S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

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# INDEPENDENT AUDITOR'S REPORT

To
The Chief Executive Officer
FirstRand Bank Limited - India Branch

## Report on the Financial Statements

We have audited the accompanying financial statements of FirstRand Bank Limited - India Branch (the "Bank"), which comprise the Balance Sheet as at 31 March, 2016, the Profit and Loss Account and the Cash Flow statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

## Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Companies Act, 2013 (the "Act") read with Rule 7 of the Companies (Accounts) Rules, 2014, in so far as they apply to the Bank and with the guidelines issued by the Reserve Bank of India and in conformity with Form A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949, as applicable. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Act, in the manner so required for the banking companies and give a true and fair view of the state of affairs of the Bank as at 31 March 2016, its loss and its cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.

2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letters dated 20 January 2016 and 18 February 2016, we report that:

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

(b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

(c) The Bank has only one branch and therefore separate accounting returns for the purpose of preparing financial statements are not to be submitted. We have visited the Bank's Mumbai branch for the purpose of audit.

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

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

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

(c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

FirstRand Bank Limited – India Branch
Auditor's report for the year ended 31 March 2016

(d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank;

(e) Reporting requirement pursuant to provision of Section 164 (2) of the Act, are not applicable considering the Bank is a branch of FirstRand Bank Limited incorporated in South Africa with limited liability;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report; and

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. There are no pending litigations against the Bank which would impact its financial position;

ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts including derivative contracts – Refer Note 18.7.20 to the financial statements; and

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

**For S. R. BATLIBOI & ASSOCIATES. LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

Attra

per Charanjit Attra
Partner
Membership Number: 100312
Place: Mumbai
Date: 29 June 2016

**ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF FIRSTRAND BANK LIMITED - INDIA BRANCH**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

To
The Chief Executive Officer
FirstRand Bank Limited - India Branch

We have audited the internal financial controls over financial reporting of FirstRand Bank Limited - India Branch ("the Bank") as of 31 March 2016 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

FirstRand Bank Limited - India Branch
Auditor's report on Internal Controls Over Financial Reporting for the year ended 31 March 2016

**Meaning of Internal Financial Controls Over Financial Reporting**

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

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

**Opinion**

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016 based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For S.R. BATLIBOI & ASSOCIATES. LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Attra

per Charanjit Attra
Partner
Membership Number: 100312
Place: Mumbai
Date: 29 June 2016

FIRSTRAND BANK

## FirstRand Bank Limited-India Branch
## (Incorporated in South Africa with Limited Liability)

Indian Rupees in 000's

| Balance Sheet as on | | 31-Mar-16 | 31-Mar-15 |
|---|---|---|---|
| **Description** | **Schedule** | **Amount** | **Amount** |
| ***CAPITAL AND LIABILITIES*** | | | |
| Capital | 1 | 6,617,140 | 6,485,020 |
| Reserves & Surplus | 2 | (3,175,827) | (2,468,018) |
| Deposits | 3 | 6,330,281 | 3,365,900 |
| Borrowings | 4 | 8,243,320 | 8,912,247 |
| Other Liabilities and Provisions | 5 | 1,816,066 | 963,834 |
| **Total** | | **19,830,980** | **17,258,983** |
| ***ASSETS*** | | | |
| Cash & Balances with Reserve Bank of India | 6 | 440,563 | 355,183 |
| Balances with Banks & Money at Call & Short Notice | 7 | 1,990,666 | 1,579,175 |
| Investments | 8 | 10,998,658 | 11,573,324 |
| Loans & Advances | 9 | 4,637,876 | 2,759,697 |
| Fixed Assets | 10 | 41,942 | 23,124 |
| Other Assets | 11 | 1,721,275 | 968,480 |
| **Total** | | **19,830,980** | **17,258,983** |
| Contingent Liabilities | 12 | 128,876,681 | 105,651,408 |
| Bills for collection | | 3,285,419 | 2,534,031 |

Significant Accounting Policies and Notes to the Financial Statements 18

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

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.:-
101049W/E300004

Charanjit Attra
Partner
M.No. 100312

For FirstRand Bank Limited-India Branch

Rohit Wahi
Chief Executive Officer

Luke Woodford
Chief Financial Officer

Place: Mumbai
Date: 29th June 2016

S.R. BATLIBOI & ASSOCIATES LLP
MUMBAI
CHARTERED ACCOUNTANTS

## FirstRand Bank Limited-India Branch
## (Incorporated in South Africa with Limited Liability)

Indian Rupees in 000's

| Profit and Loss account for the year ended | | 31-Mar-16 | 31-Mar-15 |
|---|---|---|---|
| **Description** | **Schedule** | **Amount** | **Amount** |
| **I. INCOME** | | | |
| Interest earned | 13 | 1,198,742 | 1,058,491 |
| Other Income | 14 | 422,927 | 262,033 |
| **Total** | | **1,621,669** | **1,320,524** |
| **II. EXPENDITURE** | | | |
| Interest expended | 15 | 763,479 | 543,364 |
| Operating expenses | 16 | 1,275,113 | 1,334,567 |
| Provisions and contingencies | 17 | 290,886 | 84,356 |
| **Total** | | **2,329,478** | **1,962,287** |
| **III. PROFIT/LOSS** | | | |
| Net Profit/(Loss) for the year | | (707,809) | (641,763) |
| Net Profit/(Loss) brought forward | | (2,468,018) | (1,826,255) |
| **Total** | | **(3,175,827)** | **(2,468,018)** |
| **IV. APPROPRIATIONS** | | | |
| Balance carried over to Balance Sheet | | **(3,175,827)** | **(2,468,018)** |

Significant Accounting Policies and Notes to the Financial Statements — 18

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

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.:-
101049W/E300004

Charanjit Attra
Partner
M.No. 100312

Place: Mumbai
Date: 29th June 2016

For FirstRand Bank Limited-India Branch

Rohit Wahi
Chief Executive Officer

Luke Woodford
Chief Financial Officer

S.R. BATLIBOI & ASSOCIATES LLP * MUMBAI * CHARTERED ACCOUNTANTS

Indian Rupees in 000's

| Schedules to Financial Statements as at | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| **SCHEDULE 1 - CAPITAL** | **Amount** | **Amount** |
| Opening Balance | 6,485,020 | 5,393,329 |
| Additions during the period | 132,120 | 1,091,691 |
| **TOTAL** | **6,617,140** | **6,485,020** |
| Of the above, amount of deposit kept with Reserve Bank of India under section 11(2)(b) of the Banking Regulation Act, 1949. | 2,500 | 2,500 |

| SCHEDULE 2 - RESERVES & SURPLUS | Amount | Amount |
|---|---|---|
| I. Statutory Reserves | | |
| Opening balance | - | - |
| Additions during the year | - | - |
| Deductions during the year | - | - |
| II. Capital Reserves | | |
| Opening balance | - | - |
| Additions during the year | - | - |
| Deductions during the year | - | - |
| III. Investment Reserves | | |
| Opening balance | - | - |
| Additions during the year | - | - |
| Deductions during the year | - | - |
| | - | - |
| IV. Revenue and Other Reserves | | |
| Opening balance | - | - |
| Additions during the year | - | - |
| Deductions during the year | - | - |
| V. Balance in Profit & Loss account | (3,175,827) | (2,468,018) |
| **TOTAL** | **(3,175,827)** | **(2,468,018)** |

| SCHEDULE 3 - DEPOSITS | Amount | Amount |
|---|---|---|
| I (i) Demand deposits | | |
| - From Banks | 58,073 | 32,736 |
| - From others | 260,746 | 312,881 |
| (ii) Savings bank deposits | 1,018,026 | 433,446 |
| (iii) Certificate of deposits | 969,195 | 964,376 |
| (iv) Term deposits | | |
| - From Banks | - | - |
| - From others | 4,024,241 | 1,622,461 |
| **TOTAL** | **6,330,281** | **3,365,900** |
| II.(i) Deposits of branches in India | 6,330,281 | 3,365,900 |
| (ii) Deposits of branches outside India | - | - |
| **TOTAL** | **6,330,281** | **3,365,900** |

S.R. BATLIBOI & ASSOCIATES LLP * MUMBAI * CHARTERED ACCOUNTANTS

FirstRand Bank Ltd.

