IndusInd Bank

A38204846

IMPORTANT NOTICE

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THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to the Issuer that you are outside the United States.

In addition, you shall be deemed to have represented to the Issuer that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

The materials relating to any offering of securities described in this Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the dealers or any affiliate of the dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the dealers or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of The Hongkong and Shanghai Banking Corporation Limited (the "**Arranger**") (as defined in this Offering Circular) or any person who controls it nor any director, officer, employee nor agent of the Arranger or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arranger.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR

IndusInd Bank

IndusInd Bank Limited (acting through its head office or its International Financial Services Centre Banking Unit)

(Public company incorporated under the Companies Act, 1956
*and a scheduled commercial bank within the meaning of the Reserve Bank of India Act, 1934, "**RBI Act**")*

U.S.$1,000,000,000

Medium Term Note Programme

Under this U.S.$1,000,000,000 Medium Term Note Programme (the "**Programme**"), IndusInd Bank Limited (acting through its head office or its International Financial Services Centre Banking Unit) (the "**Bank**" or the "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Bank and the relevant Dealer(s) (as defined below). Notes may be issued in bearer or registered form (respectively, "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$1,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Bank (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

Application has been made for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST (the "**Official List**"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed, or reports contained herein. Admission to the Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies. the Programme or the Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST on or before the date of issue of the Notes of such Tranche. The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s). The Issuer may also issue unlisted Notes. The Issuer may agree with any Dealer and the Trustee (as defined under "*Terms and Conditions of the Notes*") that Notes may be issued in a form not contemplated by the Terms and Conditions ("**Conditions**") of the Notes, in which event (in the case of Notes intended to be listed on the SGX-ST) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

See "*Investment Considerations*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Application has been made to the India International Exchange IFSC Limited (the "**India INX**") for the Notes to be admitted to trading on the India INX. **The India INX has not approved or verified the contents of this Offering Circular.**

Each Tranche of Bearer Notes of each Series (as defined in "*Form of the Notes*") will initially be represented by either a temporary bearer global note (a "**Temporary Bearer Global Note**") or a permanent bearer global note (a "**Permanent Bearer Global Note**" and, together with a Temporary Bearer Global Note, the "**Bearer Global Notes**", and each a "**Bearer Global Note**") as indicated in the applicable Pricing Supplement in respect of any Notes, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). On and after the date (the "**Exchange Date**") which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the date on which the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series (as defined herein) or (ii) definitive Bearer Notes of the same Series. The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable for definitive Bearer Notes in certain limited circumstances.

Registered Notes sold in an "offshore transaction" within the meaning of Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), which will be sold outside the United States and only to non-U.S. persons (as defined in Regulation S), will initially be represented by a global note in registered form, without receipts or coupons, (a "**Registered Global Note**") deposited with a common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of such common depositary.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States.

This Offering Circular has not been and will not be registered, produced or published as an offer document (whether as a prospectus in respect of a public offer or an information memorandum or private placement offer letter or other offering material in respect of a private placement under the provisions of Companies Act, 2013 (amended, supplemented or re-enacted from time to time) and the rules framed thereunder or any other applicable Indian laws for the time being in force) with the Registrar of Companies, the Securities and Exchange Board of India ("**SEBI**") or any other statutory or regulatory body of like nature in India, save and except for any information from part of the Offering Circular which is mandatorily required to be disclosed or filed in India under any applicable Indian laws. The Notes have not been and will not be offered or sold, in International Financial Services Centres in India by means of this Offering Circular or any other offering document or material relating to the Notes and will not be circulated or distributed and have not been circulated or distributed, directly or indirectly, to any person or the public in India or otherwise generally distributed or circulated in India which would constitute an advertisement, invitation, offer, sale or solicitation of an offer to subscribe for or purchase any securities in violation of applicable Indian laws.

This offering circular has not been and will not be approved or authorised by or filed with and will not be registered as a prospectus with the Registrar of Companies, Securities Exchange Board of India or Reserve Bank of India or any other regulator in India. Neither the Bank nor the Dealers have circulated or distributed, nor will they circulate or distribute, this offering circular or any material relating thereto, directly or indirectly, to the public or any members of the public in India. Any person purchasing the Notes, will be deemed to have acknowledged, represented and agreed that they are eligible to purchase the Notes under applicable laws and regulations and that they are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes. See "*Subscription and Sale*".

The Programme is expected to be rated "Baa3" by Moody's Investors Service, Inc.. These ratings are only correct as at the date of this Offering Circular. Tranches of Notes (as defined in "*Summary of the Programme*") to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Arranger and Dealer

HSBC

The date of this Offering Circular is 27 March 2019.

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The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the Programme and the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading.

No person is or has been authorised by the Issuer to give any information or to make any representation other than those contained in this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made by any other person, such information or representations must not be relied upon as having been authorised by the Issuer, any of the Dealers, The Hongkong and Shanghai Banking Corporation Limited as trustee (the "**Trustee**"), and The Hongkong and Shanghai Banking Corporation Limited as issuing and paying agent, transfer agent and registrar (the "**Agents**").

To the fullest extent permitted by law, none of the Dealers, the Trustee, the Agents or any of their respective affiliates, employees, directors, officers, agents, representatives or advisers accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Dealers, the Trustee, the Agents or any of their respective affiliates, employees, directors, officers, agents, representatives or advisers in connection with the Issuer or the issue and offering of the Notes. Each of the Dealers, the Trustee and the Agents and each of their respective affiliates, employees, directors, officers, agents, representatives and advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Dealers, or the Trustee or the Agents or any of their respective affiliates, employees, directors, officers, agents, representatives or advisers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers, the Trustee or the Agents or any of their respective affiliates, employees, directors, officers, agents, representatives or advisers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Dealers, the Trustee and the Agents and each of their respective affiliates, employees, directors, officers, agents, representatives and advisers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings

given to them by the U.S. Internal Revenue Code of 1986, as amended and the Treasury regulations promulgated thereunder.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers, the Trustee and the Agents do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, any of the Dealers or the Trustee or the Agents which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, Italy and the Netherlands), India (including International Financial Services Centres), Singapore, Hong Kong and Japan, see "*Subscription and Sale*".

None of the Issuer, the Dealers, the Trustee and the Agents or any of their respective affiliates, employees, directors, officers, agents, representatives or advisers makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Market Act 2000 ("**FSMA**") with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See "*Subscription and Sale*".

This document is for distribution only to persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments, (iii) are persons falling within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the FSMA (Financial Promotion) Order 2005 (as amended) or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

In connection with the offering of any Series of Notes, each Dealer is acting or will act for the Issuer in connection with the offering and no one else and will not be responsible to anyone other than the Issuer for providing the protections afforded to clients of that Dealer nor for providing advice in relation to any such offering.

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the Notes will be offered pursuant to the exemptions under the Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time (the "**SFA**"). Accordingly, this Offering

Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the SFA, (ii) to a relevant person under Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes will include a legend entitled "**MiFID II Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance Rules under European Union (EU) Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRIIPs/IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notification under Section 309B(1)(c) of the SFA – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that all Notes issued or to be issued under the Programme are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

For a description of other restrictions, see "*Subscription and Sale*".

ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer is a limited liability company that has been incorporated under the laws of India. Substantially all of the directors and executive officers of the Issuer and certain experts named herein reside in India, and a substantial portion of the assets of the Issuer and the assets of such directors and executive officers and certain experts are located in India. As a result, it may be difficult for investors to effect service of process upon the Issuer or such directors and executive officers outside India or to enforce judgments against them obtained in courts outside India predicated upon civil liabilities of the Issuer or such directors and executive officers under laws other than Indian law.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. The Issuer understands that in India the statutory basis for recognition of foreign judgments is found in Section 13 of the Indian Code of Civil Procedure 1908 (the "**Civil Code**"), which provides that a foreign judgment shall be conclusive as to any matter directly adjudicated upon between the same parties or between parties under whom they or any of them claim litigating under the same title except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where the judgment appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the same nature of amounts payable in respect of taxes, other charges of a like nature or in respect of a fine or other penalties. Since the United Kingdom has been declared by the Government as a reciprocating territory and the High Courts in England as the relevant superior courts, a judgment of a superior court in the United Kingdom may be enforced by proceedings in execution and a judgment not of a superior court, by a fresh suit resulting in a judgment or order. The suit must be brought in India within three years of the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the Reserve Bank of India under the Foreign Exchange Management Act, 1999 to execute such a judgment or to repatriate any amount recovered.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated or the context requires otherwise, the financial information in this Offering Circular, relating to the Issuer has been derived from (i) the audited standalone financial statements of the Issuer for the fiscal years ended 2016, 2017 and 2018 and (ii) the unaudited reviewed standalone interim condensed financial statements of the Issuer for the nine months ended 31 December 2018 (together, the "**Financial Statements**"). The Issuer's fiscal year ends on 31 March, and references in this Offering Circular to any specific year are to the 12-month period ended on 31 March of such year.

The Issuer maintains its financial books and records and prepares its financial statements in Rupees in accordance with generally accepted accounting principles as applicable to banks in the Republic of India ("**Indian GAAP**") which differ in certain important respects from International Financial Reporting Standards ("**IFRS**"). For a discussion of the principal differences between IFRS and Indian GAAP as they relate to the Issuer, see "*Summary of Significant Differences between IFRS and Indian GAAP*". Unless otherwise stated, all financial data relating to the Issuer contained herein is stated on a standalone basis.

Unless otherwise specified, where financial information has been translated into U.S. dollars, it has been so translated for information purposes only at the rate of Rs. 69.7750 equal to U.S.$1.00 (based on market rates prevailing as at 31 December 2018). No representation is made that the Rupee or U.S. dollar amounts referred to herein could have been or could be converted into Rupees or U.S. dollars, as the case may be, at any particular rate or at all.

CERTAIN DEFINITIONS

Capitalised terms, which are used but not defined in any particular section of this Offering Circular will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Offering Circular.

In this Offering Circular, unless otherwise specified, all references to the "**Group**" are to the Bank and its consolidated subsidiaries and other consolidated entities. All references to "**India**" are to the Republic of India and all references to the "**Government**" are to the Government of India. All references to "**fiscal**" or "**fiscal year**" are to the year starting from 1 April and ending on 31 March.

All references in this document to "**U.S. dollars**", "**USD**" and "**U.S.$**" refer to United States dollars and to "**Rupee**", "**INR**", "**Rupees**", and "**Rs.**" refer to Indian Rupees. In addition, references to "**Sterling**", "**GBP**" and "**£**" refer to pounds sterling and to "**euro**", "**EUR**" and "**€**" refer to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time.

References to "**lac**", "**lakhs**" and "**crores**" in the Bank's standalone financial statements are to the following:

One lakh or lac	100,000	(one hundred thousand)
One crore	10,000,000	(ten million)
Ten crores	100,000,000	(one hundred million)
One hundred crores	1,000,000,000	(one thousand million or one billion)

Furthermore, certain figures and percentages included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

INDUSTRY AND MARKET DATA

Certain industry and market share data in this Offering Circular are derived from data of the Reserve Bank of India (the "**RBI**"). Certain other information regarding market position, growth rates and other industry data pertaining to the Issuer's business contained in this Offering Circular consist of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources and on the Issuer's knowledge of its markets. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, so the Issuer relies on internally developed estimates. While the Issuer has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, none of the Issuer, the Dealers, the Trustee, or the Agents or any of their respective affiliates, employees, directors, officers, agents, representatives or advisers has independently verified that data and none of the Issuer, the Dealers, the Trustee or the Agents or any of their respective affiliates, employees, directors, officers, agents, representatives or advisers makes any representation regarding the accuracy of such data. Similarly, while the Issuer believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and none of the Issuer, the Dealers, the Trustee or the Agents or any of their respective affiliates, employees, directors, officers, agents, representatives or advisers can assure potential investors as to their accuracy.

FORWARD-LOOKING STATEMENTS

The Issuer has included statements in this Offering Circular which contain words or phrases such as "will", "would", "aim", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "estimate", "intend", "plan", "seeking to", "propose to", "future", "objective", "goal", "should", "can", "could", "may" and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the expectations of the Issuer with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate future mergers or acquisitions into its operations, future levels of non-performing assets ("**NPAs**") and restructured assets, its growth and expansion, the adequacy of its allowance for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to implement its dividend policy, the impact of Indian banking regulations on its operations, which includes the assets and liabilities of the Issuer, its ability to roll over its short-term funding sources, its exposure to market risks and the market acceptance of and demand for banking services.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Offering Circular include, but are not limited to, general economic and political conditions in India, southeast Asia and the other countries which have an impact on the Issuer's business activities or investments, political or financial instability in India or any other country caused by any factor, including any terrorist attacks in India, the U.S. or elsewhere or any other acts of terrorism worldwide, any anti-terrorist or other attacks by the U.S., a U.S.-led coalition or any other country, the monetary and interest rate policies of India, political or financial instability in India or any other country caused by tensions between India and Pakistan related to the Kashmir region or military armament or social unrest in any part of India, inflation, deflation, unanticipated turbulence in interest rates, changes in the value of the Rupee, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets and level of internet penetration in India and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in India and regional or general changes in asset valuations. For a further discussion on the factors that could cause actual results to differ, see the discussion under "*Investment Considerations*" contained in this Offering Circular.

CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the most recently published audited consolidated and standalone annual financial statements and, if published later, the most recently published audited or reviewed, as the case may be, interim consolidated and standalone financial results of the Issuer (see "*General Information*" for a description of the financial statements currently published by the Issuer and visit https://www.indusind.com/content/home/investor/reports-and-presentation/annual-reports.html and https://www.indusind.com/investor/shareholders-corner/financials.html for future publications of financial statements or financial results); and

(b) all supplements to this Offering Circular circulated by the Issuer from time to time.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular. In addition, such documents will be available to Noteholders for inspection free of charge from the specified office of the Issuing and Paying Agent (which at the date of this Offering Circular is The Hongkong and Shanghai Banking Corporation Limited (the "**Issuing and Paying Agent**")) at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m.) following written request and proof of holding and identity satisfactory to the Issuing and Paying Agent. If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Programme, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency. A summary of the terms and conditions of the Programme and the Notes is set forth below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*".

This Offering Circular and any supplement will only be valid for listing the Notes on the SGX-ST in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$1,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be determined, at the discretion of the Issuer, either as at the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this summary.

Issuer	IndusInd Bank Limited (acting through its head office or its International Financial Services Centre Banking Unit)
Description	Medium Term Note Programme
Arrangers/Dealers	The Hongkong and Shanghai Banking Corporation Limited and any other Dealers appointed in accordance with the Programme Agreement (as defined under "*Subscription and Sale*").
Certain Restrictions	Each issue of Notes in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*"), including the following restrictions applicable at the date of this Offering Circular. Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 ("**FSMA**"), unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See "*Subscription and Sale*".
Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Issuing and Paying Agent and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited.
Registrar	The Hongkong and Shanghai Banking Corporation Limited.
Programme Size	U.S.$1,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") in an aggregate nominal amount of Notes outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Investment Considerations	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Investment Considerations*" and include certain risks relating to the structure of a particular Series of Notes.

Distribution	Notes may be distributed by way of private or public placement and, in each case, on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer and indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of the Notes	The Notes may be in bearer form and/or registered form. Bearer Notes will be in bearer form and will on issue be represented by a temporary bearer global note (a "**Temporary Bearer Global Note**") or a permanent bearer global note (a "**Permanent Bearer Global Note**" and together with the Temporary Bearer Global Note, the "**Bearer Global Notes**") as indicated in the applicable Pricing Supplement. Temporary Bearer Global Notes will be exchangeable either for (i) interests in a Permanent Bearer Global Note or (ii) Bearer Notes in definitive form ("**Definitive Bearer Notes**") as indicated in the applicable Pricing Supplement. Permanent Bearer Global Notes will be exchangeable for Definitive Bearer Notes upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Issuing and Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event as described under "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.
Fixed Rate Notes	Fixed interest will be payable at such rate or rates in arrear and on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the issue date of the first Tranche of the Notes of the relevant Series);

	(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s). The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Notes. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree.
Other Provisions in relation to Floating Rate Notes and Index Linked Interest Notes	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer(s).
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree.
Partly Paid Notes	The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer(s) may agree.
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Other Notes	The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.
Redemption	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity other than (i) in specified instalments, if applicable, or (ii) for taxation reasons, or (iii) following an Event of Default (as defined in Condition 10.1) (in accordance with the provisions of Condition 10), or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the Terms and

	Conditions of the Notes or may be agreed between the Issuer and the relevant Dealer(s). The applicable Pricing Supplement may provide that Notes may be redeemable in separate instalments in such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution. See "*Certain Restrictions*" above.
Denomination of Notes	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. See "*Certain Restrictions*" above.
Taxation	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 8.2(a)), subject as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted. Without prejudice to the Issuer's obligation to pay additional amounts as described above, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA, as provided in Condition 6.2.
Negative Pledge	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default	The terms of the Notes will contain a cross default provision as further described in Condition 10.
Status of the Notes	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsubordinated and unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Listing	Application has been made for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of the Notes on

	the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies, the Programme or the Notes. If the application to the SGX-ST to list a particular series of Notes is approved, for so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded, will be traded on the SGX-ST in a minimum board lot size of at least S$200,000 (or equivalent). The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s) in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Clearing Systems	Euroclear, Clearstream, Luxembourg and/or any other clearing system, as specified in the applicable Pricing Supplement (see "*Form of the Notes*").
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, Italy and the Netherlands), India (including International Financial Services Centres), Hong Kong, Singapore and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see "*Subscription and Sale*").
United States Selling Restrictions	Regulation S, Category 1 or 2 and TEFRA C or D, or TEFRA not applicable as specified in the applicable Pricing Supplement.

FORM OF THE NOTES

Words and expressions defined in "*Terms and Conditions of the Notes*" shall have the same meanings in this section.

The Notes of each Series will be in either bearer form, with or without interest coupons attached ("**Bearer Notes**"), or registered form, without interest coupons attached ("**Registered Notes**"). Bearer Notes will be issued outside the United States to non-U.S. persons in reliance on Regulation S. Registered Notes will be issued outside the United States in reliance on Regulation S.

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear and/or Clearstream, Luxembourg and/or any other clearing system as specified in the applicable Pricing Supplement.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a "**Temporary Bearer Global Note**") or a permanent bearer global note (a "**Permanent Bearer Global Note**") as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg. While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Issuing and Paying Agent.

On and after the date which is 40 days after a Temporary Bearer Global Note is issued (the "**Exchange Date**"), interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series without receipts, interest coupons and talons attached or (ii) for Definitive Bearer Notes of the same series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case, against certification of beneficial ownership as described above, unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive Definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for Definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Issuing and Paying Agent as described therein or (b) upon the occurrence of an Exchange

Event. For these purposes, "**Exchange Event**" means that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so. The Issuer will promptly give notice to the Noteholders and the Trustee in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Issuing and Paying Agent requesting exchange. Any such exchange following an Exchange Event shall occur not later than 45 days after the date of receipt of the first relevant notice by the Issuing and Paying Agent.

All Notes will be issued pursuant to the Trust Deed and the Agency Agreement (each as defined under "*Terms and Conditions of the Notes*").

The following legend will appear on all Notes (other than Temporary Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a "**Registered Global Note**").

Registered Global Notes will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form ("**Definitive Registered Notes**").

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar (each as defined under "*Terms and Conditions of the Notes*") will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Definitive Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register at the close of business on the 15th day (whether or not such 15th day is a Business Day) before the relevant due date (the "**Record Date**") immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so. The Issuer will promptly give notice to Noteholders and the Trustee in accordance with Condition 14 if an

Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the Trustee (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Issuing and Paying Agent shall arrange that, where a further Tranche of Notes is issued in reliance on Category 1 of Regulation S which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned the same common code and ISIN. In the case of a further Tranche of Notes issued in reliance on Category 2 of Regulation S, the Issuing and Paying Agent shall arrange CUSIP and CINS numbers which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single series, which shall not be prior to the expiry of the distribution compliance period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note (each a "**Global Note**") held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, its agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, its agents and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the Trust Deed and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Note representing such Notes is exchanged for definitive Notes. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

No Noteholder, Receiptholder or Couponholder (each as defined in "*Terms and Conditions of the Notes*") shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Condition 1, 5, 6, 7 (except Condition 7.2), 11, 12, 13, 14 (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 18, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[*Date*]

IndusInd Bank Limited
acting through its [head office]/[International Financial Services Centre Banking Unit]/ [specify foreign branch]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$1,000,000,000
Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 27 March 2019 [and the supplement[s] to it dated [●] and [●]] (the "**Offering Circular**"). This Pricing Supplement constitutes the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")]/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PRIIPs Regulation/[Prospectus Directive/] PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II]/[Directive 2014/65/EU (as amended, "**MiFID II**")]; (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**Notification under Section 309B(1)(c) of the SFA** – In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)] [*To insert notice if classification of the Notes is not "[prescribed capital markets products]/[capital markets products other than prescribed capital markets products]", pursuant to Section 309B of the SFA or [Excluded*

Investment Products]/[Specified Investment Products] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)]".][1]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [*original date*] [and the supplement dated [*date*]]. This Pricing Supplement constitutes the final terms of the Notes and must be read in conjunction with the Offering Circular dated [*current date*], save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[Include whichever of the following apply or specify as "**Not Applicable**" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1.		Issuer:	IndusInd Bank Limited, acting through its [head office]/[International Financial Services Centre Banking Unit]
2.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [*date*]][Not Applicable]
3.		Specified Currency or Currencies:	[●]
4.		Aggregate Nominal Amount:	[●]
	(a)	Series:	[●]
	(b)	Tranche:	[●]
5.	(a)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
	(b)	[Net proceeds:	[●]]
6.	(a)	Specified Denominations:	[●] (*N.B. Notes must have a minimum denomination of €100,000 or equivalent unless the issue of Notes is:*

1 Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

			(i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive) (*NB – Where Bearer Notes with multiple denominations above €100,000 or equivalent are being issued, with respect to Bearer Notes, the following sample wording should be followed:* *"€100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000.*") (*In the case of Registered Notes, this means the minimum integral amount in which transfers can be made*)
	(b)	Calculation Amount (in relation to calculation of interest in global form see Conditions):	[●] (*If only one Specified Denomination, insert the Specified Denomination.* *If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*)
7.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes*)
8.		Maturity Date:	[*Specify date or for Floating rate notes* – Interest Payment Date falling in or nearest to [*specify month and year*]] (*N.B.: The maturity date of the Notes will be subject to the guidelines issued by the RBI from time to time*)
9.		Interest Basis:	[[●] per cent. Fixed Rate] [[*Specify Reference Rate*] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.		Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption]

		[Partly Paid]
		[Instalment]
		[*specify other*]
11.	Change of Interest Basis or Redemption/Payment Basis:	[Applicable/Not Applicable]
		(*If applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*)
		(*N.B. Conditions related to the maturity, redemption, put/call and similar features of Notes qualifying as regulatory capital will be subject to the guidelines issued by the RBI from time to time.*)
12.	Put/Call Options:	[Investor Put]
		[Issuer Call]
		(*N.B. Conditions related to the maturity, redemption, put/call and similar features of Notes qualifying as regulatory capital will be subject to the guidelines issued by the RBI from time to time*).
		[(further particulars specified below)]
		[Not Applicable]
13.	Status of the Notes:	Senior
14	(a) Date of [Board] approval for issuance of Notes obtained:	[●] [and [●], respectively]/[None required]
		(*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
	(b) Date of regulatory approval/consent for issuance of Notes obtained:	[●]/[None required]
		(*N.B. Only relevant where regulatory (or similar) approval or consent is required for the particular tranche of Notes*)
15.	Listing:	[Singapore/*specify other*/None]
		(*N.B. Consider disclosure requirements under the EU Prospectus Directive applicable to securities admitted to an EU regulated market*)
16.	Method of Distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17.	Fixed Rate Note Provisions:	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining subparagraphs of this paragraph*)

	(a)	Rate(s) of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[●] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s) for Notes in definitive form and in relation to Notes in global form, see the Conditions:	[●] per Calculation Amount
	(d)	Broken Amount(s) for Notes in definitive form and in relation to Notes in global form, see the Conditions:	[[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]]/[Not Applicable]
	(e)	Day Count Fraction:	[Actual/Actual (ICMA)] [30/360] [Actual/365 (Fixed)] or [*specify other*]
	(f)	Determination Date(s):	[[●] in each year]/[Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)
	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
18.	Floating Rate Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*] [Not Applicable]
	(c)	Additional Business Centre(s):	[●]
	(d)	Manner in which the Rates of Interest and Interest Amount are to be determined:	[Screen Rate Determination/ISDA Determination/ *specify other*]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent as Calculation Agent):	[●]
	(f)	Screen Rate Determination:	[●]
		• Reference Rate:	[●] month [LIBOR/EURIBOR/*specify other Reference Rate*]

			(Either LIBOR, EURIBOR or other, although additional information is required if other, including fallback provisions in the Agency Agreement)
		• Interest Determination Date(s):	[●]
			(*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
		• Relevant Screen Page:	[●]
			(*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
	(g)	ISDA Determination:	
		• Floating Rate Option:	[●]
		• Designated Maturity:	[●]
		• Reset Date:	[●]
			(*in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*)
	(h)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
	(i)	Margin(s):	[+/-] [●] per cent. per annum
	(j)	Minimum Rate of Interest:	[●] per cent. per annum
	(k)	Maximum Rate of Interest:	[●] per cent. per annum
	(l)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [*Other*]
19.		Zero Coupon Note Provisions:	[Applicable/Not Applicable]
			(*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[●] per cent. per annum

	(b)	Reference Price:	[●]
	(c)	Any other formula/basis of determining amount payable:	[●]
	(d)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365] [*specify other*]
20.		Index Linked Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Index/Formula:	[*give or annex details*]
	(b)	Calculation Agent:	[*give name*]
	(c)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Issuing and Paying Agent as Calculation Agent):	[●]
	(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(e)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(g)	Additional Business Centre(s):	[●]
	(h)	Minimum Rate of Interest:	[●] per cent. per annum
	(i)	Maximum Rate of Interest:	[●] per cent. per annum
	(j)	Day Count Fraction:	[●]
21.		Dual Currency Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(b)	Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent as Calculation Agent):	[●]

	(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(d)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

22.	Notice periods for Condition 7.2:		Minimum period: [30] days Maximum period: [60] days
23.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/specify other/see Appendix]
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[●]
		(ii) Maximum Redemption Amount:	[●]
	(d)	Notice period (if other than as set out in the Conditions):	Minimum period: [15] days Maximum period: [30] days (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent and/or the Trustee*)
24.	Investor Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*/see Appendix]
	(c)	Notice period (if other than as set out in the Conditions):	Minimum period: [15] days

		Maximum period: [30] days
		(*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent and/or the Trustee*)
25.	Final Redemption Amount:	[●] per Calculation Amount/[*specify other*]
26.	Early Redemption Amount payable on redemption for taxation or on event of default and/or the method of calculating the same (if required):	[[●] per Calculation Amount/*specify other*/see Appendix]
		(*N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27.	Form of Notes:	[Bearer Notes:
		[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]*
		[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]*
		[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]]*
		* (*Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "*[*€100,000*] *and integral multiples of* [*€1,000*] *in excess thereof up to and including* [*€199,000*]. *No Notes in definitive form will be issued with a denomination above* [*€199,000*]*." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue*

		by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes.) [Registered Notes: Registered Global Note (U.S.$[●] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg (*specify nominal amounts*)] (*Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves*)
28.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/give details] (*Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which subparagraphs 18(c) and 20(g) relate*)
29.	Talons for future Coupons or Receipts to be attached to Definitive Notes in bearer form (and dates on which such Talons mature):	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
30.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details.*] (*N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*)
31.	Details relating to Instalment Notes:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Instalment Amount(s):	[*give details*]
	(b) Instalment Date(s):	[*give details*]
32.	Redenomination applicable:	Redenomination [not] applicable (*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*)
33.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

34.	(a) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(b) Stabilising Manager(s) (if any):	[Not Applicable/*give name(s)*]

35.	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name(s)*]
36.	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA C/TEFRA not applicable]
37.	Whether Category 1 or Category 2 applicable in respect of the Notes offered and sold in reliance on Regulation S:	[Category 1/Category 2] (*Notes offered/sold in reliance on Category 1 must be in registered form*)
38.	Additional selling restrictions:	[Not Applicable/*give details*]
39.	Additional U.S. federal income tax considerations:	[The Notes are [not] Specified Notes for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986. [Additional information regarding the application of Section 871(m) to the Notes will be available at [*give name(s) and address(es) of Issuer contact*].] *(The Notes will not be Specified Notes if they (i) are issued prior to 1 January 2018 and provide a return that differs significantly from the return on an investment in the underlying or (ii) do not reference any U.S. equity or any index that contains any component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities. If the Notes are issued on or after 1 January 2018 and reference a U.S. equity or an index that contains a component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities, further analysis would be required. If the Notes are Specified Notes, include the "Additional information" sentence and provide the appropriate contact information at the Issuer.)*]

OPERATIONAL INFORMATION

40.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
41.	Delivery:	Delivery [against/free of] payment
42.	Additional Paying Agent(s) (if any):	[●]

ISIN:	[●]
Common Code:	[●]
Financial Instrument Short Name:	[●]
Classification of Financial Instruments Code:	[●]
Legal Entity Identifier:	335800JDVJ8HSXG9G512

(insert here any other relevant codes such as CUSIP and CINS codes	[●]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$1,000,000,000 Medium Term Note Programme of IndusInd Bank Limited[, acting through its [head office]/[International Financial Services Centre Banking Unit]/[*specify foreign branch*]].]

INVESTMENT CONSIDERATIONS

There are significant risks associated with the Notes, including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Notes, the appropriate tools to analyse that investment and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Notes.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ________________________________

Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following, subject to alteration and except for the paragraphs in italics, are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by IndusInd Bank Limited (the "**Issuer**"), acting through its head office or its International Financial Services Centre Banking Unit, as specified in the applicable Pricing Supplement, and constituted by a trust deed dated 27 March 2019 (such trust deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**"), made between the Issuer and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**", which expression shall include any successor as Trustee).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination (as defined below) in the currency specified herein or, if none is specified, the currency in which the Notes are denominated (the "**Specified Currency**");

(ii) any Global Note in bearer form (a "**Bearer Global Note**");

(iii) any Global Note in registered form (a "**Registered Global Note**");

(iv) definitive Notes in bearer form ("**Definitive Bearer Notes**" and, together with Bearer Global Notes, the "**Bearer Notes**") issued in exchange (or part exchange) for a Bearer Global Note; and

(v) definitive Notes in registered form ("**Definitive Registered Notes**" and, together with Registered Global Notes, the "**Registered Notes**"), whether or not issued in exchange for a Registered Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an agency agreement dated 27 March 2019 (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as issuing and paying agent (the "**Issuing and Paying Agent**", which expression shall include any successor issuing and paying agent, and, together with any additional paying agents appointed in accordance with the Agency Agreement, the "**Paying Agents**", which expression shall, unless the context otherwise requires, include any successor paying agents) and as transfer agent (the "**Transfer Agent**", which expression shall include any substitute or any additional transfer agents appointed in accordance with the Agency Agreement) and The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**", which expression shall include any successor registrar). The Issuing and Paying Agent, the other Paying Agents, the Transfer Agent, the Registrar and, where the Issuing and Paying Agent is acting as the Calculation Agent in accordance with Clause 2.5 of the Agency Agreement, the Calculation Agent are together referred to as the "**Agents**".

