FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

INDEPENDENT AUDITOR'S REPORT

To

The Chief Executive Officer – FirstRand Bank Limited – India Branch

Report on the Financial Statements

1. We have audited the accompanying financial statements of FirstRand Bank Limited - India Branch ("the Bank"), which comprise the Balance Sheet as at 31 March 2013, the Profit and Loss Account and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with guidelines issued by the Reserve Bank of India insofar as they are applicable to the Bank and in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949 as applicable. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Banking Regulation Act, 1949 as well as the 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:

   (i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March, 2013;

   (ii) in the case of the Profit and Loss Account of the loss for the year ended on that date; and

   (iii) in the case of the Cash Flow Statement, of cash flows for the year ended on that date.

Report on Other Legal and Regulatory Matters

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

FIRSTRAND BANK LIMITED – INDIA BRANCH

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8. 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 purpose of our audit and have found them to be satisfactory.

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

   (iii) the Bank has only one branch and therefore separate accounting returns for the purpose of preparing financial statements are not required to be submitted. We have visited the Bank's Bandra Kurla Complex branch for the purpose of our audit.

9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.

10. We further report that:

    (i) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report, are in agreement with the books of account.

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

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm's Registration Number: 101049W

Sd/-
per Amit Majmudar
Partner
Membership Number: 36656

Place of Signature: Mumbai
Date: 27 June 2013

FIRSTRAND BANK LIMITED – INDIA BRANCH

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Balance Sheet as at 31 March 2013

Indian Rupees in 000's

Description	Schedule	31-Mar-13 Amount	31-Mar-12 Amount
CAPITAL AND LIABILITIES			
Capital	1	4,091,540	4,091,540
Reserves & Surplus	2	(1,058,756)	(464,080)
Deposits	3	713,370	366,060
Borrowings	4	6,937,139	4,508,789
Other Liabilities and Provisions	5	745,809	221,261
TOTAL		**11,429,103**	**8,723,570**
ASSETS			
Cash & Balances with Reserve Bank of India	6	257,419	121,315
Balances with Banks & Money at Call & Short Notice	7	22,964	35,561
Investments	8	7,847,718	5,612,853
Loans & Advances	9	2,593,699	2,416,210
Fixed Assets	10	151,760	166,727
Other Assets	11	555,543	370,904
TOTAL		**11,429,103**	**8,723,570**
Contingent Liabilities	12	54,012,723	31,565,315
Bills for collection		324,318	614,798

Profit and Loss Account for the Year ended 31 March 2013

Indian Rupees in 000's

Description	Schedule	31-Mar-13 Amount	31-Mar-12 Amount
I. INCOME			
Interest earned	13	766,780	628,753
Other Income	14	291,787	222,919
TOTAL		**1,058,567**	**851,672**
II. EXPENDITURE			
Interest expended	15	286,186	265,370
Operating expenses	16	1,103,430	615,519
Provisions and contingencies	17	263,627	(26,845)
Total		**1,653,243**	**854,044**
III. PROFIT/LOSS			
Net Profit/(Loss) for the year		(594,676)	(2,372)
Net Profit/(Loss) brought forward		(464,080)	(461,708)
TOTAL		**(1,058,756)**	**(464,080)**
IV. APPROPRIATIONS			
Balance carried over to Balance Sheet		**(1,058,756)**	**(464,080)**

Significant Accounting Policies and Notes to the Financial Statements 18

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

For **S R Batliboi & Associates LLP**
Chartered Accountants
Firm Registration No. 101049W

For **FirstRand Bank Limited-India**

Sd/-
Amit Majmudar
Partner
M.No. 36656

Sd/-
Mahendren Moodley
Chief Executive Officer

Sd/-
Rohit Wahi
Chief Financial Officer

Place: Mumbai
Date: 27th June 2013

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(In 000's)

PARTICULARS	31-Mar-13 Amount	31-Mar-12 Amount
Cash flow from Operating Activities		
Net profit before taxation and extraordinary items	(557,957)	(36,278)
Adjustments for:		
Depreciation on Fixed Assets	53,744	31,501
Provision towards gratuity & leave encashment	10,086	7,855
Provision towards Standard Advances	6,821	6,995
Provision for Wealth Tax	86	66
Provision for Non Performing Asset	220,000	-
Provision for Lease Equalisation	24,221	-
Other Provisions	301,346	-
Profit on sale of Fixed Assets	(414)	(235)
Operating Profit before changes in working capital	**57,934**	**9,905**
Adjustment for:		
(Increase)/ Decrease in Investments	(2,234,865)	(676,143)
(Increase)/ Decrease in Advances	(397,489)	(1,002,340)
(Increase)/ Decrease in Other Assets	(221,358)	(151,324)
Increase/ (Decrease) in Deposits	347,309	111,610
Increase/ (Decrease) in Other liabilities and Provisions	181,987	52,955
Net Cash flow from Operating Activities (A)	**(2,266,482)**	**(1,655,337)**
Cash flow from Investing Activities		
Purchase of Fixed Assets	(39,265)	(157,447)
Proceeds from sale of Fixed Assets	903	500
Net Cash flow from Investing Activities (B)	**(38,362)**	**(156,947)**
Cash flow from Financing Activities		
Increase / (Decrease) in Borrowings	2,428,350	1,567,738
Net Cash flow from Financing Activities (C)	**2,428,350**	**1,567,738**
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	**123,506**	**(244,546)**
Cash and Cash equivalents at the beginning of the period	**156,876**	**401,422**
Cash and Cash equivalents at the end of the period	**280,382**	**156,876**

Note: Cash and Cash equivalents represents

Particulars	31-Mar-13	31-Mar-12
a) Cash and balance with Reserve Bank of India	257,418	121,315
b) Balance with Banks and money at call and short notice (Excluding deposits with original maturity of more than 3 months)	22,963	35,561
Total	**280,382**	**156,876**

For **S R Batliboi & Associates LLP**
Chartered Accountants
Firm Registration No. 101049W

Sd/-
Amit Majmudar
Partner
M.No. 36656

For **FirstRand Bank Limited-India**

Sd/-
Mahendren Moodley
Chief Executive Officer

Sd/-
Rohit Wahi
Chief Financial Officer

Place: Mumbai
Date: 27th June 2013

FIRSTRAND BANK LIMITED – INDIA BRANCH

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Schedules to Financial Statements as at 31-Mar-2013

Indian Rupees in 000's

	31-Mar-13 Amount	31-Mar-12 Amount
Schedule 1 – Capital		
Opening Balance	4,091,540	4,091,540
Additions during the period	–	–
TOTAL	**4,091,540**	**4,091,540**
Of the above, amount of deposit kept with Reserve Bank of India under section 11(2) (b) of the Banking Regulation Act, 1949.	2,500	2,500
Schedule 2 – Reserves & Surplus		
I. Statutory Reserves		
Opening balance	–	–
Additions during the year	–	–
Deductions during the year	–	–
II. Capital Reserves		
Opening balance	–	–
Additions during the year	–	–
Deductions during the year	–	–
III. Investment Reserves		
Opening balance	–	–
Additions during the year	–	–
Deductions during the year	–	–
IV. Revenue and Other Reserves		
Opening balance	–	–
Additions during the year	–	–
Deductions during the year	–	–
V. Balance in Profit & Loss account	(1,058,756)	(464,080)
TOTAL (I+II+III+IV+V)	**(1,058,756)**	**(464,080)**
Schedule 3 – Deposits		
I. (i) Demand deposits		
– From Banks	24,377	25,523
– From others	67,185	41,083
(ii) Savings bank deposits	76,102	3,046
(iii) Term deposits		
– From Banks	–	–
– From others	545,706	296,408
TOTAL	**713,370**	**366,060**
II. (i) Deposits of branches in India	713,370	366,060
(ii) Deposits of branches outside India	–	–
TOTAL	**713,370**	**366,060**

Indian Rupees in 000's

	31-Mar-13 Amount	31-Mar-12 Amount
Schedule 4 – Borrowings		
I. Borrowings in India		
(i) Reserve Bank of India	1,660,000	580,000
(ii) Other Bank	2,450,000	1,600,000
(iii) Other institution and agencies	239,916	39,923
Items (i) and (iii) above are secured borrowings		
II. Borrowings outside India (from Head Office)	2,587,223	2,288,866
TOTAL (I+II)	**6,937,139**	**4,508,789**
Schedule 5 – Other Liabilities and Provisions		
I. Bills Payable	–	–
II. Inter Office adjustments (net)	2,970	3,804
III. Interest Accrued	15,627	12,551
IV. Others (including provisions)	705,800	190,315
V. Provision towards standard assets and country risk	21,412	14,591
TOTAL (I + II +III+IV+V)	**745,809**	**221,261**
Schedule 6 – Cash and Balances with Reserve Bank of India		
I. Cash in hand (including foreign currency notes)	6,488	34
II. Balances with Reserve Bank of India		
(i) in Current Accounts	250,931	121,281
(ii) in Other Accounts	–	–
TOTAL (I + II)	**257,419**	**121,315**
Schedule 7 – Balances with Banks & Money at Call & Short Notice		
I In India		
(i) Balance with banks		
(a) in Current Accounts	18,712	8,647
(b) in Other Deposit Accounts	–	–
(ii) Money at call and short notice		
(a) with banks	–	–
(b) with other Institutions	–	–
(c) with RBI	–	–
TOTAL I	**18,712**	**8,647**
II Outside India		
(i) in Current Accounts	4,252	26,914
(ii) in Other Deposit Accounts	–	–
(iii) Money at call and short notice	–	–
TOTAL II	**4,252**	**26,914**
GRAND TOTAL (I + II)	**22,964**	**35,561**

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(Incorporated in South Africa with Limited Liability)

Schedules to Financial Statements as at 31-Mar-2013

Indian Rupees in 000's

	31-Mar-13 Amount	31-Mar-12 Amount
Schedule 8 – Investments		
I. Investments in India in		
(i) Government Securities	3,796,743	1,816,315
(ii) Other approved Securities	–	–
(iii) Shares	–	–
(iv) Debentures and bonds	–	–
(v) Subsidiaries and/or joint ventures	–	–
(vi) Others (includes Certificate of Deposit and Commercial Paper)	4,050,975	3,796,538
	7,847,718	5,612,853
II. Investments Outside India	–	–
TOTAL (I + II)	**7,847,718**	**5,612,853**

Government Securities include the following: a) Securities kept with Clearing Corporation of India Limited towards Security clearing facility of Face Value Rs. 433,500('000) of which securities kept under Collateralised Borrowing and Lending Obligation of Face Value Rs. 250,000('000) b) Securities kept with The Reserve Bank of India under the Liquidity Adjustment Facility (LAF) of Face Value Rs. 1,732,500('000).