Indian Rupees in 000's

| SCHEDULE 4 - BORROWINGS | Amount | Amount |
|---|---|---|
| I. Borrowings in India | | |
| (i) Reserve Bank of India | 3,620,000 | 3,600,000 |
| (ii) Other Bank | 2,700,000 | 3,580,000 |
| (iii) Other institution and agencies | 199,899 | 73,934 |
| Items (i) and (iii) above are secured borrowings | | |
| II. Borrowings outside India (from Head Office) | 1,723,421 | 1,658,313 |
| **TOTAL** | **8,243,320** | **8,912,247** |

| SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS | Amount | Amount |
|---|---|---|
| I. Bills Payable | - | - |
| II. Inter Office adjustments (net) | - | - |
| III. Interest Accrued | 73,458 | 47,019 |
| IV. Others (including provisions) | 1,684,388 | 875,759 |
| V. Provision towards standard assets and country risk | 58,220 | 41,056 |
| **TOTAL** | **1,816,066** | **963,834** |

| SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA | Amount | Amount |
|---|---|---|
| I. Cash in hand (including foreign currency notes) | 13,864 | 25,725 |
| II. Balances with Reserve Bank of India | | |
| (i) in Current Accounts | 426,699 | 329,458 |
| (ii) in Other Accounts | - | - |
| **TOTAL** | **440,563** | **355,183** |

| SCHEDULE 7 - BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE | Amount | Amount |
|---|---|---|
| **I In India** | | |
| (i) Balance with banks | | |
| (a) in Current Accounts | 11,422 | 78,518 |
| (b) in Other Deposit Accounts | - | - |
| (ii) Money at call and short notice | | |
| (a) with banks | - | 437,500 |
| (b) with other Institutions | 40,000 | 40,000 |
| (c) with RBI | - | - |
| **TOTAL** | **51,422** | **556,018** |
| **II Outside India** | | |
| (i) in Current Accounts | 57,688 | 16,907 |
| (ii) in Other Deposit Accounts (to Head office) | 1,881,556 | 1,006,250 |
| (iii) Money at call and short notice | - | - |
| **TOTAL** | **1,939,244** | **1,023,157** |
| | | |
| **GRAND TOTAL** | **1,990,666** | **1,579,175** |

S.R. BATLIBOI & ASSOCIATES LLP CHARTERED ACCOUNTANTS MUMBAI

FirstRand Bank Ltd.

Indian Rupees in 000's

| SCHEDULE 8 - INVESTMENTS | Amount | Amount |
|---|---|---|
| **I. Investments in India in** | | |
| (i) Government Securities | 7,121,361 | 7,294,768 |
| (ii) Other approved Securities | - | - |
| (iii) Shares | - | - |
| (iv) Debentures and bonds | 1,500,644 | 997,537 |
| (v) Subsidiaries and/or joint ventures | - | - |
| (vi) Others (includes Certificate of Deposit and Commercial Paper) | 2,376,653 | 3,281,019 |
| | **10,998,658** | **11,573,324** |
| **II. Investments Outside India** | | |
| | - | - |
| | | |
| **TOTAL** | **10,998,658** | **11,573,324** |

Government Securities includes the following: a) Securities of Face Value Rs. 542,200('000) kept with Clearing Corporation of India Limited towards Security clearing and Forex facility of which securities of Face Value Rs. 210,000('000) kept under Collateralised Borrowing and Lending Obligation b) Securities of Face Value Rs. 3,764,800('000) kept with Reserve Bank of India under the Liquidity Adjustment Facility (LAF).

| SCHEDULE 9 - ADVANCES | Amount | Amount |
|---|---|---|
| I (i) Bills purchased and discounted | 359,123 | 408,782 |
| (ii) Cash credits, overdrafts and loans repayable on Demand | 1,183,040 | 937,538 |
| (iii) Term loans | 3,095,713 | 1,413,377 |
| **TOTAL** | **4,637,876** | **2,759,697** |
| II (i) Secured by tangible assets | 2,383,148 | 1,242,874 |
| (ii) Covered by bank/Government guarantees | - | - |
| (iii) Unsecured | 2,254,728 | 1,516,823 |
| **TOTAL** | **4,637,876** | **2,759,697** |
| **III A.** Advances in India | | |
| (i) Priority sectors | 1,589,532 | 1,096,293 |
| (ii) Public sector | - | - |
| (iii) Banks | - | - |
| (iv) Others | 3,048,344 | 1,663,404 |
| **TOTAL** | **4,637,876** | **2,759,697** |
| **III B.** Advances outside India | - | - |
| (i) Due from banks | - | - |
| (ii) Due from others | - | - |
| (a) Bills purchased and discounted | - | - |
| (b) Syndicated loans | - | - |
| (c) Others | - | - |
| **TOTAL** | **-** | **-** |
| | | |
| **TOTAL** | **4,637,876** | **2,759,697** |

S.R. BATLIBOI & ASSOCIATES LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

FirstRand Bank Ltd.

Indian Rupees in 000's

| SCHEDULE 10 - FIXED ASSETS | Amount | Amount |
|---|---|---|
| **I. Premises** | - | - |
| Cost at the beginning of the year | - | - |
| Additions during the year | - | - |
| Deductions during the year | - | - |
| Depreciation to date | - | - |
| **Net book value of premises** | - | - |
| **II. Other Fixed Assets (including furniture and fixtures and intangibles)** | | |
| Opening Balance | 230,970 | 224,489 |
| Additions During the year | 37,415 | 6,481 |
| Gross Book Value | 268,385 | 230,970 |
| Deductions During the year | (10,605) | - |
| Accumulated Depreciation to date | (215,838) | (207,846) |
| **Net Book Value of other fixed assets (including furniture and fixtures and intangibles)** | **41,942** | **23,124** |
| **III. Capital work-in-progress** | - | - |
| TOTAL | **41,942** | **23,124** |

| SCHEDULE 11 - OTHER ASSETS | Amount | Amount |
|---|---|---|
| **I.** Inter-office adjustments(net) | - | - |
| **II.** Interest accrued | 125,502 | 92,201 |
| **III.** Tax paid in advance /tax deducted at source | 492 | 414 |
| **IV.** Stationary and stamps | - | - |
| **V.** Non-banking assets acquired in satisfaction of claims | - | - |
| **VI.** Deferred Tax | - | - |
| **VII.** Others | 1,595,281 | 875,865 |
| TOTAL | **1,721,275** | **968,480** |

S.R. BATLIBOI & ASSOCIATES LLP * MUMBAI * CHARTERED ACCOUNTANTS

FirstRand Bank Ltd.

Indian Rupees in 000's

| SCHEDULE 12 - CONTINGENT LIABILITIES | Amount | Amount |
|---|---|---|
| I. Claims against the bank not acknowledged as debt | - | - |
| II. Liability on account of outstanding derivative contracts | 12,079,823 | 18,122,967 |
| III. Liability on account of outstanding forward exchange contracts and foreign currency swap contract | 110,587,511 | 83,045,130 |
| IV. Guarantees given on behalf of constituents | **3,172,894** | **3,224,465** |
| (a) In India | 3,172,894 | 3,224,465 |
| (b) Outside India | - | - |
| V. Acceptances, endorsements and other obligations | 905,953 | 184,863 |
| VI. Other items for which the banks is contingently liable / capital commitments | **2,130,500** | **1,073,983** |
| - Capital commitments not provided | - | - |
| - Others | 2,130,500 | 1,073,983 |
| **TOTAL** | **128,876,681** | **105,651,408** |

S.R. BATLIBOI & ASSOCIATES LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

FirstRand Bank Ltd.

Indian Rupees in 000's

| SCHEDULE 13 -Interest Earned | Amount | Amount |
|---|---|---|
| I. Interest/discount on advances/bills | 270,038 | 134,173 |
| II. Income on investments | 917,926 | 917,301 |
| III. Interest on balances with Reserve Bank of India and other interbank funds | 2,396 | 1,515 |
| IV. Others (Includes Interest on deposits placed with HO) | 8,382 | 5,502 |
| **TOTAL** | **1,198,742** | **1,058,491** |

| SCHEDULE 14 - OTHER INCOME | Amount | Amount |
|---|---|---|
| I. Commission, exchange and brokerage (net) | 122,647 | 102,855 |
| II. Profit/(Loss) on sale of investments (net) | 14,745 | 2,388 |
| III. Profit/(Loss) on revaluation of investments (net) | - | - |
| IV. Profit/(Loss) on sale of land, buildings and other assets (net) | 2,467 | - |
| V. Profit on exchange transactions/Derivatives (net) | 39,002 | (68,865) |
| VI. Miscellaneous Income | 244,066 | 225,655 |
| **TOTAL** | **422,927** | **262,033** |

| SCHEDULE 15 - INTEREST EXPENSES | Amount | Amount |
|---|---|---|
| I. Interest on deposits | 363,033 | 173,961 |
| II. Interest on Reserve Bank of India / inter- bank borrowings | 183,095 | 206,409 |
| III. Others | 217,351 | 162,994 |
| **TOTAL** | **763,479** | **543,364** |

| SCHEDULE 16 - OPERATING EXPENSES | | Amount | Amount |
|---|---|---|---|
| I. | Payment to and Provisions for employees | 605,822 | 615,420 |
| II. | Rent, taxes and lighting | 122,462 | 163,917 |
| III. | Printing and Stationery | (263) | 8,868 |
| IV. | Advertisement and publicity | 30,859 | 58,094 |
| V. | Depreciation on bank's property | 15,930 | 68,936 |
| VI. | Directors' fees, allowances and expenses | - | - |
| VII. | Auditors' fees and expenses | 2,800 | 2,250 |
| VIII. | Law charges | 3,184 | 10,048 |
| IX. | Postage, telegrams, telephone etc. | 2,176 | 3,049 |
| X. | Repairs and maintenance | 71,564 | 54,386 |
| XI. | Insurance | 17,704 | 17,841 |
| XII. | Other expenditure | 402,875 | 331,758 |
| | **TOTAL** | **1,275,113** | **1,334,567** |

S.R. BATLIBOI & ASSOCIATES LLP ★ CHARTERED ACCOUNTANTS ★ MUMBAI

FirstRand Bank Ltd.