Interest bearing Definitive Bearer Notes (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons ("**Coupons**") and, in the case of Notes which, when issued in definitive form, have more than

27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Definitive Registered Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions ("**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the "**applicable Pricing Supplement**" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders, in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects, save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m.) at the specified office of the Issuing and Paying Agent following prior written request and proof of holding and identity satisfactory to the Issuing and Paying Agent. Copies of the applicable Pricing Supplement are obtainable by Noteholders at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m.) at the specified office of Issuing and Paying Agent following prior written request and proof of holding and identity satisfactory to the Issuing and Paying Agent. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed and the applicable Pricing Supplement and are deemed to have notice of those provisions of the Agency Agreement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1 Form, Denomination and Title

The Notes may be in bearer form and/or in registered form and, in the case of definitive Notes, will be serially numbered, in the currency (the "**Specified Currency**") and the denominations (the "**Specified Denomination(s)**") specified in the applicable Pricing Supplement. Save as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons and (if applicable) Receipts and Talons attached, unless they are Zero Coupon Notes, in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfers in the register maintained by the Registrar at its specified office. The Issuer, the Trustee, the Issuing and Paying Agent, any Paying Agent, the Registrar and the Transfer Agent may deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held by a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes, save in the case of manifest error) shall be treated by the Issuer, the Trustee, any Paying Agent, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer or registered holder of the relevant Global Note shall be treated by the Issuer, the Trustee, any Paying Agent, the Registrar and any Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note, and the expressions "**Noteholder**" and "**holder**" of Notes and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Trustee and the Issuing and Paying Agent.

2 Transfers of Registered Notes

2.1 Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such beneficial interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

2.2 Transfers of Registered Notes Generally

Registered Notes may not be exchanged for Bearer Notes and vice versa.

Holders of Definitive Registered Notes may exchange such Definitive Registered Notes for interests in a Registered Global Note of the same type at any time.

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer: (a) the holder or holders must (i) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and (b) the Registrar or, as the case may be, the relevant Transfer Agent, must be satisfied with the documents of title and the identity of the person making the request and subject to such regulations as the Issuer or the Registrar may prescribe (such initial regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within seven business days (being, for this purpose, a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of Transfer upon Partial Redemption

In the event of a partial redemption of Notes pursuant to Condition 7.3, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

In the event of a partial redemption of Notes pursuant to Condition 7.3, unless so directed by the Issuer, no transfer of Definitive Registered Notes (or parts of Definitive Registered Notes) or exchanges of interests in Registered Global Notes for Definitive Global Notes will be registered or effected during the period beginning on the 45th day before the date of the partial redemption and ending on the day on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive).

2.4 Costs of Registration

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require) in respect of any tax, duty or other governmental charges which may be imposed in relation to it, provided that the Issuer shall not be responsible for any documentary stamp tax payable on the transfer of Notes effected in the Republic of India ("**India**") unless the Issuer is the counterparty directly liable for that documentary stamp tax.

3 Status of the Notes

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsubordinated and unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4 Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not create or permit to be outstanding any mortgage, charge, pledge or other security interest upon the whole or any part of its present or future properties, assets or revenues to secure any External Obligations (as defined below) without according to the Notes and any relative Receipts and Coupons, before or at the same time, to the satisfaction of the Trustee, the same security or such other security as the Trustee, in its absolute discretion, shall deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of these Conditions, "**External Obligations**" means all present or future obligations, including guarantees, of the Issuer in respect of bonds, debentures, notes or other debt securities which by their terms: (a) are payable in a currency other than Rupees or are denominated in Rupees and more than 50 per cent. of the aggregate principal amount of which is initially distributed outside India by or with the authorisation of the Issuer; and (b) are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange or over-the-counter or other securities market outside India.

5 Interest

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date as specified in the applicable Pricing Supplement at the rate(s) per annum equal to the Rate(s) of Interest as specified in the applicable Pricing Supplement. Interest will be payable in arrear on the Interest Payment Date(s) (as defined below) in each year up to (and including) the Maturity Date as specified in the applicable Pricing Supplement.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit (as defined below) of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Pricing Supplement:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant Interest Payment Date (the ''Accrual Period'') is equal to or shorter than the Determination Period (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(I) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(II) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; or

(ii) if "**30/360**" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant Interest Payment Date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) **Interest Payment Dates**

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant "**ISDA Rate**" plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), ISDA Rate for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issuing and Paying Agent or such other party specified in the applicable Pricing Supplement under an interest rate swap transaction if the Issuing and Paying Agent or such other party were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Issuing and Paying Agent or such other party specified in the applicable Pricing Supplement. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Issuing and Paying Agent or such other party for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of subparagraph (A) above, no such offered quotation appears or, in the case of subparagraph (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph of this Condition 5.2(b)(ii).

(c) **Minimum and/or Maximum Rate of Interest**

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.2(b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.2(b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) **Determination of Rate of Interest and Calculation of Interest Amounts**

The Issuing and Paying Agent, in the case of Notes where it has agreed to act as calculation agent in relation thereto, and otherwise the Calculation Agent appointed as such for such Notes pursuant to a calculation agency agreement will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, but in no event later than the third Business Day thereafter, determine the Rate of Interest for the relevant Interest Period. Where the Calculation Agent is not the Issuing and Paying Agent and the Rate of Interest for the relevant Interest Period has been calculated by such Calculation Agent, such Calculation Agent will notify the Issuing and Paying

Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Issuing and Paying Agent, in the case of Notes where it has agreed to act as calculation agent in relation thereto, and otherwise the Calculation Agent appointed as such for such Notes pursuant to a calculation agency agreement will calculate the amount of interest (the "**Interest Amount**") payable on the Fixed Rate Notes, Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Fixed Rate Notes, Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) in the case of Fixed Rate Notes, Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Notes, Floating Rate Note or an Index Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the Calculation Amount (determined in the manner provided above) and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(A) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(B) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(C) if "**Actual/365 (Sterling)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(D) if "**Actual/360**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(E) if "**30/360**", "**360/360**" or "**Bond** Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D1\ \ )}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(F) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D1\ \ )}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(G) if "**30E/360 (ISDA)**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D1\ \ )}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Pricing Supplement), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period, provided, however, that, if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(f) **Notification of Rate of Interest and Interest Amounts**

The Issuing and Paying Agent will, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Trustee in writing and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth Hong Kong Business Day thereafter. The Issuer shall in turn notify (acting itself or through its listing agent) the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified by the Issuer (acting itself or through its listing agent, where relevant) to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this Condition 5.2(f), the expression "**Hong Kong Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Hong Kong.

(g) **Determination or Calculation**

If for any reason at any relevant time the Issuing and Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Issuing and

Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with Condition 5.2(b)(i) or Condition 5.2(b)(ii) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and, in each case, in accordance with Condition 5.2(d) above, the Issuer shall appoint a replacement agent to determine such Rate of Interest or to calculate the Interest Amount(s), in each case having such regard to the foregoing provisions of this Condition 5.2, and each such determination or calculation shall be deemed to have been made by the Issuing and Paying Agent or the Calculation Agent, as applicable.

(h) **Certificates to be Final**

All certificates, communications, opinions, determinations, calculations, quotations, notifications and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Issuing and Paying Agent or, if applicable, the Calculation Agent or the Trustee (or its agent), shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Trustee, the Issuing and Paying Agent, the Registrar, the Transfer Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Issuing and Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

5.5 Accrual of Interest

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) as provided in the Trust Deed.

5.6 Definitions

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (a) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (b) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(i) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii), the Floating Rate Convention, such Interest Payment Date (A) in the case of (a) above, shall be the last day that is a Business Day in the relevant month and the provisions of (II) below shall apply *mutatis mutandis* or (B) in the case of (b) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (I) such

Interest Payment Date shall be brought forward to the immediately preceding Business Day and (II) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(iii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(iv) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre (other than the TARGET2 System (as defined below)) specified in the applicable Pricing Supplement;

(b) if the TARGET2 System is specified as an Additional Business Centre in the applicable Pricing Supplement, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open; and

(c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor system (the TARGET2 System) is open.

6 Payments

6.1 Method of Payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

6.2 Payments Subject to Fiscal and Other Laws

Payments will be subject, in all cases, to (a) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8, (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or (without prejudice to the provisions of Condition 8) law implementing an intergovernmental approach thereto ("**FATCA**") and (c) any withholding or deduction imposed pursuant to Section 871(m) of the Code.

6.3 Presentation of Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America and its possessions).

Payments of instalments of principal (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph of this Condition 6.3. Payment of the final instalment will be made in the manner provided in Condition 6.1 only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph of this Condition 6.3. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against presentation and surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8.2(b)) in respect of such principal (whether or not such Coupon would otherwise have become void pursuant to Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Coupons and Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon, provided that such Note shall cease to be a Long

Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

6.4 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it was presented.

6.5 Payments in respect of Registered Notes

Payments of principal, interest and of instalments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") (a) where in global form, at the close of the business day (being, for this purpose, a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date and (b) where in definitive form, at the close of business on the seventh business day (being, for this purpose, a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register, and Designated Bank means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

None of the Issuer, the Trustee, the Registrar, any Paying Agent or any other Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.6 General Provisions Applicable to Payments

The holder of a Global Note (or as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note, and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer in respect of such Global Note.

So long as the Global Note is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, each payment in respect of the Global Note will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Date before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of any Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of the Bearer Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.7 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 10) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

   (i) in the case of Notes in definitive form only, the relevant place of presentation; and

   (ii) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Pricing Supplement; and

(b) if the TARGET2 System is specified as an Additional Financial Centre in the applicable Pricing Supplement, a day on which the TARGET2 System is open; and

(c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET System is open.

6.8 Interpretation of Principal and Interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5(b)); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

6.9 Provisions relating to Rupee denominated Notes

The following provisions will apply to any Notes denominated in Rupees:

(a) **Payments in U.S. Dollars**

Principal and interest will be payable by the Issuer in U.S. dollars. The amount of principal and interest to be paid will be determined by the Calculation Agent and will be translated from Rupees to U.S. dollars at the Reference Rate (as defined below) for conversion of Rupees to U.S. dollars on the applicable Rate Fixing Date (as defined below).

(b) **Adjustments to Interest Payment Date and Maturity Date**

If a Scheduled Rate Fixing Date (as defined below) is adjusted for an Unscheduled Holiday or if a Valuation Postponement (as defined below) applies, then the Interest Payment Date or Maturity Date relating to such Scheduled Rate Fixing Date shall be two Payment Business Days after the date on which the Reference Rate for such Interest Payment Date or Maturity Date is determined. If any Interest Payment Date or Maturity Date is adjusted in accordance with the preceding sentence, then such adjustment (and the corresponding payment obligations to be made on such dates) shall apply only to such Interest Payment Date or the Maturity Date, as applicable, and no further adjustment shall apply to the amount of interest or principal payable and Noteholders will not be entitled to any additional interest in respect of such adjustment.

(c) **Applicable Price Source Fallback Provisions**

If a Price Source Disruption Event occurs, the Calculation Agent shall apply each of the following price source disruption fallbacks (each a "**Price Source Disruption Fallback**") for the determination of the Reference Rate in the following order, until the Reference Rate can be determined:

(i) Valuation Postponement (as defined below);

(ii) Fallback Reference Price: SFEMC INR Indicative Survey Rate (INR 02);

(iii) Fallback Survey Valuation Postponement (as defined below); and

(iv) Appointment by the Issuer of an Independent Financial Institution (as defined below) to determine the Reference Rate.

The Issuer shall agree any Reference Rate provided by the Calculation Agent, including the process, methodology and source website in relation to any applicable Price Source Disruption Fallback, and under no circumstances shall the Calculation Agent be liable to any person as a result of the Calculation Agent having acted on any such quotations, or having taken or not taken any action in relation to any applicable Price Source Disruption Fallback, which subsequently may be found to be incorrect, or to have delayed the determination of the Reference Rate.

(d) **Deferral Period for Unscheduled Holiday**

If the Scheduled Rate Fixing Date is postponed due to the occurrence of an Unscheduled Holiday (as defined below), and if the Rate Fixing Date has not occurred on or before the 14th calendar day after the Scheduled Rate Fixing Date (any such period being a "**Deferral Period**"), then the next day after the Deferral Period that would have been a Fixing Business Day but for the Unscheduled Holiday, shall be deemed to be the Rate Fixing Date.

(e) **Interpretation**

For the purposes of this Condition 6.9:

(i) "**Cumulative Events**" means, notwithstanding anything to the contrary, in no event shall the total number of consecutive calendar days during which either (A) a valuation is deferred due to an Unscheduled Holiday, or (B) a Valuation Postponement shall occur (or any combination of (A) and (B)), exceed 14 consecutive calendar days in the aggregate.

Accordingly, (x) if, upon the lapse of any such 14 calendar day period, an Unscheduled Holiday shall have occurred or be continuing on the day following such period that otherwise would have been a Fixing Business Day, then such day shall be deemed to be a Rate Fixing Date, and (y) if, upon the lapse of any such 14 calendar day period, a Price Source Disruption Event shall have occurred or be continuing on the day following such period on which the Reference Rate otherwise would be determined, then Valuation Postponement shall not apply and the Reference Rate shall be determined in accordance with the next applicable Price Source Disruption Fallback.

(ii) "**Fallback Survey Valuation Postponement**" means that, if the Fallback Reference Price is not available on or before the third Fixing Business Day (or a day that would have been a Fixing Business Day but for an Unscheduled Holiday) succeeding the end of either (A) the Valuation Postponement in connection with a Price Source Disruption Event, (C) the Deferral Period in connection with an Unscheduled Holiday or (C) any Cumulative Events, as applicable, then the Reference Rate will be determined in accordance with the next applicable Price Source Disruption Fallback on such day (which will be deemed to be the applicable Rate Fixing Date). For the avoidance of doubt, Cumulative Events, if applicable, do not preclude postponement of valuation in accordance with this provision.

(iii) "**Fixing Business Day**" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Mumbai and the city in which the specified office of the Calculation Agent is located, if applicable.

(iv) "**Independent Financial Institution**" means a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent to act as such in its place.

(v) "**Maximum Days of Postponement**" means 14 calendar days.

(vi) "**Payment Business Day**" means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York, New Delhi, Mumbai and the city in which the specified office of the Issuing and Paying Agent is located.

(vii) A "**Price Source Disruption Event**" shall occur if, in the opinion of the Calculation Agent, it becomes impossible to obtain the Reference Rate on a Rate Fixing Date.

(viii) "**Rate Fixing Date**" means the Scheduled Rate Fixing Date, subject to Valuation Postponement. If the Scheduled Rate Fixing Date is an Unscheduled Holiday, the "Rate Fixing Date" shall be the next following Fixing Business Day, subject to the provisions relating to the Deferral Period for Unscheduled Holiday set out herein.

(ix) "**Reference Rate**" means the rate, determined by the Calculation Agent, used on each Rate Fixing Date which will be the USD/INR spot rate, expressed as the amount of Rupees per one United States Dollar, for settlement in two Fixing Business Days, reported by Financial Benchmarks India Pvt Ltd. ("**FBIL**"), which is displayed on Reuters page "INRREF = FBIL" (or any successor page) at approximately 1:30 pm, Mumbai time, on each Rate Fixing Date. If a Price Source Disruption Event occurs on the Rate Fixing Date, then the Reference Rate for such Rate Fixing Date shall be determined by the Calculation Agent in accordance with the fallback provisions set out in Condition 6.9(c).

(x) "**Scheduled Rate Fixing Date**" means the date which is two Fixing Business Days prior to the relevant Interest Payment Date, the Maturity Date or such other date on which an amount in respect of the Notes is due and payable.

(xi) "**SFEMC INR Indicative Survey Rate (INR02)**" means that the Reference Rate for a given Rate Fixing Date will be the INR/USD specified rate for U.S. Dollars, expressed as the amount of Rupees per one U.S. dollar, for settlement in two Fixing Business Days, as published on the web site of Singapore Foreign Exchange Market Committee ("**SFEMC**") at approximately 3:30 p.m. (Singapore time), or as soon thereafter as practicable, on such date. The Reference Rate shall be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC INR Indicative Survey (as defined below) for the purpose of determining the SFEMC INR Indicative Survey Rate.

(xii) "**SFEMC INR Indicative Survey**" means a methodology, dated as of 1 December 2004 as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the INR/USD markets for the purpose of determining the SFEMC INR Indicative Survey Rate (INR02).

(xiii) "**Unscheduled Holiday**" means a day that is not a Fixing Business Day and the market was not aware of such fact (by means of a public announcement or by reference to other publicly available information) until a time later than 9:00 a.m. local time in Mumbai, two Fixing Business Days prior to the relevant Rate Fixing Date.

(xiv) "**Valuation Postponement**" means that the Reference Rate will be determined on the Fixing Business Day first succeeding the day on which the Price Source Disruption Event ceases to exist, unless the Price Source Disruption Event continues to exist (measured from the date that, but for the occurrence of the Price Source Disruption Event, would have been the Rate Fixing Date) for a consecutive number of calendar days equal to the Maximum Days of Postponement. In such event, the Reference Rate will be determined on the next Fixing Business Day after the Maximum Days of Postponement (which will, subject to the provisions relating to Fallback Survey Valuation Postponement, be deemed to be the applicable Rate Fixing Date) in accordance with the next applicable Price Source Disruption Fallback

7 Redemption and Purchase

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for Tax Reasons

At any time prior to the applicable Maturity Date, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Issuing and Paying Agent in writing and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee (in its absolute discretion) immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8.2(a)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes for such Series; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate in English signed by two directors of the Issuer (each of whom are also Authorised Signatories) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept the certificate and the opinion as sufficient evidence of the satisfaction of the conditions precedent set out above in this Condition 7.2, in which event they shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Any optional redemption of the Notes is subject to compliance with applicable regulatory requirements, including the prior approval of the RBI. The RBI, while considering the request of the Issuer to so redeem the securities, may take into consideration, among other things, the Issuer's capital adequacy position both at the time of the proposed redemption and thereafter.

7.3 Redemption at the Option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

(b) not less than 15 days before the giving of the notice referred to in subparagraph (a) above of this Condition 7.3, notice in writing to the Trustee and the Issuing and Paying Agent and, in the case of a redemption of Registered Notes, the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption) redeem all or some only of the Notes then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and/or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes (or, as the case may be, parts of Registered Notes), the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the Selection Date). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall, in each case, bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, *provided* that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3, and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

Any optional redemption of the Notes is subject to compliance with applicable regulatory requirements, including the prior approval of the RBI. The RBI, while considering the request of the Issuer to so redeem *the securities, may take into consideration, among other things, the Issuer's capital adequacy position both at the time of the proposed redemption and thereafter.*

7.4 Redemption of the Notes at the Option of the Noteholders (Investor Put)

(a) **If Investor Put is specified in the applicable Pricing Supplement**

If Investor Put is specified as being applicable in the relevant Pricing Supplement with respect to the Notes, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 30 nor more than 60 days' notice (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

(b) **Put Option Exercise Procedures**

To exercise the right to require redemption of a Note, the holder of such Note must:

(i) if the Note is in definitive form, deliver a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent, Transfer Agent or the Registrar (a "**Put Notice**") accompanied by the definitive Note, to the specified office of any Paying Agent in the case of Bearer Notes, or of any Transfer Agent or the Registrar in the case of Registered Notes; or

(ii) if the Note is represented by a Global Note held on behalf of Euroclear or Clearstream, Luxembourg, deliver a Put Notice in accordance with the standard procedures of Euroclear or Clearstream, Luxembourg (which may include notice being delivered on the holder's instruction by electronic means),

at any time within the notice period during normal business hours of such Paying Agent, Transfer Agent or the Registrar. In the Put Notice, the holder must specify a bank account to which payment is to be made under this Condition 7.4 and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

Any optional redemption of the Notes is subject to compliance with applicable regulatory requirements, including the prior approval of the RBI. The RBI, while considering the request of the Issuer to so redeem the securities, may take into consideration, among other things, the Issuer's capital adequacy position both at the time of the proposed redemption and thereafter.

7.5 Early Redemption Amounts

For the purpose of Conditions 7.2 and 7.4 and Condition 10:

(a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

(b) each Zero Coupon Note will be redeemed at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

"**Early Redemption Amount**" = RP x (1 + AY)y where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

"**y**" is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365), or on such other calculation basis as may be specified in the applicable Pricing Supplement.

7.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5.

7.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

7.8 Purchases

The Issuer or any of its Subsidiaries (as defined in the Trust Deed), any holding company of the Issuer or any other Subsidiary of such holding company may at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

7.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.8 (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Issuing and Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and may not be reissued or resold.

7.10 Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 7.1, 7.2, 7.3 or 7.4 or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(b) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Trustee or the Issuing and Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

7.11 No verification by Trustee or Agents

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or Put Notice and none of them shall be liable to the Noteholders or any other person for not doing so.

8 Taxation

8.1 Payment without Withholding

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction (as defined in Condition 8.2(a)) unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction (the "**Additional Amounts**"), except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of the holder having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined in Condition 8.2(b)) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 6.7); or

(c) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder or any official interpretations thereof, or any law implementing an intergovernmental approach thereto; or

(d) where such withholding or deduction is imposed pursuant to Section 871(m) of the Code.

8.2 Interpretation

As used herein:

(a) "**Tax Jurisdiction**" means:

(i) where the Issuer is acting through its head office or its International Financial Services Centre Banking Unit in India, India or any political subdivision or any authority thereof or therein having power to tax payments made by the Issuer of principal or interest on the Notes, Receipts or Coupons; or

(ii) where the Issuer is acting through any other branch outside India as specified in the applicable Pricing Supplement, (A) India or any political subdivision or any authority thereof or therein having power to tax and (B) the tax jurisdiction applicable to such branch or any political subdivision or any authority thereof or therein having power to tax payments made by the Issuer of principal or interest on the Notes, Receipts or Coupons; and

(b) "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Issuing and Paying Agent or, as the case may be, the Registrar on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

8.3 Transfers or Sales

The Issuer has in the Trust Deed agreed, subject to receipt of written evidence reasonably satisfactory to the Issuer in respect thereof, to indemnify any transferor or transferee of a Note (or any beneficial interest therein), other than a transferor or transferee who is liable to Indian tax by reason of that transferor or transferee having a connection with India, apart from the mere holding of a Note, against any loss resulting from the imposition of Indian income, capital gains or gift tax on transfer or sale of a Note outside India, provided that (a) such indemnity shall not (i) extend to any penalty interest or tax incurred as a result of any delay or failure on the part of the relevant transferor or transferee in complying with the applicable tax laws and regulations and (ii) be enforceable by any person other than the relevant transferor or transferee and (b) the Issuer shall incur no liability in respect of this indemnity towards any person other than the relevant transferor or transferee. The foregoing indemnity will terminate upon the Issuer providing (A) a certificate in English signed by two directors of the Issuer, each of whom are also Authorised Signatories, to the Trustee and (B) a reasoned legal opinion in writing of a practising Indian taxation lawyer acceptable to the Trustee, certifying (in the case of the Issuer) or opining (in the case of such taxation lawyer) that the Issuer or such taxation lawyer, as the case may be, is satisfied, on the basis of the Income Tax Act 1961 of India (as amended) (the "**IT Act**") that the Notes are not, and are not deemed to be, situated in India. For the avoidance of any doubt, the Trustee will not be responsible for investigating or verifying the contents of any such certificate or opinion and may rely conclusively on the same without liability to the Noteholders or any other person.

In accordance with the prevailing RBI regulations, the Issuer would require the prior approval of RBI before making any payment under this indemnity. Such approval may or may not be forthcoming.

8.4 No Responsibility on Trustee for determinations

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 Prescription

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8.2(b)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon, the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10 Events of Default and Enforcement

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in aggregate nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject, in each case, to being indemnified, secured and/or prefunded to its satisfaction), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur:

(a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and, in the case of interest, the default continues for a period of three days; or

(b) if the Issuer fails to perform or observe any of its other obligations under the Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any other present or future Indebtedness for Borrowed Money of the Issuer or any of its Material Subsidiaries becomes capable of being declared due and payable prior to its stated maturity otherwise than at the option of the Issuer or the relevant Material Subsidiary or (ii) any such Indebtedness for Borrowed Money is not paid when due or, as the case may be, within any applicable grace period or (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable or (iv) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness for Borrowed Money other than in circumstances where (A) the Issuer or the relevant Material Subsidiary is contesting in good faith in appropriate proceedings the fact that any such amount is due or (B) the Issuer or the relevant Material Subsidiary is prohibited from making payment of any such amount by the order of a court having appropriate jurisdiction, provided that the aggregate amount outstanding of the relevant Indebtedness for Borrowed Money or amounts payable under the guarantees and/or indemnities or subject to the security in respect of one or more events mentioned above in this subparagraph (c) exceeds U.S.$20,000,000 or its equivalent in other currencies; or

(d) if any order of a competent court or other authority is made for the winding-up or liquidation of the Issuer or any of its Material Subsidiaries, save for the purposes of reorganisation on terms previously approved in writing by an Extraordinary Resolution; or

(e) if the Issuer or any of its Material Subsidiaries ceases, or threatens to cease, to carry on the whole or substantially all of its business, save for the purposes of reorganisation on terms previously approved in writing by an Extraordinary Resolution, or the Issuer or any of its Material

Subsidiaries stops, or threatens to stop, or suspends payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts (or any class of its debts) pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(f) if the Issuer (or its directors) or any of its Material Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(g) if a moratorium is agreed or declared by the Issuer in respect of any Indebtedness for Borrowed Money (including any obligation arising under any guarantee) of the Issuer or any of its Material Subsidiaries; or

(h) if it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes, the Receipts, the Coupons, the Agency Agreement or the Trust Deed; or

(i) if any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or any material part of the assets or shares of the Issuer or any of its Material Subsidiaries without fair compensation, unless, and for so long as, that such compulsory purchase or expropriation is being contested in good faith and by appropriate proceedings; or

(j) if (i) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them and (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the relevant company, is not discharged within 30 days; or

(k) if any event occurs, which has an analogous effect to any of the events referred to in Conditions 10.1(e) to 10.1(g), inclusive, 10.1(i) and 10.1(j) above.

For the purposes of this Condition 10.1:

(i) "**Indebtedness for Borrowed Money**" means (A) any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities, or (B) any borrowed money or (C) any liability under or in respect of any acceptance or acceptance credit.

(ii) "**Material Subsidiary**" means at any time a Subsidiary of the Issuer:

(A) whose net profit before tax and extraordinary items (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent, in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, are equal to), not less than 5 per cent. of the consolidated net profit before tax and extraordinary items of the Issuer, or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated, respectively, by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries, *provided* that:

(I) if the then latest audited consolidated accounts of the Issuer and its Subsidiaries show a net loss before tax and extraordinary items for the relevant financial period then there shall be substituted for the words "net profit before tax and extraordinary items" the words "total income" for the purposes of this definition; and

(II) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

(B) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, *provided* that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (B) of this definition on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (A) above of this definition or, prior to or after such date, by virtue of any other applicable provision of this definition; or

(C) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, generate net profit before tax and extraordinary items equal to) not less than five per cent. of the consolidated net profit before tax and extraordinary items of the Issuer, or represent (or, in the case aforesaid, are equal to) not less than five per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (A) above of this definition, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate net profit before tax and extraordinary items equal to) not less than five per cent. of the consolidated net profit before tax and extraordinary items of the Issuer, or its assets represent (or, in the case aforesaid, are equal to) not less than five per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (A) above of this definition, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (C) of this definition on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (A) above of this definition or, prior to or after such date, by virtue of any other applicable provision of this definition.

For the purposes of this definition:

(i) if there shall not at any time be any relevant audited consolidated accounts of the Issuer and its Subsidiaries, references thereto herein shall be deemed to be references to a consolidation (which need not be audited) by the Issuer, auditors or such other person as the Trustee may in its absolute discretion approve of the relevant audited accounts of the Issuer and its Subsidiaries;

(ii) if, in the case of a Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net profits and consolidated total assets shall be determined on the basis of pro forma consolidated accounts (which need not be audited) of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Issuer, Auditors or such other person as the Trustee may in its absolute discretion approve;

(iii) if (A) any Subsidiary shall not in respect of any relevant financial period for whatever reason produce audited accounts or (B) any Subsidiary shall not have produced at the relevant time for the calculations required pursuant to this definition audited accounts for the same period as (or a period substantially comparable to) the period to which the latest audited accounts of the Issuer and its Subsidiaries relate, then there shall be substituted for the purposes of this definition the management accounts of such Subsidiary for such period, such accounts to be accompanied by a certificate in English addressed to the Trustee signed by an Authorised Signatory confirming that such accounts are the appropriate accounts to be used in making the calculations required by this definition;

(iv) where any Subsidiary is not wholly owned by the Issuer, there shall be excluded from all calculations all amounts attributable to minority interests;

(v) in calculating any amount, all amounts owing by or to the Issuer and any Subsidiary to or by the Issuer and any Subsidiary shall be excluded; and

(vi) in the event that accounts of any companies being compared are prepared on the basis of different generally accepted accounting principles, there shall be made such adjustments to any relevant financial items as two Authorised Signatories (as defined in the Trust Deed) shall certify in writing to the Trustee as being necessary to achieve a true and fair comparison of such financial items.

A report by an Authorised Signatory whether or not addressed to the Trustee that, in their opinion, a Subsidiary of the Issuer is, or is not, or was, or was not, at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall (in the absence of manifest error) be conclusive and binding on all parties.

Neither the Trustee nor any Agent shall be required to take any steps to ascertain whether any Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred, and none of them shall be responsible or liable to the Noteholders, the Issuer or any other person for any loss arising from any failure to do so.