	31-Mar-13 Amount	31-Mar-12 Amount
Schedule 9 – Advances		
I. (i) Bills purchased and discounted	93,759	453,518
(ii) Cash credits, overdrafts and loans repayable on demand	1,127,587	884,159
(iii) Term loans	1,372,353	1,078,533
TOTAL	**2,593,699**	**2,416,210**
II. (i) Secured by tangible assets	562,612	508,297
(ii) Covered by bank/ Government guarantees	–	332,307
(iii) Unsecured	2,031,087	1,575,607
TOTAL	**2,593,699**	**2,416,210**
III. A. Advances in India		
(i) Priority sectors	935,249	1,422,677
(ii) Public sector	–	–
(iii) Banks	–	–
(iv) Others	1,658,450	993,533
TOTAL	**2,593,699**	**2,416,210**
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 (III A + III B)	**2,593,699**	**2,416,210**

Indian Rupees in 000's

	31-Mar-13 Amount	31-Mar-12 Amount
Schedule 10 – Fixed Assets		
I. Premises	–	–
Cost at the beginning of the year	–	–
Additions during the year	–	–
Deductions during the year	–	–
Depreciation to date	–	–
Net book value of premises	–	–
II. Other Fixed Assets (including furniture and fixtures)		
Opening Balance	121,498	102,918
Additions During the year	177,479	19,201
Gross Book Value	298,977	122,119
Deductions during the year	(1,809)	(621)
Accumulated Depreciation to date	(145,609)	(93,186)
Net Book Value of other fixed assets (including furniture and fixtures)	**151,559**	**28,312**
III. Capital work-in-progress	201	138,415
TOTAL (I +II+III)	**151,760**	**166,727**
Schedule 11 – Other Assets		
I. Inter-office adjustments(net)	–	–
II. Interest accrued	98	1
III. Tax paid in advance / tax deducted at source	808	442
IV. Stationery and stamps	–	–
V. Non-banking assets acquired in satisfaction of claims	–	–
VI. Deferred Tax	–	36,719
VII. Others	554,637	333,742
TOTAL (I+II+III+IV+V+VI+VII)	**555,543**	**370,904**

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

Schedules to Financial Statements as at 31-Mar-2013

Indian Rupees in 000's

	31-Mar-13 Amount	31-Mar-12 Amount
Schedule 12 – Contingent Liabilities		
I. Claims against the bank not acknowledged as debt	–	–
II. Liability on account of outstanding derivative contracts	29,511,669	15,957,750
III. Liability on account of outstanding forward exchange contracts and foreign currency swap contract	20,541,933	11,991,151
IV. Guarantees given on behalf of constituents	**3,491,979**	**3,585,687**
(a) In India	3,491,979	3,585,687
(b) Outside India	–	–
V. Acceptances, endorsements and other obligations	–	–
VI. Other items for which the bank is contingently liable/ capital commitments	**467,142**	**30,727**
- Capital Commitments not provided	–	30,727
- Others	467,142	–
TOTAL (I +II + III+ IV + V +VI)	**54,012,723**	**31,565,315**

Schedules forming part of accounts as of 31-Mar-2013

Indian Rupees in 000's

	31-Mar-13 Amount	31-Mar-12 Amount
Schedule 13 – Interest Earned		
I. Interest/discount on advances/bills	185,804	132,542
II. Income on investments	578,426	495,710
III. Interest on balances with Reserve Bank of India and other interbank funds	1,372	233
IV. Others	1,178	268
TOTAL	**766,780**	**628,753**
Schedule 14 – Other Income		
I. Commission, exchange and brokerage (net)	79,028	30,455
II. Profit/(Loss) on sale of investments (net)	3,720	(3,999)
III. Profit/(Loss) on revaluation of investments (net)	-	-
IV. Profit/(Loss) on sale of land, buildings and other assets (net)	414	235
V. Profit on exchange transactions/ Derivatives (net)	(25,445)	42,244
VI. Miscellaneous Income	234,070	153,984
TOTAL	**291,787**	**222,919**
Schedule 15 – Interest Expenses		
I. Interest on deposits	50,250	7,127
II. Interest on Reserve Bank of India/ inter-bank borrowings	201,481	199,691
III. Others	34,455	58,552
TOTAL	**286,186**	**265,370**

Indian Rupees in 000's

	31-Mar-13 Amount	31-Mar-12 Amount
Schedule 16 – Operating Expenses		
I. Payment to and Provisions for employees	549,660	414,117
II. Rent, taxes and lighting	161,240	29,891
III. Printing and Stationery	7,284	434
IV. Advertisement and publicity	14,039	1,265
V. Depreciation on bank's property	53,744	31,501
VI. Directors' fees, allowances and expenses	-	-
VII. Auditors' fees and expenses	1,515	452
VIII. Law charges	1,721	856
IX. Postage, telegrams, telephone etc.	2,808	801
X. Repairs and maintenance	41,516	13,407
XI. Insurance	12,104	6,569
XII. Other expenditure	257,799	116,227
TOTAL	**1,103,430**	**615,519**
Schedule 17 – Provisions and Contingencies		
I. Provision towards Standard Assets	1,472	5,602
II. Provision towards Country Risk	5,350	1,393
III. Provision towards Non Performing Asset	220,000	-
IV. Provision for taxation		
– Current income tax expense	-	-
– Deferred tax	36,719	(33,906)
– Wealth tax	86	66
TOTAL	**263,627**	**(26,845)**

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

SCHEDULE 18: SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

1. BACKGROUND

The accompanying financial statements for the year ended 31st March 2013 comprise of accounts of the Mumbai Branch (referred to as 'the Bank') of FirstRand Bank Limited which is a banking company incorporated in South Africa with limited liability and was granted a license to carry on banking business in India by Reserve Bank of India (RBI) on 18th February 2009.

2. BASIS OF PREPARATION AND USE OF ESTIMATES

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements confirm to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the Reserve Bank of India (RBI) from time to time, the Accounting Standards (AS) prescribed by the Companies (Accounting Standards) Rules, 2006 to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the accrual method of accounting (except where otherwise stated), and the historical cost convention

The financial statements are presented in Indian Rupees rounded off to the nearest thousand, unless otherwise stated.

3. USE OF ESTIMATES

The preparation of the financial statements 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. Any revision in the accounting estimates is recognized prospectively in the future period.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Investments

Classification

In accordance with RBI guidelines, all Investments are classified into the following categories, based on the intent at the time of acquisition

- Held to Maturity (HTM),
- Available for Sale (AFS) and
- Held for Trading (HFT)

Under each of these categories 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.

Reclassification if any between the categories is done in accordance with RBI guidelines.

The Bank follows settlement date method for accounting of its investments

Basis of classification

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in the above categories are classified under AFS category.

As on the Balance Sheet date, all the investments of the Bank are classified in AFS and HFT category.

Acquisition Cost

In determining the cost of investment,

- Brokerage, commission, etc. paid at the time of purchase/sale is charged to the Profit & Loss Account.
- Broken period interest paid at the time of acquisition of the security is charged to the Profit & Loss Account.
- Cost of investments is based on First In First Out method.

Disposal of Investments

Profit / Loss on sale of investments under the aforesaid three categories are taken to the Profit & Loss account. The profit from sale of investments under HTM category if any, net of taxes and transfers to statutory reserve is subsequently appropriated to "Capital Reserve".

Valuation

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

Treasury Bills, Certificate of Deposits and Commercial Paper being discounted instruments are valued at carrying cost.

Repurchase (Repo) and Reverse Repurchase Transactions

Repo and reverse repo transactions are accounted for in accordance with the extant RBI guidelines. Accordingly, Repo and reverse repo transactions [including those conducted under the Liquidity Adjustment Facility (LAF) with RBI] are accounted as collateralised borrowing and lending respectively.

Costs thereon are accounted for as interest expense and Revenues thereon are accounted as interest income.

4.2. Advances and provision for advances

Advances are classified as performing and non-performing based on extant prudential norms for income recognition, asset classification and provisioning issued by RBI.

Specific loan loss provisions in respect of non-performing advances (NPAs) are made based on management's assessment of the degree of impairment of advances, subject to the minimum provisioning level prescribed in the RBI guidelines.

The Bank maintains general provision for standard assets including credit exposures computed using the Current Exposure Method on interest rate and foreign exchange derivative contracts as stipulated by RBI.

In addition to the provisions required according to the asset classification status, provisioning is done for individual country exposures (other than for home country exposure). Countries are classified into risk categories as per Export Credit Guarantee Corporation guidelines and provisioning is done as per RBI guidelines in respect of countries' where the net funded exposure is one percent or more of the Bank's total assets.

4.3. Fixed assets and depreciation

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

The SLM depreciation rates used are given below and are calculated as per the useful life of the assets estimated by the Banks' management or at the rates prescribed under Schedule XIV of the Companies Act, 1956 whichever is higher:

Asset Category	Depreciation Rate % (SLM)
Office Equipment	33.33
Computers/Hardware Equipment	33.33
Application Software	33.33
Furniture and Fixtures	33.33
Motor Vehicles	20.00

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

Depreciation is charged on a pro-rata basis from the date of purchase of an asset and/or till the date of sale of an asset.

Fixed assets costing less than Rs. 5,000/- are fully depreciated in the year of purchase.

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.

4.4. Impairment of Assets

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment losses, if any, are provided in the Profit & Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

4.5. Foreign Exchange Transactions

Monetary foreign currency assets and liabilities outstanding at the Balance Sheet date are translated to Indian Rupees at spot rates notified by the Foreign Exchange Dealers Association of India ('FEDAI'). All profits/losses resulting from the year end revaluations are recognised in the Profit & Loss Account.