Indian Rupees in 000's

| SCHEDULE 17 - PROVISIONS AND CONTINGENCIES | Amount | Amount |
|---|---|---|
| I. Provision towards Standard Assets | 11,753 | 4,447 |
| II. Provision towards Country Risk | 430 | (10,535) |
| III. Provision towards Non Performing Asset | 273,460 | 70,596 |
| IV. Provision towards Unhedged Foreign Currency | 4,980 | 19,773 |
| V. Provision for taxation | | |
| - Current income tax expense | - | - |
| - Deferred tax | - | - |
| - Wealth tax | - | 75 |
| VI. Provision towards Other assets | 263 | - |
| **TOTAL** | **290,886** | **84,356** |

S.R. BATLIBOI & ASSOCIATES LLP * MUMBAI * CHARTERED ACCOUNTANTS

FirstRand Bank Ltd.

**FirstRand Bank Limited-India Branch**
**(Incorporated in South Africa with Limited Liability)**

## Cash Flow Statement for the year ended 31st March 2016

Indian Rupees in 000's

| Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| **Cash flow from Operating Activities** | | |
| Net profit before taxation and extraordinary items | (707,809) | (641,763) |
| **Adjustments for:** | | |
| Depreciation on Fixed Assets | 15,930 | 68,936 |
| Provision towards gratuity & leave encashment | 12,751 | 11,637 |
| Provision towards Standard Advances | 11,753 | 4,447 |
| (Write-Back)/Provision towards Country Risk | 430 | (10,535) |
| Provision towards Unhedged Foreign Currency | 4,980 | 19,773 |
| Provision for Wealth Tax | - | 75 |
| Provision for Non Performing Asset | 273,460 | 70,596 |
| (Write-Back)/Provision for Lease Equalisation | (27,825) | (18,645) |
| Other Provisions | 209,242 | 256,516 |
| (Profit)/Loss on sale of Fixed Assets | (2467) | - |
| **Operating Profit before changes in working capital** | **(209,555)** | **(238,963)** |
| **Adjustment for:** | | |
| (Increase)/ Decrease in Investments | 574,666 | (2,683,375) |
| (Increase)/ Decrease in Advances | (2,151,639) | (840,683) |
| (Increase)/ Decrease in Other Assets | (752,795) | 279,467 |
| Increase/ (Decrease) in Deposits | 2,964,381 | 1,884,057 |
| Increase/ (Decrease) in Other liabilities and Provisions | 640,900 | (1,042,602) |
| **Net Cash flow from Operating Activities (A)** | **1,065,958** | **(2,642,099)** |
| **Cash flow from Investing Activities** | | |
| (Purchase) of Fixed Assets | (37,415) | (6,481) |
| Sale of Fixed Assets | 5,134 | |
| **Net Cash flow from Investing Activities (B)** | **(32,281)** | **(6,481)** |
| **Cash flow from Financing Activities** | | |
| Receipt of Capital | 132,120 | 1,091,691 |
| Increase / (Decrease) in Borrowings (Net) | (668,926) | 2,197,781 |
| **Net Cash flow from Financing Activities (C)** | **(536,806)** | **3,289,472** |

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FirstRand Bank Ltd.

| | | |
|---|---|---|
| **Net Increase/(Decrease) in cash and cash equivalents (A+B+C)** | **496,871** | **640,892** |
| **Cash and Cash equivalents at the beginning of the period** | **1,934,358** | **1,293,466** |
| **Cash and Cash equivalents at the end of the period** | **2,431,229** | **1,934,358** |

**Note: Cash and Cash equivalents represents**

| Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| a) Cash and balance with Reserve Bank of India | 440,563 | 355,183 |
| b) Balance with Banks and money at call and short notice | 1,990,666 | 1,579,175 |
| (Excluding deposits with original maturity of more than 3 months) | | |
| **Total** | **2,431,229** | **1,934,358** |

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.:-
101049W/E300004

Charanjit Attra
Partner
M.No. 100312

Place: Mumbai
Date: 29th June 2016

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For FirstRand Bank Limited-India Branch

Rohit Wahi
Chief Executive Officer

Luke Woodford
Chief Financial Officer

FirstRand

FIRSTRAND BANK

## Notes to Accounts

March 2016

FirstRand Bank Limited-India Branch

(Incorporated in South Africa with Limited Liability)

## SCHEDULE 18: SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

## 1. BACKGROUND

The accompanying financial statements for the year ended 31st March 2016 comprise of accounts of the Mumbai Branch (referred to as 'the Bank') of FirstRand Bank Limited which is a banking company incorporated in South Africa with limited liability and was granted a license to carry on banking business in India by Reserve Bank of India (RBI) on 18th February 2009.

## 2. BASIS OF PREPARATION AND USE OF ESTIMATES

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the Reserve Bank of India (RBI) from time to time, the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014 to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows accrual method of accounting (except where otherwise stated) and historical cost convention.

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

## 3. USE OF ESTIMATES

The preparation of the financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent liabilities as at the date of the financial statements. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable; however actual results could differ from these estimates. Any revision in the accounting estimates is recognized prospectively in the future period.

# 4. SIGNIFICANT ACCOUNTING POLICIES

## 4.1. Investments

**Classification**

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

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

Under each of these categories the investment portfolio is further classified in accordance with RBI disclosure guidelines into sub-categories of:

- Government securities,
- Other approved securities,
- Shares,
- Debentures and Bonds,
- Subsidiaries/Joint ventures and
- Others.

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

The Bank follows settlement date method for accounting of its investments

**Basis of classification**

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

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

**Acquisition Cost**

In determining the cost of investment,

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

**Disposal of Investments**

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

**Valuation**

Investments held under the AFS and HFT categories are marked to market periodically at the price as declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA"). Securities are valued scrip-wise and depreciation/appreciation is aggregated for each sub-category. Net depreciation, if any, is

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FirstRand Bank Ltd

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 Papers being discounted instruments are valued at carrying cost.

The Bank undertakes short sale transactions in Government dated securities in accordance with RBI guidelines

**Repurchase (Repo) and Reverse Repurchase Transactions**

Repo and Reverse Repo transactions including (Liquidity Adjustment Facility (LAF), term repo with RBI) and Collateralised Lending and Borrowing Obligations (CBLO) entered with Clearing Corporation of India Limited (CCIL) are considered as lending and borrowing transactions.

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 stated net of specific provisions and interest in suspense.

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

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

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

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

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## 4.3. Fixed assets and depreciation

Fixed assets are stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Depreciation on fixed assets is provided as per straight-line method from the date of addition over the estimated useful lives of the asset as estimated by the management. Depreciation on assets sold during the year is charged to the profit and loss account up to the date of sale. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter, then the depreciation is provided at a higher rate based on management's estimate of useful life/remaining useful life.

The management of the bank have estimated, assessed and has used the following useful lives to provide depreciation on its fixed assets which is consistent with the prior year

| Asset Category | Useful lives estimated by the management (years) | Useful lives as per Companies Act 2013 (years) |
|---|---|---|
| Office equipment | 3 | 5 |
| Computers/Hardware Equipment | 3 | 3 |
| Application Software | 3 | 5 |
| Furniture and fixtures | 3 | 10 |
| Motor Vehicles | 5 | 8 |
| Items costing less than Rs. 5,000 | Nil | As applicable to asset category |

## 4.4. Impairment of Assets

The Bank assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss account. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

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## 4.5. Foreign Exchange Transactions

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

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

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

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

## 4.6. Derivative transactions

The Bank enters into derivative contracts such as interest rate swaps and currency swaps, options, currency futures and foreign exchange contracts.

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

Premiums paid and received on options is accounted for up-front in the Profit and Loss Account. Foreign currency options are marked to market (MTM) on daily basis and the profit or loss on revaluation is recorded in the Profit and Loss account and corresponding asset or liability is shown under Other assets or Other liabilities, respectively.

Currency futures contracts are marked to market (MTM) using closing price of the relevant futures contract as published by the exchange. The resultant MTM profit or loss is settled the following day with the exchange Profit or loss on revaluation recorded in the Profit and Loss account. Margin money deposited with the exchange is included in Other assets.

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, 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. Actuarial gains and losses are recognized in full in the period in which they occur in the statement of Profit and Loss.

**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. Both the employer and employee contributions are made to the Employees' Provident Fund Organisation (EPFO) of the Government of India. The Bank has no obligation, other than the contribution payable to the provident fund. The Bank recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service.

**Leave Salary**

The Bank makes a provision for accrued compensated absences based on actuarial valuation as carried out by an independent actuary, using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

## 4.8. Lease Accounting

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

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

## 4.9. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. 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 instrument, except commission on guarantees and letters of credit of less than Rs. 200 ('000), is recognized in the Profit & Loss Account in the year in which the guarantee is issued.

