



FIRSTRAND BANK LIMITED – INDIA BRANCH

(Incorporated in South Africa with Limited Liability)

AUDITORS' REPORT

On the accounts of FirstRand Bank Limited -India Branch under Section 30 of the Banking Regulation Act, 1949, of India

We have audited the attached Balance Sheet of **FirstRand Bank Limited-India Branch** (Incorporated in South Africa with Limited Liability) ('the Bank') as at 31st March, 2012, the annexed Profit and Loss Account and also the Cash Flow Statement of the Indian Operations of the Bank for the year ended on that date. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In accordance with the provisions of section 29 of the Banking Regulation Act, 1949, read together with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account, are not required to be and are therefore not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are therefore, drawn up in conformity with Forms 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949 to the extent applicable to the Bank. We report that:

- a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
- b) The transactions of the Indian Operations of the Bank, which have come to our notice, have been in our opinion, within the powers of the Bank.
- c) In our opinion, proper books of accounts as required by law have been kept by the Indian Operations of the Bank so far as appears from our examination of those books.
- d) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement of the Indian Branch of the Bank dealt with by this report are in agreement with the books of accounts.

In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent they are applicable to Banks and are not inconsistent with the Banking Regulation Act, 1949 and the disclosures and method of accounting prescribed by the Reserve Bank of India.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and the notes thereon, give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis, 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 Indian Branch of the Bank as at 31st March 2012;
- ii) In the case of the Profit and Loss Account, of the Profit of the Indian Branch for the year ended on that date; and
- iii) In the case of Cash Flow Statement, of the Cash Flows of the Indian Branch for the year ended on that date.

For and on behalf of
Borkar & Muzumdar
Chartered Accountants

sd/-
Devang Vaghani
Partner
M. No. 109386
Firm Registration No.101569W

Place: Mumbai
Date: 27th June 2012



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Balance Sheet as at 31 March 2012				Profit and Loss Account for the Year ended 31 March 2012			
<i>Indian Rupees in 000's</i>				<i>Indian Rupees in 000's</i>			
Description	Schedule	31-Mar-12 Amount	31-Mar-11 Amount	Description	Schedule	31-Mar-12 Amount	31-Mar-11 Amount
CAPITAL AND LIABILITIES				I. INCOME			
Capital	1	4,091,540	4,091,540	Interest earned	13	628,753	352,664
Reserves & Surplus	2	–	–	Other Income	14	222,919	234,292
Deposits	3	366,060	254,450				
Borrowings	4	4,508,789	2,941,051	TOTAL		851,672	586,956
Other Liabilities and Provisions	5	221,261	153,390				
TOTAL		9,187,650	7,440,431	II. EXPENDITURE			
ASSETS				Interest expended	15	265,370	152,049
Cash & Balances with Reserve				Operating expenses	16	615,519	519,371
Bank of India	6	121,315	132,813	Provisions and contingencies	17	(26,845)	3,994
Balances with Banks & Money at				TOTAL		854,044	675,414
Call & Short Notice	7	35,561	268,609	III. PROFIT/LOSS			
Investments	8	5,612,853	4,936,710	Net Profit/(Loss) for the year		(2,372)	(88,458)
Loans & Advances	9	2,416,210	1,413,871	Net Profit/(Loss) brought forward		(461,708)	(373,250)
Fixed Assets	10	166,727	41,046	TOTAL		(464,080)	(461,708)
Other Assets	11	834,984	647,382	IV. APPROPRIATIONS			
TOTAL		9,187,650	7,440,431	Balance carried over to Balance Sheet		(464,080)	(461,708)
Contingent Liabilities	12	31,565,315	18,967,585				
Bills for collection		614,798	285,844				

Significant Accounting Policies and
Notes to the Financial Statements 18

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

For **Borkar & Muzumdar**
Chartered Accountants
Firm Registration No.101569W

For **FirstRand Bank Limited–India**

Sd/-
Devang Vaghani
Partner
M.No. 109386

Sd/-
Mahendren Moodley
Chief Executive Officer

Sd/-
Rohit Wahi
Chief Financial Officer

Mumbai
27th June 2012

Johannesburg: 25th June 2012

Mumbai
27th June 2012



FIRSTRAND BANK LIMITED – INDIA BRANCH

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

Indian Rupees in 000's

	31-Mar-12 Amount	31-Mar-11 Amount
Cash flow from Operating Activities		
Net profit before taxation and extraordinary items	(36,211)	(91,260)
Adjustments for:		
Depreciation on Fixed Assets	31,501	32,959
Provision towards Gratuity & Leave Encashment	7,855	994
Provision towards Standard Assets	6,995	6,795
Profit on sale of Fixed Asset	(235)	50
Operating Profit before changes in working capital	9,905	(50,462)
Adjustment for:		
(Increase)/Decrease in Investments	(676,143)	(2,845,471)
(Increase)/Decrease in Advances	(1,002,340)	(1,213,870)
(Increase)/Decrease in Other Assets	(151,324)	32,326
Increase/(Decrease) in Borrowings	1,567,738	1,853,499
Increase/(Decrease) in Deposits	111,610	203,827
Increase/(Decrease) in Other Liabilities and Provisions	52,955	17,789
Taxes Paid /Deducted /Refunded	–	–
Net Cash flow from Operating Activities (A)	(87,599)	(2,002,362)
Cash flow from Investing Activities		
Purchase of Fixed Assets	(157,447)	(10,959)
Proceeds from sale of Fixed Assets	500	–
Net Cash flow from Investing Activities (B)	(156,947)	(10,959)
Cash flow from Financing Activities		
Receipt of Capital	–	2,318,375
Net Cash flow from Financing Activities (C)	–	2,318,375
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	(244,546)	305,054
Increase/(Decrease) in cash and cash equivalents	(244,546)	305,054
Cash and Cash equivalents at the beginning of the period	401,422	96,368
Cash and Cash equivalents at the end of the period	156,876	401,422
Note: Cash and Cash equivalents represents		
Particulars	31-Mar-12	31-Mar-11
a) Cash and balance with Reserve Bank of India	121,315	132,814
b) Balance with Banks and money at call and short notice (Excluding deposits with original maturity of more than 3 months)	35,561	268,608
Total	156,876	401,422