Income and expenses are translated to Indian Rupees at the rates prevailing on the date of the transactions.

Outstanding forward exchange contracts and spot exchange contracts are revalued at year end exchange rates notified by FEDAI for specified maturities and at interpolated rates for contract of interim maturities. The resulting gains or losses on revaluation are included in the Profit & Loss Account in accordance with RBI/FEDAI guidelines. The net unrealised profits or losses are reflected in the Balance Sheet under Other Assets or Other Liabilities respectively.

Contingent liabilities on account of foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed in Indian Rupees at spot rates of exchange notified by FEDAI as at the reporting date.

4.6. Derivative transactions

The Bank enters into derivative contracts such as interest rate swaps and currency swaps for trading purposes.

All derivative transactions are reported on a mark to market basis in the financial statements. The unrealized gains/losses are incorporated in the Profit & Loss Account and the corresponding amounts are reflected as other assets /liabilities respectively in the Balance Sheet.

In terms of the RBI guidelines, amounts due to the Bank under derivative contracts which remained unpaid in cash for a period of 90 days or more from the specified date of payment are classified as non-performing assets and accordingly provision is made for the same.

As on Balance Sheet date, the bank had no such overdue amounts.

4.7. Employee benefits

Gratuity

The Bank has a defined benefit plan for post employment benefit in the form of gratuity for all its employees. In terms of the revised Accounting Standard-15 on Retirement Benefits issued by The Institute of Chartered Accountants (ICAI), the Bank has made a provision towards Gratuity based on an actuarial valuation done by an independent actuary as at the year end, using the Projected Unit Credit Method. The Gratuity plan is not funded by the Bank and any increase/decrease in the gratuity liability is accounted for in the financial statements through the Profit & Loss account.

Provident fund

Contribution to Provident Fund is a defined contribution calculated at the designated rate (currently 12% of employee's basic salary) and is charged to the Profit & Loss Account on an accrual basis. Both the employer and employee contributions are made to the Employees' Provident Fund Organisation (EPFO) of the Government of India.

Leave Salary

The Bank makes a provision for accrued compensated absences based on the basis of actuarial valuation as carried out by an independent actuary and the same is charged to the Profit & Loss account.

4.8. Lease Accounting

The Bank has entered into operating leases in the form of leave and licence agreements for office premises and staff accommodation.

Lease payments for assets taken on operating lease are recognized in the Profit & Loss Account over the term of the lease in accordance with the AS-19 on Leases, issued by the ICAI.

4.9. Revenue recognition

Interest income is recognized in the Profit & Loss Account on an accrual basis, except in the case of non-performing assets where it is recognized upon realization as per RBI norms.

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

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

Discount and commission income on bills discounted and guarantees issued respectively by the Bank are amortized over the life of the instruments, except guarantee commission of less than Rs. 200 ('000), which is recognized in the Profit & Loss Account in the year in which the guarantee is issued.

Income on discounted instruments is recognized over the tenure of the instrument on a straight line basis.

4.10. Taxation

Income tax comprises current tax provision, wealth tax and the net change in the deferred tax asset or liability in the year.

Deferred tax assets and liabilities arising on account of timing differences are recognised in the Profit & Loss Account and the cumulative effect thereof is reflected in the Balance Sheet. Deferred tax assets and liabilities are measured using the enacted or substantially enacted tax rates at the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit & Loss Account in the period of change.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future, except in case of unabsorbed depreciation or carried forward loss under taxation laws which are recognized only to the extent there is virtual certainty of realization of such assets.

Deferred tax assets are reviewed and reassessed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realized.

4.11. Accounting for Provisions, Contingent Liabilities and Contingent Assets

In accordance with AS - 29 relating to Provisions, Contingent Liabilities and Contingent Assets issued by the ICAI, the Bank recognizes provisions only when it has a present obligation as a result of a past event that requires that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

Provisions are determined based on management estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements

No provision is recognized and a disclosure of contingent liability is made when:

- there is a possible obligation that may arise 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 which are not wholly within the control of the Bank; or
- any present obligation that arises from past events where 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.

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.

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.

4.12. Net Profit

The net profit/ loss disclosed in the Profit & Loss statement is after

- Specific provision for advances and provision for standard advances
- Country risk provision
- Income tax, Wealth Tax and Deferred tax asset provision
- Other usual or necessary provisions.

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

5. NOTES FORMING PART OF FINANCIAL STATEMENTS AND STATUTORY DISCLOSURES AS PER RESERVE BANK OF INDIA CIRCULARS AND GUIDELINES

5.1. Capital

The capital adequacy ratios of the Bank calculated as per RBI guidelines for Basel II (being higher capital requirement when compared to Basel I) are as follows:

	31-Mar-13 (%)	31-Mar-12 (%)
CRAR	47.84	61.47
CRAR - Tier I Capital	47.50	61.22
CRAR - Tier II Capital	0.34	0.25

The bank has not raised any capital by issue of IPDI or Upper Tier II instruments or subordinated debt during the year ended 31st March 2013 or 31st March 2012.

5.2. Investments

The details of investments are given below:

(Rs. In '000s)

	31-Mar-13 Book Value	31-Mar-12 Book Value
Value of Investments (*)		
Gross Value of Investments	7,847,718	5,612,853
Less: Provision for Depreciation	---	---
Net Value of Investments	**7,847,718**	**5,612,853**

(*) All investments are held in India.

There is no movement of provisions held towards depreciation on investments.

5.3. Repo transactions

The details of face value of securities purchased/sold under repo agreements for the year ended 31st March 2013 (previous year figures are shown in brackets) are as follows:

(Rs. In '000s)

	Minimum outstanding during the year*	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31-Mar-13
Securities sold under Repo				
1. Government securities	122,100 (241,200)	1,255,700 (1, 565,800)	787,805 (196,613)	--- (---)
2. Corporate debt securities	---	---	---	---
Securities purchased under Reverse Repo				
1. Government securities	75,400	1,316,100	420,480	---
2. Corporate debt securities	---	---	---	---

* For calculation of minimum and daily average outstanding days with nil outstanding have been excluded.

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

5.4. Non-SLR investment portfolio

a. Issuer composition of Non SLR investments as at 31st March 2013 (previous year figures are shown in brackets):

(Rs. In '000s)

Issuer	Amount	Extent of private placement*	Extent of below investment grade securities	Extent of unrated securities	Extent of unlisted securities
Public sector undertakings (PSUs)	---	---	---	---	---
Financial Institutions(FIs)	---	---	---	---	---
Banks**	3,806,649 (3,547,309)	--- (---)	---	---	3,806,649 (3,547,309)
Private Corporates	244,326 (249,229)	244,326 (249,229)	---	---	244,326 (249,229)
Subsidiaries / Joint Ventures	---	---	---	---	---
Others	---	---	---	---	---
Provision held towards depreciation	---	---	---	---	---
Total	**4,050,975 (3,796,538)**	**244,326 (249,229)**	**---**	**---**	**4,050,975 (3,796,538)**

* excludes certificate of deposits

** includes public sector banks

b. Non-performing Non-SLR Investments as on 31st March 2013 and 31st March 2012 were Nil.

5.5. Derivatives

a. Interest Rate Swaps

Details of outstanding interest rate swap agreements are as follows

(Rs. In '000s)

	31-Mar-13	31-Mar-12
Notional principal of swap agreements	28,241,400	14,635,000
Loss which would be incurred if counterparties failed to fulfil their obligations under the agreements	60,523	52,405
Collateral required by the bank upon entering into swaps*	---	---
Concentration of credit risk arising from the swaps	Banks–89%	Banks–93%
Fair value of the swap book	11,724	5,425

* As per prevailing market practice, the Bank does not insist on collateral from the counterparties to these contracts.

Nature and terms of interest rate swaps: **(Rs. In '000s)**

Terms 31-Mar-2013	Nature	Number of deals	Notional principal
Floating Receivable v/s Fixed Payable-MIBOR *	Trading Swaps	30	13,680,000
Floating Payable v/s Fixed Receivable –MIBOR*	Trading Swaps	25	12,390,000
Floating Receivable v/s Fixed payable-LIBOR	Trading Swaps	1	1,085,700
Floating Payable v/s Fixed Receivable-LIBOR	Trading Swaps	1	1,085,700

(Rs. In '000s)

Terms (NSE MIBOR*) 31-Mar-2012	Nature	Number of deals	Notional principal
Floating Receivable v/s Fixed Payable	Trading Swaps	24	7,100,000
Floating Payable v/s Fixed Receivable	Trading Swaps	15	5,500,000
Floating Receivable v/s Fixed payable-LIBOR	Trading Swaps	1	1,017,500
Floating Payable v/s Fixed Receivable-LIBOR	Trading Swaps	1	1,017,500

** Daily Reset*

b. Forward Rate Agreements:

There were no forward rate agreements traded during the current and previous year.

c. Currency Swaps

(Rs. In '000s)

Particulars	31-Mar-13	31-Mar-12
Notional principal of swap agreements	1,270,269	1,322,750
Loss which would be incurred if counterparties failed to fulfill their obligations under the agreements	114,438	60,319
Collateral required by the bank upon entering into swaps	---	---
Concentration of credit risk arising from the swaps	Banks–74%	Banks–50%
Fair value of the swap book	3,912	5,405

Nature and terms of currency swaps:

(Rs. In '000s)

Terms 31-Mar-2013	Nature	Number of deals	Notional principal
Floating Receivable v/s Fixed Payable - 3mth LIBOR	Trading Swaps	1	635,135
Floating Payable v/s Fixed Receivable - 3mth LIBOR	Trading Swaps	1	635,135

Terms 31-Mar-2012	Nature	Number of deals	Notional principal
Floating Receivable v/s Fixed Payable - 3mth LIBOR	Trading Swaps	1	356,125
Floating Payable v/s Fixed Receivable - 3mth LIBOR	Trading Swaps	1	356,125

d. Exchange traded interest rate derivatives

During the current and previous year, the Bank has not dealt in exchange traded derivatives.

e. Disclosures on risk exposure in derivatives

Qualitative disclosure

The Bank transacts in derivative products both as a market maker and as a tool for risk management purposes to hedge the interest rate and foreign currency risk arising out of balance sheet. The products are also offered to clients as part of corporate banking business for hedging various types of risk exposures.