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

## 4.10. Taxation

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

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

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

The Bank has not recognized deferred tax asset as at March 31, 2016 (previous year nil)

## 4.11. Accounting for Provisions, Contingent Liabilities and Contingent Assets

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

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

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

- there is a possible obligation that may arise from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the Bank; or
- any present obligation that arises from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Such obligations are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable is provided for except in the extremely rare circumstances where no reliable estimate can be made.

Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

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

## 4.12. Net Profit / Loss

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

- Specific provision for advances and provision for standard advances
- Country risk provision
- Unhedged foreign currency exposure
- Other usual or necessary provisions.

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

### 5.1. Capital Adequacy Ratio

The Reserve Bank of India had issued guidelines on implementation of Basel III capital regulation in India. These guidelines are to be implemented in a phased manner and are to be fully implemented as on 31st March 2019.
The capital adequacy ratio of the Bank calculated as per RBI guidelines is as follows:

| Sr. No | Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|---|
| i) | Common Equity Tier 1 capital ratio (%) | 25.36 | 35.95 |
| ii) | Tier 1 capital ratio (%) | 25.36 | 35.95 |
| iii) | Tier 2 capital ratio (%) | 0.43 | 0.37 |
| iv) | Total Capital ratio (CRAR) (%) | 25.79 | 36.32 |
| v) | Percentage of the shareholding of the Government of India in public sector banks | - | - |
| vi) | Amount of equity capital raised | - | - |
| vii) | Amount of Additional Tier 1 capital raised; *of which* | - | - |
| | PNCPS: | - | - |
| | PDI: | - | - |
| viii) | Amount of Tier 2 capital raised; *of which* | - | - |
| | Debt capital instrument: | - | - |
| | Preference Share Capital Instruments: [*Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)*] | - | - |

### 5.2. Investments

The details of investments are given below:

**(Rs. In '000s)**

| Particulars (In India) | 31-Mar-16 Book Value | 31-Mar-15 Book Value |
|---|---|---|
| Gross Value of Investments | 10,998,658 | 11,573,324 |
| Less: Provision for Depreciation during the year | --- | --- |
| Add: Write back of Provision during the year | --- | --- |
| **Net Value of Investments** | **10,998,658** | **11,573,324** |

There were no investment outside India as at March 31, 2016 and March 31, 2015.

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## 5.3. Repo Transactions

The details of face value of securities purchased and sold under repo and reverse repo agreements during the year ended 31st March 2016 (previous year figures are shown in brackets) are as follows:

(Rs. In '000s)

| Particulars | Minimum Outstanding during the year* | Maximum Outstanding during the year* | Daily average Outstanding during the year* | As at 31-Mar-16 (31-Mar-15) |
|---|---|---|---|---|
| **Securities sold under Repo** | | | | |
| i) Government securities | 29,500 (240,700) | 5,716,300 (2,997,700) | 3,377,122 (1,906,214) | --- (---) |
| ii) Corporate debt securities | --- (---) | --- (---) | --- (---) | --- (---) |
| **Securities purchased under Reverse Repo** | | | | |
| i) Government securities | 51,100 (50,700) | 1,476,500 (500,000) | 518,639 (161,733) | --- (---) |
| ii) Corporate debt securities | --- (---) | --- (---) | --- (---) | --- (---) |

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

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

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## 5.4. Non-SLR investment portfolio

a. Issuer composition of Non SLR investments as at 31st March 2016 (previous year figures are shown in brackets):

(Rs. In '000s)

| Sr. No | Issuer | Amount | Extent of private placement | Extent of below investment grade securities | Extent of unrated securities | Extent of unlisted securities |
|---|---|---|---|---|---|---|
| i) | Public sector undertakings (PSUs) | 250,317<br>(149,665) | ---<br>(---) | ---<br>(---) | ---<br>(---) | ---<br>(---) |
| ii) | Financial Institutions(FIs) | 1,486,567<br>(400,000) | 500,000<br>(400,000) | ---<br>(---) | ---<br>(---) | 236,241<br>(---) |
| iii) | Banks | 2,140,413<br>(3,281,018) | ---<br>(---) | ---<br>(---) | ---<br>(---) | 2,140,413<br>(3,281,018) |
| iv) | Private Corporate | ---<br>(447,872) | ---<br>--- | ---<br>(---) | ---<br>(---) | ---<br>(---) |
| v) | Subsidiaries / Joint Ventures | ---<br>(---) | ---<br>(---) | ---<br>(---) | ---<br>(---) | ---<br>(---) |
| vi) | Others | ---<br>(---) | ---<br>(---) | ---<br>(---) | ---<br>(---) | ---<br>(---) |
| vii) | Provision held towards deprecation | ---<br>(---) | ---<br>(---) | ---<br>(---) | ---<br>(---) | ---<br>(---) |
| | **Total** | **3,877,297**<br>**(4,278,555)** | **500,000**<br>**(400,000)** | **---**<br>(---) | **---**<br>(---) | **2,376,654**<br>**(3,281,018)** |

b. Non performing Non-SLR Investments as on 31st March 2016 and 31st March 2015 were Nil.

## 5.5. INVESTMENTS UNDER HTM CATEGORY

During the year, the Bank has not held, acquired or sold any investments in HTM category (previous year Nil). There has been no transfer of investments to/from HTM category during the year.

## 5.6. Derivatives

### a. Interest Rate Swap

Details of outstanding interest rate swap agreements are as follows :

(Rs. In '000s)

| Sr. No | Items | 31-Mar-16 | 31-Mar-15 |
|---|---|---|---|
| i) | Notional principal of swap agreements | 9,995,369 | 15,848,958 |
| ii) | Loss which would be incurred if counterparties failed to fulfil their obligations under the agreements | 9,071 | 14,762 |
| iii) | Collateral required by the bank upon entering into swaps* | --- | --- |
| iv) | Concentration of credit risk arising from the swaps | Banks–91% | Banks–85% |
| v) | Fair value of the swap book | 1,144 | 5,751 |

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

The Nature and terms of interest rate swap are set out below:

(Rs. In '000s)

| 31-Mar-2016 Terms | Nature | Number of deals | Notional principal |
|---|---|---|---|
| Floating Receivable v/s Fixed Payable-MIBOR * | Trading Swaps | 20 | 6,500,000 |
| Floating Payable v/s Fixed Receivable –MIBOR* | Trading Swaps | 8 | 2,750,000 |
| Floating Receivable v/s Fixed Payable-LIBOR | Trading Swaps | 1 | 372,684 |
| Floating Payable v/s Fixed Receivable-LIBOR | Trading Swaps | 1 | 372,684 |

(Rs. In '000s)

| 31-Mar-2015 Terms | Nature | Number of deals | Notional principal |
|---|---|---|---|
| Floating Receivable v/s Fixed Payable-MIBOR * | Trading Swaps | 28 | 8,750,000 |
| Floating Payable v/s Fixed Receivable –MIBOR* | Trading Swaps | 15 | 5,250,000 |
| Floating Receivable v/s Fixed Payable-LIBOR | Trading Swaps | 2 | 924,479 |
| Floating Payable v/s Fixed Receivable-LIBOR | Trading Swaps | 2 | 924,479 |

** Daily Reset*

### b. Forward Rate Agreements

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

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## c. Currency Swap

Details of outstanding currency swap agreements are as follows :

(Rs. In '000s)

| Sr. No | Items | 31-Mar-16 | 31-Mar-15 |
|---|---|---|---|
| i) | Notional principal of swap agreements | 443,099 | 714,090 |
| ii) | Loss which would be incurred if counterparties failed to fulfil their obligations under the agreements | 78,592 | 111,968 |
| iii) | Collateral required by the bank upon entering into swaps | --- | --- |
| iv) | Concentration of credit risk arising from the swaps | Banks–85% | Banks–83% |
| v) | Fair value of the swap book | 512 | 1,304 |

The Nature and terms of currency swap are set out below:

(Rs. In '000s)

| 31-Mar-2016<br>Terms | Nature | Number of deals | Notional principal |
|---|---|---|---|
| Floating Receivable v/s Fixed Payable - 3mth LIBOR | Trading Swaps | 1 | 258,395 |
| Floating Payable v/s Fixed Receivable - 3mth LIBOR | Trading Swaps | 1 | 184,704 |

(Rs. In '000s)

| 31-Mar-2015<br>Terms | Nature | Number of deals | Notional principal |
|---|---|---|---|
| Floating Receivable v/s Fixed Payable - 3mth LIBOR | Trading Swaps | 1 | 406,250 |
| Floating Payable v/s Fixed Receivable - 3mth LIBOR | Trading Swaps | 1 | 307,840 |

## 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

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 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, Cross Currency Swaps (CCS), Currency Futures and Options.

Derivative transactions expose the Bank primarily to counter-party credit risk, market risk (interest rate and foreign exchange risk) and operational 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, Market Risk Mandate and limit structures which are approved by the Head Office.