10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such steps and/or actions and/or institute such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such steps and/or actions and/or to institute any such proceedings in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless and until (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 25 per cent. in aggregate nominal amount of the Notes then outstanding and (b) it shall have been indemnified, secured and/or prefunded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion (which may be based upon legal advice in the relevant jurisdiction), be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion (which may be based upon legal advice in the relevant jurisdiction), it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

11 Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Issuing and Paying Agent or (where applicable) the Paying Agent (in the case of Bearer Notes, Receipts, Coupons and Talons) or of the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity and security as (a) the Issuer may reasonably require and/or (b) the Paying Agent or the Registrar may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12 Issuing and Paying Agent, Registrar, Paying and Transfer Agents

The names of the initial Issuing and Paying Agent, the other initial Paying Agents, the initial Registrar and the initial Transfer Agent and their initial specified offices are set out below.

The Issuer is, with the prior written approval of the Trustee, entitled to vary or terminate the appointment of any Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrars or Transfer Agents:

(a) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent and, if appropriate, a Registrar and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;

(b) so long as the Notes are listed on the SGX-ST, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the SGX-ST; and

(c) there will at all times be a Issuing and Paying Agent and a Registrar.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the last paragraph of Condition 6.6. Any appointment, variation, termination or change shall only take effect (other than in the case of insolvency or in the case of a Paying Agent, to the extent that it is a Foreign Financial Institution (as defined in FATCA), failing to become or ceasing to be, in respect of a payment due on or after the relevant implementation date of FATCA withholding on any Note to which FATCA withholding applies able to receive such payment without any withholding or deduction imposed pursuant to FATCA, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Issuing and Paying Agent, the Registrar, the Paying Agents and the Transfer Agents act solely as agents of the Issuer and, in certain limited circumstances, of the Trustee and do not assume any obligation or trust for or with any Noteholders.

13 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent or any other Paying Agent in exchange for a further Coupon sheet, including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14 Notices

Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Asia or such other English language daily newspaper with general circulation in Asia as the Trustee may approve. It is expected that such publication will be made in the *Asian Wall Street Journal*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or

Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the first day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). While any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Issuing and Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Issuing and Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 14.

15 Meetings of Noteholders, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the approval by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if so requested in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding and subject to the Trustee being indemnified and/or secured and/or prefunded against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the aggregate nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons or the Trust Deed (including, *inter alia*, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than 66 2/3 per cent. in aggregate nominal amount of the Notes for the time being outstanding or, at any adjourned such meeting, one or more persons holding or representing not less than 33 1/3 per cent. in aggregate nominal amount of the Notes for the time being outstanding.

The Trust Deed provides that (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (b) a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate nominal amount of the Notes for the time being outstanding or (c) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than 90 per cent. in aggregate nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders shall be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders to do so or may agree, without any such consent as aforesaid, to any modification which is, in its opinion, of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of law. Any such modification, waiver or authorisation shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification, waiver or authorisation shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

The Trustee may (but shall not be obliged to), without the consent of the Noteholders, Couponholders or Receiptholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 15 and the Trust Deed) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of an entity owned or controlled by the Issuer, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied, in its absolute discretion, that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

Further, the Trustee may (but shall not be obliged to), without the consent of the Noteholders, the Couponholders or the Receiptholders, agree with the Issuer to the substitution of one branch of the Issuer with another branch of the Issuer in connection with any payments to be made by such branch under the Notes, the Receipts, the Coupons and/or the Trust Deed, subject to the Trustee being satisfied, in its absolute discretion, that the interests of the Noteholders will not be materially prejudiced by such substitution.

The Issuer may also redirect payments which are to be made under the Notes, the Receipts, the Coupons and/or the Trust Deed from one branch of the Issuer through another branch of the Issuer or through its Registered Office in India.

Any such modification, waiver, authorisation, determination or substitution shall be binding on the Noteholders, the Receiptholders and the Couponholders, and, unless the Trustee otherwise agrees, any such modification, waiver, authorisation, determination or substitution shall be promptly notified to Noteholders by the Issuer in accordance with Condition 14.

Any modification, substitution or redirection undertaken in accordance with this Condition 15 may be subject to the prior approval of the RBI.

16 Concerning the Trustee and Agents

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified, secured or prefunded to its satisfaction and provisions limiting or excluding its liability in certain circumstances.

Notwithstanding anything to the contrary, the Notes, the Trust Deed and/or the Agency Agreement, whenever the Trustee is required or entitled by the terms or the conditions of the Notes, the Trust Deed and/or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, (a) to seek directions from the Noteholders by way of an Extraordinary Resolution and (b) to first be indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including, but not limited to, legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible or liable for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or in the event that the directions sought are not provided.

The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario (and, for this purpose, it may take into account, without limitation, the potential costs of defending or commencing proceedings in England, India or elsewhere and the risk, however remote, of any award of damages against it in England, India or elsewhere) and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (A) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, (B) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require on behalf of any Noteholder, Receiptholder or Couponholder, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

The Trustee may rely, without liability to Noteholders, on any report, confirmation, opinion or certificate or any advice of or from any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely (without further investigation or enquiry) on any such report, confirmation, opinion, certificate or advice and in such event, such report, confirmation, certificate or advice shall be binding on the Issuer and the Noteholders.

Each Noteholder shall be solely responsible for making, and continuing to make, its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

17 Further Issues

The Issuer may from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders create and issue further notes having terms and conditions the same as the Notes or the same in all respects, save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18 Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19 Governing Law and Submission to Jurisdiction

19.1 Governing Law

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

19.2 Submission to Jurisdiction

(a) Subject to Condition 19.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or Coupons (a "**Dispute**"), and the Issuer in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 19.2, the Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) This Condition 19.2 is for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders only. To the extent allowed by law, the Trustee, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take: (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

The Issuer has irrevocably and unconditionally appointed its representative office in London at The Strand Golden Cross House, 8 Duncannon Street, London WC2N 4JF as its agent for service of process in England in respect of any proceedings in relation to any Dispute, and agrees that, in the event of such agent being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute and shall notify the Trustee of such appointment and the details of the replacement process agent within 30 days of such agent becoming unable or unwilling to act as the Issuer's process agent. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

19.4 Waiver of immunity

The Issuer irrevocably and unconditionally with respect to any Dispute (a) waives any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction, (b) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any competent jurisdiction in relation to any Dispute and (c) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment in connection with any Dispute.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be utilised by the Bank for its overseas operations or such other activities as are permitted under applicable law. If, in respect of any particular issue of Notes, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CAPITALISATION

The following table sets forth the standalone indebtedness and capitalisation of the Bank as of 31 December 2018. This table should be read in conjunction with the Bank's unaudited standalone financial statements for the period ending 31 December 2018 and the notes presented elsewhere herein, which have been subjected to a limited review by the statutory auditors of the Bank.

	As of 31 December 2018	
	(Rs. in million)	*(U.S.$ in million)*[1]
Shareholders' funds		
Capital	6,021	86
Employee stock option scheme (ESOS)	112	2
Reserves and surplus	257,865	3,696
Total shareholders' funds (A)	263,998	3,784
Liabilities		
Deposits	1,757,006	25,181
Borrowings (unsecured, excluding long term infrastructure bonds and subordinated debt)	405,356	5,809
Long term infrastructure bonds	20,000	287
Subordinated debt	20,000	287
Other liabilities and provisions	95,625	1,370
Total Liabilities (B)	2,297,987	32,934
Total capitalisation (A+B)	2,561,985	36,718

Notes:

(1) The U.S. dollar amounts herein have been translated using the exchange rate of U.S.$1.00 = Rs. 69.775, as based on the exchange rate reported by Financial Benchmark India Private Limited as at 31 December 2018.

(2) As of 31 December 2018, there were 602,082,563 equity shares of par value Rs. 10 each outstanding.

SELECTED FINANCIAL INFORMATION OF THE BANK

The following summary financial information and other data should be read together with the Bank's standalone financial statements, including the notes thereto and the reports thereon which are included in this Offering Circular. The summary financial information set forth below is derived from the audited standalone financial statements as of and for the years ended 31 March 2016, 2017 and 2018, and from the reviewed standalone financial information as of and for the nine-month period ended 31 December 2018 prepared in accordance with the generally accepted accounting principles as applicable to banks in the Republic of India ("**Indian GAAP**").

Summary Income Statement Information for the years ended 31 March 2016, 2017 and 2018

		Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018
			Rupees in millions	
I. INCOME				
Interest Earned		115,806.59	144,056.71	172,807.49
Other Income		32,969.46	41,714.92	47,501.03
	TOTAL	148,776.05	185,771.63	220,308.52
II. EXPENDITURE				
Interest Expended		70,640.87	83,430.66	97,833.05
Operating Expenses		36,721.01	47,830.76	55,914.44
Provisions and Contingencies (including tax expenses)		18,549.67	25,831.28	30,501.16
	TOTAL	125,911.55	157,092.70	184,248.65
III. PROFIT				
Net Profit for the year		22,864.50	28,678.93	36,059.87
Profit brought forward		36,640.17	50,134.53	71,183.81
	TOTAL	59,504.67	78,813.46	107,243.68
IV. APPROPRIATIONS				
(a) Transfer to Statutory Reserve		5,716.13	7,169.73	9,014.97
(b) Transfer to Capital Reserve		132.10	455.37	76.19
(c) Transfer to Investment Reserve Account		-	-	-
(d) Dividend paid, including tax on dividend		3,521.91	4.55	4,322.42
(e) Deductions during the year		-	-	715.16
		9,370.14	7,629.65	14,128.74
Balance carried over to the Balance Sheet		50,134.53	71,183.81	93,114.94
	TOTAL	59,504.67	78,813.46	107,243.68

	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018
		Rupees in millions	
V. EARNINGS PER EQUITY SHARE			
(Face value of Rs. 10/- per share)			
Basic (Rs.)	39.68	48.06	60.19
Diluted (Rs.)	39.26	47.56	59.57

Condensed Statement of Profit and Loss for the nine months ended 31 December 2017 and 2018

	Nine months ended 31 December 2017	Nine months ended 31 December 2018
	Rupees in millions	
I. INCOME		
1. Interest Earned		
(a) Interest / Discount on Advances / Bills	100,305.93	133,619.37
(b) Income on Investments	22,438.74	26,978.85
(c) Interest on Balances with Reserve Bank of India and other Inter-Bank funds	2,460.94	740.53
(d) Others	1,100.82	1,358.32
2. Other Income	35,415.92	40,877.35
TOTAL	**161,722.34**	**203,574.42**
II. EXPENDITURE		
Interest Expended	71,407.75	96,559.04
Operating Expenses {(i)+(ii)}	41,447.30	46,810.03
Payments to and Provisions for Employees (i)	13,271.73	13,722.69
Other Operating Expenses (ii)	28,175.57	33,087.34
Total expenses (exclusing provisions and contingencies)	**112,855.05**	**143,369.07**
Operating profit (profit before provisions and contingencies)	**48,867.29**	**60,205.35**
Provisions and contingencies	8,398.84	15,469.67
Profit from ordinary activities before tax	**40,468.45**	**44,735.68**
Extraordinary items	-	-
Profit before tax	**40,468.45**	**44,735.68**
Tax expenses	13,939.39	15,325.68

	Nine months ended 31 December 2017	Nine months ended 31 December 2018
	Rupees in millions	
Net profit for the period	**26,529.06**	**29,410.00**
EARNINGS PER SHARE		
(Face value of Rs. 10/- per share)		
Basic Earnings per share (not annualised) (Rs.)	44.31	48.94
Diluted Earnings per share (not annualised) (Rs.)	43.88	48.56

Summary Balance Sheet Information

	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018	Nine months ended 31 December 2018
	Rupees in millions			
CAPITAL AND LIABILITIES				
Capital	5,949.86	5,981.49	6,002.23	6,020.83
Employee stock option scheme (ESOS)	137.66	152.01	145.71	111.88
Reserves and Surplus	170,872.23	200,327.72	232,268.49	257,864.69
Deposits	930,003.46	1,265,722.23	1,516,391.74	1,757,006.19
Borrowings	221,558.65	224,536.94	382,890.78	445,355.68
Other Liabilities and Provisions	72,048.07	89,763.75	78,562.66	95,625.93
	1,400,569.93	1,786,484.14	2,216,261.61	2,561,985.20
ASSETS				
Cash and Balances with Reserve Bank of India	45,210.41	77,487.47	109,624.06	95,803.99
Balances with Banks and Money at Call and Short Notice	55,908.31	108,795.07	22,534.71	31,698.66
Investments	312,143.15	367,021.38	500,767.17	536,806.14
Advances	884,193.42	1,130,805.08	1,449,536.58	1,731,692.59
Fixed Assets	12,553.24	13,352.33	13,387.53	16,988.92
Other Assets	90,561.40	89,022.81	120,411.56	148,994.90
	1,400,569.93	1,786,484.14	2,216,261.61	2,561,985.20
Contingent Liabilities	2,851,013.21	4,063,871.92	6,620,991.56	7,424,189.52
Bills for Collection	137,608.45	190,069.09	374,154.80	361,811.86

Summary cash flow information for the years ended 31 March 2016, 2017 and 2018

	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018
		Rupees in millions	
A.CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before taxation	34,692.61	43,596.89	54,806.72
Adjustments for:			
Depreciation on Fixed assets...............	1,565.19	1,906.99	2,116.43
Depreciation on Investments...............	295.12	313.64	1,208.61
Employees Stock Option expenses	22.25	32.89	12.13
Loan Loss and Other Provisions	6,426.44	10,599.68	10,545.71
Amortisation of premium on HTM investments	363.32	785.09	1,793.22
(Profit) on sale of fixed assets.............	(69.90)	(31.46)	(80.06)
Operating Profit before Working Capital changes	43,295.03	57,203.72	70,402.76
Adjustments for:			
(Increase)/Decrease in Advances	(202,737.87)	(257,211.34)	(329,277.21)
(Increase)/Decrease in Investments.....	(84,018.22)	(27,576.96)	(136,747.63)
(Increase)/Decrease in Other Assets....	(7,059.95)	5,468.41	(30,381.09)
Increase/(Decrease) in Deposits..........	188,659.82	335,718.77	250,669.52
Increase/(Decrease) in Other Liabilities	7,470.35	20,938.19	(11,916.27)
Cash generated from/(used in) Operations	(54,390.84)	134,540.79	(187,249.91)
Direct Taxes paid (net of refunds).......	(13,488.41)	(18,847.77)	(19,754.50)
Net Cash generated from/(used in) Operating Activities	(67,879.25)	115,693.02	(207,004.41)
B.CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets (including WIP)	(2,690.23)	(2,871.86)	(2,357.93)
Proceeds from sale of Fixed Assets.....	115.08	135.49	162.45
Net Cash used in Investing Activities	(2,575.15)	(2,736.37)	(2,195.48)
C.CASH FLOW FROM FINANCING ACTIVITIES			

	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018
		Rupees in millions	
Proceeds from issue of equity shares (net of issue expenses)...................................	51,251.96	966.22	1,019.65
Proceeds from issue of Long Term Infrastructure Bonds...........................	—	15,000.00	—
Dividends paid	(2,848.34)	(3,227.06)	(4,322.42)
Proceeds from Perpetual Debt instruments	—	10,000.00	10,000.00
Redemption of Subordinated Tier II capital	(5,350.00)	(3,089.00)	—
Increase/(Decrease) in Borrowings	20,728.08	(47,332.71)	148,353.84
Net Cash generated from/(used in) Financing Activities...........................	63,781.70	(27,682.54)	155,051.07
Effect of exchange fluctuation translation reserve	—	(110.28)	25.05
Net Increase/(Decrease) in Cash and Cash Equivalents	(6,672.70)	85,163.83	(54,123.76)
Cash and Cash Equivalents at the beginning of the year.........................	107,791.42	101,118.72	186,282.54
Cash and Cash Equivalents at the end of the year..	101,118.72	186,282.54	132,158.77

Summary cash flow information for the nine months ended 31 December 2017 and 2018

	Nine months ended 31 December 2017	Nine months ended 31 December 2018
	Rupees in millions	
Cash flows used in operating activities	(54,356.07)	(57,302.69)
Cash flows used in investing activities	(1,629.86)	(5,316.33)
Cash flows generated from financing activities	5,618.82	57,873.03
Effect of exchange fluctuation translation reserve	(35.88)	89.85
Net decrease in Cash and Cash Equivalents	(50,402.99)	(4,656.13)
Cash and Cash Equivalents as at beginning of the period	186,282.54	132,158.77
Cash and Cash Equivalents as at the end of the period	135,879.56	127,502.64

Select financial information and reconcilations

	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018	Nine months ended 31 December 2018
	Rupees in millions except percentages			
Interest earned (A)	115,806.59	144,056.71	172,807.49	162,697.07
Interest expended (B)	70,640.87	83,460.66	97,833.05	96,559.04
Net Interest Income ("**NII**") (A-B)	45,165.72	60,626.05	74,974.44	66,138.03
Net Interest Margin (NII divided by average of total assets)	3.8%	3.9%	3.9%	3.8%
Current account (C)	154,780.18	196,088.12	208,409.86	265,260.11
Savings account (D)	172,462.45	270,372.32	458,882.73	500,230.50
Total Current and Savings account ("**CASA**") (C+D)	327,242.63	466,460.44	667,292.59	765,490.61
Total deposits	930,003.46	1,265,722.23	1,516,391.74	1,757,006.19
CASA percentage (CASA divided by Total deposits)	35.2%	36.9%	44.0%	43.6%
Gross NPAs	7,768.20	10,548.70	17,049.10	19,681.48
Gross advances	888,744.12	1,136,964.65	1,459,129.01	1,741,081.34
Gross NPA ratio (Gross NPA divided by gross advances)	0.87%	0.93%	1.17%	1.13%
NPA provision	4,550.70	6,159.60	9,592.40	9,388.74
Net advances (gross advances less NPA provision)	884,193.42	1,130,805.08	1,449,536.58	1,731,692.59
Net NPA	3,217.50	4,389.10	7,456.70	10,292.74
Net NPA ratio (net NPA divided by net advances)	0.36%	0.39%	0.51%	0.59%
Provisions for non-performing assets as a percentage of gross non-performing assets)	58.58%	58.39%	56.26%	47.70%

INVESTMENT CONSIDERATIONS

Investors should carefully consider the following investment considerations as well as the other information contained in this Offering Circular and any pricing supplement prior to making an investment in the Notes. In making an investment decision, each investor must rely on its own examination of the Bank and the terms of the offering of the Notes. The risks described below are not the only ones that may affect the Notes. Additional risks not currently known to the Bank or that the Bank currently deems immaterial may become material in the future and impair its business operations.

Risk Factors Related to the Bank's Business

The Bank may be unable to sustain its recent level of performance, including growth in its business and improvements in its financial results and other indicators of financial performance.

The Bank's total assets have increased from Rs. 1,400,569.93 million as of 31 March 2016, to Rs. 1,786,484.14 million as of 31 March 2017, to Rs. 2,216,261.61 million as of 31 March 2018 and to Rs. 2,561,985.20 million as of 31 December 2018, representing a compound annual growth rate[2] ("**CAGR**") of 25.8 per cent. for the three-year period ended 31 March 2018. In the fiscal years ended 31 March 2016, 31 March 2017 and 31 March 2018, and for the nine months ended 31 December 2018, the Bank's net profit was Rs. 22,864.50 million, Rs. 28,678.93 million, Rs. 36,059.87 million and Rs. 29,410.00 million, respectively, representing a CAGR of 25.6 per cent. for the three-year period ended 31 March 2018. Certain other indicators of financial performance have also recorded growth or remained generally stable over the past few years. For example, the Bank's net interest margin ("**NIM**") was 3.8 per cent. for the nine months ended 31 December 2018 and 3.9 per cent. for the fiscal year ended 31 March 2018 as compared with 3.9 per cent. and 3.8 per cent. for the fiscal years ended 31 March 2017 and 31 March 2016. The Bank's net NPAs as a percentage of net advances as of 31 December 2018 and 31 March 2018 were 0.59 per cent. and 0.51 per cent., respectively, as compared with 0.39 per cent. and 0.36 per cent. for the fiscal years ended 31 March 2017 and 31 March 2016, respectively. In addition, other performance indicators that have improved or remained generally stable include the Bank's return on assets, return on equity, cost to income, capital to risk weighted asset ratio ("**CRAR**") and Tier 1 CRAR. The ratio of the Bank's current and savings account deposits to total deposits, expressed as a percentage, or the Bank's current and savings account percentage, was 43.6 per cent. as of 31 December 2018, and 44 per cent. as of 31 March 2018, as compared with 36.9 per cent. and 35.2 per cent. as of 31 March 2017, and 31 March 2016, respectively. The Bank's other income, which includes fee income, grew from Rs. 32,969.46 million for the fiscal year ended 31 March 2016 to Rs. 41,714.92 million and Rs. 47,501.03 million for the fiscal years ended 31 March 2017 and 31 March 2018, respectively. The Bank's other income for the nine months ended 31 December 2018 was Rs. 40,877.36 million. The drivers for such performance can be attributed to various factors, including those beyond the Bank's control, such as the increase in market share of new generation private banks as a few of the multinational banks have reduced their India business and a few of the large public-sector banks have been under stress, as well as growth in the Indian economy. There can be no assurance that any such growth or performance, or any part thereof, will be sustained in the short, medium or long term.

In addition, net advances have grown from Rs. 884,193.42 million as of 31 March 2016 to Rs. 1,130,805.08 million, Rs. 1,449,536.58 million and Rs. 1,731,692.59 million as of 31 March 2017, 31 March 2018 and 31

[2] Compounded annual growth rate, or CAGR, is calculated by dividing the value at the end of the period in question by the corresponding value at the beginning of that period, and raising the result to the power of one divided by the period length, and subtracting one from the subsequent result.

December 2018, respectively. The Bank's advances portfolio may not continue to grow at the rates the Bank anticipates, which could materially and adversely affect the Bank's business and financial results.

If the Bank is unable to sustain its performance, the growth in its business or improvements in its financial results and other indicators of financial performance, the Bank's business, financial results and other indicators of the Bank's financial performance may be materially and adversely affected.

The Bank's NPA levels could increase and its financial condition and financial results could be materially and adversely affected.

As of 31 December 2018, gross NPAs were Rs. 19,681.5 million, an increase of 13.1 per cent. from 31 December 2017. The Bank's net NPA ratio was 0.59 per cent. as of 31 December 2018, compared to 0.46 per cent. as of 31 December 2017. These increases have resulted mainly from external economic conditions and a tough operating environment due to low gross domestic product ("**GDP**") growth, non-receipt of approvals and clearances for infrastructure projects and reduced capital expenditure spending by the Government. If the Bank is not able to maintain the quality of its loan portfolio, the Bank's NPAs may increase, which could materially and adversely affect its business and financial performance.

The Bank's net NPAs were Rs. 3,217.5 million, Rs. 4,389.1 million, Rs. 7,456.7 million and Rs. 10,292.7 million as of 31 March 2016, 31 March 2017, 31 March 2018 and 31 December 2018, respectively, while the Bank's gross NPAs were Rs. 7,768.2 million, Rs. 10,548.7 million, Rs. 17,049.1 million and Rs. 19,681.5 million, respectively, for the same periods. The Bank's net NPA ratio was 0.36 per cent., 0.39 per cent., 0.51 per cent. and 0.59 per cent. as of 31 March 2016, 31 March 2017, 31 March 2018 and 31 December 2018, respectively, while the Bank's gross NPA ratio was 0.87 per cent., 0.93 per cent., 1.17 per cent. and 1.13 per cent. as of the same dates. In addition, standard restructured loans constituted 0.61 per cent., 0.40 per cent., 0.05 per cent. and 0.11 per cent. of total net loan assets as of 31 March 2016, 31 March 2017, 31 March 2018 and 31 December 2018, respectively. While the Bank has already made provisions for NPAs with respect to 47.70 per cent. of the Bank's gross NPAs as of 31 December 2018, it may need to make further provisions if recoveries with respect to such NPAs do not materialise in time or at all. The Bank has a large exposure to small businesses and retail customers, and the Bank intends to continue to focus on such customers, which may result in increased lending to customers that do not already have an established credit history with the Bank and may thereby require the Bank to invest substantial resources to manage inherent risks. Small businesses generally have limited capital and liability management experience and such businesses and retail customers are more sensitive to economic downturns. As a result, these customers may be more likely to default on their loans and the Bank may be required to increase its loan impairment provisions.

As the average size of corporate loans in the Bank's loan portfolio is substantially larger than the average size of its retail loans, any major defaults in the Bank's corporate loans can significantly impact its overall portfolio of assets. As of 31 December 2018, the Bank has an exposure of Rs.30,000 million to IL&FS Limited and its group entities; the credit ratings of IL&FS Limited and many of its group entities have been significantly downgraded to default status recently and the board of directors of IL&FS Limited was superceded by an order of the NCLT on 1 October 2018; the resolution of the IL&FS group is currently managed through a NCLT supervised resolution process. The Bank is monitoring the developments and implications of the resolution process. In the interim, as a prudential measure, the Bank has made a contingent provision of Rs.255 crores on the relevant assets during the quarter ended 31 December 2018, in addition to an amount of Rs.275 crores made during the quarter ended 30 September 2018.

If the Bank is unable to successfully monitor and manage its portfolio, including during economic downturns, its asset quality and, as a result, its financial condition and results of operation could be materially and adversely affected.

As a part of the supervisory review process, the RBI may direct the Bank to consider certain accounts as NPAs including a change in the classification of an NPA account, which directions have to be complied with imminently, resulting in an increase of NPAs or provisions to be made towards the NPAs or both.

Any increase in NPAs will reduce the net interest-earning asset base and increase provisioning requirements, thereby adversely affecting the Bank's financial condition and financial results. The Bank's ability to continue to reduce or contain the level of its gross and net NPA ratios may be affected by a number of factors beyond its control, such as increased competition, depressed economic conditions, including with respect to specific industries to which the Bank is exposed, decreases in agricultural production, declines in domestic commodity prices and increases in the price of petroleum products that are imported, adverse fluctuations in interest and exchange rates or adverse changes in Indian policies, laws or regulations. In addition, there can be no assurance that reductions in NPAs over prior periods will continue in the future or that current levels of restructured loans may not increase in the future.

The Bank may be unable to manage its growth effectively or successfully execute its growth strategy, including continued branch network expansion, or achieve the synergies and other benefits the Bank expects from such expansion. In addition, the difficulties the Bank may face with respect to the proposed expansion could impede its future growth and adversely affect the operation of its business.

As part of its growth strategy, the Bank has transitioned from a retail-dominated portfolio to a more balanced corporate and retail portfolio. The Bank continues to develop and implement a number of growth initiatives to become more competitive and customer-oriented and to continue to optimise the Bank's balance sheet through a mixture of fixed and floating rate loans and by managing the Bank's asset-liability maturity gap. The Bank's current strategy is to gain market share in strategically selected target businesses, customer segments and geographies while improving its productivity, profitability and efficiency parameters. Although the Bank's growth initiatives have contributed to its financial results in recent years, there can be no assurance that the Bank will be able to continue to successfully implement this strategy.

The Bank's ability to sustain and manage growth depends primarily upon its ability to manage key issues such as selecting and retaining skilled personnel, developing profitable products and services to cater to the needs of its existing and potential customers, cross-selling such products and services across its customer base by gaining market share in select businesses and geographies, maintaining and, in a timely manner, upgrading its technology platform to be effective, introducing and successfully implementing new and improved technology initiatives and customer-friendly innovative products and services, developing a knowledge base to face emerging challenges, ensuring a high standard of customer service and successfully integrating and managing any acquired businesses. Sustained growth also puts pressure on the Bank's ability to effectively manage and control historical and emerging risks. The Bank's inability to effectively manage any of these issues may adversely affect its business growth and, as a result, impact its businesses, prospects, financial condition and financial results.

The Bank also intends to continue to increase and diversify its customer base and delivery channels. In recent years, the Bank has significantly increased the scope of its branch network. The number of the Bank's branches and automated teller machines ("**ATMs**") have increased from 1,000 and 1,800, respectively, as of 31 March 2016 to 1,200 and 2,036, respectively as of 31 March 2017, and further increased to 1,400 and 2,203, respectively, as of 31 March 2018. As of 31 December 2018, the Bank had 1,558 branches/banking outlets and 2,453 ATMs. The Bank acquired approximately 1.01 million new current and savings deposit accounts in the fiscal year ended 31 March 2018 as compared with approximately 0.83 million and 1.05 million new current and savings deposit accounts acquired during the fiscal years ended 31 March 2017 and 31 March 2016, respectively. The Bank acquired approximately 0.79 million new current and savings deposit accounts in the nine months ended 31 December 2018. The Bank intends to continue to add branches over the next few years.

Such further expansion will increase the size of the Bank's business and the scope and complexity of the Bank's operations and will involve significant start-up costs to establish such branches. The Bank may not be able to effectively manage this growth, achieve the desired profitability in the expected timeframe (or at all) or the expected increase in the Bank's CASA percentage or improvement in other indicators of financial performance from the expansion. The Bank may not achieve expected increases in its corporate banking businesses from an enhanced retail customer-facing position following the expansion. In addition, the growth and contribution to the Bank's revenue, deposits and advances arising from new branches may be slower or smaller compared to the rest of the Bank's business. The Bank may not be able to procure real estate for the new branches in a cost-effective manner or without delays or relocate branches that do not meet the Bank's standards of success, including profitability and increase in CASA deposits, to desirable locations. Some of the Bank's newly added branches are currently operating at a lower efficiency level as compared with the Bank's established branches. While the Bank believes that the newly added branches will achieve the productivity benchmark set for the Bank's entire network over time, the success in achieving the Bank's benchmark level of efficiency and productivity will depend on various internal and external factors, some of which are not under the Bank's control. The Bank may also not be able to recoup initial start-up costs from branches that do not perform successfully, and the Bank may have to continue incurring costs to continue operating such branches if the Bank's management considers that closing such branches may adversely affect the Bank's reputation or positioning in an area or may affect the Bank's compliance with applicable financial inclusion obligations. Moreover, the Bank may have to modify its branch network expansion strategy if it is unable to comply with the conditions specified in the RBI's Branch Authorisation Policy. Any of the above may adversely affect the Bank's business growth, prospects and financial results and other indicators of financial performance, such as the Bank's CASA percentage.