The Products available are Interest Rate Swap (IRS), Forward Rate Agreement (FRA), Foreign Currency Forward, Currency Swaps (CCS), Currency Options and Currency Futures. During the current year and previous year IRS and CCS were transacted.

Derivative transactions expose the bank primarily to counter-party credit risk, market risk, operational risk, interest rate and foreign exchange risk.

Organisational structure for management of risk in derivatives trading

The derivative products and activities undertaken by the bank are governed by the Treasury Trading Mandate and the Market Risk Mandate, framework and limit structures which are approved by the Head Office.

Treasury front office deals in derivative transactions and the bank has independent teams for monitoring and managing market risk, credit risk and operational risk. Treasury back office undertakes activities such as confirmation, settlement and documentation. Segregation of duties and functions is therefore achieved and effective control is exercised over the activity.

The Asset Liability Committee (ALCO) is responsible for oversight and supervision of all derivative activities including an understanding of the nature of risks taken in order to limit the potential loss of earnings or capital. The ALCO determines that the potential risk exposure of the Bank with respect to derivative products and structured products are within the overall risk appetite and consistent with its strategic objectives.

Policies for mitigating risk

The derivative transactions are as per the internal Derivative Policy document which is framed in compliance with Head Office and RBI guidelines. The policy sets the guidelines to identify, measure and manage risks associated with derivative instruments.

Any product, instrument or activity not already approved and covered by the Treasury Trading Mandate is deemed to be a new product and is presented to the Deal Conclusion Forum (DCF) for approval and sign off. The DCF is appropriately represented by risks, compliance, operations, accounting & finance.

The Bank also has a Customer Suitability framework in place to safeguard the banks interests and limit the risk of liability.

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

Risk measurement and monitoring

The risks arising out of derivative products are measured using various tools such as Value at Risk (VaR), Expected Tail Loss (ETL), open positions, structural liquidity analysis, interest rate sensitivity etc. The risk monitoring reports are regularly submitted to Management Board (MANBO) and ALCO for deciding the further course of action.

Prudential limit in respect of derivative transactions is prescribed as per RBI guidelines as the gross PV01 of all outstanding non-option Rupee derivative contracts to be within 0.25% of the net worth of the bank as on the last Balance Sheet date.

Market Risk department independently identifies, measures and monitors market risk associated with derivative transactions, and appraises the MANBO and the ALCO on the compliance with the risk limits.

The Bank applies the Current Exposure method to assess credit risk associated with Derivatives 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, credit conversion factor and its residual maturity.

Credit risk mitigation, provisioning and accounting

The Bank has an independent Credit Risk team which is responsible for setting up counterparty limits for all transactions including derivatives. After a client is prospected by the business, the client's credit profile is independently assessed by the Credit team to ensure that the same is in line with the bank's mandate. All the limits proposed are approved by respective Credit Committees depending upon the nature and rating of counterparty and size of the limit. 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.

Provisions are made to reflect the risk tendency of the portfolio. Also provisions as applicable to the loan assets in the 'Standard' category are made on the net positive marked to market credit exposures computed as per the current market value of the contracts, at a counterparty level, as prescribed by RBI. Specific provisions are made based on management's assessment of the degree of impairment with respect to derivative transactions subject to minimum provisioning norms laid down by RBI.

In respect of derivative transactions, any overdue receivables representing positive mark-to-market, value due to the Bank, which remains unpaid in cash for a period of 90 days from the specified due date for payment, are classified as non-performing assets as per the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to the Advances Portfolio', issued by RBI, and reversed to the Profit & Loss Account

Derivative transactions which are classified as Trading Derivatives are valued at the estimated realisable market price (fair value). The resulting gains or losses are recognised in the Profit & Loss Account with the corresponding net unrealized amounts reflected in Other Assets or Other Liabilities in the Balance Sheet. For the year ended 31st March 2013, all derivatives were classified as Trading.

Quantitative Disclosure

The details for currency and interest rate derivatives for the year ended 31st March 2013 are given below:

(Rs. In '000s)

Particulars	Currency Derivatives		Interest Rate Swaps
	Foreign Exchange contracts	Cross Currency	
i) Derivatives (Notional Principal Amount)			
a) For Hedging	---	---	---
b) For Trading	20,541,933	1,270,269	28,241,400
ii) Marked to Market Positions			
a) Asset	118,257	114,438	60,523
b) (Liability)	(164,403)	(110,525)	(48,799)
iii) Credit Exposure	529,096	241,465	212,587
iv) Likely impact of one percentage change in interest rate (100*PV01)			
a) On Hedging Derivatives	---	---	---
b) On Trading Derivatives	3,260	57	8,819
Maximum and Minimum of 100*PV01 observed during the year			
a) On Hedging	---	---	---
b) On Trading	10,797-Max 1,734-Min	(57)-Max (100)-Min	21,587-Max (354)-Min

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

The details for currency and interest rate derivatives for the year ended 31st March 2012 are given below:

(Rs. In '000s)

Particulars	Currency Derivatives		Interest Rate Swaps
	Foreign Exchange contracts	Cross Currency	
i) Derivatives (Notional Principal Amount)			
a) For Hedging	---	---	---
b) For Trading	9,299,876	1,322,750	14,635,000
ii) Marked to Market Positions			
a) Asset	210,709	60,319	52,405
b) (Liability)	(95,561)	(54,915)	(46,980)
iii) Credit Exposure	433,906	298,414	152,425
iv) Likely impact of one percentage change in interest rate (100*PV01)			
a) On Hedging Derivatives	---	---	---
b) On Trading Derivatives	1,978	(100)	14,163
Maximum and Minimum of 100*PV01 observed during the year			
a) On Hedging	---	---	---
b) On Trading	11,460-Max 107-Min	(100)-Max (134)-Min	14,262-Max (2,167)-Min

5.6. Asset Quality

a. Non-Performing Assets:

(Rs. In '000s)

Particulars	31-Mar-13	31-Mar-12
(i) Net NPAs to Net Advances (%)	0%	---
(ii) Movement of Gross NPAs		
a) Opening balance	---	---
b) Additions during the year	220,000	---
c) Reductions during the year	---	---
d) Closing Balance	220,000	---
(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) Additions during the year	220,000	---
c) Reductions during the year	---	---
d) Closing Balance	**220,000**	---

b. Particulars of Accounts Restructured:

There were no instances of restructuring of loan assets during the current year or previous year.

c. 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 in the current year and previous year.

d. Details of non-performing financial assets purchased/sold

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

e. Provision on Standard Assets **(Rs. In '000s)**

Particulars	31-Mar-13	31-Mar-12
Provision towards Standard Assets	14,298	12,827
Provision towards Country risk	7,114	1,764
TOTAL	**21,412**	**14,591**

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

f. Key Business Ratios

Particulars	31-Mar-13	31-Mar-12
Interest Income to working funds$	7.85%	7.70%
Non-interest income to working funds$	2.99%	2.73%
Operating profits to working funds$	(3.39)%	(0.36)%
Return on Assets#	(6.09)%	(0.03)%
Business (deposits plus advances) per employee (in Rs. 000's)@	37,303	35,802
Net Profit / (loss) per employee (in Rs. 000's)*	(6,758)	(31)

$ Working funds represent average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the year.

\# Net Profit as a percentage to average working funds

@ Business means total of net advances and deposits, excluding interBank deposits

* Productivity ratio is based on year end employee numbers

g. Provision coverage Ratio (PCR)

The provisioning coverage ratio of the bank stands at 100% as on 31st March 2013 (previous year Nil).

h. Asset Liability Management

Maturity pattern of certain items of assets and liabilities

(Rs. In '000s)

Particulars 31st March 2013	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets**	Foreign Currency Liabilities**
Day 1	21,345	31,335	24,17,412	10,000	15,532	11,282
2 to 7 days	20,142	---	6,70,858	47,19,911	---	3,80,453
8 to 14 days	20,261	98,025	28,221	1,79,140	3,676	1,79,141
15 to 28 days	2,24,291	8,325	2,52,483	---	8,331	---
29 days to 3 months	15,286	14,30,610	12,63,281	19,62,403	7,52,071	19,62,403
Over 3 months & up to 6 months	1,50,966	4,95,384	9,94,616	55,642	2,55,480	55,642
Over 6 months & up to 1 year	66,120	3,50,000	21,88,396	10,043	---	10,043
Over 1 year & up to 3 years	1,94,860	1,80,020	27,578	---	---	29,031
Over 3 years & up to 5 years	100	---	1,830	---	---	---
Over 5 years	---	---	3,043	---	58,899	---
TOTAL	**7,13,370**	**25,93,699**	**78,47,718**	**69,37,139**	**10,93,991**	**26,27,994**

(Rs. In '000s)

Particulars 31st March 2012	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets**	Foreign Currency Liabilities**
Day 1	10,326	---	---	---	26,914	831
2 to 7 days	683	13,246	---	2,190,000	11,056	10
8 to 14 days	102	14,971	348,961	29,923	2,218	2
15 to 28 days	7,075	92,449	248,525	71,225	70,601	71,319
29 days to 3 months	6,999	1,148,617	1,976,379	1,950,548	624,284	1,960,889
Over 3 months & up to 6 months	237,782	493,573	406,666	267,094	270,073	267,541
Over 6 months & up to 1 year	33,736	250,000	2,632,322	---	---	---
Over 1 year & up to 3 years	69,357	170,000	---	---	---	4,707
Over 5 years	7,000	---	---	---	55,199	---
TOTAL	**366,061**	**2,416,210**	**5,612,853**	**4,508,790**	**1,060,346**	**2,305,300**

* 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 the Bank on the same estimates and assumptions as used by the Bank for compiling the structural liquidity return submitted to the RBI.