The in-country Management Board (MANBO) 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. Asset Liability Committee (ALCO) and MANBO is responsible for interest rate risk and liquidity risk in banking book.

**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 risk, compliance, operations and 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, Duration gap analysis etc. The risk monitoring reports are regularly submitted to the MANBO and ALCO for monitoring purposes and for any other input that may be required.

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 all derivative transactions and appraises the MANBO and the ALCO on the compliance with the risk limits.

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

**Credit risk mitigation, provisioning and accounting**

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

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Committees depending upon the nature and rating of counterparty and size of the limit. While setting up these limits, the Bank follows rigorous appraisal principles and procedures similar to those for loan limits. All exposures are monitored in accordance with the RBI regulations on single/ group borrower limits.

Provisions are made to reflect the risk tendency of the portfolio. Provisions for credit exposures are computed using the Current Exposure Method on interest rate and foreign exchange derivative contracts as stipulated 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 the 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 2016, all derivative transactions belonged to trading book.

### Quantitative Disclosure

These disclosures include exposure for open foreign currency futures and options contracts under the foreign exchange contracts category. The details for currency derivatives and interest rate swap for the year ended 31st March 2016 & 31st March 2015 are given below:

(Rs. In '000s)

| Sr. No | Particulars | | 31-Mar-16 | | |
|---|---|---|---|---|---|
| | | | Currency Derivatives | | Interest Rate Swaps |
| | | | Foreign Exchange contracts | Cross Currency Swaps | |
| i) | **Derivatives (Notional Principal Amount)** | | | | |
| | a) | For Hedging | --- | --- | --- |
| | b) | For Trading | 112,228,866 | 443,099 | 9,995,369 |
| ii) | **Marked to Market Positions** | | | | |
| | a) | Asset | 1,147,924 | 78,592 | 9,071 |
| | b) | (Liability) | (1,157,866) | (78,080) | (10,214) |
| iii) | **Credit Exposure** | | 3,441,755 | 122,902 | 66,524 |
| iv) | **Likely impact of one percentage change in interest rate (100*PV01)** | | | | |
| | a) | On Hedging Derivatives | --- | --- | --- |
| | b) | On Trading Derivatives | (435) | (6) | 30,370 |

| | | | | |
|---|---|---|---|---|
| v) | **Maximum and Minimum of 100*PV01 observed during the year** | | | |
| | a) On Hedging | --- | --- | --- |
| | b) On Trading | 15,703-Max (1,289)-Min | (4)-Max (19)-Min | 31,142-Max (1,280)-Min |

(Rs. In '000s)

| Sr. No | Particulars | 31-Mar-15 | | |
|---|---|---|---|---|
| | | Currency Derivatives | | Interest Rate Swaps |
| | | Foreign Exchange contracts | Cross Currency Swaps | |
| i) | **Derivatives (Notional Principal Amount)** | | | |
| | a) For Hedging | --- | --- | --- |
| | b) For Trading | 84,605,049 | 714,090 | 15,848,958 |
| ii) | **Marked to Market Positions** | | | |
| | a) Asset | 383,201 | 111,968 | 14,762 |
| | b) (Liability) | (393,861) | (110,665) | (9,011) |
| iii) | **Credit Exposure** | 2,121,331 | 183,377 | 103,252 |
| iv) | **Likely impact of one percentage change in interest rate (100*PV01)** | | | |
| | a) On Hedging Derivatives | --- | --- | --- |
| | b) On Trading Derivatives | 3,239 | (4) | 5,216 |
| v) | **Maximum and Minimum of 100*PV01 observed during the year** | | | |
| | a) On Hedging | --- | --- | --- |
| | b) On Trading | 14,979-Max 1,390-Min | 2677-Max (5196)-Min | 27,973-Max 982-Min |

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## 5.7. Asset Quality

### a. Non-Performing Advances:

(Rs. In '000s)

| Sr. No | Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|---|
| (i) | Net NPAs to Net Advances (%) | 6.77% | 5.47% |
| (ii) | Movement of Gross NPAs | | |
| | a) Opening balance | 221,433 | 341,632 |
| | b) Additions during the year | 436,502 | 221,433 |
| | c) Reductions during the year (write off) | (17 ) | (341,632) |
| | d) Closing Balance | **657,918** | **221,433** |
| (iii) | Movement of Net NPAs | | |
| | a) Opening balance | 150,837 | --- |
| | b) Additions during the year | 163,042 | 150,837 |
| | c) Reductions during the year | (2) | --- |
| | d) Closing Balance | **313,877** | **150,837** |
| (iv) | Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| | a) Opening balance | 70,596 | 341,632 |
| | b) Additions during the year | 273,460 | 70,596 |
| | c) Reductions during the year (Write off) | (15) | (341,632) |
| | d) Closing Balance | **344,041** | **70,596** |

### b. Particulars of Accounts Restructured:

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

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## e. Provision for Standard Assets

(Rs. In '000s)

| Sr. No | Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|---|
| i) | Provision on Standard Advances | 31,821 | 20,067 |
| ii) | Provision towards Country Risk | 1,646 | 1,216 |
| iii) | Provision towards Unhedged Foreign Currency | 24,753 | 19,773 |
| | **TOTAL** | **58,220** | **41,056** |

## f. Business Ratios

| Sr. No | Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|---|
| i) | Interest Income as a percentage to working funds [1] | 7.28% | 7.30% |
| ii) | Non-interest income as a percentage to working funds [1] | 2.57% | 1.81% |
| iii) | Operating profits as percentage to working funds [1] | (2.53%) | (3.85%) |
| iv) | Return on Assets [2] | (4.30%) | (4.43%) |
| v) | Business (deposits plus advances) per employee **(in Rs. 000's)** [3] | 76,468 | 39,583 |
| vi) | Net Profit / (loss) per employee **(in Rs. 000's)** [4] | (5,445) | (4,519) |

[1] 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.

[2] *Net Profit as a percentage to average working funds*

[3] *Business means total of net advances and deposits, excluding interbank deposits*

[4] Productivity ratio is based on year end employee numbers

## g. Provision Coverage Ratio (PCR)

The provision coverage ratio of the bank as at 31st March 2016 computed as per extant RBI guidelines is 52% (previous year 32%).

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## h. Asset Liability Management

### *Maturity pattern of certain items of assets and liabilities*

(Rs. In '000s)

| 31st March 2016 Maturity Buckets | Deposits | Advances | Investments | Borrowings* | Foreign Currency Assets** | Foreign Currency Liabilities** |
|---|---|---|---|---|---|---|
| Day 1 | 53,474 | 352,025 | 5,165,615 | - | 57,688 | 140,326 |
| 2 to 7 days | 97,424 | 240,025 | 499,932 | 4,032,504 | 1,901,094 | 62,623 |
| 8 to 14 days | 29,906 | 136,997 | 175,401 | 1,406,449 | 82,359 | 60,534 |
| 15 to 28 days | 98,287 | 120,429 | 37,991 | 202,110 | 113,724 | 203,840 |
| 29 days to 3 months | 528,020 | 1,126,566 | 406,740 | 747,996 | 461,764 | 564,247 |
| Over 3 months & up to 6 months | 1,946,757 | 344,849 | 877,331 | 1,191,711 | 260,385 | 204,790 |
| Over 6 months & up to 1 year | 2,041,657 | 782,803 | 2,306,262 | - | - | 2,954 |
| Over 1 year & up to 3 years | 1,237,157 | 1,220,304 | 1,230,005 | 6,62,050 | - | 7,21,361 |
| Over 3 years & up to 5 years | 297,599 | 164,448 | 292,316 | - | - | - |
| Over 5 years | - | 149,430 | 7,065 | - | 71,887 | 988,226 |
| **TOTAL** | **6,330,281** | **4,637,876** | **10,998,658** | **8,243,320** | **2,948,901** | **2,948,901** |

(Rs. In '000s)

| 31st March 2015 Maturity Buckets | Deposits | Advances | Investments | Borrowings* | Foreign Currency Assets** | Foreign Currency Liabilities** |
|---|---|---|---|---|---|---|
| Day 1 | 100,969 | 153,280 | 5,629,700 | - | 120,186 | 20,274 |
| 2 to 7 days | 30,293 | 90,441 | 498,746 | 3,891,122 | 1,534,191 | 67,303 |
| 8 to 14 days | 8,706 | 97,364 | 355,016 | 2,783,124 | 24,315 | 33,140 |
| 15 to 28 days | 45,102 | 674,818 | 18,752 | 90,312 | 145,085 | 90,397 |
| 29 days to 3 months | 968,638 | 1,242,185 | 522,400 | 1,202,189 | 444,660 | 703,411 |
| Over 3 months & up to 6 months | 251,797 | 254,667 | 88,122 | 140,500 | 161,858 | 142,158 |
| Over 6 months & up to 1 year | 915,594 | 53,003 | 4,239,845 | 180,000 | - | 700,837 |
| Over 1 year & up to 3 years | 769,301 | 41,232 | 177,303 | 625,000 | - | 740,588 |
| Over 3 years & up to 5 years | 275,500 | 152,707 | 38,219 | - | - | - |
| Over 5 years | - | - | 5,221 | - | 67,813 | - |
| **TOTAL** | **3,365,900** | **2,759,697** | **11,573,324** | **8,912,247** | **2,498,108** | **2,498,108** |

*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.