As a consequence of a larger branch network, the Bank may also be exposed to certain additional risks, including:

- difficulties arising from operating a larger and more complex organisation and expanding into new areas and territories;
- the failure to manage a geographically diverse branch presence and to efficiently and optimally allocate management, technology and other resources across the Bank's branch network;
- the failure to manage third-party service providers, including if the Bank's brand is adversely affected by the quality of execution or premature termination of the Bank's outsourcing or other third-party services agreements;
- difficulties in the integration of new branches with the Bank's existing branch network;
- difficulties in supervising local operations from the Bank's centralised locations for particular retail banking services;
- difficulties in hiring quality personnel in sufficient numbers to operate the new branches locally and management to supervise such operations from centralised locations;
- diversion of management's attention from the Bank's existing business;
- the failure to realise expected profitability, growth or return on the Bank's investments in establishing branches in such new territories;
- the failure to realise expected synergies and cost savings;
- the failure to compete effectively with competitors already established in such new territories;

- the failure to maintain the level of customer service the Bank has achieved in its existing business in the new branches, which may adversely affect the Bank's brand;
- difficulties in opening new rural branches (including unbanked rural centres) along with the Bank's branch network expansion, and associated risks, including higher technology support services cost and operational risks;
- difficulties arising from co-ordinating and consolidating corporate and administrative functions, including integration of internal controls and procedures; and
- unforeseen legal, regulatory, property, labour or other issues.

If the Bank is unable to expand successfully, including through continued branch network expansion, or is unable to successfully integrate new branches into its existing branch network, the Bank's ability to compete effectively and its financial results may be adversely affected.

The Bank may not be able to effectively manage the growth in its asset portfolio and maintain the quality of its loan portfolio.

The Bank's growth-oriented strategy will involve a significant increase in its asset portfolio, including both consumer and corporate loans, which will require further equity capital to strengthen the Bank's capital base. If such capital is unavailable, the Bank's financial results may be adversely affected. Further, such growth in the Bank's asset portfolio will require the Bank to devote additional resources to risk management. In particular, retail loans may carry a higher risk for delinquency if there is an increase in unemployment, prolonged recessionary conditions or a sharp rise in interest rates. The Bank has also introduced a few new loan products in the last three fiscal years, which are being scaled up. The Bank's new loan products may not develop and materialise as the Bank anticipates, and there can be no assurances that they will become profitable. Furthermore, the Bank may fail to identify appropriate opportunities and offer attractive new products in a timely fashion, putting its businesses at a disadvantage as compared to its competitors. These difficulties could disrupt the Bank's business, distract its management and employees and increase its expenses.

The Bank's financial results depend to a significant extent on net interest income, which in turn is sensitive to a number of factors, including changes in interest rates. Any changes in the interest rate environment that may cause the costs from the Bank's interest-bearing liabilities to increase disproportionately compared to the income from its interest-earning assets may adversely impact the Bank's business and financial results.

The Bank's financial results depend to a great extent on its net interest income. Net interest income represents the excess of interest earned from interest-bearing assets (including performing loans and investments) over the interest paid on interest-bearing liabilities (including customer deposits and borrowings). Interest rates are highly sensitive to many external factors beyond the Bank's control, including growth rates in the economy, inflation, money supply, the RBI's monetary policies, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. With effect from 1 April 2016, the RBI guidelines on the computation of lending rates based on the marginal cost of funds methodology, which is applicable on all rupee loans sanctioned and credit limits. This change in the methodology for calculating the cost of funds may lead to lower lending rates and more frequent revisions in lending rates due to the prescribed monthly review of cost of funds. The RBI has mandated that, with effect from 1 April 2019, all new floating rate personal loans or retail loans (housing, auto etc.) and floating rate loans to micro small enterprises shall be based on external benchmark market interest rates and the spread over the benchmark rate shall remain unchanged through the life of the loan. These regulatory changes may impact the yield on the Bank's interest-earning assets, net interest income and NIM.

The Bank's sources of funding have primarily been customer deposits, money market borrowings, medium-term borrowings from banks in India and overseas, borrowings and refinances from institutions, medium-term debt securities issued in the domestic bond market, and Additional Tier 1 and Tier 2 unsecured non-convertible subordinated debt securities. The Bank's cost of funds is sensitive to interest rate fluctuations, which expose the Bank to the risk of reduction in spreads. The pricing on the Bank's issuances of debt will also be negatively impacted by any downgrade or potential downgrade in the Bank's credit ratings. In addition, attracting customer deposits in the Indian market is competitive. If the Bank fails to sustain or achieve the growth rate of its deposit base, the Bank's business may be adversely affected. The rates that the Bank must pay to attract deposits are determined by numerous factors such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation. In addition, the Bank's higher base rate for lending may reduce its opportunities to lend to customers seeking lower rates or alternative sources of funding, such as corporate bonds and commercial paper.

Interest rates are highly sensitive to factors beyond the Bank's control, including India's GDP growth, inflation, liquidity, the RBI's monetary policies and domestic and international economic and political conditions and other factors. Volatility and changes in interest rates could affect the interest rates the Bank charges on its interest-earning assets in a manner different from the interest rates the Bank pays on its interest-bearing liabilities because of the different maturity periods applying to the Bank's assets and liabilities and also because liabilities generally re-price faster than assets. The difference could result in an increase in interest expense relative to interest income leading to a reduction in the Bank's net interest income, which could materially and adversely affect its financial results. The Bank has a mixture of fixed and floating rate loans and a substantial portion of its assets, particularly in the Bank's consumer finance division in relation to lending for vehicles and in its consumer banking unit for certain loan products, are set at a fixed interest rate. Consequently, in periods when interest rates trend upward, the Bank may be adversely affected as its costs may rise without the ability to increase interest rates on the fixed rate portion of its portfolio. Conversely, if interest rates were to decrease, the Bank's overall yield on its advances may lag such decreases. Any volatility or increase in interest rates or other market conditions may also adversely affect the rate of growth of certain sectors of the Indian economy, which may adversely impact the Bank's business and financial results.

The Bank faces maturity and interest rate mismatches between its assets and liabilities. The Bank's depositors may not roll over term deposits on maturity and the Bank may be otherwise unable to increase its term deposits, in which case the Bank's liquidity position could be adversely affected and the Bank may be required to pay higher interest rates in order to attract and/or retain further deposits, which could have a material adverse effect on its business and financial results.

The Bank meets its funding requirements through short and long-term deposits from retail and large corporate depositors as well as wholesale interbank deposits. However, a significant portion of the Bank's assets (such as loans) have maturities with longer terms than its liabilities (such as deposits). As of 31 December 2018, the Bank had negative liquidity gaps for certain short-term maturity periods up to one year.

If a substantial number of the Bank's depositors do not roll over their funds upon maturity, the Bank's liquidity position could be adversely affected and the Bank may be required to pay higher interest rates in order to attract and/or retain further deposits, which could have a material adverse effect on its business and financial results.

In addition, increases in interest rates applicable to the Bank's liabilities, in particular the Bank's inter-bank wholesale funding, without concurrent corresponding increases in interest rates applicable to its interest-bearing assets may result in a decline in net interest income which could

materially and adversely affect the Bank's business and financial results. Adverse economic conditions or a continued slowdown in India could have an adverse impact on the Bank's business.

The Bank's performance is highly correlated to general economic conditions in India, which are in turn influenced by global economic factors. The Bank is subject to risks relating to macroeconomic conditions in India. According to the RBI's financial stability report, December 2018 (the "**RBI Financial Stability Report**"), the global growth outlook for 2018 and 2019 remains positive though the expansion has become less balanced and downside risks to global growth have risen. Spill-over risk from advanced financial markets to emerging markets, however, has increased. Tightening of liquidity conditions in the developed markets alongside expansionary U.S. fiscal policy and a strong U.S. dollar have started to adversely impact emerging market currencies, bonds and capital flows. Firming commodity prices, evolving geopolitical developments and rising protectionist sentiments also pose added risks. Further, in the domestic financial markets, structural shifts in credit intermediation and the evolving interconnectivity between banks and the non-banks may require greater vigilance.

Despite a recent easing in inflation rates, the Indian economy has previously experienced high levels of inflation. In such periods, the Bank's costs, including operating expenses, may increase, which could have an adverse effect on its financial results. Inflation may also have a bearing on the overall interest rates which may adversely affect the Bank's net interest income.

If the Bank is unable to manage the significant risks and challenges that the Bank faces in its newer businesses, including newer fee income businesses, the Bank's business and financial results could be adversely affected.

As part of the Bank's growth strategy, the Bank has been diversifying and expanding its products and services, including by marketing new loan products and global markets and transaction banking services to retail customers and small and medium-sized enterprises ("**SMEs**") to earn fee income. The Bank's other income has grown from Rs. 32,969.46 million in the fiscal year ended 31 March 2016 to Rs. 47,501.03 million in the fiscal year ended 31 March 2018. For the nine months ended 31 December 2018, the Bank's other income amounted to Rs. 40,877.36 million. The Bank may not be able to sustain such growth. The Bank has also added new businesses such as loans for the purchase of tractors and other farm equipment, unsecured business loans, loans against credit card receivables, loans and overdraft facilities to farmers, loan against securities, loans for the construction of affordable housing for economic weaker sections, gold loans and rural loans. The Bank also plans to expand its microfinance lending in selected regions and through its proposed merger with Bharat Financial Inclusion Ltd. ("**BFIL**"), an expert in microfinance. BFIL distributes small loans of between Rs. 1,000 to Rs. 100,000 to underprivileged women so that they can start and expand simple businesses and increase their incomes. These micro-enterprises range from small farm activities (raising livestock, fishery, etc.) to non-farm activities including small village businesses such as tea stalls and grocery stores. Under the Bank's microfinance model, the Bank lends directly to micro-borrowers by outsourcing origination and collection activities to regional local partners. The Bank's newer fee income businesses include the distribution of health insurance. Such new initiatives and products and services entail a number of risks and challenges, such as start-up expenditure and other risks and costs associated with the respective businesses, including the following:

- insufficient knowledge of and expertise applicable to the new businesses, which may differ from those required in the Bank's current operations, including management skills, risk management procedures, guidelines and systems, credit appraisal, monitoring and recovery systems;
- insufficient financial and other resources to support an expanded range of products and services;
- failure to obtain additional approvals and licences from regulators, including the RBI, the Insurance Regulatory and Development Authority of India (the "**IRDAI**"), and Securities and Exchange Board of India ("**SEBI**");

- lower growth or profitability potential than the Bank anticipates;
- inability to prevent "misselling" of the Bank's products and services by its employees resulting in such products and services being purchased by customers without an informed understanding of concomitant risks, which may lead to defaults and litigation;
- failure to identify new segments and offer attractive new products and services in a timely fashion, putting the Bank at a disadvantage to its competitors;
- competition from similar offerings or products and services by the Bank's competitors in the banking and non-banking financial services sectors;
- inability to attract customers from the Bank's competitors in the Bank's new businesses, as they may have substantially greater experience and resources in such businesses;
- failure to appropriately value collateral, including property and infrastructure assets, in order to lend on a secured basis;
- failure to accurately determine and monitor the creditworthiness of borrowers in the Bank's newer businesses and increase in the rates of defaults, including in its unsecured loan businesses;
- changes in regulations or Government policies that may restrict or cap the interest rates or fees and commissions that the Bank may charge customers in any of its new businesses or compel changes to the Bank's business models and viability of its businesses;
- any negative backlash and publicity associated with microfinance lending, as has occurred in the past in other regions in India, which could lead to an increased rate of defaults from micro-borrowers and affect the Bank's brand and ability to continue operations in the microfinance sector or obtain regulatory approvals to expand the Bank's branch network or add new businesses;
- any negative publicity arising due to regulatory or other actions against third parties with whom the Bank is associated and over whom the Bank has no control;
- inability to enhance the Bank's risk management, internal control and other capabilities and the Bank's information technology systems to support a broader range of products and services, a higher scale of operations and an increased retail customer base;
- inability to attract and retain personnel who are able to implement, supervise and conduct the new business activities on commercially reasonable terms; and
- economic conditions such as rising interest rates, declines in private consumption trends or housing prices or a continued economic slowdown, which could negatively affect the market for credit cards, personal loans, mortgages and other fee income related businesses, including investment banking.

The Bank earns fee-based income from investment banking services, which include origination, syndication and restructuring of debt, mergers and acquisitions advisory services, private equity placements and structured finance (including customised structured trade finance) provided to large and medium-sized companies. As part of the Bank's investment banking operations, the Bank may from time to time hold assets on its balance sheet which may subject the Bank to market risk and credit risk. The Bank's investment banking activities are also generally susceptible to sustained adverse economic conditions in India or abroad. There can be no assurance that the Bank will be able to sustain levels of income from, or effectively manage the risks associated with, this business in the future.

The Bank earns fee income from global markets and transaction banking services, as well as from the sales of third-party insurance products and mutual funds. For insurance products, the Bank has a corporate agency arrangement with each of Tata AIA Life Insurance Company Limited, Cholamandalam MS General Insurance Company Limited, Reliance General Insurance Company Limited and Religare Health Insurance Company Limited, whereby the Bank earns fee income by marketing Tata AIA life insurance, Cholamandalam general insurance, Reliance General Insurance Company Limited and Religare Health Insurance Company Limited's products, respectively, through the Bank's distribution channels to its customers. The Bank's income from these arrangements greatly depends on the reputation of such insurers in the marketplace and the quality and variety of products they offer, which are factors beyond the Bank's control. Further, any change or termination of the Bank's arrangements with third parties whose products the Bank distributes may result in an interruption or decrease in the fee income that the Bank earns from such arrangements, including if the Bank is unable to enter into arrangements with other third parties on similar terms or at all. Under existing guidelines, Indian banks are currently permitted to have arrangements with only one life insurer, one non-life insurer and one health insurer for sales of insurance products. The Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015, effective from 1 April 2016, permit banks, upon being registered as corporate agents, to enter into arrangements with a maximum of three life insurers, three general insurers and three health insurers. Under the existing IRDAI regulations, the Bank is unable to offset the risk arising from the Bank's dependence on such insurers by offering products from other insurers.

In addition, changes in regulation may adversely affect the Bank's ability to earn commissions and other income from the sales of existing and new third-party products. For example, by its guidelines dated 28 June 2010, the IRDAI stipulated limits on fees and charges associated with certain insurance products, commonly known as unit-linked insurance plans ("**ULIPs**"), in which the policy value at any time varies with the value of the underlying assets. Further, pursuant to the Insurance Regulatory and Development Authority (Linked Insurance Products) Regulations, 2013, as amended, and the Insurance Regulatory and Development Authority (Non-Linked Insurance Products) Regulations, 2013, as amended, the IRDAI stipulated restrictions on the maximum amount payable as commissions or remuneration in respect of certain linked and non-linked insurance policies. The impact of such regulations is currently uncertain. In addition, SEBI has prohibited entry loads and any additional management fees for mutual funds schemes and limited the amount that asset management companies can pay to distributors of mutual funds. Recently, SEBI has restricted the levy of exit loads on close ended schemes. In February 2015, the Association of Mutual Funds in India, a self-regulatory organisation of mutual funds, suggested voluntary caps on certain distribution fees. As per a board meeting of SEBI, held in September 2018, it has issued a limit of 2.25 per cent. cap on the distribution fees on mutual funds. Such regulatory changes, as well as any regulation in the future that impose caps on fees and charges on third-party products, including mutual funds, may adversely affect the Bank's fee income from the sales of such products.

The Bank receives transaction-based fees for use of its ATMs by non-customers. The Bank may face difficulties finding third-party vendors with which to partner for its existing ATM network or to expand its network, and the Bank may face increased competition with non-bank, or white-label, ATMs. In such event, the Bank's fee income from ATMs could decrease, which could adversely affect its financial results. Additionally, further to a notification issued by the RBI on 6 April 2018, banks are required to put in place certain minimum standards in their arrangements with the service providers for cash management related activities. In this regard, specific standards have been set out by the RBI that are required to be complied with by the banks while engaging with sub-contractors in relation to cash management. This may lead to additional expenses to be incurred by banks for continuing with their current ATM network which may adversely affect the Bank's results of operation and financial performance.

If the Bank is unable to successfully expand and diversify its products and services while managing the attendant risks and challenges, fee income from such products and services may be less than anticipated, which could have a material adverse effect on the Bank's business and financial results.

The Bank is highly dependent on its senior management to manage the Bank's current operations and meet future business challenges.

The Bank's future success is highly dependent on its senior management to maintain the Bank's strategic direction, manage its current operations and risk profile and meet future business challenges, including the Bank's planned branch network expansion and the addition of new businesses organically and through acquisitions. The Bank does not maintain key man insurance and the loss of, or inability to attract or retain, such persons could adversely affect the Bank's business and financial results. For example, the expertise, experience and services of the Bank's current Managing Director ("**MD**") and Chief Executive Officer and other members of its senior management team have been integral to the Bank's business. The Bank's MD and Chief Executive Officer was re-appointed in 2018 for a two-year term ending in 23 March 2020. The Bank's employment agreements with such personnel do not oblige them to work for the Bank for any specified period and do not contain non-compete or non-solicitation clauses in the event of termination of employment. If one or more key personnel are unwilling or unable to continue in their present positions, the Bank may not be able to replace them with persons of comparable skill and expertise promptly or at all, and the Bank may not be able to further augment its management team appropriately as the Bank adds newer products and services and expands its business, including through the Bank's planned branch network expansion, which could have a material adverse effect on the Bank's business, operations and financial results.

The Bank faces risks associated with its vehicle financing business, which accounts for a significant portion of the Bank's total advances.

A significant portion of the Bank's advances comprises loans issued for the purchase of new and used commercial vehicles, construction, earth-moving and material handling equipment, small commercial vehicles, utility vehicles, two-wheelers and cars. As of 31 March 2018, and 31 December 2018, the Bank's vehicle financing advances were 29.3 per cent. and 29.2 per cent., respectively, of its total net advances. The Bank's vehicle financing business is a legacy business of Ashok Leyland Finance Limited ("**ALFL**"), which merged with the Bank in 2004 and was earlier a subsidiary of a major commercial vehicle manufacturer controlled by the Hinduja Group. The success of the Bank's business depends on various factors that affect the demand for such vehicles, including the demand for transportation services in India or in any of its regions, changes in Indian laws, regulations and policies or court actions affecting the transportation sector, fuel prices, natural disasters and other macroeconomic conditions in India and globally. For example, due to the economic downturn in the vehicle industry, demand for the Bank's commercial vehicle loans was lower in the fiscal years ended 31 March 2016 and 31 March 2017. The Bank could also be adversely affected by a decrease in demand for financing of vehicles arising from increasing consumer affordability for such vehicles or other reasons. The Bank is also exposed to the risk of increasing competition from public sector banks, other private sector banks, non-banking finance companies ("**NBFCs**") and other financial institutions in this business, including entities with greater resources than the Bank's, which may cause the Bank to lose market share and decrease its yields over the medium or long term. The Bank's relationships with manufacturers of vehicles to finance purchases are not on an exclusive basis, and there is no assurance that they will not direct their business to other financiers. The Bank may be adversely affected by poor economic performance and the loss of market share of any one or more major vehicle manufacturers with which the Bank has relationships, or if the Bank loses or fails to maintain market share in any of the Bank's chosen vehicle categories or is unable to achieve prior levels of success in newer geographies as the Bank expands its business. Substantially all the Bank's vehicle finance advances are at a fixed rate and the Bank is generally unable to pass on any increases in market interest rates to such customers, which may adversely affect the Bank's interest income. Any failure to perfect the Bank's security interest and monitor and accurately value collateral will affect the Bank's ability to recover principal and interest amounts on advances in the event of defaults. Any failures in customer service, whether by the Bank or by its associate company, IndusInd Marketing and Financial Services Private Limited, which operates the marketing outlets that a significant part of all the Bank's advances in the Bank's vehicle financing business, or by third-party providers to which the Bank has outsourced collections, may adversely affect the Bank's reputation, and any failure to replace such providers at short notice may cause disruptions in the Bank's business. Any changes in regulations that disqualify a part or all of the Bank's vehicle financing business for priority sector lending may adversely affect the Bank by requiring it to allocate more funds to advances with lower yields. The occurrence of any of the above factors could have a material adverse effect on the Bank's business and financial results.

The Bank has substantial exposure to certain sectors and borrowers and the Bank's business could be materially and adversely affected by difficulties experienced in these sectors or by such borrowers.

The Bank monitors concentration of exposures to sectors and borrowers. The Bank calculates customer and sector exposure, as required by the RBI, by aggregating the higher of the outstanding balances of, or limits on, funded and non-funded exposures. Funded exposures include loans and investments (excluding investments in government securities, units of mutual funds, deposit certificates issued by banks and equity shares).

As of 31 December 2018, the Bank's largest sector concentrations, in each case as a percentage of its net funded advances, were as follows: NBFCs (other than housing finance companies ("**HFCs**") (4.63 per cent.), microfinance (4.34 per cent.), gems and jewellery (4.11 per cent.), power generation (3.86 per cent.), real estate developers (3.84 per cent.), construction related to Infra-EPC (2.73 per cent.), steel (2.38 per cent.), lease rental (2.36 per cent.), roads and other infrastructure projects (2.14 per cent.) and services (2.09 per cent.). In addition, the Bank has substantial exposure to the automobile and transport sectors as a result of its vehicle financing business. As of 31 March 2018, and 31 December 2018, consumer financing advances aggregated 39.5 per cent. and 39.3 per cent., respectively, of the Bank's total net advances. Furthermore, the Bank has substantial exposure to agriculture and micro and small enterprises, which the Government categorises as "priority sectors". As of 31 March 2018, and 31 December 2018, the Bank's lending to priority sectors was Rs. 483,528.2 million and Rs. 447,850.2 million, respectively, which constituted 43.9 per cent. and 36.5 per cent. of the Bank's adjusted net bank credit ("**ANBC**"), respectively. Any significant difficulty in a particular sector, driven by events not within the Bank's control, such as regulatory action or policy announcements by government authorities or natural disasters, would adversely impact the ability of borrowers in that industry to service their debt obligations to the Bank. In particular, given the importance of retail loans to the Bank's business, any slowdown in sectors such as automobiles, transport and agriculture could adversely impact the Bank's performance. As a result, the Bank would experience an increased level of NPAs, which may adversely impact the Bank's business and its financial performance.

As of 31 March 2018, and 31 December 2018, the Bank's largest single customer exposure (which included fund-based and non-fund-based exposure) was Rs. 44,851.5 million and Rs. 59,473.8 million, respectively, representing 1.78 per cent. and 1.99 per cent., respectively, of the Bank's total customer exposure (fund-based and non-fund-based exposure), and the Bank's aggregate exposure to its 20 largest customers (which included fund-based and non-fund-based exposures) totalled Rs. 373,430.5 million and Rs. 478,117.8 million, respectively, representing 14.8 per cent. and 16.0 per cent., respectively, of the Bank's total customer exposure (fund-based and non-fund-based exposure). Such exposure is computed in accordance with the definition contained in the RBI's master circular on exposure norms DBOD.No.Dir.BC.12/13.03.00/2015-16 dated 1 July 2015 and includes credit and investment exposure. None of the Bank's 20 largest customer exposures were classified as non-performing as of 31 March 2018 and as of 31 December 2018. If any of the Bank's 20 largest customer exposures were to become non-performing, the credit quality of the Bank's portfolio and its business and financial results could be adversely affected.

The Bank faces intense competition from banks and financial institutions that are much larger than the Bank and have an established presence all over India. If the Bank is unable to compete efficiently, its business and financial results could be adversely affected.

The Indian banking industry is highly competitive. The Bank faces strong competition in all lines of its business, and many of the Bank's competitors are much larger than the Bank. The Bank competes directly with large government-controlled public-sector banks and major private sector banks, which generally have much larger customer and deposit bases, larger branch networks and more capital than the Bank. The Government has also expressed a preference for consolidation in the banking sector in India. Mergers among banks may result in enhanced competitive strengths in pricing and delivery channels for merged entities. The Bank may face greater competition from larger banks as a result of such consolidation, which may adversely affect the Bank's future financial performance.

The Bank also competes with foreign banks with operations in India, including some of the largest multinational banks and financial institutions in the world, and, for certain products, NBFCs and HFCs. In November 2013, the RBI issued a framework for the setting up of wholly owned subsidiaries by foreign banks in India, pursuant to which foreign banks have been permitted to set up wholly owned subsidiaries with the prior approval of the RBI. The framework encourages foreign banks to establish a presence in India by granting rights similar to those received by Indian banks, subject to certain restrictions and safeguards. Under the current framework, wholly owned subsidiaries of foreign banks are allowed to raise Rupee resources through issue of non-equity capital instruments as well as open branches in certain centres without having the need for prior permission from the RBI. Such measures may increase competition from such foreign banks.

In addition, in February 2013, the RBI also released guidelines on the granting of licences to additional new Indian banks, possibly including entities with substantially greater resources than the Bank. The RBI has liberalised the licensing regime and intends to issue licences on an ongoing basis, subject to the specified qualification criteria. In April 2014, the RBI granted in-principle approvals, valid for a period of 18 months, to IDFC Limited and Bandhan Financial Services Private Limited to set up banks, which began operations during fiscal year 2016. On 19 August 2015, the RBI granted in-principle approval to 11 applicants to set up payment banks. In September 2015, the RBI granted in-principle licences to ten applicants for small finance banks ("**SFBs**"), most of which are microfinance NBFCs. The RBI has also released guidelines with respect to a continuous licensing policy for universal banks in August 2016. As of 31 December 2018, five payment banks have commenced operations. In addition, 10 entities have started functioning as small finance bank operations. Any such existing or new competitor banks could have a substantial advantage over the Bank in enabling economies of scale, such as in purchasing technology and other capabilities, improving organisational efficiencies, marketing and promotion and pricing, as well as more developed bases of consumer financing customers.

In addition, the Bank may face attrition and difficulties in hiring at senior management and other levels due to competition from existing Indian and foreign banks, as well as new banks arising from the RBI guidelines. Due to such intense competition, the Bank may be unable to successfully execute its growth strategy successfully and offer competitive products and services that generate reasonable returns, reduce its currently high operating costs and retain its competitive advantage, which could negatively impact the Bank's profit margins and materially and adversely affect the Bank's business and financial results.

If the Bank fails to maintain the minimum capital adequacy requirements stipulated by the RBI or minimum capital adequacy levels required to support its growth, the RBI may take certain actions against the Bank that could adversely affect the Bank's reputation, business and financial results.

The Bank is required by the RBI to maintain a minimum overall capital adequacy ratio of 9 per cent. in relation to the Bank's total risk-weighted assets ("**RWAs**"). The Bank must maintain this minimum capital adequacy level to support the Bank's growth. In accordance with the Basel III capital regulations, the Bank is required to maintain a minimum CET 1 capital ratio of 5.5 per cent., a minimum Tier I capital ratio of 7 per cent. and a capital conservation buffer ("**CCB**") of 1.875 per cent. of its RWAs. The transitional arrangements for the implementation of Basel III capital regulations in India began from 1 April 2013 and the guidelines are required to be fully implemented by 31 March 2020.

The RBI requirements for Basel III compliance are generally more stringent than the framework prescribed by the Bank for International Settlements and the requirements prescribed by the earlier rules, and compliance with such requirements will have an impact on the Bank's financial results, including certain key indicators of financial performance, such as return on equity. The Bank's CRAR computed in accordance with the RBI's Basel III Capital Regulations was 15.03 per cent. and 14.19 per cent. as of 31 March 2018, and 31 December 2018, respectively. Although the Bank currently meets or exceeds the applicable capital adequacy requirements, certain adverse developments could affect the Bank's ability to continue to satisfy the capital adequacy requirements, including deterioration in the Bank's asset quality, declines in the values of the Bank's investments and changes in the minimum capital adequacy requirements. Furthermore, the Bank's ability to support and grow its business could be limited by a declining capital adequacy ratio if the Bank is unable to access or has difficulty accessing the capital markets or has difficulty obtaining capital in any other manner. The Bank cannot assure potential investors that the Bank will be able to obtain additional capital on commercially reasonable terms in a timely manner, or at all. If the Bank fails to meet capital adequacy requirements, the RBI may take certain actions, including restricting the Bank's lending and investment activities, and the payment of dividends by the Bank. These actions could materially and adversely affect the Bank's reputation, business and financial results.

The Bank is required to comply with the RBI guidelines relating to the Liquidity Coverage Ratio ("**LCR**"), Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that have been applicable to banks in India from 1 January 2015. LCR, as provided in the guidelines, measures the Bank's ability to manage and survive for 30 days under a significant stress scenario that combines an idiosyncratic as well as a market-wide shock that would result in accelerated withdrawal of deposits from retail and wholesale depositors, partial loss of secured funding, increase in collateral requirements and unscheduled drawdown of unused credit lines. The Bank depends on balanced funding from retail as well as wholesale depositors. The Bank computes LCR in all significant currencies using the factors mentioned in the RBI guidelines. The Bank's High Quality Liquid Assets ("**HQLAs**") consist of cash, unencumbered excess Statutory Liquidity Ratio ("**SLR**"), a portion of statutory SLR as allowed under the guidelines, cash balance with the RBI in excess of statutory cash reserve requirements, and high rated corporate bonds issued by entities other than financial institutions. Major components of the Bank's balance sheet are in domestic currency, and the Bank uses foreign currency sources to predominantly fund foreign currency advances. Collateral is generally kept as cash or cash equivalent for securing derivative transactions. The largest absolute net 30-day collateral flows realised during the preceding 24 months has been considered as potential outflow on account of change in the valuation of derivative trades. Any adverse impact due to market-wide shock leading to accelerated withdrawals of deposits from retail and wholesale depositors, partial losses of secured funding, increases in collateral requirements and unscheduled drawdowns of unused credit lines could impact the profitability of the Bank's business.

In addition, continued compliance requirements with Basel III or other capital adequacy requirements imposed by the RBI may result in the incurrence of substantial compliance and monitoring costs and there can be no assurance that the Bank will be able to comply with such requirements or that any breach of applicable laws and regulations will not adversely affect the Bank's reputation or its business, operations and financial results.

The Bank depends on its brand recognition and failure to maintain and enhance awareness of the Bank's brand would adversely affect its ability to retain and expand its base of customers. The Bank

has applied for but not yet registered certain trademarks and, therefore, may be unable to adequately protect its intellectual property. The Bank may also be subject to claims alleging breach of third-party intellectual property rights.

The Bank has invested in developing and promoting its brand and expects to continue maintaining and increasing its brand awareness amongst its current and prospective customers. The Bank believes that as the market becomes increasingly competitive, maintaining and enhancing the Bank's brand, in a cost-effective manner, will become more important for its business. Further, the Bank believes that continuing to develop awareness of its brand, through focused and consistent branding and marketing initiatives, among customers is important in order to establish its leadership in select markets. If the Bank is unable to consistently manage its time and costs on brand building initiatives, the Bank's ability to compete in the financial services sector may be negatively impacted and have a material adverse effect on its business.