For **Borkar & Muzumdar**
Chartered Accountants
Firm Registration No.101569W

Sd/-
Devang Vaghani
Partner
M.No. 109386

Mumbai
27th June 2012

For **FirstRand Bank Limited–India**

Sd/-
Mahendren Moodley
Chief Executive Officer

Johannesburg
25th June 2012

Sd/-
Rohit Wahi
Chief Financial Officer

Mumbai
27th June 2012



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Schedules to Financial Statements as at 31-Mar-2012

<i>Indian Rupees in 000's</i>			<i>Indian Rupees in 000's</i>		
	31-Mar-12 Amount	31-Mar-11 Amount		31-Mar-12 Amount	31-Mar-11 Amount
Schedule 1 – Capital			Schedule 4 – Borrowings		
Opening Balance	4,091,540	1,773,165	I. Borrowings in India		
Additions during the period	–	2,318,375	(i) Reserve Bank of India	580,000	250,000
			(ii) Other Bank	1,600,000	1,180,000
			(iii) Other institution and agencies	39,923	399,521
TOTAL	4,091,540	4,091,540	Items (i) and (iii) above are secured borrowings		
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	II. Borrowings outside India (from Head Office)	2,288,866	1,111,530
			TOTAL (I+II)	4,508,789	2,941,051
Schedule 2 – Reserves & Surplus			Schedule 5 – Other Liabilities and Provisions		
I. Statutory Reserves	–	–	I. Bills Payable	–	–
Opening balance	–	–	II. Inter Office adjustments (net)	3,804	3,117
Additions during the year	–	–	III. Interest Accrued	12,551	3,499
Deductions during the year	–	–	IV. Others (including provisions)	190,315	139,560
II. Capital Reserves	–	–	V. Provision towards standard assets	14,591	7,214
Opening balance	–	–	TOTAL (I + II + III + IV + V)	221,261	153,390
Additions during the year	–	–	Schedule 6 – Cash and Balances with Reserve Bank of India		
Deductions during the year	–	–	I. Cash in hand (including foreign currency notes)	34	2
III. Investment Reserves	–	–	II. Balances with Reserve Bank of India		
Opening balance	–	–	(i) in Current Accounts	121,281	132,811
Additions during the year	–	–	(ii) in Other Accounts	–	–
Deductions during the year	–	–	TOTAL (I + II)	121,315	132,813
IV. Revenue and Other Reserves	–	–	Schedule 7 – Balances with Banks & Money at Call & Short Notice		
Opening balance	–	–	I In India		
Additions during the year	–	–	(i) Balance with banks		
Deductions during the year	–	–	(a) in Current Accounts	8,647	4,262
V. Balance in Profit & Loss account	–	–	(b) in Other Deposit Accounts	–	–
			(ii) Money at call and short notice		
TOTAL (I+II+III+IV+V)	–	–	(a) with banks	–	–
			(b) with other Institutions	–	–
Schedule 3 – Deposits			(c) with RBI	–	–
A I. Demand deposits			TOTAL I	8,647	4,262
– From Banks	25,523	23,361	II Outside India		
– From others	41,083	30,841	(i) in Current Accounts	26,914	2,128
II. Savings bank deposits	3,046	–	(ii) in Other Deposit Accounts	–	–
III. Term deposits	296,408	200,248	(iii) Money at call and short notice	–	262,219
– From Banks	–	–	TOTAL II	26,914	264,347
– From others	296,408	200,248	GRAND TOTAL (I + II)	35,561	268,609
TOTAL (I + II + III)	366,060	254,450			
B I. Deposits of branches in India	366,060	254,450			
II. Deposits of branches outside India	–	–			
TOTAL (I + II)	366,060	254,450			



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<i>Indian Rupees in 000's</i>			<i>Indian Rupees in 000's</i>		
	31-Mar-12 Amount	31-Mar-11 Amount		31-Mar-12 Amount	31-Mar-11 Amount
Schedule 8 – Investments <i>(Refer Schedule 18 - Note 5 (b))</i>			III B. Advances outside India		
I. Investments in India			(i) Due from banks		
(i) Government Securities	1,816,315	2,529,286	(ii) Due from others		
(ii) Other approved Securities	–	–	(a) Bills purchased and discounted		
(iii) Shares	–	–	(b) syndicated loans		
(iv) Debentures and bonds	–	–	(c) Others		
(v) Subsidiaries and/or joint ventures	–	–	TOTAL		
(vi) Others (includes Certificate of Deposit and Commercial Paper)	3,796,538	2,407,424	TOTAL (III A + III B)		
	5,612,853	4,936,710			
II. Investments Outside India			Schedule 10 – Fixed Assets		
TOTAL (I + II)			I Premises		
	5,612,853	4,936,710	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		
			Additions During the year		
			Gross Book Value		
			Deductions during the year		
			Accumulated Depreciation to date		
			Net Book Value of other fixed assets (including furniture and fixtures)		
			III Capital work-in-progress		
			TOTAL (I + II + III)		
			Schedule 11 – Other Assets		
Schedule 9 – Advances			I. Inter-office adjustments (net)		
I			II. Interest accrued		
(i) Bills purchased and discounted	453,518	123,914	III. Tax paid in advance/ tax deducted at source		
(ii) Cash credits, overdrafts and loans repayable on demand	884,159	589,957	IV. Stationary and stamps		
(iii) Term loans	1,078,533	700,000	V. Non-banking assets acquired in satisfaction of claims		
TOTAL			VI. Deferred Tax Asset		
	2,416,210	1,413,871	VII. Others*		
II			(*includes debit balance in Profit and Loss 31 March 2012 Rs 464,080 (000's) and March 31 2011 Rs.461,708 (000's))		
(i) Secured by tangible assets	508,297	244,195	TOTAL (I + II + III + IV + V + VI + VII)		
(ii) Covered by bank/ Government guarantees	332,307	–			
(iii) Unsecured	1,575,607	1,169,676			
TOTAL					
	2,416,210	1,413,871			
III A. Advances in India					
(i) Priority sectors	1,422,677	728,870			
(ii) Public sector	–	–			
(iii) Banks	–	–			
(iv) Others	993,533	685,001			
TOTAL					
	2,416,210	1,413,871			