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## *i. Exposures*

### i. Exposure to Real Estate Sector

(Rs In 000s)

| Sr. No. | Particulars | March 31, 2016 | March 31, 2015 |
|---|---|---|---|
| i) | **Direct exposure** | | |
| | a. Residential Mortgages | --- | --- |
| | b. Commercial Real Estate | --- | --- |
| | of total Commercial real estate - exposure to residential real estate projects | | |
| | of total Commercial Real Estate outstanding as advances | | |
| | c. Investments in Mortgage Backed Securities (MBS) and other securitized exposures | | |
| | - Residential | --- | --- |
| | - Commercial Real Estate | --- | --- |
| ii) | **Indirect exposure** Fund based and non fund based exposures on National Housing Board and Housing finance companies | 800,000 | --- |
| | TOTAL | **800,000** | **---** |

### ii. Exposure to Capital Market Sector

There was no exposure to capital market sector as at 31st March 2016 (Previous Year: Nil).

### iii. Margin Trading

During the year ended 31st March 2016 the bank did not perform any 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 2016 | Provision held as at 31st March 2016 | Exposure* (net) as at 31st March 2015 | Provision held as at 31st March 2015 |
|---|---|---|---|---|
| Insignificant | 627,484 | 262 | 528,332 | 318 |
| Low | 2,244,363 | 1,384 | 1,479,328 | 898 |
| Moderate | 61,115 | --- | 181,250 | --- |
| High | 74,902 | -- | -- | -- |
| Very High | --- | --- | --- | --- |
| Restricted | --- | --- | --- | --- |
| Off-credit | --- | --- | --- | --- |
| TOTAL | **3,007,864** | **1,646** | **2,188,910** | **1,216** |

*Funded exposures have been reported above

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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 2016 (Previous Year: Nil).

j. **Miscellaneous**

i. **Amount of Provision made for Income tax/Deferred Tax during the period**

The Bank has not created income tax provision and deferred tax assets during the year ended 31st March 2016 in view of losses (Previous Year: Nil).

ii. **Disclosure of Penalties imposed by RBI**

During the year ended 31st March 2016, 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 (including administration charges) for the current year is Rs. 25,533 (in '000s). (Previous Year: Rs 28,016 (in '000s)).

b. **Gratuity:**
Principal actuarial assumptions as at balance sheet date:

| Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| Discount Rate | 7.46% | 7.77% |
| Salary Escalation Rate | 10.00% | 8.00% |
| Employee Attrition Rate | 17% | 15% |
| Expected Average Remaining service | 4.72 | 5.42 |

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(Rs. In '000s)

| Sr. No. | Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|---|
| (i) | **Changes in present value of obligation** | | |
| | Opening Defined Benefit Obligation | 25,053 | 17,429 |
| | Interest Cost | 1,859 | 1,542 |
| | Current Service Cost | 7,591 | 7,715 |
| | Actuarial (Gains) / Losses | (678) | (342) |
| | Benefits Paid | (2,258) | (1,291) |
| | **Closing Defined Benefit Obligation** | **31,567** | **25,053** |
| (ii) | **Changes in the fair value of Plan Assets** | | |
| | Fair value of Plan Assets at beginning of period | --- | --- |
| | Expected return on Plan Assets | --- | --- |
| | Contributions | 2,258 | 1,291 |
| | Benefits paid | (2,258) | (1,291) |
| | 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 | 2,258 | 1,291 |
| | Benefits paid | (2,258) | (1,291) |
| | Fair value of Plan Assets at the end of the period | ---- | ---- |
| | Funded status(Including past service cost) | (31,567) | (25,053) |
| | Excess of Actual over estimate return on Plan Assets | --- | --- |
| (iv) | **Experience History** | | |
| | (Gain)/Loss on obligation due to change in Assumption | 3,023 | 1,678 |
| | Experience (Gain)/ Loss on obligation | (3,700) | (2,021) |
| | Actuarial Gain/(Loss) on plan assets | --- | --- |
| (v) | **Actuarial Gain / (loss) recognized** | | |
| | Actuarial Gain / (Loss) for the period – (obligation) | 678 | 3,424 |
| | Actuarial Gain / (Loss) for the period – (Plan assets) | --- | --- |
| | Total Gain/(Loss) for the period | 678 | 3,424 |
| | **Net Actuarial Gain / (Loss) recognized for the period** | **678** | **3,424** |
| (vi) | **Amount to be recognized in Balance Sheet and Profit & Loss Account** | | |
| | PVO at end of period | 31,567 | 25,053 |
| | Fair value of Plan Assets as at the end of the period | --- | --- |
| | Funded Status | (31,567) | (25,053) |
| | Unrecognized Actuarial Gain/(Loss) | --- | --- |
| | **Net Asset/(liability) recognized in Balance Sheet** | **(31,567)** | **(25,053)** |
| (vii) | **Expenses Recognized in Profit & Loss Account** | | |
| | Current Service Cost | 7,591 | 7,715 |
| | Interest Cost | 1,859 | 1,542 |
| | Expected return on Plan assets | --- | --- |
| | Net Actuarial (Gain) / loss recognized in the period | (678) | (342) |
| | **Expenses Recognized in Profit & Loss Account** | **8,772** | **8,915** |

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| (viii) | Movements in the Liability recognized in Balance Sheet | | |
|---|---|---|---|
| | Opening Net Liability | 25,053 | 17,429 |
| | Expenses as above | 8,772 | 8,915 |
| | Contribution paid | (2,258) | (1,291) |
| | **Closing Net Liability** | **31,567** | **25,053** |

## 6.2. Segmental Reporting

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

**Treasury & market** activity comprise trading in bonds, derivatives and foreign exchange operations for customers and to manage the resultant risk exposure. Treasury includes income from investment portfolio, profit / loss on sale of investments, profit / loss on foreign exchange transactions, income from derivatives, money market operations and Balance sheet management.

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

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

**Retail Banking** activities comprises lending to individuals and raising of deposits.

(Rs. In '000s)

| Business Segments | Treasury | | Corporate/Wholesale Banking | | Retail Banking | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 31-Mar-16 | 31-Mar-15 | 31-Mar-16 | 31-Mar-15 | 31-Mar-16 | 31-Mar-15 | 31-Mar-16 | 31-Mar-15 |
| **Particulars** | | | | | | | | |
| Revenue | 1,095,850 | 960,106 | 423,646 | 342,352 | 102,173 | 18,066 | 1,621,669 | 1,320,524 |
| Result | 304,513 | 295,429 | (99,463) | (256,326) | (621,973) | (596,510) | (416,923) | (557,407) |
| Unallocated Expenses | | | | | | | 290,886 | 84,356 |
| Deferred Tax (Credit) | | | | | | | - | - |
| **Operating Profit** | | | | | | | **(707,809)** | **(641,763)** |
| Income Taxes | | | | | | | | |
| Extraordinary Profit/Loss | | | | | | | | |
| **Net Profit** | | | | | | | **(707,809)** | **(641,763)** |
| **Other Information** | | | | | | | | |
| Segment Assets | 14,801,749 | 14,130,238 | 4,028,862 | 2,710,069 | 655,973 | 95,037 | 19,486,584 | 16,935,344 |
| Unallocated Assets | | | | | | | 344,396 | 323,639 |
| **Total Assets** | **14,801,749** | **14,130,238** | **4,028,862** | **2,710,069** | **655,973** | **95,037** | **19,830,980** | **17,258,983** |
| Sement Liabilities | 13,934,806 | 13,477,849 | 58,483 | 41,056 | 5,396,893 | 3,377,856 | 19,390,182 | 16,896,761 |
| Unallocated Liabilities | | | | | | | 440,798 | 362,222 |
| **Total Liabilities** | **13,934,806** | **13,477,849** | **58,483** | **41,056** | **5,396,893** | **3,377,856** | **19,830,980** | **17,258,983** |

*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 year**

a. **Head office and Branches**
   FirstRand Bank and its branches

b. **Subsidiaries**
   None

c. **Key management personnel**
   Chief Executive Officer of the Bank: Mr. Rohit Wahi

In accordance with RBI circular there is only one entity in each category of related party, and hence details of transactions have not been given.

## 6.4. Leases

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

(Rs. In '000s)

| Particulars | March 2016 | March 2015 |
|---|---|---|
| Not later than one year | 126,189 | 2,475 |
| Later than one year and not later than five years | 164,574 | - |
| Later than five years | - | - |
| **TOTAL** | **290,763** | **2,475** |
| Total minimum lease payments recognized in the Profit & Loss Account | 124,373 | 177,294 |

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# 7. ADDITIONAL DISCLOSURES

## 7.1. Provisions and Contingencies comprises of

(Rs. In '000s)

| Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| Provision for Standard Assets | 11,753 | 4,447 |
| Provision for Country Risk | 430 | (10,535) |
| Provision for Non performing Asset | 273,460 | 70,596 |
| Provision for Unhedged Foreign Currency exposure | 4,980 | 19,773 |
| Provision for Taxation | | |
| - Wealth tax | --- | 75 |
| Other Provisions | 263 | --- |
| **Total** | **290,886** | **84,356** |

## 7.2. Floating Provisions

Bank has not created floating provisions during the year ended 31st March 2016 (Previous Year: Nil).

