold limited excesses above the capital required to support its short term growth plans (including appropriate buffers).

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The Capital Management Framework sets out the Bank's objectives, guiding principles, processes and approaches for capital management and in doing so it aims to satisfy the needs of a range of stakeholders such as shareholders, debt holders, clients and regulators. It is updated on an annual basis and also governs the continuous evaluation process around potential capital injections in support of strategic growth initiatives. The Bank's capital planning efforts ensure that the total capital adequacy and Tier 1 ratios remain within the approved ranges or above target levels across the economic and business cycles.

The Bank's capital requirements at 9% of Risk Weighted assets and capital ratios as of 31 March 2010 are as follows:

Particulars	31-Mar-10
Capital requirement for credit risk (Standardised Approach)	130,819
Capital requirement for market risk (Standardised Duration Approach)	
– Interest rate risk	2,151
– Foreign exchange risk (including gold)	8,100
– Equity risk	–
Capital requirement for operational risk (Basic Indicator approach)	24,917
Total	**165,987**

Particulars	31-Mar-10
Tier I Capital Adeqacy ratio	74.69%
Total (Tier I + Tier II) Capital adequacy ratio	74.73%

The CRAR of the Bank is 74.73% as computed under Basel II norms and 120.19% under Basel I. The ratio under both guidelines is higher than the minimum regulatory CRAR requirement of 9%.

4. Risk Exposure & Assessment

The Management Board retains ultimate responsibility for ensuring that risks are adequately identified, measured, monitored and managed. FirstRand believes that a culture focused on risk paired with an effective governance structure is a prerequisite for managing risk effectively.

In addition, effective risk management requires multiple points of control, or safeguards that should be applied consistently at various levels throughout the organisation. There are three primary lines of control across the operations:

- **Risk ownership** – Risk taking is inherent in the individual businesses' activities and, as such, business management carries the primary responsibility for the risks in its business, in particular with respect to identifying and managing it appropriately.
- **Risk control** – Business heads are supported in this by deployed risk management functions that are involved in all business decisions and that are represented at an executive level. These are overseen by an independent, Head Office central risk control function, namely Enterprise Risk Management.
- **Independent assurance** – The third major control point involves functions providing independent assurance on the adequacy and effectiveness of risk management practices across the Group. These are the internal audit functions at a business and at a Group level and external auditors who are also present at relevant board committee meetings.

The risk management and governance structure explicitly recognises these lines of control and embeds them as a policy of the Board. The risk management structure described above is set out in the Business Performance and Risk Management Framework, a policy of the Board.

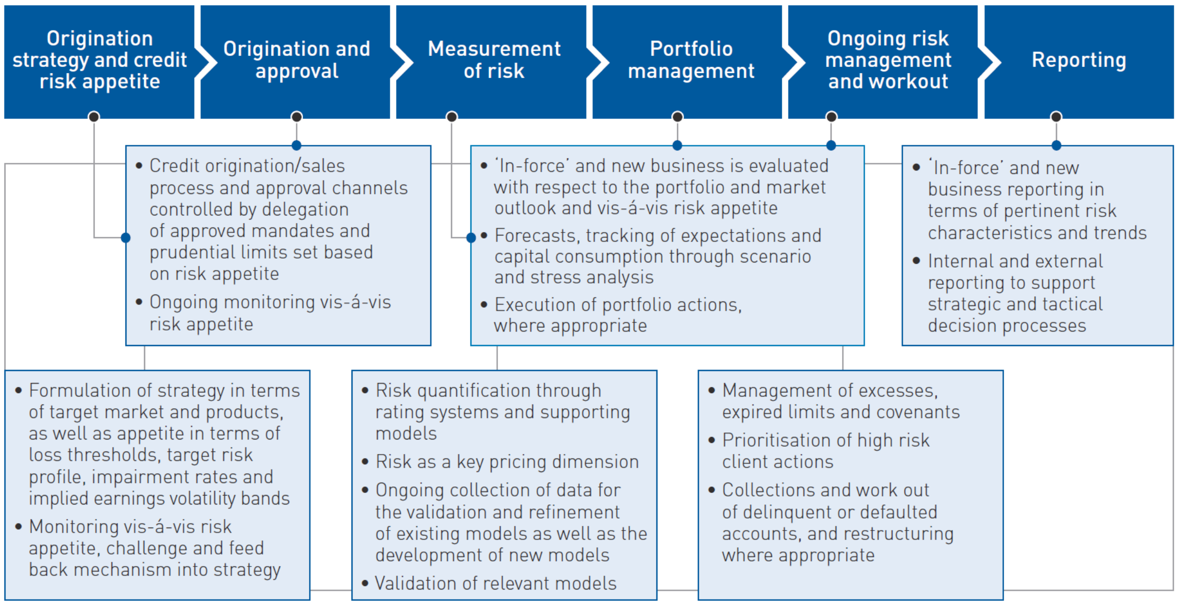
4.1. Credit risk

Credit risk is the risk of loss due to the non performance of a counterparty in respect of any financial or performance obligation.