The Bank does not own the "IndusInd Bank" trademark or logo. Further, although the Bank has applied to register such trademark or logo, there can be no assurance that the relevant authority will grant the Bank such registration. There can also be no assurance that third parties will not infringe on the Bank's intellectual property or misuse the Bank's name or logo, which may adversely affect the Bank's business, prospects and reputation. Further, the Bank may become subject to claims by third parties if it uses slogans, names, designs, software or other such subjects in breach of any intellectual property rights registered by such third parties. Any legal proceedings pursuant to such claims, or settlements thereunder, may divert management's attention and require the Bank to pay financial compensation to such third parties, as well as compel the Bank to change its marketing strategies or brand names of its products and services, which could adversely affect the Bank's business, prospects and financial results.

Negative publicity could damage the Bank's reputation and adversely impact its business and financial results.

Reputational risk, or the risk to the Bank's business, earnings and capital from negative publicity, is inherent in the Bank's business. The reputation of the financial services industry in general has been closely monitored as a result of the financial crisis and other matters affecting the financial services industry. Negative public opinion about the financial services industry generally or the Bank specifically could adversely affect its ability to attract and retain customers and may expose the Bank to litigation and regulatory action. Negative publicity can result from the Bank's actual or alleged conduct in any number of activities, including lending practices, foreclosure practices, corporate governance, regulatory compliance, mergers and acquisitions, related disclosure, sharing or inadequate protection of customer information, and actions taken by government regulators and community organisations in response to that conduct. The Bank distributes several third-party products, including life insurance, health insurance, general insurance and mortgages. The Bank also works in partnership with third parties, including business correspondents in the micro finance sector. The Bank has no control over the actions of such third parties. Any failure on the part of such third parties, including any failure to comply with applicable regulatory norms, any regulatory action taken against such parties or any adverse publicity relating to such parties could in turn result in negative publicity about the Bank and adversely impact the Bank's brand and reputation.

The Bank may be unable to foreclose on collateral in a timely fashion or at all when borrowers default on their obligations to the Bank, or the value of collateral may decrease, any of which may result in failure to recover the expected value of collateral security, increased losses and a decline in net profits.

A substantial portion of the Bank's loans to retail customers is secured by collateral, predominantly vehicles, property and equipment financed by the Bank and other items such as gold ornaments and securities. The Bank's loans to corporate customers includes working capital credit facilities that are typically secured by a first lien or charge on inventory, receivables and other current assets. In some cases, the Bank may have taken further security of a first or second lien or charge on fixed assets, including plant and machinery, a pledge of financial assets (such as marketable securities), corporate guarantees and personal guarantees. The Bank also lends to retail customers and small businesses secured by property and which have credit card operations.

The value of the collateral securing the Bank's loans may significantly fluctuate or decline due to factors beyond its control. For example, the global economic slowdown and other domestic factors had led to a downturn in real estate prices in India. Any decline in the value of such collateral may reduce the amounts the Bank can recover from such collateral and increase the Bank's impairment losses. In addition, the Bank may be unable to foreclose on collateral when borrowers default on their obligations to the Bank, which may result in failure to recover the expected value of such collateral security. Although there has been legislation strengthening the rights of creditors and which may lead to faster realisation of collateral in the event of default, there can be no assurance that such legislation will have a favourable impact on the Bank's efforts to reduce its levels of NPAs and the Bank may not be able to realise the full value of its collateral, due to, among other things, stock market volatility, changes in the economic policies of the Indian government, delays in foreclosure proceedings, defects in the perfection of collateral, fraudulent transfers by borrowers and decreases in the values of collateral. In the event that a specialised regulatory agency gains jurisdiction over the borrower, creditor actions can be further delayed.

On 12 February 2018, the RBI issued a revised simplified and generic framework for resolution of stressed assets in view of enactment of the Insolvency and Bankruptcy Code, 2016 ("**IBC**") which will enable lenders to initiate resolution proceedings against borrowers in case of default under the guidelines. Under this framework, commencing from 1 March 2018, banks are required to implement the restructuring of all distressed assets, accounting over Rs. 20 billion within a period of 180 days of default, or to compulsorily initiate insolvency proceedings against such assets. The Banking Regulation Act, 1949 (the "**Banking Regulation Act**") amended in May 2017, gave extensive powers to the RBI to direct banks to initiate insolvency proceedings against defaulting borrowers.

Such difficulties in realising the Bank's collateral fully or at all, including if the Bank is instead compelled to restructure its loans, could adversely affect the Bank's business and financial results.

The Bank's unsecured loan portfolio is not supported by any collateral that could help ensure repayment of the loan, and in the event of non-payment by a borrower of one of these loans, the Bank may be unable to collect the unpaid balance.

The Bank offers unsecured personal loans and credit cards to the retail customer segment, including salaried individuals and self-employed professionals. In addition, the Bank offers unsecured loans to small businesses and individual businessmen and unsecured micro loans to predominantly women borrowers. Unsecured loans carry greater credit risk for the Bank than the Bank's secured loan portfolio because they may not be supported by realisable collateral that could help ensure an adequate source of repayment for the loan. Although the Bank normally obtains direct debit instructions or post-dated cheque from the Bank's customers for its unsecured loan products, the Bank may be unable to collect in part or at all in the event of non-payment by a borrower. Further, any expansion in the Bank's unsecured loan portfolio could require the Bank to increase its provision for credit losses, which would decrease the Bank's earnings.

The Bank is exposed to risks relating to the Bank's contingent liabilities.

As of 31 March 2018, and 31 December 2018, the Bank had reported, in accordance with Accounting Standard 29 issued by ICAI, total contingent liabilities of Rs. 6,620,991.6 million and Rs. 7,424,189.5 million, respectively.

If any of these contingent liabilities materialise, fully or partially, the Bank's financial results could be materially and adversely affected. In particular, the Bank's contingent liabilities have increased in recent years, significantly as a result of the Bank's expansion of its foreign exchange and derivatives business.

The Bank's global markets operations expose the Bank to significant risks.

The Bank's revenue from exchange transactions and derivatives, handled by its global markets business unit, increased by 10 per cent. from Rs. 8,369.99 million as of 31 March 2016 to Rs. 9,210.16 million as of 31 March 2018. As of 31 December 2018, the Bank's revenue from exchange transactions and derivatives, handled by its global markets business unit, amounted to Rs. 9,916.8 million. As a result, the Bank's off-balance sheet items (which include liabilities on account of outstanding derivatives contracts and liabilities on account of outstanding forward exchange contracts) have increased. The Bank's contingent liabilities on account of outstanding derivative contracts increased from Rs. 997,415.37 million as of 31 March 2016 to Rs.2,455,307.6 million as of 31 March 2018. As of 31 December 2018, the Bank's contingent liabilities on account of outstanding derivative contracts amounted to Rs. 3,954,669.9 million. The Bank's contingent liabilities on account of outstanding forward exchange contracts increased from Rs. 1,437,613.1 million as of 31 March 2016 to Rs. 3,514,407.4 million as of 31 March 2018. As of 31 December 2018, the Bank's contingent liabilities on account of outstanding forward exchange contracts amounted to Rs. 2,741,165.60 million. The Bank is exposed to fluctuations in foreign currency rates on its limited unhedged exposure, which may directly affect non-interest income and thereby the Bank's financial results. Such fluctuations could also affect the Bank's treasury revenue adversely. Movements in foreign exchange rates may also adversely affect the Bank's borrowers and this may, in turn, affect the quality of the Bank's exposure to these borrowers. If the liabilities on account of outstanding derivative contracts and liabilities on account of outstanding forward exchange contracts were to materialise due to a counterparty's default, the Bank may incur a loss to the extent of the difference between the contracted price and the trade price. The Bank's financial results could be materially and adversely affected by any significant losses incurred by the Bank in this respect.

The Bank is currently classified as a foreign-owned entity for purposes of foreign investment restrictions, including for downstream investments.

As of 31 March 2018, and 31 December 2018, the aggregate foreign investment in the Bank was 73.09 per cent. and 72.70 per cent., respectively, of which 46.45 per cent. and 46.97 per cent., respectively, constituted collective shareholding by foreign portfolio investments and FIIs. Under its consolidated foreign direct investment ("**FDI**") policy, the Government has set out certain restrictions with respect to downstream investments by Indian companies that are foreign owned or controlled. However, downstream investments by banking companies which are foreign owned or controlled (other than strategic downstream investments by such companies in their subsidiaries, joint ventures and associates), are not taken into account while determining the amount of indirect foreign investments in such downstream companies if such investments are being made under the voluntary corporate debt restructuring mechanism or other loan restructuring mechanism, or in trading books, or for the acquisition of shares due to defaults in loans. There are also restrictions on the transfer of ownership or control of Indian companies in sectors with caps on foreign investment to a person or entity resident outside India. These requirements may include restrictions on valuations and sources of funding for such investments and the prior approval of the Department of Financial Services, Ministry of Finance. The Bank may be subject to such restrictions and there can be no assurance that the Bank will be able to comply with such requirements or obtain any required approvals for the Bank's business or any future acquisitions or growth.

The Bank's access to liquidity is susceptible to adverse conditions in the global financial markets. Continuing financial instability in other countries could disrupt the Bank's business.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Financial turmoil in Asia, Russia and elsewhere in the world in recent years has affected the Indian economy. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm the Bank's business and financial performance.

Trade tensions between the U.S. and major trading partners, most notably China, continue to escalate following the introduction of a series of tariff measures in both countries. Although China is the primary target of U.S. trade measures, value chain linkages mean that other emerging markets, primarily in Asia, may also be impacted. China's policy response to these trade measures also presents a degree of uncertainty. There is some evidence of China's monetary policy easing and the potential for greater fiscal spending, which could worsen existing imbalances in its economy. This could undermine efforts to address already high debt levels and increase medium-term risks.

In Europe: (i) the ongoing debate over the potential exit of the United Kingdom from the European Union; (ii) the possible exit of Scotland, Wales or Northern Ireland from the United Kingdom; (iii) the possibility that other European Union countries could hold similar referendums to the one held in the United Kingdom and/or call into question their membership of the European Union; (iv) the possibility that one or more countries that adopted the Euro as their national currency might decide, in the long term, to adopt an alternative currency; or (v) prolonged periods of uncertainty connected to these eventualities could have significant negative impacts on international markets. These could include greater volatility of foreign exchange and financial markets in general due to the increased uncertainty.

Other factors such as concerns over recession, inflation or deflation, energy costs, geopolitical issues, slowdowns in economic growth in China and Renminbi devaluation, commodity prices and the availability and cost of credit have had a significant impact on the global credit and financial markets as a whole, including reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States, Europe and the global credit and financial markets. A lack of clarity over the process for managing Brexit and uncertainties surrounding the economic impact could lead to a further slowdown and instability in financial markets. This and any prolonged financial crisis may have an adverse impact on the Indian economy, and in turn on the Bank's business, financial condition and financial results.

A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in the Indian financial markets and indirectly in the Indian economy in general. Any worldwide financial instability could influence the Indian economy. In response to such developments, legislators and financial regulators in the United States, Europe and other jurisdictions, including India, have implemented several policy measures designed to add stability to the financial markets. After a long pause, the United States Federal Reserve started increasing the interest rates from December 2015; during the calendar year 2018, it raised the interest rates to 1.50% - 1.75% on 21 March 2018, 1.75% - 2.00% on 13 June 2018, 2.00 – 2.50% on 26 September 2018, and to 2.25% - 2.50% on 19 December 2018; any such future rate hikes will lead to an increase in the borrowing costs in the United States which may in turn impact global borrowing as well. Furthermore, in several parts of the world, there are signs of increasing retreat from the globalisation of goods, services and people, as pressure for the introduction of a protectionist regime is building and such developments could adversely affect Indian exports. However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilising effects.

As a consequence of the aforementioned factors, the Bank may have difficulty accessing the financial markets at times, which could make it more difficult or expensive for the Bank to obtain liquidity in the future. There can be no assurance that the Bank will be able to secure additional financing required by the Bank on adequate terms or at all. In the event that these adverse conditions develop in the global credit markets and result in any significant financial disruption, whether in India or globally, such conditions could have an adverse effect on the Bank's cost of funds, loan portfolio, business and future financial performance.

The Bank is required to maintain certain minimum cash reserves and SLRs and increases in these requirements could materially and adversely affect the Bank's business.

As a result of the statutory reserve requirements stipulated by the RBI, the Bank may be more exposed structurally to interest rate risk than banks in other countries. RBI regulations regarding the cash reserve ratio ("**CRR**") currently require the Bank to keep 4 per cent. of its net demand and time liabilities ("**NDTL**") in a current account with the RBI. The RBI may increase the CRR requirement to a significantly higher proportion than at present as a monetary policy measure. The Bank does not earn any interest on its entire cash reserve. In addition, under RBI regulations regarding the SLR, 19.5 per cent. of the Bank's NDTL must be invested in Government securities, state government securities and other approved securities, which earn lower levels of interest as compared to advances to customers or investments made in other securities. Increases in CRR and SLR requirements would reduce the amount of cash that the Bank would use to lend and otherwise deploy in its business, which could materially and adversely affect the Bank's business and financial results.

The Bank has undertaken and may continue to undertake mergers or acquisitions in the future, which may pose management and integration challenges and the Bank may not achieve the synergies and other benefits the Bank expects from such transactions.

The Bank considers inorganic growth opportunities from time to time to expand the Bank's customer base, acquire new service or product offerings or enhance the Bank's technical capabilities. For example, the Bank acquired the Indian operations of the credit cards business of Deutsche Bank AG in June 2011. In July 2015, the Bank acquired the diamond and jewellery financing business (comprising a loan portfolio and a related deposit portfolio) of The Royal Bank of Scotland N.V. in India. In October 2017, the Bank announced its decision to merge with BFIL, which is a large NBFC engaged primarily in lending unsecured small ticket loans to women borrowers in predominantly rural areas. There is no assurance that such proposed acquisitions will be completed in the manner contemplated under such acquisition agreements, or at all. Even if the Bank succeeds in consummating the proposed acquisitions or any other merger or acquisition in the future, the Bank may not be able to integrate effectively the acquired business into its operations and may not obtain the expected profitability, synergies or other benefits in the short or long term from such transactions. For example, while the Bank expects to benefit from BFIL's large pool of underserved banking clients in predominantly rural areas where the Bank currently has a limited presence, there can be no assurance that such expected benefits will in fact materialise following the acquisition or the merger. Any such transactions may also result in high levels of indebtedness or contingent liabilities or a deterioration in the Bank's overall asset quality. There is a risk that the information relied upon or assumed by the Bank to acquire a business was inaccurate or incomplete and the Bank may be subject to unforeseen liabilities and obligations relating to the Bank's past acquisitions or mergers. The Bank's senior management team's attention may also be diverted by any such transactions. Such factors could disrupt the Bank's existing business and increase its expenses. Any of the above factors may have a material adverse effect on the Bank's business, financial results and financial condition.

The Bank's business is highly dependent on its information technology systems, which require significant investment and expenditure for regular maintenance, upgrades and improvements, and the Bank also depends on third-party service providers to which the Bank has outsourced certain activities. Any failure on the part of the Bank's third-party service providers, any breach of the Bank's information technology systems or any failure of such systems to perform as expected could adversely affect the Bank's business, reputation and ability to service the Bank's customers.

The Bank's information technology systems are a critical part of its business that help the Bank manage, among other things, its risk management, deposit servicing and loan origination functions, as well as the Bank's increasing portfolio of products and services in its consumer banking, global markets and transactional banking business units. The Bank has introduced services for its customers that are reliant on information technology systems such as the Bank's internet banking platform, video branch, digital branch and mobile phone banking services. There is no warranty under the Bank's information technology licence agreements that the relevant software or system is free of interruptions, will meet the Bank's requirements or be suitable for use in any particular condition. The Bank has in the past faced instances of internet banking outages. Any inability to maintain the reliability and efficiency of the Bank's systems could adversely affect the Bank's reputation, and its ability to attract and retain customers. Any technical failures associated with the Bank's information technology systems or network infrastructure, including those caused by power failures and breaches in security caused by computer viruses and other unauthorised tampering, may cause interruptions or delays in the Bank's ability to provide services to its customers on a timely basis or at all, and may also result in costs for information retrieval and verification. Corruption of certain information could also lead to errors when the Bank provides services to its customers. In particular, the secure transmission of confidential information is critical to the Bank's operations. The Bank's networks and systems may be vulnerable to unauthorised access and other security problems. The Bank cannot assure potential investors that its existing security measures will prevent unforeseeable security breaches, including break-ins and viruses, or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Persons who circumvent the Bank's security measures could use confidential information of the Bank's customers wrongfully. Any material security breach or other disruptions could expose the Bank to losses and regulatory actions and could harm its reputation. The Bank may need to regularly upgrade its information technology systems, including its software, back-up systems and disaster recovery operations, at substantial cost so that the Bank remains competitive, which may adversely affect its profitability. In the last three fiscal years, the Bank has implemented a trade transaction processing system, fraud monitoring and anti-money laundering systems and upgraded its risk management and treasury systems, which may not yield the efficiencies or other benefits that the Bank expects.The Bank's initiatives to achieve efficiencies through optimal use of technology and its strategy to outsource certain activities, including off-site ATMs, credit card processing operations and loan recovery for credit cards and vehicle finance loans, may not be successful or may lead to increased costs, which could adversely affect the Bank's financial results and its brand. The Bank generally has agreements with only one service provider for each outsourced activity and the Bank's agreements with its outsourcing service providers are typically non-exclusive and not long term and may result in disruptions to its operations if such agreements are terminated, not renewed or replaced in a timely manner. Any failure on the part of third-party vendors under agreements with the Bank to provide products and services, or to appropriately maintain such products and services under annual maintenance contracts, may adversely affect the Bank's operations, reputation and brand. In the event of failure on the part of these third-party vendors, their liabilities towards the Bank usually do not exceed a certain percentage of the total fee paid by the Bank and they will not be liable to the Bank for any loss of profits or revenue or any consequential or indirect loss, which in turn exposes the Bank to higher risks in using these software and systems. The Bank's service providers are not obliged to maintain business confidentiality beyond the terms of their contracts. In addition, the Bank may be subject to liability as the result of any theft or misuse of personal information stored on the Bank's systems or on the systems of its outsourcing service providers. Any of these outcomes could adversely affect the Bank's business, reputation and the quality of customer service.

Financial difficulties and other problems in certain financial institutions in India could adversely affect the Bank's business and the trading price of the Equity Shares.

The Bank is exposed to the risks inherent in the Indian financial system. These risks are driven by the financial difficulties faced by certain Indian financial institutions, whose commercial soundness may be closely interrelated as a result of credit, trading, clearing or other relationships among them. This risk, which is sometimes referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom the Bank interacts on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect the Bank's business and the trading price of the Equity Shares.

In September 2018, IL&FS Limited reported that it has defaulted in several of its bank loan repayment obligations. There have also been certain reports and allegations against other NBFCs in India, a sector experiencing tight liquidity in recent times. These instances have led to volatility in the Indian debt and equity markets and heightened investors' concern about the systematic risks that Indian financial institutions face. There is no assurance that these events will not have more significant repercussions in the infrastructure industry and on India's financial market as a whole, which may adversely affect the Bank's business, operations, financial performance and the trading price of the Equity Shares.

The Bank faces cyber threats, such as hacking, phishing and trojans, attempting to exploit the Bank's or the Bank's third-party service providers' network to disrupt services to customers and/or steal sensitive internal data or customer information. This may cause damage to the Bank's reputation and adversely impact the Bank's business and financial results.

The Bank offers internet banking and other services on an electronic platform to its customers. The Bank's internet banking channel includes multiple services such as electronic funds transfer, bill payment services, usage of credit cards online, requesting of account statements, and requesting of cheque books. The Bank also outsources certain activities to third parties such as its prepaid foreign exchange cards. The Bank is therefore directly and indirectly exposed to various cyber threats such as: phishing and trojans (where fraudsters send unsolicited mails to the Bank's customers seeking account sensitive information or to infect customer machines to search and attempt exfiltration of account sensitive information), hacking (where attackers seek to hack into the Bank's website with the primary intention of causing reputational damage to the Bank by disrupting services) and data theft (where cyber criminals may attempt to intrude into the Bank's network with the intention of stealing its data or information). Attempted cyber threats fluctuate in frequency but are generally not decreasing in frequency. On 2 June 2016, the RBI issued a framework for cyber-security for banks, prescribing measures to be adopted by banks to address security risks, including putting in place a cyber-security policy and requiring banks to report all unusual cyber-security incidents to the RBI. In 2012, the Bank's third-party service provider reported a data security breach on their system that affected two prepaid foreign exchange cards issued by the Bank. Seperately, in May 2017 three workstations and one ATM were affected by a ransomware virus and in July 2018, the Bank's system was impacted for seven minutes through a separate cyber attack. There is also the risk of the Bank's customers incorrectly blaming the Bank and terminating their accounts with the Bank for a cyber-incident which might have occurred on their own system or with that of an unrelated third party. Any cyber-security breach could also subject the Bank to additional regulatory scrutiny and expose the Bank to civil litigation and related financial liability.

The Bank may incur substantial expenditure as a result of significant increases in hiring to support its growth strategy. If the Bank is unable to manage its employee levels effectively, the Bank's financial results could be adversely affected.

As of 31 March 2018, the Bank's headcount stood at 25,071 employees, as compared to 25,314 as of 31 March 2017. The Bank's payments to, and provisions for, employees, which include certain retirement benefits, increased by 17.1 per cent. from Rs. 15,210.21 million in the fiscal year ended 31 March 2017 to Rs.17,806.86 million in the fiscal year ended 31 March 2018. As of 31 December 2018, the Bank's headcount stood at 26,837 employees and, in the nine months ended 31 December 2018, the Bank's payments to, and provisions for, employees, amounted to Rs. 13,722.7 million. In addition, the Bank granted employee stock options under the Employee Stock Ownership Plan 2007 ("**ESOP 2007**") to purchase 1.79 million and 0.17 million equity shares at the market price prevailing at the time of granting such options during the fiscal year ended 31 March 2018 and the nine-month period ended 31 December 2018, respectively to existing and new employees as a component of incentive compensation and hiring incentives. The Bank's planned growth will require it to continue to significantly increase headcount at various levels and implement or improve effective training programmes. Such activities and investments in the Bank's employees will require substantial management effort and attention. If the Bank is unable to manage its employee levels effectively, the Bank's operating expenses could increase disproportionately, which could adversely affect its profitability.

If the Bank's risk management policies and procedures do not adequately address unidentified or unanticipated risks, its business could be adversely affected.

The Bank has devoted significant resources to develop its risk management policies and procedures and aims to continue to do so in the future. Despite this, the Bank's policies and procedures to identify, monitor and manage risks may not be fully effective. Some of the Bank's methods of managing risk are based upon the use of observed historical market behaviour. As a result, these methods may not accurately predict future risk exposures which could be significantly greater than indicated by historical measures. Management of operations, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective. As the Bank seeks to expand the scope of its operations, the Bank also faces the risk that the Bank will be unable to develop risk management policies and procedures that are properly designed for those new business areas or to manage the risks associated with the growth of the Bank's existing businesses. Implementation and monitoring may prove particularly challenging with respect to businesses that the Bank plans on developing. Inability to develop and implement effective risk management policies may adversely affect the Bank's business, prospects, financial condition and results of operation.

The Bank's success will also depend, in part, on its ability to respond to new technological advances and emerging markets banking, capital markets and other financial services industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that the Bank will successfully implement new technologies or adapt the Bank's transaction processing systems to customer requirements or improving market standards.

The Bank is subject to business continuity risks. Any damage caused by the materialisation of such risks or other banking business operational risks to which the Bank is subject could adversely affect its profitability and financial results.

The Bank is subject to business continuity risks, including those arising as a result of any failure or disruption in its information technology systems and infrastructure, any failure or disruption in the infrastructure of financial markets in India, any damage to the Bank's premises, any failure on the part of the Bank's third-party service providers to deliver relevant services and any failure of its internal policies, plans or projects or modelling failures. The Bank is also exposed to operational risk arising from high volumes of cash transactions and the inadequacy or failure of internal control processes or systems or from fraud. The Bank is susceptible to, and has experienced in the past, misselling of its products and services, fraud or misconduct by employees or outsiders, unauthorised transactions by employees and operational errors, including clerical or record keeping errors. Employee or executive misconduct could also involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and reputational or financial harm, including harm to the Bank's brand. Given the Bank's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, certain banking processes are carried out manually, which may increase the risk that human error, tampering or manipulation will result in losses that may be difficult to detect. Cash collections also expose the Bank to the risk of theft, fraud, misappropriation or unauthorised transactions by employees responsible for dealing with such cash collections. These risks are further exaggerated by the levels of responsibility the Bank delegates to its employees and the geographically dispersed nature of its network. The Bank currently does not have insurance for business interruption. As a result, the Bank may suffer monetary losses, which may not be adequately covered by its insurance policies and may thereby adversely affect the Bank's profitability and financial results. Such a result may also adversely affect the Bank's reputation.

The Bank's measures to prevent money laundering may not be completely effective and the Bank remains subject to ongoing challenges in respect of compliance with sanctions.

The Bank's implementation of anti-money laundering measures required by the RBI, including Know Your Customer ("**KYC**") policies and the adoption of anti-money laundering and compliance procedures in all its branches, may not be effective. There can be no assurance that attempts to launder money using the Bank as a vehicle will not be made. If the Bank was associated with money laundering, its business and reputation may be adversely affected.

Separately, the Bank maintains Vostro accounts for certain Iranian financial institutions, which were opened prior to sanctions in respect of Iran being re-imposed by the U.S. These accounts were operated in compliance with the relevant economic sanctions and such accounts are no longer active following the U.S. re-imposing sanctions with respect to Iran. While the Bank has affirmed their commitment to strictly adhere to the sanctions programmes prevailing from time to time, any failure or lapse in full implementation in the future may lead to penalties imposed on the Bank and may impact the reputation of the Bank adversely.

The Bank may not be able to renew or maintain its statutory and regulatory permits and approvals required to operate its business.

The Bank has a licence from the RBI for all of its banking and other operations and is subject to supervision and regulation by the RBI. The Bank also has insurance licences issued by the IRDAI to act as agent to distribute the general insurance products of Cholamandalam MS General Insurance Company Limited and Reliance General Insurance Company Limited, the life insurance products of Tata AIA Life Insurance Company Limited and the health insurance products of Religare Health Insurance Company Limited. In July 2012, the IRDAI held that the Bank received payment above the permissible commission limits from Cholamandalam MS General Insurance Company Limited as reimbursement for the use of the Bank's infrastructure and imposed a monetary penalty of Rs. 1.5 million on the Bank. In 2013, the IRDAI held that the Bank received payment above the permissible commission limits from a life insurance company as reimbursement for the use of the Bank's infrastructure and imposed a monetary penalty of Rs. 0.5 million on the Bank. Failure to obtain, renew or maintain any required approvals, permits or licences or comply with applicable regulations may result in the interruption of all or some of the Bank's operations, imposition of penalties and could materially and adversely affect its business, financial results and reputation.

During the course of periodic reviews, the RBI has indicated that the Bank is less than fully compliant with certain RBI requirements. Although the Bank believes that such non-compliance is with respect to matters that are not material, there can be no assurance that the Bank's business will not be affected in future by any RBI actions, including by the loss of a licence, or that the RBI or any other regulator will issue any approvals in the timeframe required by the Bank for its operations or at all. See "*The Bank is involved in certain legal proceedings*" below for more information on certain penalties imposed by the RBI on the Bank.

Regulatory actions may also cause the Bank to assess whether to cease offering certain products and services. For example, following an Enforcement Directorate investigation into the activities of one of the Bank's referral agents in the foreign exchange business, the Bank discontinued the referral agent business in December 2014.

Any downgrade of the Bank's debt ratings or of India's sovereign debt rating could adversely affect the Bank's business.

The Bank's debt is currently rated investment-grade by Investment Information and Credit Rating Agency of India Limited ("**ICRA**"), India Ratings & Research (the Indian subsidiary of Fitch Ratings Inc.) ("India Ratings") and Credit Rating Information Services of India Limited ("**CRISIL**"): India Ratings has a long-term issuer rating of "IND AA+/Stable" and a short-term issuer rating of "A1+/Stable", a Senior Redeemable Bonds rating of "Ind AA+/Stable" and AT1 perpetual bonds rating of "AA/Stable". In addition, CRISIL (a subsidiary of S&P) has rated the Bank "CRISIL A1+" for the Bank's certificates of deposit, the Bank's Senior Redeemable Bonds are rated "Ind AA+/Stable" and AT1 perpetual bonds are rated "AA/Stable". Any downgrade in the Bank's credit ratings may increase interest rates for refinancing its outstanding debt, which would increase the Bank's financing costs, and adversely affect the Bank's future issuances of debt and its ability to raise new capital on a competitive basis, which may adversely affect its profitability and future growth.

In addition, any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact the Bank's ability to raise additional financing and the interest rates and other commercial terms at which such financing is available. This could have an adverse effect on the Bank's business and future financial performance and the Bank's ability to fund its growth.

The Bank is involved in certain legal proceedings.

The Bank is contesting certain legal proceedings in various courts, including certain criminal cases that have been filed against the Bank and the Bank's officers, including its MD and Chief Executive Officer and certain members of the Bank's current and former boards of directors in their official capacities, in respect of actions taken by the Bank and/or its officers during the ordinary course of the Bank's business. Furthermore, in July 2016, the RBI imposed a monetary penalty of Rs. 20.0 million for violation of regulatory directions and guidelines, among other things, on KYC procedures. In December 2017, the RBI imposed a monetary penalty of Rs. 30.0 million on the Bank in connection with non-adherence to income recognition and asset classification procedures and regulatory restrictions pertaining to non-fund-based facilities. In March 2019, the RBI imposed a monetary penalty of Rs. 10.0 million on the Bank for non-compliance in connection with a direction issued in respect of time-bound implementation and strengthening of one of its SWIFT related operational controls. Any adverse decision in any of the legal cases may adversely affect the Bank's business, financial condition and reputation.

The Bank is also involved in certain disputes with respect to tax assessments for various years, for which provisions have not been made in its financial statements. If any such dispute results in an adverse determination, the Bank will be required to provide for the resulting liability as a charge in its income statement, which may adversely affect the Bank's profitability.

If more stringent labour laws become applicable to the Bank or if its employees unionise, the Bank's profitability may be adversely affected.