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

i **Exposures**

i. **Exposure to Real Estate Sector**
There was no exposure to real estate sector as at 31st March 2013 (Previous Year: Nil).

Exposure to Capital Market
There was no exposure to capital market sector as at 31st March 2013 (Previous Year: Nil).

ii. **Margin Trading**
During the year ended 31st March 2013 the bank did not finance margin trading. (Previous Year: Nil).

iii. **Risk Category wise Country Exposure**
Provision for country risk exposure in line with RBI guidelines is as follows:

(Rs. In '000s)

Risk Category	Exposure (net) as at 31st March 2013	Provision held as at 31st March 2013	Exposure (net) as at 31st March 2012	Provision held as at 31st March 2012
Insignificant	256,840	328	325,295	676
Low	---	---	964,173	1,087
Moderate	135,712	6,786	---	---
High	---	---	---	---
Very High	---	---	---	---
Restricted	---	---	---	---
Off-credit	---	---	---	---
TOTAL	**392,552**	**7,114**	**1,289,469**	**1,764**

iv. **Details of Single Borrower Limit (SBL)/ Group Borrower Limit (GBL) exceeded by the Bank**
The Bank did not exceed the prudential exposure limits on single and group borrowings during the current year and previous year.

v. **Unsecured Advances**
The Bank does not have any intangible collaterals in the form of rights, licences, authority etc. for its Advances which are classified as Unsecured in Schedule 9 of the Balance Sheet as on 31st March 2013 (Previous Year: Nil).

j. **Miscellaneous**

i. **Amount of Provision made for Income tax during the period**
Bank has not created income tax provision during the year ended 31st March 2013 in view of losses (Previous Year: Nil).

ii. **Disclosure of Penalties imposed by RBI**
During the year ended 31st March 2013, no penalty has been imposed by RBI on the Bank (Previous Year: Nil).

6. **DISCLOSURES IN TERMS OF THE ACCOUNTING STANDARD ISSUED BY THE ICAI:**

6.1. **Employee Benefits**

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

a. **Provident Fund:** The Bank's contribution to the employees' Provident Fund for the current year is Rs. 20,969 (in 000's) and Previous Year: Rs 15,135 (in 000's).

b. **Gratuity:**

Principal actuarial assumptions as at balance sheet date:

Particulars	31-Mar-13	31-Mar-12
Discount Rate	8.06%	8.57%
Salary Escalation Rate	8.00%	8.00%
Employee Attrition Rate	10.0%	10.5%
Expected Average Remaining service	8.20	7.77

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

(Rs. In '000s)

Sr. No.	Particulars	31-Mar-13	31-Mar-12
(i)	**Changes in present value of obligation**		
	Opening Defined Benefit Obligation	7,327	3,703
	Interest Cost	628	296
	Current Service Cost	5,395	3,389
	Actuarial (Gains) / Losses	(519)	(62)
	Benefits Paid		
	Closing Defined Benefit Obligation	**12,831**	**7,326**
(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	---	---
	Contributions	---	---
	Benefits paid	---	---
	Fair value of Plan Assets at the end of the period	---	---
	Excess of Actual over estimate return on Plan Assets		
(iv)	**Experience History**		
	(Gain)/Loss on obligation due to change in Assumption	590	(2,020)
	Experience (Gain)/ Loss on obligation	(1,109)	1,958
	Actuarial Gain/(Loss) on plan assets	---	---
(v)	**Actuarial Gain / (loss) recognized**		
	Actuarial Gain / (Loss) for the period – obligation	519	62
	Total Gain/(Loss) for the period	519	62
	Net Actuarial Gain / (Loss) recognized for the period	519	62
(vi)	**Amount to be recognized in Balance Sheet and Profit & Loss Account**		
	PVO at end of period	12,831	7,327
	Fair value of Plan Assets as at the end of the period	---	---
	Unrecognized Actuarial Gain/(Loss)	---	---
	Net Asset/(liability) recognized in Balance Sheet	(12,831)	(7,327)
(vii)	**Expenses Recognized in Profit & Loss Account**		
	Current Service Cost	5,395	3,389
	Interest Cost	628	296
	Expected return on Plan assets	---	---
	Net Actuarial loss recognized in the period	(519)	62
	Expenses Recognized in Profit & Loss Account	**5,504**	**3,624**
(viii)	**Movements in the Liability recognized in Balance Sheet**		
	Opening Net Liability	7,327	3,703
	Expenses as above	5,504	3,623
	Contribution paid	---	---
	Closing Net Liability	**12,831**	**7,326**

c. Compensated Absences:
Principal actuarial assumptions as at balance sheet date:

Particulars	31-Mar-13	31-Mar-12
Mortality	LIC (1994-96) Ult.	
Interest/ Discount Rate:	8.06%	8.57%
Rate of Increase in Compensation.	8.00%	8.00%
Rate of Return (Expected) on plan assets		
Employee Attrition Rate **(Past Service (PS))**	PS 0 to 42: 10.0%	PS 0 to 42: 10.5%
Expected Average Remaining Service	8.20	7.77

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

(Rs. In '000s)

Sr. No.	Particulars	31-Mar-13	31-Mar-12
(i)	**Changes in present value of obligation**		
	Opening Defined Benefit Obligation	4,231	---
	Interest Cost	363	---
	Current Service Cost	6,282	3,774
	Actuarial (Gains) / Losses	(2,063)	457
	Benefits Paid		
	Closing Defined Benefit Obligation	**8,813**	**4,231**
(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	---	---
	Contributions	---	---
	Benefits paid	---	---
	Fair value of Plan Assets at the end of the period	---	---
	Excess of Actual over estimate return on Plan Assets		
(iv)	**Actuarial Gain / (loss) recognized**		
	Actuarial Gain / (Loss) for the period – obligation	2,063	(457)
	Total Gain/(Loss) for the period	2,063	(457)
	Actuarial Gain/(Loss) recognised for the period	2,063	(457)
(v)	**Experience History**		
	(Gain)/Loss on obligation due to change in Assumption	317	(277)
	Experience (Gain)/ Loss on obligation	(2,380)	734
	Actuarial Gain/(Loss) on plan assets	---	---
(vi)	**Amount to be recognized in Balance Sheet and Profit & Loss Account**		
	PVO at end of period	8,813	4,231
	Fair value of Plan Assets as at the end of the period		
	Funded Status	(8,813)	(4,231)
	Unrecognized Actuarial Gain/(Loss)	---	---
	Net Asset/(liability) recognized in Balance Sheet	(8,813)	(4,231)
(vii)	**Expenses Recognized in Profit & Loss Account**		
	Current Service Cost	6,282	3,774
	Interest Cost	363	---
	Expected return on Plan assets	---	---
	Net Actuarial loss recognized in the period	(2,063)	457
	Expenses Recognized in Profit & Loss Account	**4,582**	**4,231**
(viii)	**Movements in the Liability recognized in Balance Sheet**		
	Opening Net Liability	4,231	---
	Expenses as above	4,582	4,231
	Contribution paid	---	---
	Closing Net Liability	8,812	4,231

6.2. Segmental Reporting

In line with RBI guidelines, the Bank has identified "Treasury & Markets" and "Corporate Banking" and "Retail Banking" as the primary reporting segments.

Treasury & market activity comprise trading in bonds, derivatives and foreign exchange operations on proprietary account and for customers. Treasury includes income from investment portfolio, profit / loss on sale of investments, profit / loss on foreign exchange transactions, income from derivatives, money market operations and Balance sheet management.

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 transactions.

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

Retail Banking activities encompasses raising of deposits from retail customers. This initiative was in a set up phase during the year ended 31st March 2012.

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

(Rs. In '000s)

Business Segments	Treasury		Corporate/Wholesale Banking		Retail Banking		Total	
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Particulars								
Revenue	676,492	611,447	379,572	239,335	2,503	889	1,058,567	815,671
Result	164,020	140,408	(115,703)	25,704	(379,365)	(172,201)	(331,049)	(6,088)
Unallocated Expenses	-	-	-	-	-	-	226,908	30,188
Deferred Tax (Credit)	-	-	-	-	-	-	36,719	(33,906)
Operating Profit	**-**	**-**	**-**	**-**	**-**	**-**	**(594,676)**	**(2,371)**
Income Taxes	-	-	-	-	-	-	-	-
Extraordinary Profit/Loss	-	-	-	-	-	-	-	-
Net Profit	**-**	**-**	**-**	**-**	**-**	**-**	**(594,676)**	**(2,371)**
Other Information					-	-		
Segment Assets	8,449,045	5,909,708	2,621,426	2,434,017	-	-	11,070,471	8,343,724
Unallocated Assets							358,632	843,926
Total Assets	**8,449,045**	**5,909,708**	**2,621,426**	**2,434,017**	**-**	**-**	**11,429,103**	**9,187,650**
Sement Liabilities	10,305,897	8,610,898	21,498	0	716,776	368,043	11,044,171	8,978,941
Unallocated Liabilities							384,932	208,709
Total Liabilities	**10,305,897**	**8,610,898**	**21,498**	**0**	**716,776**	**368,043**	**11,429,103**	**9,187,650**

Geographical segments

The Bank is a branch of a bank incorporated in South Africa and does not have its own overseas operations and operates only in the domestic segment.

6.3. 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

a. **Head office and Branches**

FirstRand Bank and its branches and subsidiaries

b. **Key management personnel**

Mahendren Moodley, Chief Executive Officer, India

As there is only one related party in each category, details are not disclosed in accordance with RBI guidelines.