The objectives of the Bank's credit risk management practices are two-fold:

- **Risk control:** Appropriate limits need to be placed on the assumption of credit risk and steps have to be taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfill this task.
- **Management:** Credit risk needs to be taken within the constraints of the Bank's risk appetite and the credit portfolio is managed at an aggregate level to optimise FirstRand's exposure to this risk.

The scope of credit risk identification and management practices across the Group therefore spans the entire credit value chain, and illustrated in the diagram below:



The management of individual credit exposures and the credit portfolio as a whole is a core competence of the Bank with commensurate responsibilities shared across business and risk teams as well as deployed and central functions. The individual businesses seek to optimise the risk/return profile of their respective credit portfolios and control their risk exposure through the processes and within the risk appetite constraints set out by the Bank.

Central risk control functions provide the appropriate oversight of this management process. The primary components of the management process are thus shared and consist of control mechanisms, risk mitigation strategies, approaches to managing credit risk concentrations and a consistent framework for the monitoring of weak and high risk exposures.

Concentration risk is managed in the respective credit portfolios with aggregate monitoring taking place at Head Office. In the wholesale credit portfolio, concentrations are managed primarily through single name limits for large exposures as well as the evaluation of country and industry concentrations.

Credit exposures are actively monitored throughout the life of the respective transactions.

Across the wholesale credit portfolios, watch lists of high risk clients are maintained alongside specific and detailed action plans for each client. These are actively monitored and updated on at least a monthly basis through the respective credit committees in the business area. The Bank seeks to reduce or mitigate its exposure to such clients through the restructuring of facilities where appropriate, and ultimately, through an efficient workout and the realisation of collateral value in the event of default.

Reports on the overall quality of the portfolio are monitored closely at a business unit as well as at a Head Office level.

Credit quality

Advances are considered past due where a specific payment date has not been met or where regular instalments are required and such payments have not been received. A loan payable on demand is classified as overdue where a demand for repayment has been served but repayment has not been made in accordance with the stipulated requirements.

Policy for impaired assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

With respect to assets carried at amortised cost, FirstRand assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following events:

- significant difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be allocated to the individual financial assets in the Bank, including:
  - adverse changes in the payment status of issuers or debtors in the Bank; or
  - national or local economic conditions that correlate with defaults on the assets

When a loan is uncollectible, it is written off. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

As the Bank has only recently commenced its operations and is in the process of building the balance sheet, as at 31 March 2010, there were neither past due loans nor any impairments realised.

Analysis of Credit exposures: Fund based and non fund based; Geography distribution

(Rs. In '000)

Category	**31-Mar-10**
Domestic	
Term loans	200,000
Total Fund-based Exposures	**200,000**
Guarantees given on behalf of customers	3,282,094
Derivatives	9,232,988
Total Non-fund based Exposures	**12,515,082**
Overseas	**---**

Industry Type distribution of exposures as at 31 March 2010

(Rs. In '000)

Industry	**Fund-based**	**Non-fund based**	**Total**	**Percentage of Total**
Banking	---	12,515,082	12,515,082	98.43%
Food & beverages	200,000	---	200,000	1.57%
Grand Total	**200,000**	**12,515,082**	**12,715,082**	**100.00%**

Residual maturity of assets as at 31 March 2010

(Rs. In '000)

Particulars	**Cash**	**Balance with RBI**	**Balance with Banks**	**Investments**	**Advances**	**Fixed Assets**	**Other Assets**
Day 1	6	12,042	10,125	782,978	–	–	0
2 to 7 days	–	9	67,350	136	–	–	3
8 to 14 days	–	–	–	1,049,251	–	–	–
15 to 28 days	–	2	–	23	–	–	782
29 days to 3 months	–	2,343	–	192,395	200,000	–	124,807
Over 3 months & upto 6 month	–	4,105	–	63,239	–	–	9,677
Over 6 month & upto 1 year	–	335	–	2,417	–	–	3,261
Over 1 year & upto 3 years	–	–	–	–	–	–	19,542
Over 3 years & upto 5 years	–	–	–	–	–	–	567
Over 5 years	–	52	–	801	–	63,096	63,067
Total	**6**	**18,887**	**77,475**	**2,091,239**	**200,000**	**63,096**	**221,705**

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The Bank has commenced operations on 2 April 2009 and is in the process of building a balance sheet. The following parameters therefore, are currently NIL or not applicable to the bank.