India has stringent labour legislation that protects employee interests, including legislation that sets forth detailed procedures for dispute resolution and employee removal and imposes financial obligations on employers upon retrenchment. If these labour laws become applicable to the Bank's employees or if the Bank's employees unionise, it may become difficult for the Bank to maintain flexible human resource policies and attract and employ the numbers of sufficiently qualified candidates that it needs or discharge employees and the Bank may be required to raise wage levels or grant other benefits that could result in a significant increase in its operating expenses, in which case the Bank's profitability may be adversely affected.

Most of the Bank's offices are located on leased premises and the non-renewal of the existing lease agreements or their renewal on terms unfavourable to the Bank could adversely affect the Bank's business and financial results.

Most of the Bank's branches, ATMs and marketing outlets are located on premises leased from third parties. If the Bank is unable to renew the relevant lease agreements, or if such agreements are renewed on terms and conditions unfavourable to the Bank, it may be required to relocate operations to a new location. This may cause a disruption in the Bank's operations or result in increased costs, or both, which may adversely affect its business and financial results.

Risk Factors Related to Banks and Other Financial Institutions in India Generally

The growth rate of India's banking industry may not be sustainable.

The Bank expects the banking industry in India to continue to grow as a result of the anticipated growth in India's economy, increases in household income, further social welfare reforms and demographic changes. However, it is not clear how certain trends and events, such as the pace of India's economic growth, the development of domestic capital and insurance markets and ongoing reforms will affect India's banking industry. In addition, the credit risk of the Bank's borrowers, particularly small and middle market companies, is higher than borrowers in more developed economies due to the evolving Indian regulatory, political, economic and industrial environment. The directed lending rules of the RBI require the Bank to lend a certain proportion of its advances to "priority sectors", including agriculture and small enterprises, where the Bank's ability to control the portfolio quality is limited and where economic difficulties are likely to affect its borrowers more severely. Any shortfall may be required to be allocated to investments yielding sub-market returns. In addition, there can be no assurance that the banking industry in India is free from systemic risks. Consequently, there can be no assurance that the growth and development of India's banking industry will be sustainable.

Indian banking regulation is extensive, and changes in such regulation or other regulation affecting any of the businesses could materially affect the Bank's business and financial results.

The banking and financial sector in India is highly regulated and extensively supervised, including by the RBI. The Bank's business could be directly affected by any changes in laws, regulations and policies for banks, including if the Bank is compelled to increase lending to certain sectors or increase the Bank's reserves. Such changes may also affect the Bank's scope in specific businesses or foreign investment limits in the banking industry. Any such changes may require the Bank to modify its business, which may adversely affect the Bank's financial results. For example, within the purview of RBI and IRDAI guidelines, the Bank discloses certain information in respect of its customers to Tata AIA Life Insurance Company India Limited in order for the Bank to market its life insurance products to its customers. Changes to these guidelines may prohibit or restrict the Bank's disclosure of such information, and hence limit the Bank's ability to market insurance products. RBI guidelines and provisions of the Banking Regulation Act also restrict the Bank's ability to pay dividends. The RBI also requires banks to maintain certain cash reserve and SLRs and increases in such requirements could affect the Bank's ability to expand credit. Any RBI requirements specifying changes in risk weighting and capital adequacy may adversely affect the Bank's financial condition. In addition, any action by any regulator to curb inflows into India could negatively affect the Bank's business.

On 17 May 2018, the RBI issued guidelines on net stable funding ratio ("**NSFR**") under the Basel III Framework on Liquidity Standards with an objective to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. According to the RBI, a sustainable funding structure is intended to reduce the probability of erosion of a bank's liquidity position due to disruptions in a bank's regular sources of funding that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items and promotes funding stability. The RBI is yet to announce the commencement of implementation of the NSFR guidelines; implementation of NSFR may affect the funding profile of the Bank and may adversely impact the net interest income and consequently the financial results of the Bank.

The Bank's business may also be adversely affected by changes in other laws, governmental policies, enforcement decisions, income tax laws, foreign investment rules and accounting principles. For example, SEBI has prohibited entry loads and any additional management fees for mutual funds schemes and limited the amount that asset management companies can pay distributors of mutual funds to 2.25 per cent. Further, loan waiver schemes announced by various governments may adversely affect the credit culture and lead to further distress in credit quality, especially amongst the rural and micro borrowers. There can be no assurance that similar developments do not occur nationwide or in other regions, including where the Bank's microfinance operations are located.

The Bank faces greater credit risks and has more limited access to credit and other financial information on borrowers than banks in other economies, which may decrease the accuracy of the Bank's assessments of credit risks and thereby increase the likelihood of borrower defaults.

The Bank's principal activity is providing financing to borrowers, almost all of whom are based in India. The credit risk of the Bank's borrowers, including small and middle market companies, may be higher than in other economies due to the higher uncertainty in its regulatory, political and economic environment and the inability of the Bank's borrowers to adapt to global technological advances. The Bank's corporate borrowers may suffer from low profitability because of increased competition as a result of economic liberalisation policies, a sharp decline in commodity prices, a high debt burden and high interest rates in the Indian economy and other factors. The directed lending norms of the RBI require the Bank to lend a certain proportion of its advances to "priority sectors", including agriculture and small enterprises, where the Bank's ability to control the portfolio quality is limited and where economic difficulties are likely to affect its borrowers more severely. Any shortfall may be required to be allocated to investments yielding sub-market returns. Notably, the proposed merger between the Bank and BFIL, if consummated, is expected to bring a large number of underserved banking clients from predominantly rural areas into the Bank's customer base, and the Bank faces increased credit risk since most of such clients have limited credit history and many are first time borrowers. In addition. these microfinance loans are generally unsecured.

In addition, India's system for gathering and publishing statistical information relating to the Indian economy generally or specific economic sectors within it or corporate or financial information relating to companies or other economic enterprises is not as comprehensive as those of certain other countries with established market economies. The absence of such reliable and comprehensive statistical, corporate and financial information, including audited financial statements and recognised debt rating reports, relating to the Bank's present and prospective corporate borrowers or other customers makes the assessment of credit risk, including the valuation of collateral, more difficult. Nationwide credit bureaus have become operational in India only recently, and it may be some time before comprehensive credit information as to the credit history of the Bank's borrowers, especially individuals and small businesses, is available to the Bank. The difficulties associated with the inability to accurately assess the value of collateral and to enforce rights in respect of collateral, along with the absence of such accurate statistical, corporate and financial information, may decrease the accuracy of the Bank's assessments of credit risk, thereby increasing the likelihood of borrower default on the Bank's loans and decreasing the likelihood that the Bank would be able to enforce any security in respect of such a loan or that the relevant collateral will have a value commensurate to such a loan. Moreover, the availability of accurate and comprehensive credit information on retail customers and small businesses in India is more limited than for larger corporate customers, which reduces the Bank's ability to accurately assess the credit risk associated with such lending.

The Bank relies on the accuracy and completeness of information about customers and counterparties while carrying out transactions with them or on their behalf. The Bank may also rely on representations as to the accuracy and completeness of such information. For example, the Bank may rely on reports of independent auditors with respect to financial statements and decide to extend credit based on the assumption that the customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, financial results and cash flows of the customer. The Bank's financial condition and financial results could be negatively impacted by such reliance on information that is inaccurate or materially misleading. This may affect the quality of information available to the Bank about the credit history of its borrowers, especially individuals and small businesses. As a consequence, the Bank's ability to effectively manage its credit risk may be adversely affected.

Such difficulties in assessing credit risks associated with the Bank's day-to-day lending operations and risks associated with the business environment in India may lead to an increase in the level of the Bank's non-performing and restructured assets, which could materially and adversely affect the Bank's business and financial results.

Risk Factors Related to Investments in Indian Companies

A significant change in economic liberalisation and deregulation policies in India could disrupt the Bank's business.

Substantially all of the Bank's assets and customers are located in India. The Government has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on the banking and financial sector, including on the Bank, and on market conditions and prices of Indian securities, including securities issued by the Bank. Any significant shift in the Government's economic liberalisation policies could adversely affect business and economic conditions in India and could also adversely affect the Bank's business and financial results.

Terrorist attacks and other acts of violence in India could adversely affect the Bank's operations.

Terrorist attacks, such as the attacks in November 2008 in the city of Mumbai, where the Bank's corporate office is located, and other acts of violence or war may adversely affect worldwide financial markets and could potentially lead to economic recession, which could adversely affect the Bank's business and financial results. In June 2011, a series of three coordinated bomb explosions occurred at different locations in Mumbai. These attacks resulted in loss of life, property and business. These events also pose significant risks to the Bank's employees and operations. Southern Asia has, from time to time, experienced instances of civil unrest and political tensions and hostilities among neighbouring countries. Political tensions could create a perception that there is a risk of disruption of operations, which could have an adverse effect on the market for the Bank's services. The Bank generally does not have insurance for monetary losses and interruptions caused by terrorist attacks, military conflicts and wars. Additionally, any of these events could lower confidence in India's economy and create a perception that investments in companies with Indian operations involve a high degree of risk, which could have a material adverse effect on the Bank's business.

Natural disasters and other disruptions could adversely affect the Indian economy and could cause the Bank's business and operations to suffer.

The Bank's operations, including its branch network, may be damaged or disrupted as a result of natural disasters such as earthquakes, floods, heavy rainfall, epidemics, tsunamis and cyclones and other events such as protests, riots and labour unrest. Such events may lead to the disruption of information systems and telecommunication services for sustained periods. They also may make it difficult or impossible for employees to reach the Bank's business locations. In June 2013, there was a fire at the Bank's back office in Andheri which resulted in the loss of the lives of four of the Bank's employees. Damage or destruction that interrupts the

Bank's provision of services could adversely affect the Bank's reputation, its relationships with customers, its senior management team's ability to administer and supervise its business or it may cause the Bank to incur substantial additional expenditure to repair or replace damaged equipment or rebuild parts of the Bank's branch network. The Bank may also be liable to its customers for disruption in services resulting from such damage or destruction. The banker's indemnity insurance coverage of the Bank for such liability may not be sufficient. Any of the above factors may adversely affect the quality of the Bank's customer service which could affect its business and financial results.

Investors in the Notes may not be able to enforce a judgment of a foreign court against the Bank, the Bank's directors or the Bank's executive officers.

All of the Bank's directors and executive officers and some of the experts named herein are residents of India and substantially all of the Bank's assets and the assets of the Bank's directors and executive persons are located in India. As a result, it may be difficult for investors to:

- effect service of process upon the Bank, the Bank's directors, the Bank's executive officers or such experts in countries outside India, including the United States, or
- enforce, in Indian courts, judgments obtained in foreign courts, against the Bank or such persons or entities.

For more information on the enforcement of civil liabilities in India, see "*Enforceability of Civil Liabilities*".

Significant differences exist between Indian GAAP and accounting principles generally accepted in certain other countries, including U.S. GAAP and IFRS, which may be material to investors' assessments of the Bank's historical financial results and future financial results upon adoption of any such accounting principles other than Indian GAAP.

The Bank has prepared its financial statements and other financial information contained in this Offering Circular in accordance with Indian GAAP. Indian GAAP differs in certain respects from accounting principles generally accepted in certain other countries, including, IFRS and U.S. GAAP. Investors should review the accounting policies applied in the preparation of the Bank's financial statements and consult their professional advisers for an understanding of the differences between Indian GAAP, IFRS and U.S. GAAP and how they might affect the financial information contained in this Offering Circular. The Bank has not presented a reconciliation of the Bank's financial statements to IFRS or U.S. GAAP in this Offering Circular. Accordingly, the extent to which such financial statements will provide meaningful information to potential investors is dependent on such investors' level of familiarity with Indian GAAP and RBI guidelines. Had the Bank's financial statements and the other financial information contained in this Offering Circular been prepared in accordance with U.S. GAAP or IFRS, the Bank's financial results may have been materially different. Furthermore, the Bank has made no attempt to quantify or identify the impact of the differences between Indian GAAP and IFRS or to quantify the impact of the difference between Indian GAAP and U.S. GAAP as applied to the Bank's financial statements, and neither Indian GAAP nor the RBI guidelines require such quantification or identification. Any such differences could be material in the context of the financial statements and other financial information contained in this Offering Circular.

Banking companies will be required to prepare financial statements under IFRS or a variation thereof, Ind-AS. The transition to Ind-AS in India is yet to take place and the Bank may be adversely affected by this transition.

Certain public companies in India are currently required to prepare financial statements under Indian Accounting Standards ("**Ind-AS**"). According to a circular issued by RBI on 11 February 2016, banking companies were required to prepare their financial statements under Ind-AS from 1 April 2018 and the monetary policy statement announced on 5 April 2018 deferred the implementation time line by another year as necessary legislative amendments were still under the consideration of the Government. The RBI on 22 March 2019 further deferred Ind-AS implementation, as the requisite legislative amendments are still under consideration by the Government. The Bank may be required to begin preparing financial statements in accordance with Ind-AS in the future once regulatory authorities notify the Bank that the implementation of Ind-AS will be mandatory for banking institutions. The Bank has not fully determined the impact such adoption will have on its financial reporting. If Ind-AS becomes applicable to the Bank, then in the Bank's transition to Ind-AS reporting, it may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare Ind-AS financial statements. Further, there is no significant body of established practice on which to draw in forming judgments regarding the new system's implementation and application. There can be no assurance that the Bank's adoption of Ind-AS in the future will not adversely affect its reported financial results or financial condition and any failure to successfully adopt Ind-AS could adversely affect the Bank's business, financial condition and financial results.

The Bank's business and activities are regulated under various regulations including the Competition Act, 2002. Further, the introduction of Companies Act, 2013 to the Indian company law framework, suggested for significant changes, subjecting the Bank to adhere to stricter compliance regime.

The Competition Act, 2002, as amended (the "**Competition Act**") seeks to prevent practices that could have an appreciable adverse effect on competition. Under the Competition Act, any arrangement, understanding or action between enterprises, whether or not formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement between, or practice or decision in relation to, enterprises or persons engaged in identical or similar trade of goods or provision of services which directly or indirectly determines purchase or sale prices, limits or controls production, or shares markets by way of geographical area or market or number of customers in the market is presumed to have an appreciable adverse effect on competition. Further acquisitions, mergers or amalgamations by the Bank may require the prior approval of the Competition Commission of India subject to thresholds and regulations issued under the Competition Act, which may not be obtained in a timely manner or at all.

The provisions and rules under the Companies Act, 2013 have been notified and have come into effect from the date of their respective notification, and the Companies Act, 1956 has been replaced with effect from 30 January 2019. The Companies Act, 2013 has brought into effect significant changes to the Indian company law framework, such as in the provisions related to issue of capital (including provisions in relation to issue of securities on a private placement basis), disclosures in an offer document, corporate governance standards, accounting policies and audit matters, board of directors' and shareholders' resolutions for certain related party transactions, introduction of a provision allowing the initiation of class action suits in India against companies by shareholders or depositors, insider trading and restrictions on directors and key managerial personnel from engaging in forward dealing. Subject to meeting certain specified net worth criteria, the Bank may also need to spend, in each financial year, at least 2 per cent. of the Bank's average net profits during the three immediately preceding financial years towards corporate social responsibility ("**CSR**") activities or provide an explanation for not spending such amount. As of 31 March 2018, while the Bank already spent a portion of its profits on CSR activities, i.e., Rs. 204.7 million it shall be required to increase spending to comply with the requirements stipulated under the Companies Act, 2013. Further, the Companies Act, 2013 imposes greater monetary and other liability on the Bank, its directors and officers in default, for any non-compliance with the requirements. To ensure compliance with the requirements of the Companies Act, 2013, the Bank may need to allocate additional resources, which may increase the Bank's regulatory compliance costs and divert management's attention.

The insolvency laws of India may differ from other jurisdictions.

As the Bank is incorporated under the laws of the India, any insolvency proceedings relating to the Bank is likely to involve the insolvency laws of India, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which potential investors may be familiar.

The proposed new taxation system in India could adversely affect the Bank's business.

The Government has introduced two major reforms in Indian tax laws, namely the goods and services tax, and provisions relating to the General Anti-Avoidance Rule (the "**GAAR**").

The goods and service tax (the "**GST**") was implemented on 1 July 2017 and replaced the indirect taxes on goods and services such as central excise duty, service tax, central sales tax, state VAT and surcharge previously collected by the central and state governments. The GST is expected to increase administrative compliance for banks. As regards GAAR, the provisions came into effect on 1 April 2017. The GAAR provisions target arrangements declared as "impermissible avoidance arrangements", which is any arrangement, the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests: (i) creates rights or obligations which are not ordinarily created between persons dealing at arm's length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the IT Act; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. If GAAR provisions are invoked, then the tax authorities have wide powers, including denial of tax benefits or a benefit under a tax treaty. As the taxation system is intended to undergo significant overhaul, its consequent effects on the banking system cannot be determined at present and there can be no assurance that such effects would not adversely affect the Bank's business, future financial performance and lead to an increased tax outflow.

Risks Related to the Notes which are linked to "benchmarks"

The Programme allows for the issuance of Notes that reference certain interest rates or other types of rates or indices which are deemed to be "benchmarks", including LIBOR and the Euro Interbank Offered Rate ("**EURIBOR**"), in particular, with respect to certain floating rate Notes where the Reference Rate (as defined in the Terms and Conditions of the Notes) may be LIBOR, EURIBOR or another such benchmark. The relevant pricing supplement for Notes will specify whether LIBOR, EURIBOR or another such benchmark is applicable.

Benchmarks are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including, but not limited to, floating rate Notes whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of Notes issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any index-linked Notes issued.

If, in the case of a particular tranche of Notes, the relevant pricing supplement specifies that the Notes are index-linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Risks Related to the Notes

There are certain restrictions under the Banking Regulation Act which may affect or restrict the rights of investors in the Notes.

Under Sections 35A and 36 of the Banking Regulation Act, the RBI is empowered to give directions to the Bank, prohibit the Bank from entering into any transactions, and advise the Bank generally. Consequently, the performance of obligations by the Bank under the Programme Agreement, the Trust Deed, the Agency Agreement and the Notes may be restricted by the directions or advice given by the RBI under the aforesaid provision. Under Section 50 of the Banking Regulation Act (which also applies to the Bank), no person shall have a right, whether in contract or otherwise, to any compensation for any loss incurred by reason of the operation of certain provisions of such Act, including Sections 35A and 36 of the Banking Regulation Act. Therefore, holders of the Notes may not be able to claim any compensation for a failure by the Bank to perform its obligations under the Programme Agreement, the Trust Deed, the Agency Agreement and the Notes, consequent to the operation of the aforesaid provisions.

If the Bank is unable to make payments on the Notes from the Bank's International Financial Services Centre Banking Unit (the "IBU") or other overseas branches and must make payments from India, including any additional amounts, the Bank may experience delays in obtaining or be unable to obtain the necessary approvals from the RBI.

The IBU is required to maintain an LCR of 90 per cent. (effective from 1 January 2018 and at 100 per cent. effective from 1 January 2019). However, if payment under the Notes is requested directly from the Bank in India (whether by reason of a lack of liquidity of its IBU, as applicable, acceleration, enforcement of a judgment or imposition of any restriction under the law of its IBU, as applicable), and payment thereunder, including any additional amounts, is to be made from India, approval from the RBI will be required for the remittance of funds outside India. Any such approval is within the discretion of the RBI and the Bank can provide no assurance that it would in fact be able to obtain such approval upon its request. In addition, there could be significant delays in obtaining RBI approval. In the event that no approvals are obtained or obtainable for the payment by the Bank of amounts owed and payable by the Bank's IBU through remittances from India, the Bank may have to seek other mechanisms permitted under applicable laws to effect payment of amounts due under the Notes. However, the Bank cannot assure potential investors that other remittance mechanics permitted by applicable law will be available in the future, and even if they are available in the future, the Bank cannot assure potential investors that the payments due under the Notes would be possible through such mechanisms.

If the Bank does not satisfy its obligations under the Notes, Noteholders' remedies will be limited.

Payment of principal due under the Notes may be accelerated only in the event of certain events involving the Bank's bankruptcy, winding up or dissolution or similar events or otherwise if certain conditions have been satisfied.

The book-entry registration system of the Notes may reduce the liquidity of any secondary market for the Notes and may limit the receipt of payments by the beneficial owners of the Notes.

As transfers of interests in the global notes can be effected only through book entries at Clearstream, Luxembourg and Euroclear, for the accounts of their respective participants, the liquidity of any secondary market for global notes may be reduced to the extent that some investors are unwilling to hold the Notes in book-entry form in the name of a Clearstream, Luxembourg or Euroclear participant. The ability to pledge interests in the global notes may be limited due to the lack of a physical certificate. Beneficial owners of global notes may, in certain cases, experience delay in the receipt of payments of principal and interest since such payments will be forwarded by the paying agent to Clearstream, Luxembourg or Euroclear, who will then forward payment to their respective participants, who (if not themselves the beneficial owners) will thereafter forward payments to the beneficial owners of the interests in the global notes. In the event of the insolvency of Clearstream, Luxembourg or Euroclear or any of their respective participants in whose name interests in the global notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on global notes may be impaired.

If the Bank substitutes the issuing office, branch or unit with another office, branch or unit, the interests of the Noteholders may be materially prejudiced as a result.

The Bank may elect to substitute the head office or the IBU, through which the Bank originally acted when the Notes were issued, provided that certain conditions are met. See Condition 15 (*Meetings of Noteholders, Modification, Waiver and Substitution*). However, there is no assurance that the interests of the Noteholders may not be materially prejudiced as a result of the substitution. A substitution may in certain circumstances, among other things, have undesirable taxation consequences for the Noteholders.

Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference into this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the related risks.

The Notes are complex financial instruments. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes may have limited liquidity.

The Notes constitute a new issue of securities for which there is no existing market. Applications have been made to list the Notes on the SGX-ST. The offer and sale of the Notes is not conditional upon obtaining a listing of the Notes on the SGX-ST or any other exchange. The Dealers are not obliged to make a market in the Notes issued under the Programme, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice in their sole discretion. No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;
- the Bank's financial results and financial condition;
- political and economic developments in and affecting India;
- the market conditions for similar securities; and
- the financial condition and stability of the Indian financial sector.

The Trustee may request the Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including without limitation the giving of notice to the Issuer pursuant to Condition 10.1 of the Terms and Conditions of the Notes and the taking of any action and/or steps and/or the instituting of any proceedings pursuant to Condition 10.2 of the Terms and Conditions of the Notes), the Trustee may (in its sole discretion) request the Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions and/or steps and/or institutes proceedings on behalf of Noteholders. The Trustee shall not be obliged to take any such actions and/or steps and/or to institute any such proceedings if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions and/or steps can be taken, and/or such proceedings can be instituted. The Trustee may not be able to take actions and/or steps and/or to institute proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed constituting the Notes and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions and/or actions and/or institute such proceedings directly.

Noteholders' rights to receive payments on the Notes are junior to certain tax and other liabilities preferred by law.

The Notes will be subordinated to certain liabilities preferred by law such as claims of the Government on account of taxes, and certain liabilities incurred in the ordinary course of the Bank's trading or banking transactions.

In particular, in the event of bankruptcy, liquidation or winding up, the Bank's assets will be available to pay obligations on the Notes only after all of those of its liabilities that rank senior to such Notes have been paid. In the event of bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Notes.

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States and may be offered and sold only to certain persons in offshore transactions in reliance on Regulation S, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws.

The Notes do not restrict the Bank's ability to incur additional debt, repurchase the Notes or to take other actions which could negatively impact holders of the Notes.

The Bank is not restricted under the terms of the Notes from incurring additional debt, including secured debt, or from repurchasing the Notes. In addition, the covenants applicable to the Notes do not require the Bank to achieve or maintain any minimum financial results relating to its financial position or financial results. The Bank's ability to recapitalise, incur additional debt and take other actions is not limited by the terms of the Notes and could have the effect of diminishing its ability to make payments on the Notes when due.

Decisions may be made on behalf of all Noteholders that may be adverse to the interests of individual Noteholders.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default shall not be treated as such.

U.S. Foreign Account Tax Compliance Act withholding may affect payments on the Notes.

While the Notes are in global form and held within Euroclear or Clearstream, Luxembourg (together the "**ICSDs**"), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 to 1474 of the FATCA will affect the amount of any payment received by the Issuing and Paying Agent. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Bank's obligations under the Notes are discharged once it has made payments to, or to the order of, the ICSDs and the Bank has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

Risks Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Bank.

The Bank may issue Notes which have an optional redemption feature that allows it to redeem such Notes prior to maturity at certain specified prices. An optional redemption feature is likely to limit the market value of Notes. During any period when the Bank may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Bank may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes.

The Bank may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Bank may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly paid Notes.

The Bank may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable rate Notes with a multiplier or other leverage factor.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes.

Fixed/Floating Rate Notes may bear interest at a rate that the Bank may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Bank's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Bank may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Bank converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Bank converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

DESCRIPTION OF THE BANK

Overview

The Bank is a private sector bank in India and provides a wide range of banking and financial products and services to individual consumers and corporate and commercial entities ranging from small businesses to large companies and government entities. The Bank is a leading financier of certain categories of commercial vehicles. For 2017, the Bank was recognised as the “Best Mid-Sized Bank” by *Business World* in its Businessworld Magna Awards 2017, “Best Private Sector Bank – Government Scheme Participation” at the Dun & Bradstreet Banking Awards 2017 and 3rd “Best Bank” among participating banks by the Forrester Indian Mobile Benchmark Report 2017. The Bank was awarded “The Best Commercial Bank of the Year – India” and “The Best Innovation in Retail Banking – India” by the International Banker for 2018. The Bank also won the Apex India Excellence Awards 2017 in CSR for sports for its support towards para-athletes, blind athletes and women athletes. The activities of the Bank are organised into the following business units:

- consumer banking;
- corporate and commercial banking;
- global markets; and
- transaction banking.

In the fiscal years ended 31 March 2016, 2017 and 2018, and the nine-month period ended 31 December 2018, the total income of the Bank was Rs. 148,776.05 million, Rs. 185,771.63 million, Rs. 220,308.52 million and Rs. 203,574.42 million, respectively, representing a compounded annual growth rate of 21.7 per cent. for the three-year period ended 31 March 2018. In the fiscal years ended 31 March 2016, 2017 and 2018, and the nine-month period ended 31 December 2018, the net profit of the Bank was Rs. 22,864.50 million, Rs. 28,678.93 million, Rs. 36,059.87 million and Rs. 29,410.00 million, respectively, representing a CAGR of 25.6 per cent. for the three-year period ended 31 March 2018. The total assets of the Bank have increased from Rs. 1,400,569.93 million as at 31 March 2016, to Rs. 1,786,484.14 million as at 31 March 2017, to Rs. 2,216,261.61 million as at 31 March 2018 and to Rs. 2,561,985.20 million as at 31 December 2018, representing a CAGR of 25.8 per cent. for the three-year period ended 31 March 2018.

As at 31 December 2018, the Bank had a customer base of approximately 11.25 million customers and had a presence in locations spread across India, including 1,558 branches, 2,453 ATMs (of which 1,379 were off-site ATMs) and 920 marketing outlets operated by its associate company, IndusInd Marketing and Financial Services Private Limited. The Bank’s International Financial Services Centre Banking Unit has been operating from Gujarat International Finance Tec-City, Gandhinagar, Gujarat since June 2016. In addition, the Bank has representative offices in Dubai, London and Abu Dhabi and more than 150 correspondent banking relationships with various banks worldwide. Further, the Bank also has arrangements with certain banks in the Middle East and the United States and certain exchange houses in the Middle East and Asia Pacific to enhance its capability in providing international remittance services.

The registered office of the Bank is located at 2401 Gen. Thimmayya Road (Cantonment), Pune 411 001, India. The corporate office of the Bank is located at One Indiabulls Centre, 8th Floor, Tower 1, 841 Senapati Bapat Marg, Elphinstone Road (W), Mumbai 400 013, India and the Bank’s secretarial and investor services office is located at 701 Solitaire Corporate Park, 167 Guru Hargovindji Marg, Andheri Kurla Road, Chakala, Andheri (East), Mumbai 400 093, India.

Recent Developments

In October 2017, the Bank announced its decision to merge with BFIL. This merger will provide the Bank with access to best-in-class micro-lending capabilities and domain expertise in microfinance. As at December 2018, BFIL had 1,793 branches across 393 districts, serving a customer base of 8.50 million. Pursuant to the directions of National Company Law Tribunal ("**NCLT**"), the Bank's shareholders and the shareholders and creditors of BFIL have approved the scheme of arrangement for the merger, and the scheme is awaiting final approval of the NCLT. According to the scheme BFIL shareholders will receive shares of the Bank as consideration. The merger is expected to be completed during 2019.

History

The Bank was established in 1994 as part of the group of "New Private Sector Banks" licensed by the Government under its economic liberalisation programme. As at 31 December 2018, the Bank was one of nine "New Private Sector Banks" operating in India. For further information on "New Private Sector Banks", please see "*The Indian Financial Sector*".

The promoters of the Bank are IndusInd International Holdings Limited and its subsidiary, IndusInd Limited. Both the promoters of the Bank are organised in Mauritius. As at 31 December 2018, the promoters held 89,597,767 shares representing 14.88 per cent. of the Equity Shares of the Bank.

In 2003, IndusInd Enterprises & Finance Limited, an NBFC and one of the promoters of the Bank at the time, merged with the Bank. In 2004, ALFL, an NBFC controlled by the Hinduja Group, merged with the Bank. Such mergers have expanded the capital base of the Bank. Additionally, as a result of the merger with ALFL, the Bank has established a leading position in consumer finance.

The equity shares of the Bank are listed on the BSE Ltd. (the "**BSE**") and the National Stock Exchange of India Ltd. (the "**NSE**"). The global depositary receipts, each representing one Equity Share, are listed on the Luxembourg Stock Exchange. In December 2012, the Bank issued 52,000,000 Equity Shares at an offer price of Rs. 384.00 per Equity Share to certain qualified institutional investors in a qualified institutions placement in reliance on Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Guidelines, 2009 ("**ICDR Regulations**") as amended, aggregating approximately Rs. 20,006.40 million. In July 2015, the Bank issued 51,218,640 Equity Shares at an offer price of Rs. 845.00 per Equity Share to certain qualified institutional investors in a qualified institutions placement in reliance on Chapter VIII of the ICDR Regulations as amended, aggregating approximately Rs. 43,279.75 million. In August 2015, the Bank issued 8,781,360 Equity Shares at an offer price of Rs. 857.20 per Equity Share to the promoters on a preferential allotment basis in reliance on Chapter VII of the ICDR Regulations as amended, aggregating approximately Rs. 7,527.38 million.

As at 31 December 2018, the Bank had one wholly-owned subsidiary, IndusInd Financial Inclusion Limited which was incorporated in August 2018 to undertake Business Correspondent business which would result from the merger of BFIL under a scheme of arrangement. As the merger process is still under way, this subsidiary has not commenced its business as of the date of this Offering Circular.