6.4. Leases

The total of future minimum lease payments under non-cancellable operating leases as determined by the lease agreements are as follows:

(Rs. In '000s)

Particulars	31-Mar-13	31-Mar-12
Not later than one year	139,252	144,200
Later than one year and not later than five years	108,369	354,951
Later than five years	-	-
TOTAL	**247,621**	**499,151**
Total minimum lease payments recognized in the Profit & Loss Account	165,421	49,909

6.5. Deferred Tax

Component of deferred tax assets arising out of timing differences are as under:

(Rs. In '000s)

Particulars	31-Mar-13	31-Mar-12
Depreciation on fixed assets	---	7,062
Employment benefits	---	4,857
Provision towards standard advances	---	6,131
Others	---	18,669
TOTAL	---	**36,719**

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

7. ADDITIONAL DISCLOSURES

7.1. Provisions and Contingencies comprises of

(Rs. In '000s)

Particulars	31-Mar-13	31-Mar-12
Provision for Standard Assets	1,472	5,602
Provision for Country Risk	5,350	1,393
Provision for Non performing Asset		
Provision for Taxation	220,000	---
- Current Income Tax expense	---	---
- Deferred tax	36,719	(33,906)
- Wealth tax	86	66
Total	**263,627**	**(26,845)**

7.2. Floating Provisions

Bank has not created floating provisions during the year ended 31st March 2013 (Previous Year: Nil).

7.3. Draw Down from Reserves

Bank did not have draw downs from reserves during the year ended 31st March 2013 (Previous Year: Nil).

7.4. Disclosure of complaints

During the current year Bank has received 116 customer complaints (Previous Year: Nil).

Particulars	31-Mar-13	31-Mar-12
(a) No. of complaints pending at the beginning of the year	---	---
(b) No. of complaints received during the year	116	---
(c) No. of complaints redressed during the year	116	---
(d) No. of complaints pending at the end of the year	---	---

7.5. Awards passed by the Banking Ombudsman

During the year no awards were passed by the Banking Ombudsman and there are no unimplemented awards outstanding as on 31st March 2013 (Previous Year: Nil).

7.6. Disclosure of Letters of Comfort (LoCs) issued by Banks

Bank has not issued any Letters of Comfort during the year ended 31st March 2013 (Previous Year: Nil).

7.7. Bancassurance Business

(Rs. In '000s)

Particulars	31-Mar-13	31-Mar-12
Income from selling life insurance policies	97	---
Income from selling mutual funds	1	---

7.8. Concentration of Deposits, Advances, Exposures and NPA's

a. Concentration of Deposits

(Rs. In '000s)

Particulars	31-Mar-13	31-Mar-12
Total Deposits of twenty largest depositors	595,202	359,856
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank*	83%	98%

* The above deposits includes interbank deposits

b. Concentration of Advances*

(Rs. In '000s)

Particulars	31-Mar-13	31-Mar-12
Total Advances to twenty largest borrowers	3,147,934	2,805,785
Percentage of Advances to twenty largest borrowers to Total Advances of the bank*	99%	100%

* The above advance exclude interbank

** Advances for this disclosure have been computed as per the definition of Credit Exposure including derivatives as prescribed in RBI's Master Circular DBOD.No.Dir. BC.3/13.03.00/2012-13 dated 2nd July 2012.

c. **Concentration of Exposures****

(Rs. In '000s)

Particulars	**31-Mar-13**	**31-Mar-12**
Total Exposure to twenty largest borrowers/customers	5,439,387	4,003,800
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers*	99%	100%

* The above exposure excludes interbank and is net of NPA.

** Exposures are computed based on Credit and Investment exposure as prescribed in RBI's Master Circular DBOD.No.Dir. BC.3/13.03.00/2012-13 dated 2nd July 2012.

d. **Concentration of Non-Performing Assets (NPAs)**

(Rs. In '000s)

Particulars	**31-Mar-13**	**31-Mar-12**
Total Exposure to top four NPA accounts	220,000*	----

*only one non performing loan as at 31 March 2013

e. **Sector-wise NPAs**

Particulars	**31-Mar-13**	**31-Mar-12**
1) Agriculture & allied activities	----	---
2) Industry (Micro & Small, Medium and Large)	8%	---
3) Services	---	---
4) Personal Loans	---	---

The above percentage is gross NPA to gross advances in that sector.

f. **Movement of NPAs**

Particulars	**31-Mar-13**	**31-Mar-12**
Gross NPAs* as on April 1	----	----
Additions (Fresh NPAs) during the year	220,000	---
Sub-total (A)	**220,000**	**---**
Less:-		
(i) Upgradations	---	---
(ii) Recoveries (excluding recoveries made from upgraded accounts)	---	---
(iii) Write-offs	---	---
Sub-total (B)	---	---
Gross NPAs as on 31st March (A-B)	**220,000**	**---**

7.9. Overseas Assets, NPAs and Revenue

As the Bank is a branch of a foreign bank, this disclosure is not considered as applicable.

7.10. 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 31st March 2013 (Previous Year: Nil).

7.11. 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 2nd 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, principal amount, interest accrued and remaining unpaid and interest paid during the year to such enterprises is NIL.

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

7.12. Other Expenses

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

(Rs. In '000s)

Particulars	31-Mar-13	31-Mar-12
Professional Fees	47,442	30,422
Travel Expense	24,396	18,248
Service tax written off	17,464	---
Service Level Agreement Expense	105,498	---
Commission and Brokerage	---	12,571
Telecommunication	16,543	11,791

7.13. Prior Period Comparatives

Previous year's figures have been regrouped where necessary to confirm to this year classification.

For **S R Batliboi & Associates**
Chartered Accountants
Firm Registration No.101049W

Sd/-
Amit Majmudar
Partner
M.No. 36656

For **FirstRand Bank Limited–India**

Sd/-
Mahendren Moodley
Chief Executive Officer

Sd/-
Rohit Wahi
Chief Financial Officer

Place: Mumbai
Date: 27th June 2013

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

DISCLOSURES UNDER PILLAR 3 OF THE NEW CAPITAL ADEQUACY FRAMEWORK (BASEL II GUIDELINES) FOR THE YEAR ENDED 31st MARCH 2013

1. SCOPE OF APPLICATION

FirstRand Bank Limited India operates in India as a branch of FirstRand Bank Limited South Africa (the Head Office), a 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 year ended 31st March 2013. 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/2012-13/95 DBOD.No.BP.BC.16/ 21.06.001/ 2012-13 dated 2nd July 2012 and the amendments thereto issued from time to time.

As the Bank is a branch operation of FirstRand Bank, South Africa (hereafter referred to as "Head Office"), it operates in line with the Group principles and policies on risk management which are aligned to local regulations wherever required.

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 in India.

2. CAPITAL STRUCTURE

Tier I capital comprises only of interest-free funds provided by Head Office.

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

Composition of Capital

(Rs. in '000s)

Particulars	31-Mar-13	31-Mar -12
Tier I Capital		
Capital (Interest free funds from Head Office)	4,091,540	4,091,540
Less: Debit balance in Profit & Loss account	1,058,756	464,080
Less: Intangible assets	29,614	9,417
Less: Deferred tax Asset	--	36,719
Total Tier I Capital	**3,003,169**	**3,581,324**
Tier II Capital		
Provision for Standard Assets/ Derivatives	14,298	12,827
Provision for Country risk	7,114	1,764
Total Tier II Capital	**21,412**	**14,591**
Total eligible capital (Tier I + Tier II)	**3,024,581**	**3,595,914**

Capital adequacy

FirstRand believes that effective risk and capital management is of primary importance to the success and is a key component of the delivery of sustainable returns to its stakeholders. It is, therefore, deeply embedded in the tactical and strategic decision making-process. FirstRand measures and aligns its strategy against internal and external stakeholder considerations.

External considerations	Internal considerations
Regulators	Strategic options
Depositors	Earnings and earnings volatility
Counterparties	Capital adequacy
Peer group analysis	Growth

To execute on its strategies FirstRand will actively assume certain risks - including credit and market. As a consequence of its banking activities it also incurs funding and liquidity, operational, interest rate and reputational risks.

In addition to the above risks FirstRand's strategy is also affected by external risks such as regulatory changes, political shifts and macroeconomic conditions.

Depending on certain macro dynamics or specific internal issues, FirstRand assesses, on a regular basis, whether the risk profile or business mix within its portfolio is optimal to deliver on its strategy. If not it will take actions to adjust accordingly.

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

The Group believes a strong balance sheet is key to growth, particularly in periods of uncertainty. Its financial performance has been underpinned by its consistent focus on key metrics   which are outlined in the table below.

		Key metrics
Earnings resilience (income statement)		• improve diversification; • grow the client franchise businesses; • improve margins with focus on asset pricing and cost-efficient funding instruments; and • responsible cost management.
Balance sheet strength	**Assets**	• improve the balance between corporate and retail lending activities • build the retail and commercial asset business; and • originate quality assets.
	Liabilities	• grow the deposit franchise; and • maintain ROEs and the Group's strong capital position post-Basel III.
Performance management		• improve ROE to reach target range; and • consistently improve the premium above cost of equity (NIACC).

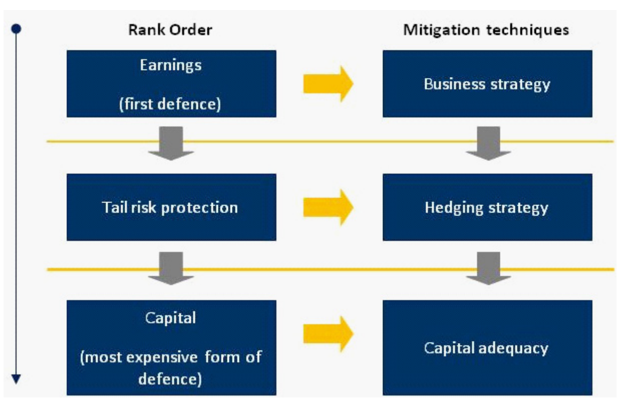
Significant shifts in the macro environment are also critical to any strategic adjustments. Management of the business is based on FirstRand's macro-economic view which inputs into the budgeting and forecasting process, informs credit origination strategies and capital stress testing, directs the interest rate positioning of the banking book and is used for tail risk strategies. The stress test process enhances this process further by identifying instances that will result in a change in the risk profile given changes in key drivers or idiosyncratic risks.

From a capital perspective, the capital strategy mirrors the business strategy in that:

- Earnings are seen as the primary source of loss absorptions under adverse conditions. Thus, the bank's capacity to absorb earnings volatility and fluctuations is supported by the generation of sustainable profits; and
- The earnings buffer and capital provide protection against unexpected events for the stakeholders.

FirstRand's 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 economy and financial markets.