- Amount of Gross Non Performing Assets
- Amount of Net Non Performing Assets
- Non Performing Assets ration
- Movement of Non Performing Assets
- Movement of provision for Non Performing Assets
- Amount of Non Performing Investments
- Amount of Provision held for Non Performing Investments
- Movement in Provision for Depreciation on Investments

4.1.1. Credit risk – Disclosure of Portfolios subject to the Standardised Approach

Credit rating agencies

The Bank uses external ratings agencies that are approved by RBI for capital adequacy, viz, CRISIL, ICRA, FITCH India and CARE for domestic exposures and S&P, Moody's & Fitch for overseas exposures.

The bank also has an independent internal ratings model. These internal ratings are used for ascertaining credit worthiness of a client, setting internal prudential limits, determining pricing and capital requirement etc. The internal and external ratings do not have a one to one mapping and for the purpose of calculation of capital for credit risk under the standardized approach, the external ratings are used.

Exposure amounts after risk mitigation subject to the standardised approach on the basis of Risk weightage is provided below:

(Rs. In '000)

Categorisation of Advances	**31-Mar-10**
Under 100% risk weight	--
100% risk weight	200,000
Above 100% risk weight	--
Total	**200,000**

4.1.2. Credit risk mitigation policy

Since the taking and managing of credit risk is a core component of the Bank's business, it aims to optimise the amount of credit risk it takes to achieve its return objectives. The mitigation of credit risk is an important component of this process, which begins with the structuring and approval of facilities for only those clients and within those parameters that fall within the risk appetite.

In addition, various instruments are used to reduce the Bank's exposure in case of a counterparty default. These include, amongst others, financial or other collateral, netting agreements and guarantees. The type of security used typically depends on the portfolio, product or customer segment.

Collateral valuation and management

The Bank employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally so as to ensure that the Bank retains title over collateral taken over the life of the transaction. All items of collateral are valued at inception of a transaction and at various points throughout the life of the transaction, either through physical inspection or indexation methods, as appropriate.

As stipulated by RBI guidelines, the Bank uses the Comprehensive Approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral.

Types of collaterals taken by the bank and main types of guarantor counterparties and Credit risk concentration within the mitigation taken

The Bank accepts security in the form of charge on receivables / inventories for working capital facilities, charge on fixed assets in certain cases, besides guarantees from other related parties. In certain cases, facilities to obligors may be supported by partial/full insurance protection purchased. Since there are varied sources of credit protection acquired through different guarantors, there is no concentration of guarantor risk.

Total exposure covered by eligible financial collateral after application of haircuts as on 31 March 2010 – NIL

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4.2. Securitisation Exposures: Disclosure for Standardised approach

Not applicable as the Bank has not undertaken any securitization transactions during the current period.

4.3. Market risk in trading book

Market risk Management Framework

Market risk is the risk of adverse revaluation of any financial instrument as a consequence of changes in market prices or rates.

Market risk is taken and managed on the basis of the Bank's Market Risk Framework. It sets out a governance structure consistent with the overall risk management approach of the bank as well as applicable lines of accountability, reporting procedures and policies.

The Bank has detailed Treasury Policy covering investments, foreign exchange risk management and derivatives.

Market risk exposures are assessed and managed against limits calculated on the basis of liquidity adjusted distressed expected tail losses ("ETLs"). Additional soft liquidity-adjusted Value at Risk (VaR) triggers are used to highlight positions that need to be reviewed by management.

Risk concentrations in the market risk environment are controlled by means of appropriate sub-limits for individual asset classes (interest rate, equity, foreign exchange, commodities and traded credit) and the maximum allowable exposure for each business unit.

The assessment and management process with respect to Market risk can be described as follows:

- Exposures are quantified daily and monitored against the respective limits;
- The causes of any limit breaches are investigated immediately and relevant reports are escalated to the respective business and risk heads as well as the independent risk control functions and board committees with corrective action, as appropriate;
- Risk management also tracks and reports daily P&L movements and their attribution to individual risk factors to ensure that all risk exposure is appropriately identified; and
- Absolute loss thresholds have been introduced to ensure an automatic, staggered de-risking of positions.