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<i>Indian Rupees in 000's</i>			<i>Indian Rupees in 000's</i>		
	31-Mar-12 Amount	31-Mar-11 Amount		31-Mar-12 Amount	31-Mar-11 Amount
Schedule 12 – Contingent Liabilities			IV.		
I.			Guarantees given on behalf of constituents	3,585,687	3,001,560
Claims against the bank not acknowledged as debt	–	–	(a) In India	3,585,687	3,001,560
II.			(b) Outside India	–	–
Liability on account of outstanding derivative contracts	15,957,750	3,750,000	V.		
III.			Acceptances, endorsements and other obligations	–	–
Liability on account of outstanding forward exchange contracts and foreign currency swap contract	11,991,151	12,216,025	VI.		
			Other items for which the bank is contingently liable/ capital commitments	30,727	–
			- Capital Commitments not provided	30,727	–
			- Others	–	–
			TOTAL (I+II+III+IV+V+VI)	31,565,315	18,967,585

Schedules forming part of accounts as of 31-Mar-2012

<i>Indian Rupees in 000's</i>			<i>Indian Rupees in 000's</i>		
	31-Mar-12 Amount	31-Mar-11 Amount		31-Mar-12 Amount	31-Mar-11 Amount
Schedule 13 – Interest Earned			Schedule 16 – Operating Expenses		
I.			I.		
Interest/discount on advances/bills	132,542	33,547	Payment to and Provisions for employees	414,117	363,736
II.			II.		
Income on investments	495,710	317,931	Rent, taxes and lighting	29,891	28,658
III.			III.		
Interest on balances with Reserve Bank of India and other inter bank funds	233	923	Printing and Stationery	434	1,136
IV.			IV.		
Others	268	263	Advertisement and publicity	1,265	1,483
			V.		
TOTAL	628,753	352,664	Depreciation on bank's property	31,501	32,959
			VI.		
Schedule 14 – Other Income			Directors' fees, allowances and expenses	–	–
I.			VII.		
Commission, exchange and brokerage (net)	30,455	18,982	Auditors' fees and expenses	452	416
II.			VIII.		
Profit/Loss on sale of investments (net)	(3,999)	(1,545)	Law charges	856	371
III.			IX.		
Profit/(Loss) on revaluation of investments (net)	–	–	Postage, telegrams, telephone etc.	801	723
IV.			X.		
Profit/(Loss) on sale of land, buildings and other assets (net)	235	(50)	Repairs and maintenance	13,407	12,026
V.			XI.		
Profit on exchange transactions/ Derivatives (net)	42,244	32,323	Insurance	6,569	5,536
VI.			XII.		
Miscellaneous Income	153,984	184,582	Other expenditure	116,227	72,326
			TOTAL	615,519	519,371
TOTAL	222,919	234,292			
Schedule 15 – Interest Expenses			Schedule 17 – Provisions and Contingencies		
I.			I.		
Interest on deposits	7,127	767	Provision towards Standard Assets	5,602	6,425
II.			II.		
Interest on Reserve Bank of India/inter-bank borrowings	199,691	124,635	Provision towards Country Risk	1,393	371
III.			III.		
Others	58,552	26,647	Provision for taxation		
			– Current Income tax expense	(33,906)	(2,813)
TOTAL	265,370	152,049	– Deferred tax	66	11
			– Wealth tax		
			TOTAL	(26,845)	3,994



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SCHEDULE 18: SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

1. BACKGROUND

The accompanying financial statements for the year ended 31st March 2012 comprise the 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 and presented under the historical cost convention on accrual basis of accounting unless otherwise stated and are in accordance with Generally Accepted Accounting Principles (GAAP) and comply with statutory provisions prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by RBI from time to time, Accounting Standards ('AS') issued by the Institute of Chartered Accountants (ICAI) and notified by the Companies Accounting Standard Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India.

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

3. USE OF ESTIMATES

The preparation of the financial statements in conformity with the GAAP 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 current and 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 the weighted average cost method.



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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, 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.

As at the reporting date, the Bank had no non performing advances.

The Bank maintains general provision for standard assets including credit exposures computed on interest rate and foreign exchange derivative contracts as stipulated by RBI. The provision for standard assets is included in Schedule 5 under ‘Others’.

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.



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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 (excluding currency swaps undertaken to hedge foreign currency assets/liabilities which are not revalued) 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.

Premium/discount on foreign currency swaps undertaken to hedge foreign currency assets and liabilities is recognised as interest income/expense and is amortised on a pro-rata basis over the period of the underlying swap.

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 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.

Compensated absences

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.

Other Employee Benefits

The undiscounted amount of short-term employee benefits to be paid for services rendered is recognized as an expense in the Profit & Loss account of the period in which the services are rendered. Expenses are accrued as liability if not already paid. These benefits include performance incentives.



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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

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

	(Rs. In '000s)	
	March 2012	March 2011
not later than one year	144,200	11,200
later than one year and not later than five years	354,951	11,137
Later than five years	-	-
TOTAL	499,151	22,337
Total minimum lease payments recognized in the Profit & Loss Account	49,909	50,490

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.

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 constant yield 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



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- 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.

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-12 (%)	31-Mar-11 (%)
CRAR	61.47	94.81
CRAR - Tier I Capital	61.22	94.61
CRAR - Tier II Capital	0.25	0.20

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 2012 or 31st March 2011.

5.2. Investments

The details of investments are given below:

(Rs. In '000s)

	31-Mar-12 Book Value	31-Mar-11 Book Value
Value of Investments (*)		
Gross Value of Investments	5,612,853	4,936,710
Less: Provision for Depreciation	---	---
Net Value of Investments	5,612,853	4,936,710

(*) All investments are held in India.



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5.3. Repo transactions

The details of face value of securities purchased/sold under repo agreements for the year ended 31st March 2012 (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-12
Securities sold under Repo				
1. Government securities	241,200 (187,800)	1,565,800 (1,216,400)	196,613 (5,443)	--- (---)
2. Corporate debt securities	---	---	---	---
Securities purchased under Reverse Repo				
1. Government securities	---	---	---	---
2. Corporate debt securities	---	---	---	---

* For calculation of minimum 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 2012 (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	3,547,309 (2,407,424)	3,547,309 (2,407,424)	---	---	3,547,309 (2,407,424)
Private Corporates	249,229 (---)	249,229 (---)	---	---	249,229 (---)
Subsidiaries / Joint Ventures	---	---	---	---	---
Others	---	---	---	---	---
Provision held towards depreciation	---	---	---	---	---
Total	3,796,538 (2,407,424)	3,796,538 (2,407,424)	---	---	3,796,538 (2,407,424)

b. Non-performing Non-SLR Investments as on 31st March 2012 and 31st March 2011 were Nil.