The philosophy above is synonymous with FirstRand approach with respect to management actions given unexpected or adverse outcomes.



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, and plans for the issuance of additional capital instruments and the need for appropriate buffers in excess of minimum requirements to address potential stress and volatility. The Bank seeks to hold limited excesses above the capital required to support its short term growth plans (including appropriate buffers).

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.

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

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

(In Rs. '000s)

Particulars	31-Mar-13	31-Mar-12
Capital requirement for credit risk (Standardised Approach)	389,590	383,490
Capital requirement for market risk (Standardised Duration Approach)		
- Interest rate risk	81,682	68,044
- Foreign exchange risk (including gold)	8,100	8,100
- Equity risk	-	-
Capital requirement for operational risk (Basic Indicator approach)	89,680	66,832
Total	**569,051**	**526,466**

Particulars	31-Mar -13	31-Mar -12
Tier I Capital Adequacy ratio	47.50%	61.22%
Total (Tier I + Tier II) Capital adequacy ratio	47.84%	61.47%

The capital adequacy ratio (CRAR) of the Bank is 47.84% as computed under Basel II norms and 47.87% under Basel I. The ratio under both guidelines is higher than the minimum regulatory CRAR requirement of 9%.

3. RISK EXPOSURE & ASSESSMENT

The Management Board of the Bank 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 functions.
- **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.

3.1. 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 Bank has an independent Credit Risk team which is responsible for setting up counterparty limits for all transactions including derivatives. After a client is prospected by the business, the client's credit profile is independently assessed by the Credit team to ensure that the same is in line with the bank's mandate. All the limits proposed are approved by respective Credit Committees depending upon the nature and rating of counterparty and size of the limit. 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.

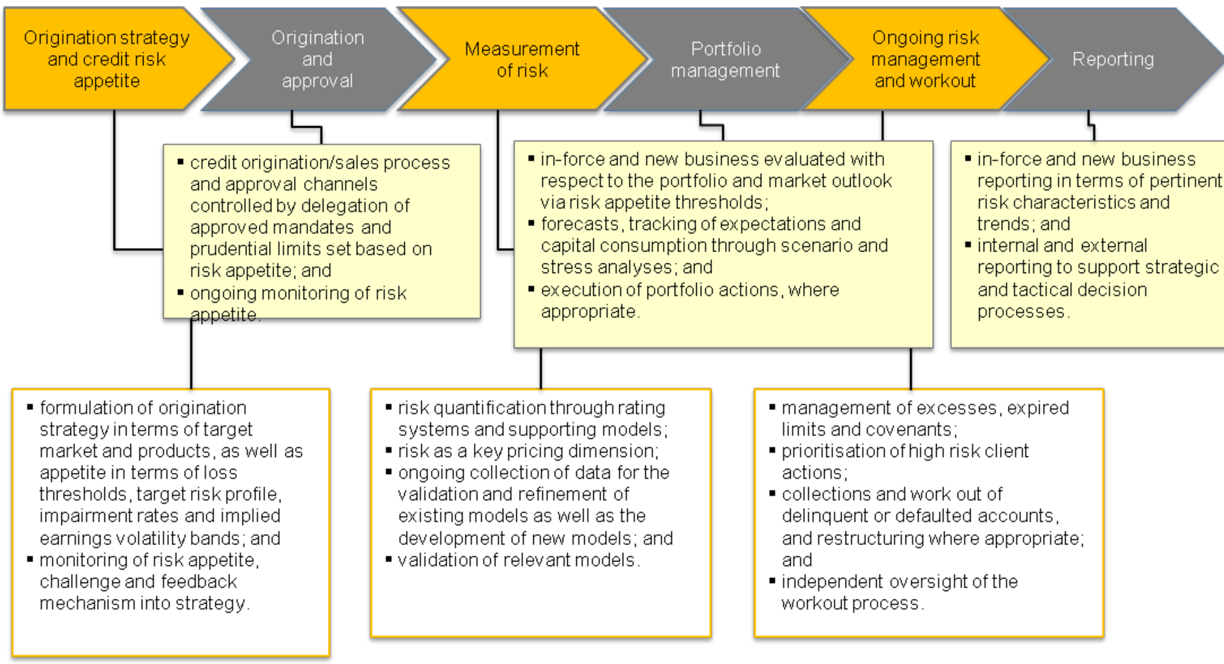
Approval Process

There is a two stage approval process. FRIN Credit Forum ("FRIN CF") acts as a 'pre-screening forum' for credit approvals recommended to Credit Committees. The respective FRIN India credit/business teams, South Africa credit personnel, and Non-executives participate in the FRIN CF. The FRIN CF evaluates the credit profile/deal from the desirability, compliance with the internal guidelines, risk vs. return, etc., point of view. After the client/deal is approved by the FRIN CF, then a thorough due diligence is initiated on the counterparty. After satisfactory due diligence, the same proposal is recommended to the respective credit committee (depending on nature of counterparty, rating and proposed exposure) for final approval. The respective FRIN India credit/business teams, Indian non-executives members, South Africa credit personnel and South Africa/India non-executive members participate in the Credit Committees. For final approval, full credit appraisal is done by respective credit analysts in India. Credit application includes analysis of business model, past financial analysis, financial projections, industry analysis, management analysis, key risks and mitigants, strengths of the proposal, key terms and conditions, etc. The respective Credit Committee approves the final limits on the counterparties (conditionally or unconditionally) and assigns the rating for the deal.

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

- **Risk control:** Appropriate limits are 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 fulfil this task.
- **Management:** Credit risk is 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 is 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.

The Group Credit Risk Management (GCRM) function provides independent oversight over this management process.

Responsibilities specifically include the formulation of credit strategy and assessment of business level credit risk appetite; maintaining and monitoring implementation of methodologies, policies, procedures and credit risk management standards; validation of credit rating systems and associated processes as well as other decision support tools, such as economic capital, stress testing and provisioning models; ownership of the credit regulatory reporting process; maintaining the credit governance structure; and monitoring of corrective actions.

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 at least on 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 Group 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.

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 at 31st March 2013, bank had one non performing loan (previous year Nil).

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

(Rs. in '000s)

Category	31-Mar-13	31-Mar-12
Domestic		
Loans and Advances	2,593,699	2,416,210
Total Fund-based Exposures	**2,593,699**	**2,416,210**
Guarantees given on behalf of customers	3,491,979	3,585,687
Derivatives *	50,053,602	27,948,901
Total Non-fund based Exposures	**53.545,581**	**31,534,588**
Overseas	**---**	**---**

* represents notionals of outstanding forward exchange contracts and foreign currency swaps

FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

Industry Type distribution of exposures as at 31st March 2013 and 31st March 2012

(Rs. in '000s)

Industry	Fund-based		Non-fund based		Total		Percentage of Total	
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Banking	-	332,307	50,588,751	28,137,382	46,541,916	28,469,688	90%	84%
Pharmaceuticals	371,097	856,563	36,007	-	644,216	407,104	1%	3%
Food & beverages	450,000	450,000	-	-	450,000	450,000	1%	1%
Steel	271,425	-	-	-	271,425	-	1%	0%
Packaging/Polymers	250,000	-	-	-	250,000	-	0%	0%
Rubber	186,334	104,763	34,731	-	221,065	104,764	0%	0%
Trade Others	167,667	233,533	-	267,395	167,667	500,928	0%	1%
Financial Institution	123,333	170,000	-	-	123,333	170,000	0%	1%
Silk & Synthetics Fibres/Textiles	58,085	203,500	-	243,599	58,085	447,099	0%	1%
Petroleum	-	-	-	1,017,500	-	1,017,500	0%	3%
Auto Ancillary	-	-	-	661,375	-	661,375	0%	2%
Others	715,758	65,544	2,886,092	1,207,338	3,601,850	1,272,882	7%	4%
Grand Total	**2,593,699**	**2,416,210**	**53,545,581**	**31,534,588**	**56,139,280**	**33,950,800**	**100%**	**100%**

Residual maturity of assets as at 31st March 2013

(Rs. in '000s)

Particulars	Cash	Balance with RBI	Balance with Banks	Investments	Advances	Fixed Assets	Other Assets
Day 1	6,488	-	22,964	2,417,413	31,335	-	346
2 to 7 days	-	-	-	670,950	-	-	11
8 to 14 days	-	1,518	-	28,225	98,025	-	-
15 to 28 days	-	121,322	-	252,517	8,325	-	57,892
29 days to 3 months	-	5,104	-	1,263,319	1,430,610	-	22,679
Over 3 months & up to 6 month	-	45,661	-	994,264	495,384	-	2,066
Over 6 month & up to 1 year	-	50,619	-	2,188,574	350,000	-	303,719
Over 1 year & up to 3 years	-	5,288	-	27,582	180,020	-	93,598
Over 3 years & up to 5 years	-	15,550	-	1,830	-	-	371
Over 5 years	-	5,869	-	3,043	-	151,760	74,860
Total	**6488**	**250,931**	**22,964**	**7,847,718**	**2,593,699**	**151,760**	**555,543**

Residual maturity of assets as at 31st March 2012

(Rs. in '000s)

Particulars	Cash	Balance with RBI	Balance with Banks	Investments	Advances	Fixed Assets	Other Assets
Day 1	34		35,561		-	-	11
2 to 7 days	-				13,246	-	-
8 to 14 days	-	23,092	-	348,961	14,791	-	-3,943
15 to 28 days	-	55,897	-	248,525	92,449	-	32,962
29 days to 3 months	-	1,121	-	1,976,379	1,148,617	-	29,028
Over 3 months & up to 6 month	-	495	-	406,666	493,573	-	678
Over 6 month & up to 1 year	-	5,252	-	2,632,322	250,000	-	128,887
Over 1 year & up to 3 years	-	4,754	-		170,000	-	64,157
Over 3 years & up to 5 years	-	29,934	-		233,533	-	8,961
Over 5 years	-	737	-			166,728	574,241
Total	**34**	**121,281**	**35,561**	**5,612,853**	**2,416,210**	**166,728**	**834,984**

a. Non-Performing Assets:

Particulars	31-Mar-13	31-Mar-12
Gross NPA to Gross Advances	8%	---
(i) **Net NPAs to Net Advances (%)**	0%	---
(ii) **Movement of Gross NPAs**		
a) Opening balance	---	---
b) Additions during the year	220,000	---
c) Reductions during the year	---	---
d) Closing Balance	220,000	---
(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) Additions during the year	220,000	---
c) Reductions during the year	---	---
d) Closing Balance	220,000	---

The following parameters are currently NIL or not applicable to the bank.