Market risk assessment practices have also been aligned with the Banking Group's stress testing framework and regular portfolio wide analyses are conducted on the basis of systemic stresses representative of illiquid conditions and heightened volatility characteristic of historical market downturn scenarios. A distressed ETL measure for the whole portfolio is calculated based on a full re-valuation on the basis of pertinent risk factor movements.

In addition to the distressed ETL and VaR methodologies, the Bank supplements its measurement techniques with defined stress tests and scenario analyses across all material risk factors. The calibrations of the stress tests are reviewed from time to time to ensure that they are indicative of possible market moves under distressed market conditions. Stress and scenario analyses are reported to and considered regularly by the individual executive committees and the boards, and are seen as a valuable tool in determining business strategy with respect to the assumption of market risk going forward.

Capital requirements for market risk

(Rs. In '000)

Particulars	**31-Mar-10**
Capital requirement for market risk	
– Interest rate risk	2,151
– Foreign exchange risk (including gold)	8,100
– Equity risk	---
Total	**10,251**

4.4. Operational risk

Overview

Operational risk denotes the risk of loss resulting from inadequate or failed internal processes, controls and systems, human factors or from external events.

Operational risk is governed in terms of the Operational Risk Management Framework ("ORMF"), which is a sub-framework of the BPRMF.

Risk Management

In line with international best practice, the bank employs a variety of approaches and tools in the assessment of operational risk. The most pertinent of these are:

- **Key risk indicators ("KRIs")** – KRIs have been put in place across all businesses as an early warning measure to highlight areas of increasing potential exposure to operational risk. KRI reports are included in regular management reports to support ongoing risk identification and mitigation efforts by the business;

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- **Self assessment** – risk and control self assessments are integrated in the business and risk management processes to assist risk managers in identifying key risk areas and to assess the effectiveness of existing controls. Other risk self assessments include business continuity self assessments, risk effectiveness reports for IT and physical security self assessments;
- **Audit findings** – Group Internal Audit acts as the third line of risk controls across the organisation and audit findings are used to verify whether controls put in place by the businesses are acceptable in mitigating the risks associated with their key and supporting processes. The number of findings issued, as well as audit findings that have not been resolved before the due date, are tracked, monitored and reported on through the risk committee structures;
- **Internal loss data** – loss data reporting and analyses are used by risk managers to understand the root causes of loss incidents and to understand where corrective action should be taken to mitigate losses;
- **External data** – external loss databases are used to derive lessons from other organisations and loss events and to inform quantitative operational risk assessments through risk scenario analyses; and
- **Incident and issue reporting** – a well defined and embedded process for the reporting of incidents and potential issues is in place to ensure that operational risk losses can be managed and potentially mitigated and to facilitate a feedback of any lessons learned into the organisation's operational risk management practices.

4.5. Interest rate risk in the banking book

Interest rate risk in the banking book ("IRRBB") is defined as the sensitivity of the balance sheet and income statement to unexpected, adverse movements in interest rates. The bank identifies and categorises this risk further in the following components:

- Repricing risk arises from the differences in timing between repricing of assets, liabilities and off balance sheet positions;
- Yield curve risk arises when unanticipated changes in the shape of the yield curve adversely affect the bank's income or underlying economic value;
- Basis risk arises from an imperfect correlation in the adjustment of the rates earned and paid on different instruments with similar repricing characteristics; and
- Optionality is the right, but not the obligation, of the holder to alter the cash flow of the underlying position, which may adversely affect the bank's position as the counterparty to such a transaction.

Risk Management

The control and management of interest rate risk is governed by the Framework for the Management of IRRBB, which is an ancillary framework to the BPRMF

The Bank also monitors interest rate risk on monthly intervals through a statement of Interest Rate Sensitivity prepared as at the last reporting Friday of each month as per RBI guidelines.

The Asset Liability management committee (ALCO) reviews the interest rate risk periodically and controls the risks and returns.

5. Comparative figures

Given that this is the Bank's first year of operation and disclosures under Pillar 3 of the New Capital Adequacy Framework, comparative figures for the previous year are not applicable.

For **FirstRand Bank India Branch**

Marthinus Theunis Lategan
Chief Executive Officer

Rohit Wahi
Chief Financial Officer

Place: Mumbai
Date : 28 June 2010