5.5. Derivatives

a. Interest Rate Swaps

Details of outstanding interest rate swap agreements are as follows

(Rs. In '000s)

	31-Mar-12	31-Mar-11
Notional principal of swap agreements	14,635,000	3,750,000
Loss which would be incurred if counterparties failed to fulfill their obligations under the agreements	52,405	13,572
Collateral required by the bank upon entering into swaps*	---	---
Concentration of credit risk arising from the swaps	Banks-93%	Banks-100%
Fair value of the swap book	5,425	6,519

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



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Nature and terms of interest rate swaps:

(Rs. In '000s)

Terms 31-Mar-2012	Nature	Number of deals	Notional principal
Floating Receivable v/s Fixed Payable-MIBOR *	Trading Swaps	24	7,100,000
Floating Payable v/s Fixed Receivable –MIBOR*	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

(Rs. In '000s)

Terms (NSE MIBOR*) 31-Mar-2011	Nature	Number of deals	Notional principal
Floating Receivable v/s Fixed Payable	Trading Swaps	11	3,000,000
Floating Payable v/s Fixed Receivable	Trading Swaps	3	750,000

* 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-12	31-Mar-11
Notional principal of swap agreements	1,322,750	---
Loss which would be incurred if counterparties failed to fulfill their obligations under the agreements	60,319	---
Collateral required by the bank upon entering into swaps	---	---
Concentration of credit risk arising from the swaps	Banks–50%	---
Fair value of the swap book	5,405	---

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 Swap & Option and Currency Futures. However during the current and previous year, only IRS and CCS were transacted.

The 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.



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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.

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 Management unit which is responsible for setting up counterparty limits for all transactions including derivatives. While setting up these limits, the Bank follows rigorous appraisal principles and procedures similar to those for loan limits. All exposures are monitored in accordance with the RBI regulations on single/group borrower limits.

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 2012, all derivatives were classified as Trading.

Quantitative Disclosure

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



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The details for currency and interest rate derivatives for the year ended 31st March 2011 are given below:

(Rs. in '000s)

Particulars	Currency Derivatives- Foreign Exchange Contracts.	Interest Rate Derivatives
i) Derivatives (Notional Principal Amount)		
a) For Hedging	---	---
b) For Trading	11,857,363	3,750,000
ii) Marked to Market Positions		
a) Asset	136,333	13,572
a) Liability	(169,585)	(7,053)
iii) Credit Exposure	420,910	---
iv) Likely impact of one percentage change in interest rate (100*PV01)		
a) On Hedging Derivatives	---	---
b) On Trading Derivatives	2,640	9,546
Maximum and Minimum of 100*PV01 observed during the year		
a) On Hedging	---	---
b) On Trading	8,211-Max 320-Min	12,519-Max (2,455)-Min

5.6. Asset Quality

a. Non-Performing Assets:

Bank did not have any Non-Performing exposure as at 31st March 2012 or as at 31st March 2011.

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-12	31-Mar-11
Provision towards Standard Assets	12,827	7,224
Provision towards Country risk	1,764	371
TOTAL	14,591	7,225

f. Key Business Ratios

Particulars	31-Mar-12	31-Mar-11
Interest Income to working funds \$	7.70%	5.47%
Non-interest income to working funds \$	2.73%	3.63%
Operating profits to working funds \$	(0.36)%	(1.31)%
Return on Assets #	(0.03)%	(1.37)%
Business (deposits plus advances) per employee (in Rs. 000's) @	35,802	36,555
Net Profit / (loss) per employee (in Rs. 000's) *	(31)	(1,966)

\$ 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 Bank has no non-performing assets as on 31st March 2012 and 31st March 2011.



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h. Asset Liability Management

Maturity pattern of certain items of assets and liabilities

(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 3 years & up to 5 years	---	233,533	---	---	---	---
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

(Rs. In '000s)

Particulars 31st March 2011	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets**	Foreign Currency Liabilities**
Day 1	54,202	15,019	2,442,623	---	2,128	26,494
2 to 7 days	---	3,077	1,476	1,848,474	265,296	18,963
8 to 14 days	106	11,478	25	---	9,399	---
15 to 28 days	---	1,532	1,755	---	1,532	---
29 days to 3 months	200,142	455,606	1,034,776	624,330	362,271	626,634
Over 3 months & up to 6 months	---	227,159	754,017	468,248	200,678	469,328
Over 6 months & up to 1 year	---	450,000	700,315	---	---	---
Over 1 year & up to 3 years	---	100,000	2	---	---	---
Over 3 years & up to 5 years	---	150,000	---	---	---	---
Over 5 years	---	---	1,721	---	48,386	---
TOTAL	254,450	1,413,871	4,936,710	2,941,051	889,689	1,141,419

* 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.

i. Exposures

i. Exposure to Real Estate Sector

There was no exposure to real estate sector as at 31st March 2012 (Previous Year: Nil).

ii. Exposure to Capital Market

There was no exposure to capital market sector as at 31st March 2012 (Previous Year: Nil). The bank has not provided any finance for margin trading during the year ended 31st March 2012 (Previous Year: Nil)



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iii. Margin Trading

During the year ended 31st March 2012 the bank did not finance margin trading. (Previous Year: Nil).

iv. 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 2012	Provision held as at 31st March 2012	Exposure (net) as at 31st March 2011	Provision held as at 31st March 2011
Insignificant	325,295	676	619,507	371
Low	964,173	1,087	34,746	---
Moderate	---	---	---	---
High	---	---	---	---
Very High	---	---	---	---
Restricted	---	---	---	---
Off-credit	---	---	---	---
TOTAL	1,289,469	1,764	654,254	371

v. 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.

vi. 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 2012 (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 2012 in view of losses (Previous Year: Nil).

ii. Disclosure of Penalties imposed by RBI

During the year ended 31st March 2012, 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 was Rs. 15,135 (in 000's) and Previous Year: was Rs 11,712 (in 000's).

b. Gratuity:

Principal actuarial assumptions as at balance sheet date:

Particulars	31-Mar-12	31-Mar-11
Discount Rate	8.57%	8.00%
Salary Escalation Rate	8.00%	8.00%
Employee Attrition Rate	10.5%	0.70%
Expected Average Remaining service	7.77	22.39