The Bank has undertaken acquisitions as part of its growth strategy. For example, in 2011, the Bank acquired the Indian operations of the credit cards business of Deutsche Bank AG. In July 2015, the Bank acquired the diamond and jewellery financing business (comprising a loan portfolio and a related deposit portfolio) from The Royal Bank of Scotland N.V. in India.

Several members of the Bank's senior management team joined the Bank in February 2008, including its MD and Chief Executive Officer and other members who joined the Bank from a competitor foreign bank in India. The team formulated the Bank's growth and risk management strategy, which emphasised restructuring the balance sheet and business mix, improving operating efficiency, leveraging the Bank's distribution network and resources, deepening existing customer relationships, increasing the number of employees hired to support its strategy and expansion and improving its brand. The current strategy of the Bank for growth and expansion is to increase market share in strategically-selected target businesses, customer segments and geographies through digitising to differentiate, diversify and create domain leadership resulting in improvements in the Bank's productivity, profitability and efficiency parameters.

Competitive Strengths

The Bank believes that the following strengths distinguish it in a competitive Indian financial services market:

Experienced management team – Most members of the Bank's senior management team have been with the Bank since 2008, thereby enabling continuity in strategy and execution. The senior management team has guided growth and risk management strategies, including through the worldwide economic crisis and an economic slowdown and volatile interest rate environment in India. The team's focus on executing growth strategies while maintaining profitability, setting measurable targets benchmarked to market leaders and monitoring performance against such targets, anticipating customer demand and adding new products and services, investing in technology and building brand value have contributed to an overall improvement in the key metrics of the Bank since 2008, including NIM, cost to income, net NPAs, return on assets and return on equity, as well as the Bank's CASA percentage. The Bank believes that the success of the Bank's integration of acquisitions is reflected in growth in such areas and exemplifies the ability of the senior management team to successfully identify and manage acquisitions of new businesses. For example, after the Bank acquired its credit card business in June 2011, the number of credit cards issued increased approximately from 181,000 as at 1 June 2011 to 985,000 as at 31 December 2018. The senior management team continues to formulate, adapt and implement the Bank's growth strategy, including the key areas relating to the strategic expansion of the branch network and the addition of new and complementary businesses.

Full service universal banking provider to chosen customer segments – The Bank provides a one-stop solution to select retail customer segments and medium and large-sized companies, delivering extensive banking and financial services across the value chain. The Bank offers its retail customers loan products (such as loans against property, personal loans, business loans, loans against securities, and gold loans), general banking services, remittance services and foreign exchange products, including prepaid forex cards and credit cards. The Bank also distributes third-party products, including life, general and health insurance, mutual funds, retail securities trading and mortgage products to its customers. The Bank offers its corporate customers loan products (such as cash credit, overdraft, export credit and term loans), transaction banking services (such as cash management and trade services), global markets products (such as foreign exchange and derivatives) and investment banking services. Through its universal banking model, the Bank endeavours to address all needs of its target customer segments and believes that its product suite for retail customers enables it to cross-sell its products and services and distribute third-party products to a broad range of customers. The Bank believes that organising its corporate banking business unit by customer segments ranging from small businesses to larger companies and its relationship management approach for each such segment has helped the Bank to focus on and endeavour to maximise revenue potential from its corporate customer base. The Bank's origination teams for loan products are located in all major centres in India. As a result of its appointments as one of the clearing and settlement banks to major capital, commodity and currency exchanges in India, the Bank is well placed to provide banking products and services, such as guarantees, electronic funds transfer facilities and depository participant accounts, to members of these exchanges, brokers and investors. The Bank is active in financing the supply chain, including in lending to dealer and supplier networks and customising electronic collection and payment systems for corporate customers. The Bank also provides loan syndication and banker to the issue services for securities offering transactions. The Bank's products and services for co-operative bank customers include cash management, clearing, trade services, foreign exchange services and money market services, which also allow them to offer such services to their own customers. As the customers in this segment are money market participants, the Bank is able to source funds from these customers in a cost-effective manner.

Leadership in vehicle financing – The Bank is a leading financier of certain categories of commercial vehicles. This business was a legacy business of ALFL prior to its merger with the Bank in 2004 and features a distribution network of 920 marketing outlets as at 31 March 2018, which are operated by the Bank's associate company, IndusInd Marketing and Financial Services Private Limited. The Bank's business model focuses primarily on new vehicle financing for retail customers, many of whom are small road transport operators, and covers urban, semi-urban and smaller centres across India. The reputation and background of the Bank in this business, along with its positioning as a well-capitalised financier with a pan-India presence, enables the Bank to compete effectively for market share against its main competitors such as banks and NBFCs. The Bank has preferred, non-exclusive relationships with certain vehicle manufacturers, who recommend the Bank to their customers to finance loans for the products purchased, and the Bank thus gains access to a customer base to whom the Bank can market its vehicle loans, as well as significant leveraging opportunities to provide the Bank's products and services across the manufacturers' supply chain to dealers and suppliers. The total outstanding net commercial vehicle loans of the Bank amounted to 16 per cent., 13 per cent., 14 per cent. and 13 per cent. of its total net advances, as at 31 March 2016, 2017, 2018 and 31 December 2018, respectively. Yields on advances in the Bank's consumer finance division has been higher compared to the corporate and commercial banking business unit in each of the fiscal years ended 31 March 2016, 2017 and 2018 and the nine-month period ended 31 December 2018. The Bank's vehicle financing customer base provides opportunities to cross-sell products and services, such as savings accounts, vehicle insurance, gold loans and personal accident insurance. A significant portion of the Bank's vehicle financing business qualifies for and helps the Bank meet the RBI's priority sector lending requirements without decreasing its yields on advances. The Bank believes that there are significant barriers to entry that competitors need to overcome in order to compete effectively against the Bank in this business, such as preferred financier tie-ups which come only with a proven track record, space and opportunity to operate in the dealer show rooms, intricate market knowledge and operational processes and systems to service clients promptly. The Bank has made and continues to make significant investments in assets, infrastructure and technology required to adequately service a market characterised by small loan sizes, large volumes and diverse locations, and such aspects of its portfolio has also helped protect the Bank's asset quality and withstand the recent downturn in the commercial vehicle industry. The Bank's relationships with customers in the vehicle finance business typically extends over multiple purchase cycles, which the Bank believes engenders customer loyalty and helps it to better understand such customers' needs in order to offer other customised products and services to them, such as used vehicle finance.

Efficient distribution of products and services – The Bank emphasises efficiency in the distribution of its own products and services, including loans against property, credit cards, general banking services, gold loans, personal loans, business loans, loans against securities, remittance services and foreign exchange products such as prepaid forex cards, and third-party products, including life, general and health insurance, mutual funds, retail securities trading and mortgage products. The Bank considers it important to its mission to try to meet all needs of its target customer segments and the Bank regularly evaluates opportunities to introduce new products and services. The Bank provides third-party products and, in the future, if it can maintain its customer service levels and derive more value, the Bank may enter a new business through third-party arrangements. For example, it has entered into business arrangements with certain local microfinance partners in order to better reach microfinance customers. The Bank believes positioning its branches as a single point of distribution for these various products and services has helped it achieve relatively more success than single-product locations operated by such third parties, by allowing the Bank to leverage relationships with its consumer and corporate banking customers. Other income, which consists substantially of fee income, constituted 21.6 per cent. of the Bank's total revenue in the fiscal year ended 31 March 2018 and 38.2 per cent. of the Bank's total revenue in the nine-month period ended 31 December 2018. The Bank believes that maintaining its focus on profitability while introducing newer products and services across its branches has helped increase its fee income.

Wide distribution network and expanding customer base – The Bank is able to provide access to banking and financial products and services through its large multi-channel distribution network. This network includes 1,558 branches and banking outlets and 2,453 ATMs (including 1,397 off-site ATMs) spread across India as at 31 December 2018. In addition to customer service, the Bank's distribution network focuses on building its deposit base, providing advances to corporate and consumer banking customers and growing its fee income. The Bank's vehicle finance business is mainly run from designated specialised branches of the Bank and marketing outlets operated by its associate company, IndusInd Marketing and Financial Services Private Limited, which primarily originates and services vehicle loans. The Bank had a customer base of approximately 12.78 million customers as at 31 December 2018, which the Bank believes provides it with significant fee income growth opportunities through the cross-selling of products and services, including its own and that of third parties. The Bank's non-branch delivery channels, such as the internet, mobile banking, its "video branch" initiative, its contact centres and its national processing hubs in Mumbai and Chennai, also provide customers with access to the Bank's banking products and services. The Bank's technology platform for analytics, customer relationship management and sales force automation allows it to track its relationships with customers and offer additional products and services.

Responsive innovation driven by technology – The Bank has focused on customer-friendly innovation in its products and services to attract and retain customers and to build its brand. These innovations recognise that simplicity, convenience and engagement with customers are important factors that drive a customer's choice of banking products and services provider. The Bank emphasises and has invested in technology in its business to improve business operations, enhance competitive advantages and create a customer-friendly interface. The Bank has set up a dedicated solution delivery group to focus on responsive innovation. The Bank's "Cash on Mobile" service enables customers to use their mobile phones to withdraw funds from its ATMs without using any cards. Certain premium customers in its consumer banking business can access direct-to-human telephone customer service through "Direct Connect" without waiting for interactive-voice-response system prompts. Certain of the Bank's credit card customers can redeem reward points on individual transactions instantly through their mobile phones. The Bank's "My Account My Number" service helps customers choose an account number of their choice. The Bank's "video branch" initiative allows customers to make video calls to its customer care executives and branch or relationship managers who can service most queries and requests. IndusMobile has recently become integrated with the "All-in-One Store" powered by Tapzo and enables its customers to book taxis or flights, order food and pay bills with the ability to use electronic wallets. The Bank was awarded the "Best Payment Initiatives" award at the IBA Banking Technology Awards 2018 for its innovation-led strategy for consumer and corporate payments. All users, including non-customers, can use the Bank's ATMs to withdraw cash in a choice of denominations. Certain branches are open 365 days a year for the convenience of its customers. The Bank's banking customers can view scanned images of deposited cheques in periodical statements. The Bank also participates in e-procurement and payment gateways, in response to digitisation initiatives by the Government.

Advanced and stringent risk management systems – The Bank has established enterprise-wide risk management systems encompassing credit risk, market risk and operational risk. At the branch level, the Bank relies on internal and external databases to profile potential customers. The Bank's relationship managers also focus on acquiring business from corporate customers with appropriate credit histories. The Bank's credit appraisal and approval processes are predominantly centralised and its credit decisions are typically made by committees. The Bank seeks to proactively monitor customer accounts for early warning signals and adverse credit events. The Bank seeks to continue to optimise its balance sheet with a balanced mix of consumer banking and corporate and commercial banking loans, fixed and floating rate loans and by managing its asset-liability maturity gap, while also right-pricing assets. The Bank uses its risk management capabilities in deciding the timing and manner of its entry into new businesses. The Bank seeks to progressively adopt best international practices in risk management and is compliant with Basel III capital adequacy norms applicable to banks in India. The Bank also constantly upgrades its software in its treasury operations to better manage risk. The Bank's market risk management systems manage its market risk through tools such as mark-to-market, duration analysis, sensitivity analysis, stress tests, PV01, value-at-risk and operational limits such as stop-loss limits, exposure limits, deal size limits and maturity ladders. The Bank believes that its efforts in strengthening risk management has contributed significantly to maintaining the quality of its assets.

Focus on productivity – The Bank has emphasised productivity across its organisation. The Bank has created alternative channels to service customers, such as relationship managers available by phone or video calling and call centres with multiple language capabilities, to augment front-end relationship management, with service anchors and operation staff supporting the productivity of relationship management. The Bank has set up a corporate helpdesk which is capable of handling basic tasks of a relationship manager. The Bank believes that this enables its customer-facing relationship staff to spend more time on sales and customer relationship management. The Bank's sales force productivity initiatives include tracking of cash collections by a representative in its consumer finance division using hand-held devices and digitisation of loan processing for two-wheeler vehicle financing using an Android based application. The Bank also seeks to enhance productivity in its capital allocation decisions, including by choosing to offer certain products as distributors, such as mortgages, or through partnerships with third parties, such as microfinance, instead of on its own. The Bank has centralised most branch operations into two hubs at Mumbai and Chennai in order to allow branches to focus on sales and service. Within its hubs, the Bank has standardised operations and automated tasks by using data workflow images and a paperless approach and has also trained staff on efficient service delivery to reduce or eliminate waste. The Bank has also implemented parallel processing of trade transactions at two of its hubs and thereby has created more capacity to process more transactions. In December 2012, the Bank implemented a core banking solution to improve operational leverage and the ability to find, serve and engage customers. The Bank has also upgraded its risk management and treasury systems in its global markets business unit using technology provided by Calypso Technology. The Bank has implemented a new platform TI Plus provided by Misys UK for processing trade finance transactions. The Bank has also implemented an anti-money laundering and employee fraud management system. The Bank periodically reviews operational activities for potential productivity gains through outsourcing or creating efficiencies internally within its organisation. The Bank adopts a hub-and-spoke model for its branch network for processes where feasible in order to reduce costs. The Bank also monitors the operational metrics of personnel in its delivery channels, including marketing staff, service staff, relationship managers and contact centres, as well as its electronic channels, including the internet, mobile banking and ATMs. The Bank also has automated human resources activities in relation to performance management and learning and development and centralised credit underwriting.

Strategy

The Bank's strategy is to gain market share in strategically-selected target businesses, customer segments and geographies while improving its productivity, profitability and efficiency parameters. Simultaneously, the Bank's strategy is to digitise its operations substantially as a means to differentiate itself, to diversify into new revenue streams and to enhance domain leadership in certain businesses. A substantial part of the Bank's transactions has been digitised and products and services are being delivered both direct and via digital partnerships with the support of business intelligence and application programming interface ("**API**") gateways. New businesses such as personal loans and credit cards and other non-vehicle retail assets have reached a stable growing level of development. In existing and relatively new domains (such as vehicle financing and micro-financing respectively) the use of technology is generating greater market share, greater customer responsiveness and lower operating costs so as to strengthen the competitive edge in these areas. The Bank seeks to differentiate itself through the continued launch of innovative products, superior customer experience across channels and product lifecycles, specialist business verticals with deep insight and sustainable banking through affirmative lending practices in societally relevant areas like impact financing.

The amount of the Bank's total advances as at 31 March 2018 was approximately 1.68 per cent. of the aggregate loans, cash credits and overdrafts by scheduled banks in India as at 30 March 2018, according to the RBI's press release on Bulletin Weekly Statistical Supplement – Extract dated 20 April 2018. Accordingly, the Bank believes that the banking market in India continues to be a significant opportunity for the Bank to increase its market share. The Bank seeks to further build market share by leveraging its competitive strengths and continuing to offer new and enhanced products, services and capabilities that are relevant to its target customer segments in an evolving banking market. The Bank will continue to pursue strategies, which it believes has helped in its growth trajectory and has been tested across economic and market cycles and intends to continue to scale up its branch network, customer base and balance sheet.

Focus on growth with profitability – The Bank seeks to increase profitability across business segments, in part by introducing new products and enhancing existing products that it believes will better target the needs of its customer base and, at the same time, will increase its yields on advances and its fee income. The Bank seeks to introduce new products to its existing customers or enhance existing products, targeting the needs of its customer base. In its consumer finance division, the Bank seeks to scale up existing products such as loans secured by property and credit cards. The Bank has added products such as personal loans, unsecured business loans to small business owners, loans secured by credit card receivables, "kisan" credit cards, which cater to the credit needs of farmers, loans secured by securities and gold loans. As an experienced vehicle financier, particularly for commercial vehicles, the Bank seeks to build on its existing market share by leveraging its longstanding experience and consistent approach in this segment and has also commenced offering financing for tractors in select states in India and intend to expand to more locations. In the fiscal year ended 31 March 2018, tractor funding recorded disbursements of Rs. 16,670.0 million, an increase of 49 per cent. from the fiscal year ended 31 March 2017. In its corporate and commercial banking business unit, the Bank seeks to build market share in select customer segments, industries and product verticals such as Government and public sector customer segments, healthcare and renewable energy related industries, investment banking and e-commerce related product offerings; organically and also through acquisitions such as its acquisition of the diamond and jewellery loan portfolio of The Royal Bank of Scotland N.V. in India in July 2015 which provided it with the opportunity to build specialisation in trade finance for this sector. The Bank seeks to continue to focus on efficient distribution of third-party products such as life insurance, health insurance, non-life insurance, mutual funds, 3-in-1 broking accounts and mortgages delivered by its multiple partnerships that enables it to generate revenue by deepening existing customer relationships and finding new customers. The Bank regularly re-evaluates and assesses such arrangements and market opportunities. Where the Bank believes that it can improve profitability by, for example, offering new products or services or changing an existing product or service or working with new or other third parties, the Bank will consider doing so. The Bank also intends to expand existing services and offer new services in its global markets business unit to both corporate and retail customers. The Bank's strategy is to aim to further broad base and augment its potential sources of revenue, thereby reducing its dependence on any particular business. On the expenses side, the Bank proposes to continue to focus on efficiency and productivity in growing its business and delivering services by optimisation of its front and back office operations. As a consequence of digitisation, the number of branches are reducing and this trend is expected to generate more leverage from the infrastructure investments of the Bank. The Bank standardises processes, such as account opening, procurement and vendor management; the Bank centralises certain processes, such as account reconciliation and processing of trade finance transactions; the Bank outsources processes such as ATM operations, credit card processing and microfinance loan origination and collections; and the Bank uses energy conservation initiatives to create operating efficiencies and reduce its operating costs and consequently the cost to income ratio.

Focus on customers – The Bank constantly endeavours to be responsive to customers in all its businesses by anticipating its needs and offering a full suite of products and services to deepen customer engagement and relationships. The Bank seeks to increase the number of products and services that its customers use, and thereby increases its recurring revenues. The Bank segments its customer base in a manner that allows it to serve the needs of each segment in a targeted manner. Simultaneously, the Bank seeks to target for cross sales of the products and services across different client segments of the Bank. The Bank seeks to provide differentiated and customised offerings for targeted customer segments, and also draws on its experience with its customers to offer newer but related lending products. For example, the Bank offers financing for used commercial vehicles to existing customers that have an established track record with the Bank in new commercial vehicle financing. The Bank has been successful in niche businesses, such as mid-cap investment banking, inclusive banking through microfinance partnerships and transaction banking services for customer segments that address government and public-sector enterprises and small business customers and intends to further develop its capabilities in more areas, such as project underwriting and advisory services, asset reconstruction loans and investments and lending to select real estate corporate customers. The Bank also intends to grow its rural banking business division by targeting select rural and agriculture-sector customers with products such as loans secured by property and crop loans. The Bank intends to continue to introduce and upgrade customer-friendly innovations driven by technology that makes its products and services easier and more convenient to use, which the Bank believes increases its brand visibility, engenders customer loyalty and also helps to attract new customers. The Bank intends to continue innovative offerings using technology, such as its "video branch" and "digital" branch initiatives, which seeks to create a platform for it to better find, serve and engage with customers. New card propositions such as the "Duo" card (debit plus credit card proposition on the same card) and the "Nexxt" card, which enables payment by credit card, instant reward redemption or equated monthly instalments ("**EMI**") loans by choosing the appropriate light emitting diode ("**LED**") button on the card have recently been launched. The Bank's risk management model emphasises a high level of contact with customers across its business units across the Bank's distribution network in order to monitor business and collateral risks and supported by technology-based capabilities to track and analyse customer relationships. In order to inculcate a customer responsiveness culture and to promote cross-selling of its products and services, the Bank seeks to attract, retain and nurture qualified and talented personnel for its sales, service delivery and operations. The Bank is refreshing its customer experience by creating seamless, easy, fast and transparent banking. This is enabled by linking client journeys, mobile phones, bank accounts, biometrics and Government mandated pipes for payments, credit rating and KYC. The Bank believes this will help drive buying behaviour, client stickiness and higher product holding.

Focus on branches and other delivery channels – One of the Bank's strategies is to widen and leverage its branch and non-branch delivery channels, including its branch network, ATMs, Internet and mobile phone banking, marketing outlets, telephone sales representatives and its contact centre to increase and further diversify the Bank's customer base. The Bank added 200 branches during the fiscal year ended 31 March 2018 and 93 branches and 65 banking outlets during the nine-month ended 31 December 2018. The Bank aims to ensure that its new branches perform well to reach break-even in the short term. The Bank believes this strategy helps manage the pace of growth of its branch network, which is dependent on its ability to maintain cost efficiencies and increase revenues from new branches. The Bank's branch network strategy is to cater to each geographical region of India instead of treating India as one market. As part of this approach, the Bank is focused on emerging as a bank with a leading branch presence in select Tier 2 and Tier 3 cities by, in part, building a higher density of branches. The Bank believes this will enable it to address more customer segments per branch and thereby increase its CASA percentage and fee income per branch in such markets. As part of its efforts to enhance its non-branch delivery channels, the Bank's customer care centres now offers multiple language capabilities and its recently launched "video branch" initiative combines a bricks-and-mortar experience of a branch with digital servicing and allows customers to make video calls to the Bank's customer care executives and branch or relationship managers. The Bank seeks to adapt to and anticipate evolving market expectations for banking services by increasing its focus on the Bank's technology-driven platforms, including through digital marketing, delivery channel innovation, data analytics, process redesign and product development. A substantial part of the Bank's delivery so far has been to urban and semi urban markets, but this is set to change. Following the merger with BFIL, the Bank will have a material presence in rural India. BFIL, which is a large microfinance institution, will benefit from the full range of banking products of the Bank for its customers and the Bank will gain access to BFIL's 9 million customers and more than 1,750 branches in approximately 115,000 villages of India.

The Bank endeavours to effectively communicate its strategic goals and progress thereon to the organisation; to plan in advance the requisite capital, funding and human resources to support the strategy, to address corporate structure, systems, culture and management information system ("**MIS**"), to closely monitor the delivery of both financial targets as well as profitability metrics on a regular basis to address any shortcomings; and to make tactical/strategic moves in response to changes in the business environment with senior management providing regular updates to the Board on the progress towards strategic targets.

Business Units

The Bank's activities are organised into the following business units: consumer banking, corporate and commercial banking, global markets and transaction banking. While the Bank's consumer banking and corporate and commercial banking business units correspond to its two major customer segments, its global markets and transaction banking business units offer specialised products and services to both of these customer segments. The following table shows the composition of its asset book by business unit as at 31 March 2016, 2017 and 2018 and as at 31 December 2018:

	As of 31 March						As of 31 December	
	2016		2017		2018		2018	
	Advances	% of Total Advances	Advances	% of Total Advances	Advances	% of Total Advances	Advances	% of Total Advances
	(in Rs. Millions, except percentages)							
Consumer Finance Division	365,490.10	41.34	455,285.08	40.26	572,399.44	39.49	680,332.59	39.29
Corporate and Commercial Banking	518,703.32	58.66	675,520.00	59.74	877,137.14	60.51	1,051,360.00	60.71
Total Advances	**884,193.42**	**100.00**	**1,130,805.08**	**100**	**1,449,536.58**	**100.00**	**1,731,692.59**	**100.00**

In the fiscal years ended 31 March 2016, 2017 and 2018, the Bank's net interest income was Rs. 45,165.72 million, Rs. 60,626.05 million and Rs. 74,974.44 million, respectively, representing a CAGR of 28.8 per cent. for the three-year period ended 31 March 2018. In the nine-month period ended 31 December 2018, the Bank's net interest income was Rs. 66,138.03 million. In the fiscal years ended 31 March 2016, 2017 and 2018, its other income, which includes fee income from its four business units, was Rs. 32,969.46 million, Rs. 41,714.92 million and Rs. 47,501.03 million, respectively, representing a CAGR of 20.0 per cent. for the three-year period ended 31 March 2018. In the nine-month period ended 31 December 2018, the Bank's other income was Rs. 40,877.35 million.

Consumer Banking

The Bank's consumer banking business unit provides a range of services to retail customers, including consumer finance, branch banking, distribution of third-party products such as insurance, mutual funds and third-party mortgages (or "white-label" mortgages), loans secured by property, credit cards and online securities trading, and manages the Bank's distribution network, including its branches, banking outlets and non-branch delivery channels. As at 31 March 2016, 2017 and 2018 and 31 December 2018, the Bank had total loan assets of Rs. 365,490 million, Rs. 455,290 million, Rs. 572,390 million and Rs. 680,330 million, respectively, in its consumer banking business unit, which represented 41.3 per cent., 40.2 per cent., 39.5 per cent. and 39.3 per cent. of its total net advances, respectively.

Consumer Finance

The Bank's consumer finance business is a legacy business from ALFL, an NBFC that merged with the Bank in 2004. The Bank offers a wide range of loans for the purchase of commercial vehicles (including tractors and other farm equipment), construction, earth-moving and material-handling equipment, small commercial vehicles, two-wheelers, utility vehicles and cars. Such loans are typically secured by hypothecation of, or a charge over, the vehicles or equipment so purchased. The Bank sources its business through long-standing and preferred, non-exclusive vendor relationships with various vehicle manufacturers and dealers and through its distribution network that includes the marketing outlets operated by its associate, IndusInd Marketing and Financial Services Private Limited. Through the Bank's preferred, non-exclusive relationships with certain vehicle manufacturers, the Bank is recommended to their customers to finance loans for the products purchased, and the Bank collaborates with these manufacturers in promoting sales of their products in its key role as financial services provider. The Bank conducts credit appraisals of all customers before granting any loans. As at 31 March 2018 and 31 December 2018, the Bank's vehicle finance portfolio (consisting of loans for medium and heavy commercial vehicles (including tractors and farm equipment), construction, earth-moving and material-handling equipment, small commercial vehicles, utility vehicles, cars and two-wheelers) constituted 29.3 per cent. and 29.2 per cent., respectively, of its net advances. The Bank also offers loans secured by property to retail and small business customers, mortgage loans in the affordable housing sector, loans against shares, and gold loans. Our unsecured loan portfolio includes credit cards, business loans, personal loans and affordable loan products for farmers. In the fiscal year ended 31 March 2017, the Bank began to offer mortgage loans in the affordable housing sector. As at 31 December 2018, the portfolio of loans for affordable housing totalled Rs. 3,961 million.

Commercial vehicles

This segment is the largest part of the Bank's consumer banking advances portfolio. The Bank provides loans for the purchase of a wide range of new and used commercial vehicles, including medium and heavy commercial vehicles and light commercial vehicles, with flexible payment options. For the fiscal year ended 31 March 2018, the average loan size in this division was approximately Rs. 1.81 million for heavy and medium commercial vehicles and Rs. 0.61 million for light commercial vehicles, with typical tenure of up to four years. For the nine-month period ended 31 December 2018, the average loan size in this division was approximately Rs. 1.92 million for heavy and medium commercial vehicles and Rs. 0.67 million for light commercial vehicles, with typical tenure of four years. As at 31 December 2018, the Bank's total net outstanding commercial vehicle loans amounted to Rs. 233,037 million representing 13.46 per cent. of its total net advances.

Construction, earth-moving and material-handling equipment

The Bank provides loans for the purchase of various construction, earth-moving and material-handling equipment, which includes excavators, cranes, rollers, tippers and loaders. For the fiscal year ended 31 March 2018, the average loan size in this segment was approximately Rs. 2.20 million, with typical tenure of up to four years. For the nine-month period ended 31 December 2018, the average loan size in this segment was approximately Rs. 2.45 million, with typical tenure of up to four years. As at 31 December 2018, the Bank's total net outstanding construction, earth-moving and material-handling equipment loans amounted to Rs. 68,523 million, representing 3.96 per cent. of our total net advances.

Small commercial vehicles

The Bank provides loans for the purchase of small commercial vehicles, which mainly consist of entry-level four wheelers with carrying capacity of less than 2 tons and three-wheelers used for intra-city transport of goods and passengers. For the fiscal year ended 31 March 2018, the average loan size in this division was approximately Rs. 0.18 million, with typical tenure of up to three years. For the nine-month period ended 31 December 2018, the average loan size in this division was approximately Rs. 0.19 million, with typical tenure of up to three years. As at 31 December 2018, the Bank's total net outstanding small commercial vehicle loans amounted to Rs. 30,340 million, representing 1.75 per cent. of its total net advances.

Utility vehicles

The Bank provides loans for the purchase of multi-utility vehicles, which are generally used in interior parts of the country, with flexible payment options. For the fiscal year ended 31 March 2018, the average loan size in this division was approximately Rs. 0.64 million, with typical tenure of up to four years. For the nine-month period ended 31 December 2018, the average loan size in this division was approximately Rs. 0.68 million, with typical tenure of up to four years. As at 31 December 2018, the Bank's total net outstanding utility vehicle loans amounted to Rs. 33,830 million, representing 1.95 per cent. of its total net advances.

Cars

The Bank provides loans to purchase new and used passenger cars with instalment payment options structured to meet the customer's needs. For the fiscal year ended 31 March 2018, the average loan size in this division was approximately Rs. 0.35 million, with typical tenure of up to four years. For the nine-month period ended 31 December 2018, the average loan size in this division was approximately Rs. 0.37 million, with typical tenure of up to four years. As at 31 December 2018, the Bank's total net outstanding car loans amounted to Rs. 62,850 million, representing 3.63 per cent. of its total net advances.

Two-wheeler vehicles

The Bank provides loans to purchase two-wheeler vehicles (scooters and motorcycles). For the fiscal year ended 31 March 2018, the average loan size in this division was approximately Rs. 0.05 million, with typical tenure of up to two years. For the nine-month period ended 31 December 2018, the average loan size in this division was approximately Rs. 0.05 million, with typical tenure of up to two years. As at 30 31 December 2018, the Bank's total net outstanding two-wheeler vehicle loans amounted to Rs. 43,220 million, representing 2.50 per cent. of its total net advances.