## 7.3. Draw Down from Reserves

Bank did not have draw downs from reserves during the year ended 31st March 2016 (Previous Year: Nil).

## 7.4. Disclosure of complaints

During the current year Bank has received 223 customer complaints (Previous Year: 288).

| Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| (a) No. of complaints pending at the beginning of the year | --- | --- |
| (b) No. of complaints received during the year | 223 | 288 |
| (c) No. of complaints redressed during the year | 223 | 288 |
| (d) No. of complaints pending at the end of the year | --- | --- |

## 7.5. Awards passed by the Banking Ombudsman

During the year no awards were passed by the Banking Ombudsman and there are no unimplemented awards outstanding as on 31st March 2016 (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 2016 (Previous Year: Nil).

## 7.7. Bancassurance Business

(Rs. In '000s)

| Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| Income from selling life insurance policies | 714 | 244 |
| Income from selling mutual funds | - | - |

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

### a. Concentration of Deposits

(Rs. In '000s)

| Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| Total Deposits of twenty largest depositors | 3,739,758 | 1,744,346 |
| Percentage of Deposits of twenty largest depositors to Total Deposits of the bank* | 70% | 73% |

* The above deposits includes interbank deposits & excludes certificate of deposits

### b. Concentration of Advances**

(Rs. In '000s)

| Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| Total Advances to twenty largest borrowers | 6,774,267 | 7,224,258 |
| Percentage of Advances to twenty largest borrowers to Total Advances of the bank* | 75% | 88% |

*The above advance exclude interbank advances

** 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. 23/21.04.018/2015-16 dated 1st July 2015.

### c. Concentration of Exposures**

(Rs. In '000s)

| Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| Total Exposure to twenty largest borrowers/customers | 7,303,729 | 8,086,058 |
| Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers* | 73% | 80% |

*The above exposure excludes interbank exposures

** Exposures are computed based on Credit and Investment exposure as prescribed in RBI's Master Circular DBOD.No.Dir.BC. 23/21.04.018/2015-16 dated 1st July 2015.

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

(Rs. In '000s)

| Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| Total Exposure to top four NPA accounts | 6,57,918* | 221,433* |

*Two non performing loans as at 31 March 2016 (Previous Year: one)

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e. **Sector-wise Advances**

(Rs. In '000s)

| Sectors | 31-Mar-16 Gross Advances | 31-Mar-16 Gross NPAs | 31-Mar-16 % of Gross NPAs to Gross Advances in that sector | 31-Mar-15 Gross Advances | 31-Mar-15 Gross NPAs | 31-Mar-15 % of Gross NPAs to Gross Advances in that sector |
|---|---|---|---|---|---|---|
| **PRIORITY SECTOR** | | | | | | |
| -Agriculture and allied activities | - | - | - | - | - | - |
| -Advances to industries sector eligible as priority sector lending | 7,51,672 | - | - | 6,98,175 | - | - |
| -Services | 1,91,059 | - | - | 3,06,451 | - | - |
| -Personal loans* | 6,46,801 | - | - | 91,666 | - | - |
| **Sub-total (A)** | **15,89,532** | **-** | **-** | **10,96,292** | **-** | **-** |
| **Non Priority Sector** | | | | | | |
| -Agriculture and allied activities | - | - | - | - | - | - |
| -Industry | 2,75,097 | - | - | 5,13,522 | - | - |
| -Services | 31,15,927 | 6,57,918 | 21.11 | 12,18,190 | 2,21,433 | 18.18 |
| -Personal loans | 1,361 | - | - | 2,288 | - | - |
| **Sub-total (B)** | **33,92,385** | **6,57,918** | **19.39** | **17,34,000** | **2,21,433** | **12.77** |
| **Total** | **49,81,917** | **6,57,918** | **13.21** | **28,30,292** | **2,21,433** | **7.82** |

* Includes loans given under the micro finance lending program

f. **Movement of NPAs**

(Rs. In '000s)

| Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| Gross NPAs as on April 1 | 221,433 | 341,632 |
| Additions (Fresh NPAs) during the year | 4,36,502 | 221,433 |
| **Sub-total (A)** | **657,935** | **563,065** |
| Less:- | | |
| (i) Upgradations | --- | --- |
| (ii) Recoveries (excluding recoveries made from upgraded accounts) | --- | --- |
| (iii) Write-offs | 17 | 341,632 |
| **Sub-total (B)** | **17** | **341,632** |
| **Gross NPAs as on 31st March (A-B)** | **657,918** | **221,433** |

## 7.9. Overseas Assets, NPAs and Revenue

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

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

The Bank does not have any off-balance sheet sponsored Special Purpose Vehicles as at 31st March 2016 (Previous Year: Nil).

## 7.11. Unamortised Pension and Gratuity Liabilities

Since the Bank does not amortize pension and gratuity expenditure, the disclosure is not applicable.

## 7.12. 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.

**7.13.** In terms of guidelines issued by RBI vide circular No. BC. 72/29.67.001/2011-12 dated 13th Jan 2012 on "Compensation of Whole Time Directors / Chief Executive officers / Risk takers and Control function staff, etc.", the Bank has submitted a declaration received from its Head office to RBI to the effect that the compensation structure in India, including that of CEO's, is in conformity with the FSB principles and standards.

## 7.14. Disclosure relating to Securitisation

The Bank has not entered into any securitization transactions during the year ended March 31, 2016 (Previous Year: Nil)

## 7.15. Credit Default Swaps

The Bank has not transacted in credit default swaps during the year ended March 31, 2016 (Previous Year: Nil)

## 7.16. Intra-Group Exposures

**(Rs. In '000s)**

| Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| Total amount of Intra-group exposures | 10,000 | 10,000 |
| Total amount of top-20 Intra-group exposures | 10,000 | 10,000 |
| Percentage of Intra-group exposures to total exposure of the bank on borrowers / customers (%) | **0.10** | **0.10** |
| Breach of limits on intra-group exposures and regulatory action thereon, if any | --- | --- |

During the year ended 31 March, 2016, the intra-group exposures were within the limits specified by RBI

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## 7.17. Transfers to Depositor Education and Awareness Fund (DEAF)

The Bank has not transferred to DEAF under during the year ended March 31, 2016 (Previous Year: Nil)

(Rs. In '000s)

| Particulars | 31-Mar-16 | 31-Mar-15 |
|---|---|---|
| Opening balance of amounts transferred to DEAF | --- | --- |
| Add : Amounts transferred to DEAF during the year | --- | --- |
| Less : Amounts reimbursed by DEAF towards claims | --- | --- |
| Closing balance of amounts transferred to DEAF | --- | --- |

## 7.18. Unhedged Foreign Currency Exposure (UFCE)

The Bank assesses the unhedged foreign currency exposures of the borrowers through its credit appraisal and monitoring process. The Bank has created Rs 4,980 (in 000s) as provision towards unhedged foreign currency exposure for the year ended March 2016 (Previous year Rs. 19,773 (in 000s)). The bank held incremental risk weighted assets of Rs 696,659 (in 000's) at 31st March 2016 on UFCE (Previous year Rs. 581,394 (in 000s))

## 7.19. 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-16 | 31-Mar-15 |
|---|---|---|
| Professional Fees | 154,403 | 56,702 |
| Service tax written off | 39,743 | 35,864 |
| System development and maintenance costs | 70,427 | 112,903 |
| Broadband Lease line charges | 18,008 | 8,836* |

* FY 2015 Broadband lease line charges does not exceed 1% of the total income.