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Sr. No.	Particulars	31-Mar-12	31-Mar-11
(i)	Changes in present value of obligation		
	Opening Defined Benefit Obligation	3,703	2,709
	Interest Cost	296	217
	Current Service Cost	3,389	1,479
	Actuarial (Gains) / Losses	(62)	(702)
	Benefits Paid		
	Closing Defined Benefit Obligation	7,327	3,703
(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	---	---
	Funded Status	(7,327)	(3,703)
	Excess of Actual over estimate return on Plan Assets		---
(iv)	Actuarial Gain / (loss) recognized		
	Actuarial Gain / (Loss) for the period – obligation	62	(702)
	Total Gain/(Loss) for the period	62	(702)
	Net Actuarial Gain / (Loss) recognized for the period	62	(702)
(v)	Amount to be recognized in Balance Sheet and Profit & Loss Account		
	PVO at end of period	7,327	3,703
	Fair value of Plan Assets as at the end of the period		---
	Funded Status	(7,327)	(3,703)
	Unrecognized Actuarial Gain/(Loss)		---
	Net Asset/(liability) recognized in Balance Sheet	(7,327)	(3,703)
(vi)	Expenses Recognized in Profit & Loss Account		
	Current Service Cost	3,389	1,479
	Interest Cost	296	217
	Expected return on Plan assets	---	---
	Net Actuarial loss recognized in the period	62	(702)
	Expenses Recognized in Profit & Loss Account	3,264	994
(vii)	Movements in the Liability recognized in Balance Sheet		
	Opening Net Liability	3,703	2709
	Expenses as above	3,623	994
	Contribution paid	---	---
	Closing Net Liability	7,326	3,703

c. Compensated Absences:

Principal actuarial assumptions as at balance sheet date:

Particulars	31-Mar-12	31-Mar-11
Mortality	LIC (1994-96) Ult.	
Interest/ Discount Rate:	8.57%	8.00%
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: 10.5%	PS 0 to 42: 0.7%
Expected Average Remaining Service	7.77	



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Sr. No.	Particulars	31-Mar-12	31-Mar-11
(i)	Changes in present value of obligation		
	Opening Defined Benefit Obligation	---	---
	Interest Cost	---	---
	Current Service Cost	3,774	---
	Actuarial (Gains) / Losses	457	---
	Benefits Paid		
	Closing Defined Benefit Obligation	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	---	---
	Funded Status (Including unrecognised past service cost)	(4,231)	---
	Excess of Actual over estimate return on Plan Assets		---
(iv)	Actuarial Gain / (loss) recognized		
	Actuarial Gain / (Loss) for the period – obligation	(457)	---
	Total Gain/(Loss) for the period	(457)	---
	Net Actuarial Gain / (Loss) recognized for the period	(457)	---
(v)	Amount to be recognized in Balance Sheet and Profit & Loss Account		
	PVO at end of period	4,231	---
	Fair value of Plan Assets as at the end of the period		---
	Funded Status	(4,231)	---
	Unrecognized Actuarial Gain/(Loss)		---
	Net Asset/(liability) recognized in Balance Sheet	(4,231)	---
(vi)	Expenses Recognized in Profit & Loss Account		
	Current Service Cost	3,774	---
	Interest Cost	---	---
	Expected return on Plan assets	---	---
	Net Actuarial loss recognized in the period	457	---
	Expenses Recognized in Profit & Loss Account	4,231	---
(viii)	Movements in the Liability recognized in Balance Sheet		
	Opening Net Liability	---	---
	Expenses as above	4,231	---
	Contribution paid	---	---
	Closing Net Liability	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 and money market operations.

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.



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This is a new initiative and is launched during the year

(Rs. In '000s)

Business Segments	Treasury		Corporate/Wholesale Banking		Retail Banking		Total	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Particulars								
Revenue	611,447	428,608	239,335	158,398	889	-	815,671	587,006
Result	140,408	64,616	25,704	(129,071)	(172,201)	-	(6,088)	(64,455)
Unallocated Expenses	-	-	-	-	-	-	30,188	26,816
Deferred Tax (Credit)	-	-	-	-	-	-	(33,906)	2,813
Operating Profit	-	-	-	-	-	-	(2,311)	(88,458)
Income Taxes	-	-	-	-	-	-	-	-
Extraordinary Profit/Loss	-	-	-	-	-	-	-	-
Net Profit	-	-	-	-	-	-	(2,311)	(88,458)
Other Information								
Segment Assets	5,909,708	5,391,063	2,434,017	1,460,278	-	-	8,343,724	6,851,341
Unallocated Assets	-	-	-	-	-	-	843,926	133,900
Total Assets	5,909,708	5,391,063	2,434,017	1,460,278			9,187,650	6,985,241
Sement Liabilities	8,610,898	6,609,974	-	261,675	368,043	-	8,978,941	6,871,649
Unallocated Liabilities	-	-	-	-	-	-	208,709	113,592
Total Liabilities	8,610,898	6,609,974	-	261,675	368,043	-	9,187,650	6,985,241

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. Deferred Tax

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

(Rs. In '000s)

Particulars	31-Mar-12	31-Mar-11
Depreciation on fixed assets	7,062	1,249
Employment benefits	4,857	1,564
Provision towards standard advances	6,131	---
Others	18,669	---
TOTAL	36,719	2,813

7. ADDITIONAL DISCLOSURES

7.1. Provisions and Contingencies comprises of

(Rs. In '000s)

Particulars	31-Mar-12	31-Mar-11
Provision for Standard Assets	5,602	6,425
Provision for Country Risk	1,393	371
Provision for Taxation		
- Current Income Tax expense	-	-
- Deferred tax	(33,906)	(2,183)
- Wealth tax	66	11
Total	(26,845)	3,994



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7.2. Floating Provisions

Bank has not created floating provisions during the year ended 31st March 2012 (Previous Year: Nil).

7.3. Draw Down from Reserves

Bank did not have draw downs from reserves during the year ended 31st March, 2012 (Previous Year: Nil).

7.4. Disclosure of complaints

During the current year Bank has not received any customer complaints (Previous Year: Nil).

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 2012 (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, 2012 (Previous Year: Nil).