- Amount of Non Performing Investments
- Amount of Provision held for Non Performing Investments
- Movement in Provision for Depreciation on Investments

3.1.1. 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 Standard & Poor (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 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.

Risk bucket wise analysis of bank's outstanding advances:

(Rs. in '000s)

Categorisation of Advances	31-Mar-13	31-Mar-12
Under 100% risk weight	1,368,602	1,725,902
100% risk weight	1,044,883	595,444
Above 100% risk weight	180,214	94,864
Total	**2,593,699**	**2,416,210**

3.1.2. 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, fixed deposits, 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.

The total exposure covered by eligible financial collateral after application of haircuts as on 31st March 2013 (previous year nil)

(Rs. in '000s)

Advances covered by financial collateral	**31-Mar-13**	**31-Mar-12**
Exposures before Credit Risk Mitigation	2,593,699	2,416,210
Exposures after Credit Risk Mitigation	2,572,368	2,406,210

Securitisation Exposures: Disclosure for Standardised approach

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

3.2. MARKET RISK IN TRADING BOOK

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

Market risk is managed on the basis of the Bank's Market Risk Framework. In terms of the market risk framework, a sub-framework of the BPRMF, responsibility for determining market risk appetite vests with the Board, which also retains independent oversight of market risk-related activities through the FirstRand Risk, Capital and Compliance (RCC) committee and its Market and Investment risk subcommittee (MIRC). Separate governance forums, such as the FirstRand India Board, take responsibility for allocating these mandates further, whilst market risk managers provide independent control and oversight of the overall market risk process.

The Bank has detailed treasury policies covering investments, foreign exchange risk management and derivatives.

Market risk Measurement and Techniques

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.

Value-at-Risk - For market risk, VaR is calculated at the 99% 10 day holding period level in order to best reflect the current business ("business as usual") environment.

Expected Tail loss - The measure of risk used to determine utilisation of risk against limits is the ETL metric at the 99% 10 day holding period level under the full revaluation methodology using historical risk factor scenarios (i.e. under the historical simulation method).

In order to accommodate the stress loss imperative, the scenario set used for revaluation of the current portfolio is historical scenarios which incorporate both the past 250 trading days and at least one period of market distress (2008/2009). This results in a 500 day scenario set. A multiplication factor of 1.5 is applied to the resulting ETL as it is recognized that this stress period may still be a conservative representation of other stress periods.

Risk Monitoring and Reporting

Risk concentrations in the market risk environment are controlled by means of appropriate sub-limits for individual asset classes (interest rate and foreign exchange) 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; and
- 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;

Capital requirements for market risk

(Rs. in '000s)

Particulars	**31-Mar -13**	**31-Mar -12**
Capital requirement for market risk		
- Interest rate risk	81,682	68,044
- Foreign exchange risk (including gold)	8,100	8,100
- Equity risk	---	---
Total	**89,782**	**76,144**

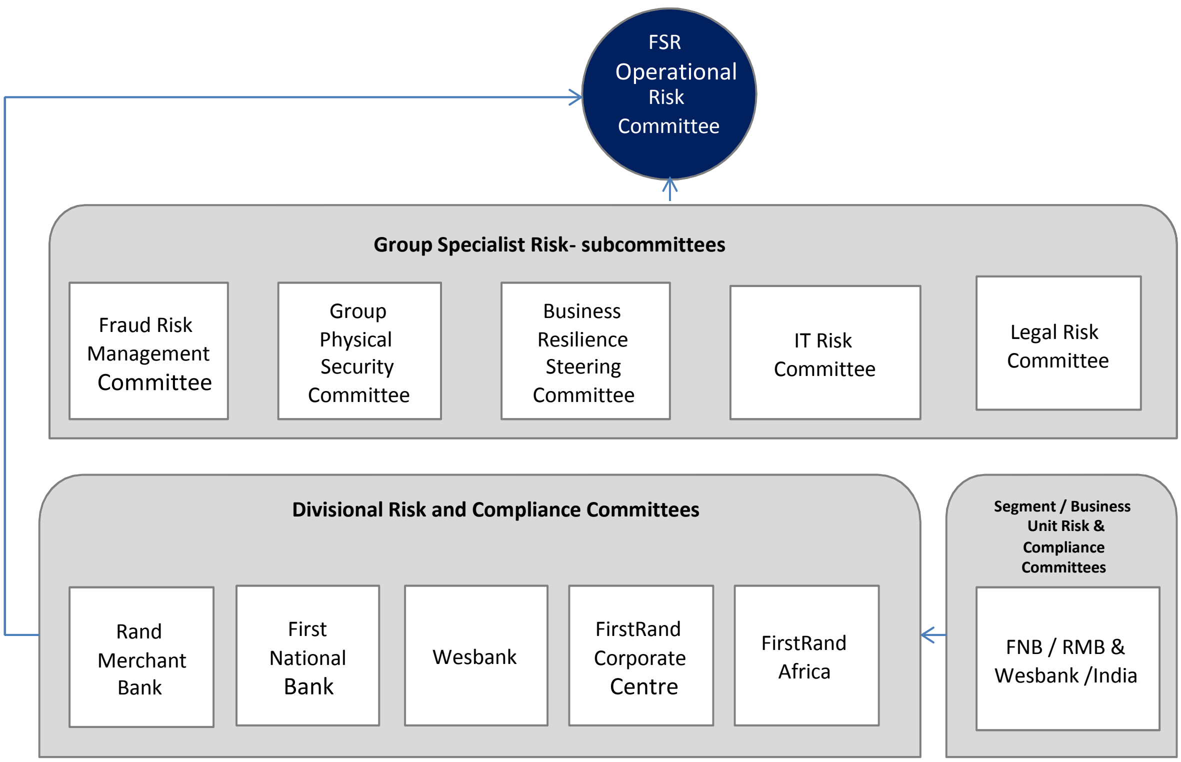
3.3. OPERATIONAL RISK

Overview

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and systems or from external events and human error. It includes fraud and criminal activity (internal and external); project risk; legal risk; business continuity; information and IT risk; process and human resource risk. Strategic, business and reputational risks are excluded from the definition

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

Detailed below is a high-level Operational risk governance structure in the FirstRand Group. The Bank is monitored as part of the divisional risk and compliance committees with any material issues escalated to the Group committees where necessary:



FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

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 outlined in the diagram below:

OPERATIONAL RISK TOOLS AND APPROACHES

Risk control self assessments (RCSA)	Key risk indicators (KRI)
• integrated in the day-to -day business and risk management processes; and • used by business and risk managers to identify and monitor key risk areas and assess the effectiveness of existing controls.	• used across the Group in all businesses as an early warning measure; • highlight areas of changing trends in exposures to specific operational risks; and • inform operational risk profiles which are reported periodically to the appropriate management and risk committees and monitored on a continuous basis.
Audit findings	**Internal / external loss data**
• Group Internal Audit (GIA acts as the third line of risk control across the Group; • GIA provides an independent view on the adequacy of existing controls and their effectiveness in mitigating risks associated with key and supporting processes; and • audit findings are tracked, monitored and reported on through the risk committee structures.	• the capturing of loss data is well entrenched within the Group; • internal loss data reporting and analyses occurs at all levels with specific focus on the root cause analysis and corrective action; and • external loss data bases are used to learn from other organisations and as an input to the risk scenario process.

3.4. 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:

- Re-pricing risk arises from the differences in timing between re-pricing 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 re-pricing characteristics; and
- Optionality, which 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.

FIRSTRAND BANK LIMITED – INDIA BRANCH

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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.

Presently the bank uses the following tools for monitoring and managing the interest rate risk:

Gap Analysis: The Bank 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. This analysis measures mismatches between rate sensitive liabilities and rate sensitive assets. The bank has internal limits for the Interest Rate gaps.

Duration Gap Analysis: The economic value of Banks assets, liabilities and off balance sheet position gets affected by the change in interest rate. The bank applies the modified duration approach to monitor the impact of the parallel shift in interest rate curve on the capital position. The bank has internal limits for the Duration gaps.

Interest rate Risk in banking book as on 31st March 2013

Currency	Rate Change	Change in Equity Value (INR '000s)	Impact in %
INR*	2.00%	(80,899)	-2.48%
USD**	2.00%	4,125	0.13%
Total Impact		76,774	-2.35%

Interest rate Risk in banking book as on 31st March 2012

Currency	Rate Change	Change in Equity Value (INR '000s)	Impact in %
INR*	2.00%	(36,800)	-1.04%
USD**	2.00%	(17,600)	-0.50%
Total Impact		(54,400)	-1.53%

* *The impact on Economic Value of Equity for INR includes the Bank's exposure in INR, JPY, CHF, GBP and EURO.*

** *The Bank's turnover in USD is more than 5% of the total turnover (Bank's balance sheet size) in the Banking Book and hence as per regulatory guidelines the impact for USD assets and liabilities is shown separately.*

Earnings at Risk (EaR): Under the earnings perspective the focus of the analysis is on the impact of changes in interest rates on accruals or reported earnings or Net Interest Income. This perspective focuses on risk to earnings in the near term, typically the next one year. The Earnings at Risk measure as reported by the Bank represents an ex ante estimate of changes in earnings over the next twelve months should interest rate change by + 100 or – 100 basis points. The bank has internal limits for EaR.

Impact on Net Interest Income (with 1% change in interest rates for both assets and liabilities) is INR 26,416 ('000s) (previous year INR 27,200) which is 0.81% (previous year 0.77%) of the total equity as of 31st March 2013.

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

For **FirstRand Bank India Branch**

Sd/-
Mahendren Moodley
Chief Executive Officer

Rohit Wahi
Chief Financial Officer

Place: Mumbai
Date : 27th June 2013