## 7.20. Provision for Long Term contracts

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and recorded adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

## 7.21. Liquidity Coverage Ratio (LCR)

The Bank has been computing and submitting its LCR to RBI on monthly basis as per RBI guidelines. The average liquidity coverage ratio (LCR) maintained for the quarter ended 31st March 2016 on monthly average basis is 113.68%

The following table sets forth simple average of unweighted and weighted value of the LCR of the Bank, based on month end values, for the quarters ended 31st March 2016, 31st December 2015, 30th September 2015 and 30th June 2015

**(Rs In '000s)**

| Sr No | Particulars | 30-Jun-15 Total Unweighted Value (Average) | 30-Jun-15 Total Weighted Value (Average) | 30-Sep-15 Total Unweighted Value (Average) | 30-Sep-15 Total Weighted Value (Average) | 31-Dec-15 Total Unweighted Value (Average) | 31-Dec-15 Total Weighted Value (Average) | 31-Mar-16 Total Unweighted Value (Average) | 31-Mar-16 Total Weighted Value (Average) |
|---|---|---|---|---|---|---|---|---|---|
| | **High Quality Liquid Assets** | | | | | | | | |
| 1 | Total High Quality Liquid Assets (HQLA) | **1,864,427** | **1,849,461** | **2,995,210** | **2,995,210** | **4,561,695** | **4,561,695** | **2,447,298** | **2,447,298** |
| | **Cash Outflows** | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which : | | | | | | | | |
| | (i) Stable deposits | 10,233 | 512 | 12,333 | 617 | 12,487 | 624 | 13,368 | 668 |
| | (ii) Less stable deposits | 805,037 | 80,504 | 988,970 | 98,897 | 1,292,674 | 129,267 | 1,469,822 | 146,982 |
| 3 | Unsecured wholesale funding, of which: | | | | | | | | |
| | (i) Operational deposits (all counterparties) | 26,227 | 6,557 | 41,080 | 10,270 | 54,346 | 13,586 | 78,717 | 19,679 |
| | (ii) Non-operational deposits (all counterparties) | 1,672,605 | 669,042 | 1,860,825 | 744,330 | 2,375,529 | 950,212 | 3,032,747 | 1,213,099 |
| | (iii) Unsecured debt | 2,275,028 | 2,275,028 | 3,111,296 | 3,111,296 | 4,363,777 | 4,363,777 | 2,148,414 | 2,148,414 |
| 4 | Secured wholesale funding | 4,195,562 | - | 3,680,147 | - | 3,66,651 | - | 2,131,133 | - |
| 5 | Additional requirements, of which | | | | | | | | |
| | (i) Outflows related to derivative exposures and other collateral requirements | - | - | 306 | 306 | 6,369 | 6,369 | 3,351 | 3,351 |
| | (ii) Outflows related to loss of funding on debt products | - | - | - | - | - | - | - | - |
| | (iii) Credit and liquidity facilities | 376,099 | 37,610 | 366,110 | 36,611 | 452,005 | 45,201 | 533,878 | 53,388 |
| 6 | Other contractual funding obligations | 41,362 | 41,362 | 117,734 | 117,734 | 120,900 | 120,900 | 101,633 | 101,633 |
| | Other contractual funding obligations | 8,050,194 | 402,510 | 9,679,974 | 483,999 | 11,065,577 | 553,279 | 11,277,798 | 466,913 |
| 8 | **Total Cash Outflows** | **17,452,347** | **3,513,125** | **19,858,775** | **4,604,060** | **20,110,315** | **6,183,215** | **20,790,861** | **4,154,127** |
| | **Cash Inflows** | | | | | | | | |
| 9 | Secured lending (e.g. reverse repos) | - | - | - | - | - | - | - | - |
| 10 | Inflows from fully performing exposures | 1,474,299 | 1,028,747 | 1,193,823 | 721,865 | 1,102,682 | 714,969 | 2,236,913 | 2,000,455 |
| 11 | Other cash inflows | 43,546 | - | 1,203,137 | - | 1,218,350 | - | 801,821 | - |
| 12 | **Total Cash Inflows** | **1,517,845** | **1,028,747** | **2,396,960** | **721,865** | **2,321,032** | **714,969** | **3,038,734** | **2,000,455** |
| | | | | | | | | | |
| 21 | **Total HQLA** | **1,864,427** | **184,946** | **2,995,210** | **2,995,210** | **4,561,695** | **4,561,695** | **2,447,298** | **2,447,298** |
| 22 | **Total Net Cash Outflows** | **15,934,502** | **248,060** | **17,461,816** | **3,880,626** | **17,789,282** | **54,59,071** | **1,77,52,129** | **21,52,763** |
| 23 | **Liquidity Coverage Ratio (%)** | **11.70%** | **74.56%** | **17.15%** | **77.18%** | **25.64%** | **83.56%** | **13.79%** | **113.68%** |

(Rs In '000s)

| Sr No | Particulars | 31-Mar-15 Total Unweighted Value (Average) | 31-Mar-15 Total Weighted Value (Average) |
|---|---|---|---|
| | **High Quality Liquid Assets** | | |
| 1 | Total High Quality Liquid Assets (HQLA) | **2,038,262** | **2,038,262** |
| | **Cash Outflows** | | |
| 2 | Retail deposits and deposits from small business customers, of which : | | |
| | (i) Stable deposits | 10,333 | 517 |
| | (ii) Less stable deposits | 630,645 | 63,064 |
| 3 | Unsecured wholesale funding, of which: | | |
| | (i) Operational deposits (all counterparties) | 32,321 | 8,080 |
| | (ii) Non-operational deposits (all counterparties) | 1,592,365 | 636,946 |
| | (iii) Unsecured debt | 3,617,993 | 3,617,993 |
| 4 | Secured wholesale funding | 2,925,754 | - |
| 5 | Additional requirements, of which | | |
| | (i) Outflows related to derivative exposures and other collateral requirements | 102,102 | 102,102 |
| | (ii) Outflows related to loss of funding on debt products | - | - |
| | (iii) Credit and liquidity facilities | 509,760 | 50,976 |
| 6 | Other contractual funding obligations | 75,314 | 75,314 |
| | Other contractual funding obligations | 7,883,891 | 394,195 |
| 8 | **Total Cash Outflows** | **17,380,479** | **4,949,187** |
| | **Cash Inflows** | | |
| 9 | Secured lending (e.g. reverse repos) | - | - |
| 10 | Inflows from fully performing exposures | 3,272,046 | 2,794,620 |
| 11 | Other cash inflows | 3,600,000 | - |
| 12 | **Total Cash Inflows** | **6,872,046** | **2,794,620** |
| | | | |
| 21 | **Total HQLA** | | **2,038,262** |
| 22 | **Total Net Cash Outflows** | | **2,154,568** |
| 23 | **Liquidity Coverage Ratio (%)** | | **94.60%** |

**Qualitative disclosures around LCR**

(a) Drivers of LCR results and Composition of HQLA: The Bank has a high percentage of excess SLR securities in the form of central government bonds which are considered as Level 1 high quality liquid assets (HQLA). FRIN also has investments in NCDs and Certificate of Deposits issued by Banks/ NBFCs / Financial Institutions, not qualifying for HQLA. NCDs and CDs issued by Financial Institutions and Banks respectively are not considered as HQLA for LCR computation. The tenors of external borrowings are decided based on the assets funded by such borrowings and such that the outflow on account of repayments is not concentrated on a day / month at any point of time. Secured borrowing under Repo/CBLO is done after ensuring sufficient HQLA is maintained for LCR. Liquidity is proactively managed using this ratio based on forecasted cash flows in the 30 day period and suitable funding plans.

(b) Intra-period changes: As per RBI guidelines, the LCR maintenance limit is 70% for 2016. The LCR maintained as of Jan 2016, Feb 2016 and March 2016 was respectively, above the stipulated limit.

(c) Concentration of Funding Sources: The Bank relies on interbank funding for its trading book. However, it is ensured that the interbank funding is split between call/short notice and term depending upon the liquidity status.

(d) Derivative exposures and potential collateral calls: The customer derivative trades are economically hedged back to back in the interbank market. Other trading positions operate under various notional position and stop loss limits which limit the chances of having high derivative exposures or collateral calls. There are margins placed with CCIL for FX and GSec settlements based on which CCIL has set an exposure limit on the bank. The bank has been operating within this limit. The bank has also placed initial and variable margins for Currency and Interest Rate Futures settlement. The variable margin is being monitored and provided daily on requirement basis to settle the mark to market moves.

(e) Currency mismatches: Other than INR, the Bank has major exposure in US dollars as there are pre and post shipment loans booked in dollars. These loans are funded through US dollar borrowing from the head office for matching tenors. Other than these matched loans and borrowings, the Bank has borrowed 3 year US dollar loan from the head office for its rupee funding needs, under the RBI limit of for overseas borrowing; as it is cost effective source of funding. This however, doesn't impact LCR yet. Hence, the mismatches come from INR itself. These 3 year USD loans are due for maturity in Dec 2017.

(f) Degree of centralisation of liquidity management and interaction between the group's units: The Balance Sheet Management desk (BSM) looks after funding and liquidity of the Bank.

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BSM is responsible to transfer price all liabilities and assets and manage the interest rate and liquidity risk in banking book. The BSM also looks after Capital Utilisation. The cash capital available is invested in government bonds, as per the head office strategy. This helps LCR to a large extent. Once the assets and liabilities are transfer priced to BSM, there are no liquidity mismatches left in any other business units except for the trading desk who can run its liquidity and funding mismatch.

(g) Other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile: all the inflows and outflows considered necessary from the balance sheet are captured in computation of LCR. Further, the Bank believes that the inflows and outflows which might have a material impact under the liquidity stress scenario have been considered for the purpose of LCR.

## 7.22. Prior Period Comparatives

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

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.:-
101049W/E300004

Charanjit Attra
Partner
M.No. 100312

Place: Mumbai
Date: 29th June 2016

S.R. BATLIBOI & ASSOCIATES LLP
MUMBAI
CHARTERED ACCOUNTANTS

For FirstRand Bank India Branch

Rohit Wahi
Chief Executive Officer

Luke Woodford
Chief Financial Officer

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