7.7. Bancassurance Business

Bank has not undertaken Bancassurance business during the year ended 31st March 2012. (Previous Year: Nil)

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

a. Concentration of Deposits

(Rs. In '000s)

Particulars	31-Mar-12	31-Mar-11
Total Deposits of twenty largest depositors	359,856	254,450
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank*	98%	100%

* The above deposits includes interbank deposits

b. Concentration of Advances*

(Rs. In '000s)

Particulars	31-Mar-12	31-Mar-11
Total Advances to twenty largest borrowers	2,805,785	1,422,103
Percentage of Advances to twenty largest borrowers to Total Advances of the bank*	100%	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.7/13.03.00/2011-12 dated 1st July 2011.

c. Concentration of Exposures**

(Rs. In '000s)

Particulars	31-Mar-12	31-Mar-11
Total Exposure to twenty largest borrowers/customers	4,003,800	1,845,000
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers*	100%	100%

* The above exposure excludes interbank

** Exposures are computed based on Credit and Investment exposure as prescribed in RBI's Master Circular DBOD.No.Dir. BC.7/13.03.00/2011-12 dated 1st July 2011.

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

The Bank does not have any NPAs during the current and previous year.

7.9. Overseas Assets, NPAs and Revenue

(Rs. In '000s)

Particulars	31-Mar-12	31-Mar-11
Total Assets	26,913	264,346
Total NPAs	---	---
Total Revenue	165	201



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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 2012 (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.

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-12	31-Mar-11
Professional Fees	30,422	14,947
Travel Expense	18,248	12,099
Information Services- Broad Band Lease Lines	---	6,552
Entertainment Expense	---	6,419
Commission and Brokerage	12,571	---
Telecommunication	11,791	---

7.13. Prior Period Comparatives

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

For **Borkar & Muzumdar**
Chartered Accountants
Firm Registration No.101569W

For **FirstRand Bank Limited–India**

Sd/-
Devang Vaghani
Partner
M.No. 109386
Mumbai: 27th June 2012

Sd/-
Mahendren Moodley
Chief Executive Officer
Johannesburg: 25th June 2012

Sd/-
Rohit Wahi
Chief Financial Officer
Mumbai: 27th June 2012



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DISCLOSURES UNDER PILLAR 3 OF THE NEW CAPITAL ADEQUACY FRAMEWORK (BASEL II GUIDELINES) FOR THE YEAR ENDED 31st MARCH 2012

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 2012. 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/2010-11/62 DBOD.No.BP.BC.11/ 21.06.001/ 2010-11 dated 1st July 2011 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-12	31-Mar -11
Tier I Capital		
Capital (Interest free funds from Head Office)	4,091,540	4,091,540
Less: Debit balance in Profit & Loss account	464,080	461,708
Less: Intangible assets	9,417	16,651
Less: Deferred tax Asset	36,719	2,813
Total Tier I Capital	3,581,324	3,610,367
Tier II Capital		
Provision for Standard Assets/ Derivatives	12,827	7,225
Provision for Country risk	1,764	371
Total Tier II Capital	14,591	7,595
Total eligible capital (Tier I + Tier II)	3,595,914	3,617,963

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.

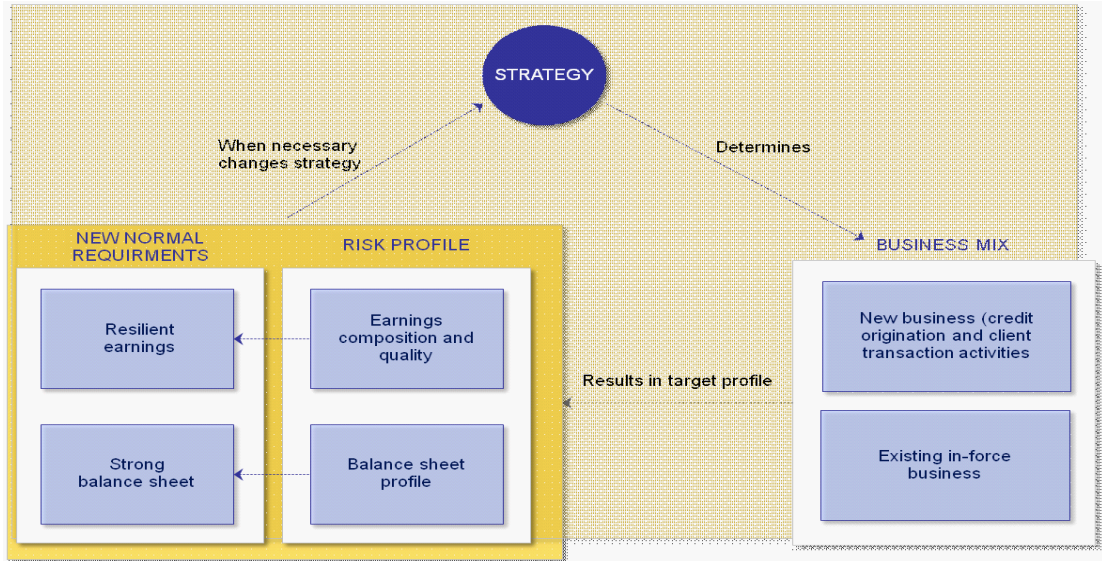
Depending on certain macro dynamics or specific internal issues, FirstRand assesses, on a regular basis, whether the risk profile or business mix within its portfolio is optimal to deliver on its strategy. If not it will take actions to adjust accordingly.



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Detailed below is a diagrammatical representation of the relationship between risk, capital and strategy.

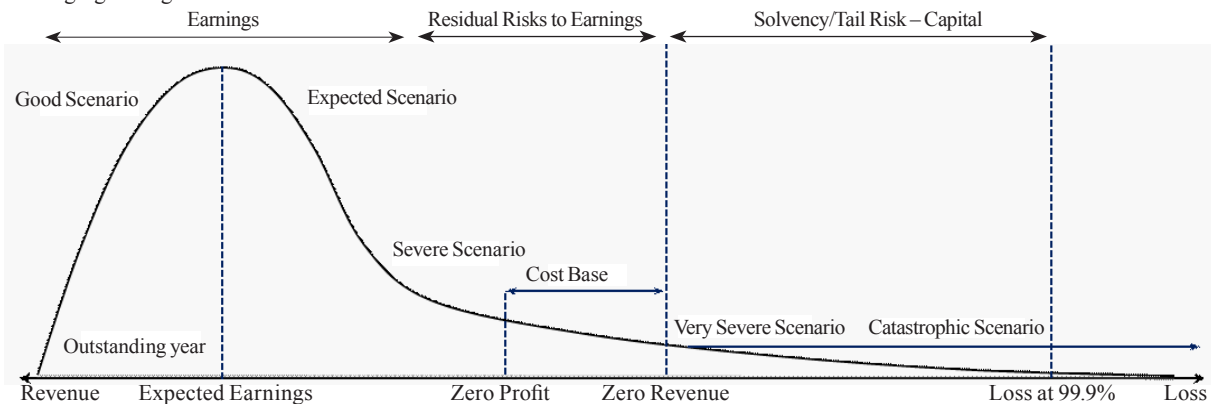


Significant shifts in the macro environment are also critical to any strategic adjustments. Management of the business is based on a single ‘house view’ which inputs into the budgeting and forecasting process, informs credit origination strategies and capital stress testing, directs the interest rate 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.

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.

The diagram below contextualises capital as the final element available to mitigate unexpected losses after earnings and residual risk hedging strategies have been exhausted.



Earnings	Residual Risks	Capital
<ul style="list-style-type: none"> • Operating businesses seek to maximise returns within acceptable earnings volatility constraints 	<ul style="list-style-type: none"> • Group functions manage and mitigate these where economically feasible • Tail risk to earnings resilience/sustainability 	<ul style="list-style-type: none"> • Capital acts as buffer against catastrophic outcomes
<ul style="list-style-type: none"> • Earnings acts as the first buffer against losses and financial underperformance 		



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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. 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.

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

(In Rs. '000s)

Particulars	31-Mar-12	31-Mar-11
Capital requirement for credit risk (Standardised Approach)	383,490	241,027
Capital requirement for market risk (Standardised Duration Approach)		
- Interest rate risk	68,044	43,334
- Foreign exchange risk (including gold)	8,100	8,100
- Equity risk	-	-
Capital requirement for operational risk (Standardised approach)	66,832	50,981
Total	526,466	343,442

Particulars	31-Mar -12	31-Mar -11
Tier I Capital Adequacy ratio	61.22%	94.61%
Total (Tier I + Tier II) Capital adequacy ratio	61.47%	94.81%

The capital adequacy ratio (CRAR) of the Bank is 61.47% as computed under Basel II norms and 57.68% under Basel I. The ratio under both guidelines is higher than the minimum regulatory CRAR requirement of 9%.



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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.

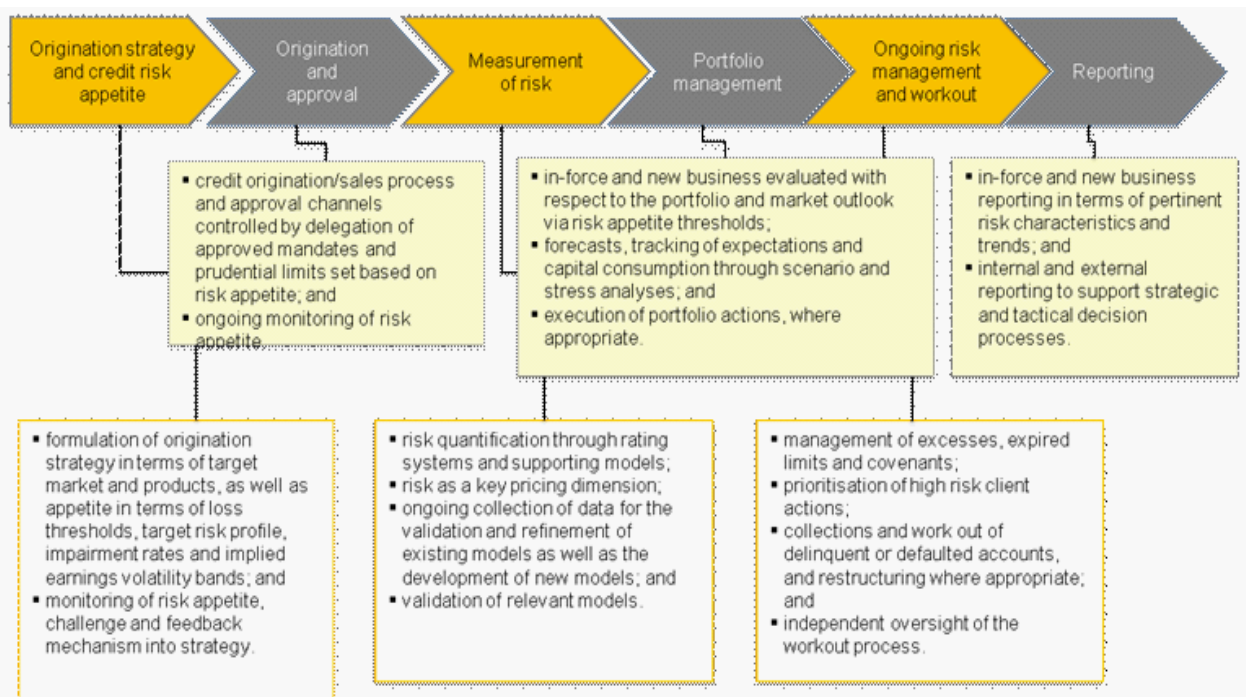
3.1. CREDIT RISK

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

The 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:





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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 (together with Balance Sheet Management (BSM) and Performance Measurement and within the constraints of the overall 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 2012, there were neither past due loans nor any impairment realised.



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

(Rs. in '000s)

Category	31-Mar-12	31-Mar-11
Domestic		
Loans and Advances	2,416,210	1,413,871
Total Fund-based Exposures	2,416,210	1,413,871
Guarantees given on behalf of customers	3,585,687	3,001,560
Derivatives	27,948,901	15,966,025
Total Non-fund based Exposures	31,534,588	18,967,585
Overseas	---	---

Industry Type distribution of exposures as at 31st March 2012 and 31st March 2011

(Rs. in '000s)

Industry	Fund-based		Non-fund based		Total		Percentage of Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Banking	332,307	-	28,137,382	18,560,143	28,469,688	18,560,143	88%	91%
Food & beverages	450,000	450,000	-	-	450,000	450,000	1%	2%
Pharmaceuticals	856,563	379,059	-	-	856,563	379,059	3%	2%
Financial Institution	170,000	100,000	-	-	170,000	100,000	1%	0%
Silk & Synthetics Fibres	203,500	178,380	243,599	-	447,099	178,380	1%	1%
Trade Others	233,533	150,000	267,395	-	500,928	150,000	2%	1%
Rubber	104,763	94,195	-	41,942	104,764	136,137	0%	1%
Petroleum	-	-	1,017,500	-	1,017,500	-	3%	0%
Auto Ancillary	-	-	661,375	-	661,375	-	2%	0%
Others	65,544	62,238	1,207,338	365,500	1,272,882	427,738	4%	2%
Grand Total	2,416,210	1,413,871	31,534,588	18,967,585	32,271,923	20,381,456	100%	100%

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



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Residual maturity of assets as at 31st March 2011

(Rs. in '000)

Particulars	Cash	Balance with RBI	Balance with Banks	Investments	Advances	Fixed Assets	Other Assets
Day 1	2	1,351	6,389	2,442,623	15,019	-	2,593
2 to 7 days	-	-	262,219	1,476	3,077	-	-
8 to 14 days	-	117,240	-	25	11,478	-	355
15 to 28 days	-	242	-	1,755	1,532	-	1,245
29 days to 3 months	-	4	-	1,034,776	455,606	-	59,388
Over 3 months & upto 6 month	-	288	-	754,017	227,158	-	4,727
Over 6 month & upto 1 year	-	8,274	-	700,315	450,000	-	29,117
Over 1 year & upto 3 years	-	3,662	-	2	100,000	-	25,957
Over 3 years & upto 5 years	-	1,467	-	-	150,000	-	375
Over 5 years	-	283	-	1,721	-	41,046	523,624
Total	2	132,811	268,609	4,936,710	1,413,871	41,046	647,382

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

- Amount of Gross Non Performing Assets
- Amount of Net Non Performing Assets
- Non Performing Assets ratios
- Movement of Non Performing Assets
- Movement of provision for Non Performing Assets
- Amount of Non Performing Investments
- Amount of Provision held for Non Performing Investments

3.1.1. MOVEMENT IN PROVISION FOR DEPRECIATION ON INVESTMENTS CREDIT RISK – DISCLOSURE OF PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

Credit rating agencies

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

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

Risk bucket wise analysis of bank's outstanding advances:

(Rs. in '000s)

Categorisation of Advances	31-Mar-12	31-Mar-11
Under 100% risk weight	17,259	807,437
100% risk weight	595,444	512,238
Above 100% risk weight	94,864	94,195
Total	2,416,210	1,413,871

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.



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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 2012 (previous year nil)

	(Rs. in '000s)
Advances covered by financial collateral	31-Mar-12
Exposures before Credit Risk Mitigation	2,416,210
Exposures after Credit Risk Mitigation	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 subframework of the BPRME, 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.



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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 -12	31-Mar -11
Capital requirement for market risk		
- Interest rate risk	68,044	43,334
- Foreign exchange risk (including gold)	8,100	8,100
- Equity risk	---	---
Total	76,144	51,434

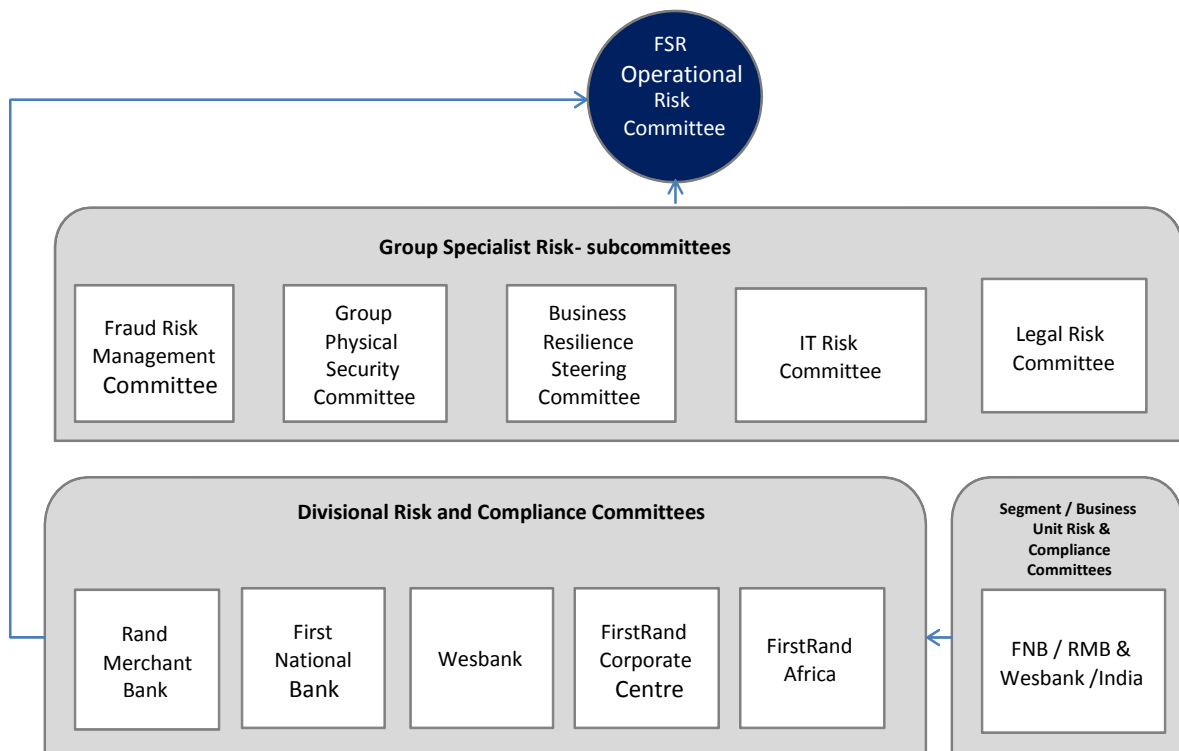
3.3. OPERATIONAL RISK

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 BPRMF.

Detailed below is a high-level Operational risk governance structure:





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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)
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.



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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 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%

Interest rate Risk in banking book as on 31st March 2011

Currency	Rate Change	Change in Equity Value (INR '000s)	Impact in %
INR*	2.00%	(28,902)	-0.80%
USD**	2.00%	(5,038)	-0.14%
Total Impact		(33,940)	-0.94%

* 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 27,200 ('000s) (previous year INR 21,763) which is 0.77% (previous year 0.59%) of the total equity as of 31st March 2012.

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

Place: Johannesburg
Date : 25th June 2012

Rohit Wahi
Chief Financial Officer

Place: Mumbai
Date: 27th June 2012