Geographical distribution of vehicle finance portfolio

The following table sets forth the geographical distribution of the Bank's vehicle finance portfolio (consisting of loans for medium and heavy commercial vehicles (including tractors and farm equipment), construction, earth-moving and material-handling equipment, small commercial vehicles, utility vehicles, cars and two-wheelers) across states and union territories in India as at 31 March 2018 and 31 December 2018:

State/Union Territory	% of vehicle finance portfolio As at 31 March 2018	% of vehicle finance portfolio As at 31 December 2018
Andhra Pradesh	6.07%	5.92%
Assam	2.08%	2.14%
Bihar	2.06%	2.34%
Chandigarh	0.24%	0.21%
Chhattisgarh	3.15%	3.31%
Dadra & Nagar Haveli	0.00%	0.00%
Delhi	1.43%	1.10%
Goa	0.65%	0.69%
Gujarat	4.34%	4.22%
Haryana	4.68%	4.47%
Himachal Pradesh	0.61%	0.55%
Jammu & Kashmir	0.28%	0.28%
Jharkhand	2.36%	2.46%
Karnataka	4.07%	4.09%
Kerala	8.60%	8.71%
Madhya Pradesh	5.42%	5.31%
Maharashtra	6.88%	7.14%
Manipur	0.00%	0.00%
Meghalaya	0.10%	0.13%
Mizoram	0.19%	0.21%
Nagaland	0.06%	0.07%
Odisha	3.51%	3.53%
Puducherry	0.52%	0.51%
Punjab	2.87%	2.81%
Rajasthan	10.19%	9.69%
Sikkim	0.11%	0.12%
Tamil Nadu	10.87%	11.14%
Telangana	5.27%	5.20%
Tripura	0.24%	0.25%
Uttar Pradesh	7.45%	7.68%
Uttaranchal	0.42%	0.49%

State/Union Territory	% of vehicle finance portfolio As at 31 March 2018	% of vehicle finance portfolio As at 31 December 2018
West Bengal	5.27%	5.40%

Loans against property

The Bank has provided multi-purpose loans to salaried or self-employed individuals and small businesses, including proprietorships, partnership firms and companies, which are secured by residential or commercial property. For the fiscal year ended 31 March 2018, the average loan size was approximately Rs. 8.19 million with a maximum tenure of 15 years. For the nine-month period ended 31 December 2018, the average loan size was approximately Rs. 7.58 million with a maximum tenure of 20 years. As at 31 December 2018, the Bank's total net outstanding loans against property amounted to Rs. 85,573 million, representing 4.94 per cent. of its total net advances.

Credit cards

In June 2011, the Bank acquired the Indian operations of the credit cards business of Deutsche Bank AG. The Bank currently offers various credit cards catering to the different needs of its customers. Most of the Bank's credit cards offer their holder, the ability to earn and redeem reward points for transactions undertaken using their credit cards. The Bank offers co-branded credit cards, including with Jet Airways and with Chelsea FC, through which its customers can earn frequent flyer miles and purchase Chelsea FC merchandise, respectively, using their points. The Bank has outsourced certain transaction processing activities related to its credit cards business. As at 31 March 2018, the Bank's total outstanding credit card advances amounted to Rs. 26,959 million, representing 1.86 per cent. of its total net advances. For the nine-month period ended 31 December 2018, the Bank's total outstanding credit card advances amounted to Rs. 35,460 million, representing 2.05 per cent. of its total net advances.

Other loan products

The Bank also provides personal loans, unsecured business loans, loans against gold ornaments, "Kisan" term loans and overdraft facilities to cater to the credit needs of farmers and other persons engaged in agriculture and allied businesses, loans against card receivables, loans against shares and overdraft against demat shares. As at 31 March 2018, such other loans aggregated to Rs. 41,300 million, representing 2.85 per cent. of its total net advances. For the nine-month period ended 31 December 2018, such other loans aggregated to Rs. 54,350 million, representing 3.14 per cent. of its total net advances.

Branch Banking

The Bank provides comprehensive banking services through its branches and ATMs, as well as other delivery channels. The Bank uses its branch network for customer acquisition and deposits and asset mobilisation and to distribute third-party products, such as insurance, mutual funds, third-party mortgage products and online securities trading. The Bank's deposit products include the following:

- Savings accounts, which are on-demand deposit and cheque accounts designed primarily for individuals. In October 2011, the RBI deregulated the interest rate on savings bank deposits for resident Indians. Banks are required to provide a uniform interest rate on savings bank deposits up to Rs. 100,000, irrespective of the balance held in the account within this limit. For deposits above Rs. 100,000, banks are permitted to provide differential rates of interest, provided that the bank does not discriminate in the matter of interest rates between similar deposits accepted on the same date. Accordingly, the interest rate are revised from time to time, and as at 31 December 2018, the interest rates applicable to daily balances in the savings accounts held by its resident savings bank customers and in the Rupee denominated non-resident ordinary ("**NRO**") and non-resident external ("**NRE**") accounts by the Bank's non-resident customers are 4 per cent. per annum for daily balances up to Rs. 1 million, 5 per cent. per annum for balances between Rs. 1 million and Rs. 10 million and 6 per cent. per annum for daily balance in excess of Rs. 10 million.

- Current accounts, which are non-interest-bearing cheque accounts designed primarily for businesses. Customers have a choice of regular and premium product offerings with different minimum average quarterly account balance requirements.
- Fixed or term deposits, which pay a fixed return over a pre-determined time period ranging from seven days to ten years. The Bank also offers specialised products such as recurring deposits, where the customer deposits a pre-determined amount periodically, and liquid deposits that allow for automatic transfers from the customer's savings account to one or more fixed deposits.

The regional distribution of the Bank's deposits relative to its total deposits, as at 31 March 2016, 2017 and 2018 and 31 December 2018, is set out in the table below (deposits as at respective dates are as per the financial records disaggregated by regions as follows):

	As at 31 March						**As at 31 December**	
	2016		**2017**		**2018**		**2018**	
	(Rs. in million)	*(as a percentage of total deposits)*	*(Rs. in million)*	*(as a percentage of total deposits)*	*(Rs. in million)*	*(as a percentage of total deposits)*	*(Rs. in million)*	*(as a percentage of total deposits)*
Northern India	240,428	25.85%	360,756	28.50%	468,732	30.91%	575,643	32.76%
Eastern India	60,590	6.52%	72,272	5.71%	75,161	4.96%	85,604	4.87%
North-East India	3,287	0.35%	6,321	0.50%	8,008	0.53%	12,369	0.70%
Central India	38,482	4.14%	61,970	4.90%	85,338	5.63%	112,815	6.42%
Western India	478,492	51.45%	620,689	49.04%	721,424	47.58%	792,490	45.10%
Southern India	108,724	11.69%	143,714	11.35%	157,729	10.40%	178,085	10.14%
Total	**930,003**	**100.00%**	**1,265,722**	**100.00%**	**1,516,392**	**100.00%**	**1,757,006**	**100.00**

The states where branches are located in each region are as follows:

- Northern India: Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab and Rajasthan;
- Eastern India: Bihar, Jharkhand, Odisha, Sikkim and West Bengal;
- North-East India: Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura;
- Central India: Chhattisgarh, Madhya Pradesh, Uttar Pradesh and Uttarakhand;
- Western India: Goa, Gujarat, Maharashtra and Union Territory of Dadra and Nagar Haveli, Daman and Diu; and

- Southern India: Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Telangana and Union Territory of Puducherry.

The demographic distribution of the Bank's deposits according to metropolitan, semi-urban, urban and rural areas under the RBI's Branch Authorisation Policy as at 31 March 2016, 2017 and 2018 and 31 December 2018 is set out in the table below:

	As at 31 March						**As at 31 December**	
	2016		**2017**		**2018**		**2018**	
	(Rs. in million)	*(as a percentage of total deposits)*	*(Rs. in million)*	*(as a percentage of total deposits)*	*(Rs. in million)*	*(as a percentage of total deposits)*	*(Rs. in million)*	*(as a percentage of total deposits)*
Rural	13,582	1.46%	14,117	1.12%	9,711	0.64%	11,809	0.67%
Semi-urban	29,570	3.18%	40,209	3.18%	38,613	2.55%	53,293	3.03%
Urban	190,791	20.52%	205,126	16.21%	319,061	21.04%	390,791	22.04%
Metropolitan	696,061	74.85%	1,006,270	79.50%	1,149,007	75.77%	1,301,113	74.05%
Total	**930,004**	**100.00%**	**1,265,722**	**100.00%**	**1,516,392**	**100.00%**	**1,757,006**	**100%**

The Bank's CASA deposits and the corresponding CASA percentages as at 31 March 2016, 2017 and 2018 and 31 December 2018 are set out in the table below:

	As at 31 March						**As at 31 December**	
	2016		**2017**		**2018**		**2018**	
	(Rs. in million)	*(as a percentage of total deposits)*	*(Rs. in million)*	*(as a percentage of total deposits)*	*(Rs. in million)*	*(as a percentage of total deposits)*	*(Rs. in million)*	*(as a percentage of total deposits)*
Current account deposits	154,780	16.64%	196,088	15.49%	208,410	13.74%	265,260	15.10%
Saving account deposits	172,462	18.54%	270,372	21.36%	458,883	30.26%	500,230	28.47%
Total	**327,242**	**35.18%**	**466,460**	**36.85%**	**667,293**	**44.00%**	**765,490**	**43.57%**

The Bank offers a range of asset and deposit retail banking products targeting specific customer segments, including sub-high networth individuals ("**sub-HNI**") households, business owners, non-resident Indians ("**NRIs**"), salaried corporate professionals and trusts, associations, societies and corporations.

The Bank's personal banking division offers various banking products and services to retail customers, including savings and current accounts, fixed deposits, locker facilities, demat securities accounts, and loan products, and distributes a range of third-party products and services for which the Bank can earn fee income, including life insurance through its corporate agency arrangement with Tata AIA Life Insurance Company Limited; general insurance, including asset and accident protection insurance, through its corporate agency arrangement with Cholamandalam MS General Insurance Company Limited and Reliance General Insurance Company Limited; health insurance through its corporate agency arrangement with Religare Health Insurance Company Limited; credit shield products in partnership with DHFL Pramerica Life Insurance Company Limited, for customers taking loans with the Bank; mortgage products offered by HDFC Limited, whereby any related advances are made by HDFC Limited and not by the Bank; mutual funds of a number of asset management companies governed by SEBI; and online securities trading through its "3-in-1" proposition whereby customers maintain savings and demat securities accounts with the Bank and a trading account with

Kotak Securities Limited. The Bank targets sub-HNI customers through client service managers and customer acquisition teams supported by relationship managers stationed at each branch, and HNI customers through dedicated relationship managers. The Bank also targets NRI salaried professionals to offer NRE/NRO savings and current accounts compliant with Indian foreign exchange regulations, international remittance services, and third-party products such as gold and mutual funds. The Bank's HNI offerings include premier banking programmes such as Indus Select and Indus Exclusive. The Bank acquired approximately 0.83 million, 1.05 million and 1.01 million new CASA accounts during the fiscal years ended 31 March 2016, 2017 and 2018, respectively. The Bank acquired approximately 0.79 million new CASA accounts during the nine-month period ended 31 December 2018.

The Bank's corporate business group division targets SMEs with a range of current account products, transaction banking services and global markets products. The business relationships are leveraged with escrow collection services for initial public offerings. As of 31 December 2018, the number of branches providing direct support for the Bank's corporate business group division has increased to more than 130 branches.

The Bank's government business group division caters to the Government and state governments, as well as government authorities and bodies such as municipal corporations. The Bank focuses on the e-tendering business, payment gateways and other cash management system products involving various authorities under the relevant state government. The Bank is on the panel to provide government business in the states of Haryana, Bihar, Chattisgargh, Madhya Pradesh, Odisha, Andhra Pradesh, Tamil Nadu, Telengana and West Bengal. The Bank is also active in conducting government business in the states of Punjab, Rajasthan, Himachal Pradesh, Arunachal Pradesh, Jharkhand and Karnataka. The Bank is in the process of obtaining mandates for the states of Maharashtra, Goa and Uttar Pradesh. The Bank has also applied for mandates to collect direct and indirect taxes, which is pending a policy decision by the Ministry of Finance. The Bank is developing this business in order to mobilise substantial liability deposits.

The Bank's customers benefit from its network of 1,558 branches and 1,397 off-site ATMs, as at 31 December 2018. The Bank's retail banking customers can also access alternative banking channels, including door-step banking services such as cash delivery and pick-up and cheque and document pick-up as well as services offered under its "video branch" initiative, access to other domestic banks' ATMs and VISA's international ATM and point-of-sale network through VISA debit cards, and online and mobile phone services for banking transactions, online securities trading, utility bill payments, ticket bookings for transportation and other online payments. As at 31 March 2018, the Bank had issued approximately 9.09 million debit cards to customers, out of which approximately 3.82 million were active (i.e. used at least once and not expired or cancelled). As at 31 December 2018, the Bank issued approximately 11.33 million debit cards to customers, out of which approximately 4.36 million were active. The Bank offers a range of debit cards on which customers can earn rewards points that can be redeemed on request, including through their mobile phones. The Bank also offers travel foreign exchange prepaid cards in any of eight currencies, namely U.S. dollars, British pounds sterling, Euros, Australian dollars, Singapore dollars, Saudi riyals, Canadian dollars and UAE dirhams, for which it earns fee income based on the exchange rate conversion and transaction fees. The Bank also uses technology for customer relationship management, analytics and business process management to better serve its customers. The Bank has also engaged IBM to provide technology to enable it to deepen customer relationships by delivering personalised, location-based recommendations and offers in real-time. The Bank seeks to regularly engage with its customers and uses the Talisma customer request management system and a customer grievance redressal mechanism to monitor and address complaints and manage its service quality across all channels through which its customers access the Bank's products and services.

Corporate and Commercial Banking

The Bank's corporate and commercial banking business unit has a customer-focused approach and the Bank endeavours to place its relationship managers in proximity to its customers. The unit comprises four business divisions according to customer segment: corporate and investment banking, the commercial banking group, the public sector and financial institutions group and business banking.

Corporate and Investment Banking

The Bank's corporate and investment banking division caters to the banking needs of large corporate customers in India and has operations in Andhra Pradesh, Chandigarh, New Delhi, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu and West Bengal. This division is the largest part of its corporate and commercial banking loan portfolio and has consistently grown over the last few years. As at 31 March 2018, the total outstanding loans provided to corporate and investment banking customers amounted to Rs. 430,830 million, representing 29.72 per cent. of the Bank's total net advances. The outstanding loans provided to corporate and investment banking customers as at 31 March 2016 and 2017 were Rs. 237,478 million and Rs. 288,920 million, respectively. As at 31 December 2018, the Bank's total outstanding loans provided to corporate and investment banking customers amounted to Rs. 545,798 million, representing 31.52 per cent. of its total net advances. This division also originated 20.28 per cent. of total deposits as at 31 March 2018 and originated 17.81 per cent. of total deposits as at 31 December 2018.

The Bank's corporate and investment banking division also includes its investment banking team, which is divided into desks catering to: debt capital markets ("**DCM**"), advisory (mergers and acquisition and private equity) and structured and project finance. The DCM desk provides syndication services in project and capital expenditure loans to corporates. The Bank's structured and project finance desk regularly executes transactions in sectors such as aviation, engineering services, real estate and financial services. The Bank's advisory desk provides advisory services for mergers and acquisitions and private equity placement.

Commercial Banking Group

The Bank's commercial banking group focuses on companies in the mid-market segment, inclusive banking, agriculture finance and any supply chain finance requirements of corporate customers. The inclusive banking and agriculture finance-related operations of this division help the Bank in meeting the RBI's priority sector lending requirements. For the fiscal year ended 31 March 2018, the inclusive banking unit's contribution to the Bank's total net advances eligible under the priority sector requirements increased to 3.31 per cent. from 2.60 per cent. for the fiscal year ended 31 March 2017.

This division focuses on companies in the mid-market segment and has operations in Andhra Pradesh, Chandigarh, New Delhi, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, West Bengal and Uttar Pradesh. This group focuses on cross-selling products developed by the Bank's transaction banking business unit, its global markets business unit and its investment banking team.

The Inclusive Banking Group ("**IBG**"), operating in 17 states, caters to the financially excluded segment with client centric products as part of the overall financial inclusion agenda. There are various channels/facilities, including Business Correspondents ("**BC**"), Term Loans and Securitisation, being used to reach out to this segment which comprises of women borrowers engaged in a large number of small farm as well as non-farm activities (e.g. livestock rearing, fishery etc. in the small farm segment, small businesses, kirana stores etc. in the non-farm segment). The loan size extended ranges from Rs. 1,000 to Rs. 100,000.

The Bank's "agri" business team provides post-harvest commodity finance services to farmers, traders and processors secured by agricultural commodities stored in warehouses. The Bank conducts such lending from a number of locations and finance a wide range of commodities. The Bank engages collateral managers to monitor its collateral in warehouses that they own or manage. The Bank's "agri" business team also offers specialised products, such as agriculture project finance, trade finance and infrastructure finance to SMEs in the agricultural sector.

The supply channel finance team is responsible for channel and vendor finance activities which works with dealers of automobiles and other products and provides short-term inventory finance through various programmes customised to specific industries. This team also provides customised financing solutions to suppliers of large companies.

As at 31 March 2018, the Bank's total outstanding loans provided to commercial banking customers amounted to Rs. 203,681 million, representing 14.05 per cent. of its total net advances. The Bank's total outstanding loans provided to commercial banking customers as at 31 March 2016 and 2017 were Rs. 142,849 million and Rs. 202,760 million, respectively. As at 31 December 2018, the Bank's total outstanding loans provided to commercial banking customers amounted to Rs. 258,847 million, representing 14.95 per cent. of its total net advances. This division originated 6.76 per cent. of the Bank's total deposits as at 31 March 2018 and 7.04 per cent. of the Bank's total deposits as of 31 December 2018.

Public Sector Units ("PSU")

The Bank's PSU division provides services mainly to government-controlled companies, which covers most maharatnas, navaratnas and miniratnas (central public-sector enterprises that have satisfied eligibility criteria on profitability and net worth as evaluated by the Government) and their joint venture companies. This division is managed through relationship managers in locations across India. This division originated 7.43 per cent. of the Bank's total deposits as at 31 March 2018 and 9.12 per cent. of its total deposits as at 31 December 2018.

Financial Institutions Group ("FIG")

The Bank's FIG division manages relationships with both domestic and overseas banks through its relationship managers based in Mumbai. This division actively engages in regular and structured trade transactions among other transactions in cash management. This division also has relationships with brokers and exchanges. From its branch at Fort, Mumbai, the Bank provides clearing and settlement banking services for major capital, commodity and currency exchanges in India, including the BSE, the NSE, the National Commodity and Derivatives Exchange Limited, the Multi Commodity Exchange of India Ltd., the National Multi-Commodity Exchange of India Ltd. and the Indian Energy Exchange. The Bank opens and maintains clearing bank accounts with these exchanges and other clearing bank members to provide electronic fund transfer facilities. The Bank earns fee income by providing these services to the clearing and settlement bank members. The Bank also provides clearing and settlement banking services for the currency derivatives segments of the NSE, the BSE and the Multi Commodity Exchange Stock Exchange, and the Bank is also a clearing bank for the Indian Energy Exchange. The Bank also manages and provides funded and non-funded facilities to brokers who work on these exchanges.

The PSU and FIG divisions have operations in New Delhi, Maharashtra, Tamil Nadu, Kerala, Karnataka, Andhra Pradesh, Telangana, Chhattisgarh, West Bengal, Orissa, Madhya Pradesh and Gujarat.

Business Banking

The Bank's business banking division typically provides loans to SMEs. As at 31 March 2016, 2017 and 2018, the Bank's total SME loans outstanding were Rs. 63,280 million, Rs. 82,730 million and Rs. 95,980 million, respectively. As at 31 December 2018, the Bank's total SME loans outstanding were Rs. 105,110 million. This division has operations in Tamil Nadu, Karnataka, Kerala, Andhra Pradesh, Maharashtra, Odisha, West Bengal, Madhya Pradesh, Uttar Pradesh, Gujarat, Rajasthan, Haryana, Chandigarh, Punjab, Delhi, Himachal Pradesh, Jharkhand, Chhattisgarh, Daman and Diu, Puducherry, Uttarakhand, Assam, Bihar and Dadra and Nagar Haveli. This division is managed by the Bank's consumer banking business unit for certain customer categories.

With the objective of increasing sales and the Bank's market share, this division is organised into specialist teams: (a) the business banking branch, which focuses on business from the branch network and seeks to bring more synergy among different business verticals; (b) strategic client-business banking, which exclusively manages clients whose facilities with the Bank exceed Rs. 100 million; and (c) express business banking, which focuses on the acquisition of clients who require credit facilities up to Rs. 20 million.

As at 31 March 2018, the Bank's total outstanding loans provided to business banking customers amounted to Rs. 95,980 million, representing 6.62 per cent. of its total net advances. This division originated 1.52 per cent. of its total deposits as at 31 March 2018. As at 31 December 2018, the Bank's total outstanding loans provided to business banking customers amounted to Rs. 105,110 million, representing 6.07 per cent. of its total net advances. This division originated 1.30 per cent. of the Bank's total deposits as at 31 December 2018.

Global Markets

The Bank's global markets business unit is responsible for all international products offered to customers (including structured products, foreign exchange trading and hedging, fixed income trading and hedging and bullion import), proprietary trading and market making activities in fixed income, currencies, equities and interest rate swaps and management of its balance sheet and asset-liability management, including maintenance of the required cash reserve and liquidity ratios. This business unit is organised into the client risk solutions and fixed income sales team, the proprietary trading team and the money markets and asset and liability management ("**ALM**") team.

Financial Markets Sales and Solutions and Fixed Income Sales

The Financial Markets Sales and Solutions ("**FMSS**"), and fixed income sales team seeks to offer customised derivatives products to the Bank's corporate and retail customers, including foreign exchange forward contracts and currency or interest rate swaps, currency options and futures. The sales team is present in 12 locations in India, namely Mumbai, Gurgaon, Kolkata, Chennai, Bengaluru, Hyderabad, Ahmedabad, Vadodara, Jaipur, Lucknow, Ludhiana and Pune to provide proximity to the customers. The Bank's exchange traded currency futures desk, which commenced operations in 2011, caters to the Bank's retail customers' needs. The Bank's electronic dealing platforms, Indus Fast Remit ("**IFR**") and Reuters' Electronic Trading – Fast Forex ("**Fast Forex**"), enable its customers to track spot market movements in real time and to undertake online transactions to hedge underlying trade and remittance receivables and payables. Foreign exchange forward contracts, currency or interest rate swaps, options and futures and other derivative products are non-fund-based products that generate fee income without increasing the size of the Bank's balance sheet. The Bank's income from profit on exchange transactions/derivatives (net), handled by its global markets business unit, amounted to Rs. 9,210.16 million for the fiscal year ended 31 March 2018 and Rs. 9,917 million for the nine-month period ended 31 December 2018. The Bank's fixed income sales team acts as arrangers for Rupee denominated bond transactions by corporate customers, including structured and AA or A-rated bonds by domestic credit rating agencies.

Proprietary Trading

The Bank's proprietary trading desk transacts in foreign exchange, spot and forwards, derivatives, including foreign exchange options, fixed income securities, structured credit, options and interest rate and currency swaps. The Bank has an active trading desk dealing in Mumbai Interbank Forward Offer Rate and Overnight Index Swaps ("**OIS**"). The Bank has also set up a bond trading desk in 2013 and has since increased its presence in the SLR, non-SLR and interest rate futures market. The proprietary trading desk works together with the Bank's fixed income sales team to develop new business.

Money Markets and Asset-Liability Management

The Bank's money markets and ALM team is responsible for monitoring and managing its daily funding requirements, managing statutory reserve requirements and asset-liability management. It also advises the ALM committee on the Bank's borrowings and on raising funds from the market. The ALM team endeavours to efficiently take advantage of successfully rebalancing borrowings and market deposits (in both domestic and foreign currency) during market movements in interest rates across tenors in order to reduce the cost of the Bank's borrowing.

Derivatives

The Bank set up a focused derivative structuring and trading desk in 2012 which has grown in volume, driven predominantly by increased client trades and the concomitant hedge trades with interbank counterparties. Client volumes in both forward contracts and derivatives have increased due to a combination of deeper client penetration, sharper focus on financial institutions and public-sector undertakings and the expansion of the Bank's branch network and higher retail customer demand for long-term forward contracts.

Transaction Banking

The Bank's transaction banking business unit provides various services, including cash management services, remittance services, electronic banking, trade services, commodity finance and supply chain finance to customers in its corporate and commercial banking and consumer banking business units.

Cash Management Services

The Bank offers cash management solutions to its corporate and government customers through the Bank's wide distribution network, backed by a modern electronic banking and transaction processing system. The Bank's dedicated cash management product team structures solutions to meet customer requirements. The Bank offers a wide range of collection and payments products and services, such as bulk payments, collections for initial public offerings and other securities transactions (both physical and electronic), escrow services and settlement banking. The Bank's advanced internet banking platform (Indus Direct) enables corporate customers to initiate and execute payment transactions online such as real-time gross settlement ("**RTGS**"), national electronic funds transfer ("**NEFT**") and immediate payment service ("**IMPS**"), and to process bulk cheque and demand draft printing requests and account transfers. The Bank is also able to integrate corporate customers' enterprise resource planning platforms with its system. The Bank's correspondent banking relationships with other banks worldwide has widened its geographical coverage to provide these services.

In April 2011, the Bank received the approval of the RBI to set up a currency chest and the Bank opened its first currency chest was opened in Thane in June 2012. Subsequently, the Bank also opened currency chests in New Delhi, Chennai, Kolkata and Bengaluru. The currency chests help the Bank to manage large currency operations and cater to the requirements of customers who transact large quantities of cash. The Bank uses the currency chests to manage excess cash from nearby branches and to service customers with higher cash deposits for a fee, while meeting part of its statutory CRR requirements.

Remittance Services

The Bank facilitates international remittance services for its domestic and non-resident Indian customers. The Bank currently offers remittance services from 14 countries through its partner arrangements. The Bank earns fee income by providing such international remittance services to these overseas exchange houses or licensed money transfer operators which receive funds and remit such funds to India. The Bank also has an international remittance service arrangement with Western Union. The Bank's internet-based IFR platform enables online customer remittances by non-resident Indians from Canada to India, and through the Bank's partner Viamericas

Inc., under the brand Vianex Fast Remit, such online customer remittances by non-resident Indians from the United States.

The Bank has also partnered with Worldpay, a global payment gateway provider, to obtain technology support in respect of its domestic card acquiring services for transactions by select global merchants.

Trade Services and Supply Chain Finance

The Bank provides letters of credit, guarantees, export and domestic trade credits and structured trade finance, such as assignment of receivables, to corporate customers. The Bank also provides services to all participants in the supply chain, including channel finance and supplier finance.

The Bank's supply chain finance solutions seek to enable customers in the manufacturing sector to negotiate preferential trade terms and strengthen relationships with strategic partners and core suppliers. For suppliers, the Bank's solutions seek to provide cost-effective financing of trade receivables.

The Bank endeavours to offer its customers robust, secure, efficient and technologically advanced platforms that meet all their banking transaction needs. The Bank is also in the process of implementing technology upgrades to its trade finance platform.

Gems and Jewellery

The Bank's gems and jewellery division has been set up to exclusively cater to the financing needs of customers in the gems and jewellery industry. In July 2015, the Bank acquired the diamond and jewellery financing business (comprising a loan portfolio and a related deposit portfolio) from The Royal Bank of Scotland N.V. in India and concurrently entered into a partnership agreement with ABN AMRO Bank N.V. for co-operation in diamond and jewellery financing. The Bank has been awarded the "Best Bank Financing" in the category of "Highest Limits Sanctioned" by the Gem and Jewellery Export Promotion Council in 2017.

Rural Banking

The Bank's rural banking segment provides rural and agriculture-linked products to rural customers in a cost-effective manner through efficiently staffed branches operating through a hub-and-spoke model. The Bank provides affordable term loans and overdraft facilities to customers and its "Indus Kisan" loan product caters to the short-term and long-term credit needs of farmers in undertaking agriculture and allied activities. The Bank also offers commercial vehicle financing to rural customers through its vehicle finance division. As at 31 March 2018, the total outstanding loans provided to the gems and jewellery division amounted to Rs. 75,104 million, representing 5.18 per cent. of the Bank's total net advances. The Bank's total outstanding loans provided to the gems and jewellery division as at 31 March 2016 and 2017 were Rs. 52,743 million and Rs. 69,407 million respectively. As at 31 December 2018, the Bank's total outstanding loans provided to the gems and jewellery division amounted to Rs. 71,192 million, representing 4.11 per cent. of its total net advances.

Distribution Network

The Bank has a distribution network comprising branches and non-branch delivery channels, including off-site ATMs, Internet and mobile phone banking channels, its "video branch", representatives at its marketing outlets and vehicle dealerships and contact centres, which provide access to, and market, the Bank's retail banking products and services.

The composition of the Bank's distribution network as at 31 March 2016, 2017 and 2018 and 31 December 2018 is set out in the table below:

	As at 31 March			As at 31 December
	2016	2017	2018	2018
Branches	**1,000**	**1,200**	**1,400**	**1,558**
ATMs	1,800	2,036	2,203	2,453
Marketing outlets[(1)]	1,003	1,009	920	869

Note:

(1) Operated by the Bank's associate company, IndusInd Marketing and Financial Services Private Limited

Branches

The Bank's branch network is fundamental to how it engages and interacts with its customers. The Bank's branches are fully connected to a central database in Mumbai on a real-time basis with an off-site back-up facility in Chennai. All branches are licensed by the RBI to lend and to accept deposits, with the exception of specialised consumer finance lending branches where the Bank does not accept deposits. Any demand for loan products arising at the new branches will be addressed through the bank's existing processes, including centralised credit sanctions and credit administration for corporate loans.

One of the Bank's key strategies has been, and continues to be, to expand its branch network, particularly in geographies and markets where the Bank believes it can capture market share profitably. The Bank's International Financial Services Centre Banking Unit has been operating from Gujarat International Finance Tec-City, Gandhinagar, Gujarat since June 2016. Under the current branch licensing policy of the RBI, the Bank is not required to obtain a licence from the RBI for opening branches and banking outlets in Tier 1 to Tier 6 cities, subject to reporting and certain other conditions. The RBI has also mandated that 25 per cent. of the new branches and banking outlets opened during a financial year should be in unbanked rural centres.

The Bank has outsourced the establishment, maintenance and operations of all its off-site ATMs and the maintenance of all branch ATMs to Hitachi Private Services Private Limited. The Bank has also outsourced the transaction processing operations for its credit card business to MasterCard Technology Private Limited.

The Bank uses centralised processing hubs to be more efficient in enabling its branches to focus on customer-facing activities such as sales and customer service. The Bank has implemented centralised processing to facilitate account-opening for current, savings and fixed deposits, processing of trade finance-related activities, expense-related processing and handling remittances. The Bank has also centralised a significant portion of customer maintenance transactions, including the issuing of cheque books and updating of customer records.

In September 2014, the Bank commenced offering services in its "digital" branch located at the IndusInd Cybercity Rapid Metro Station, Gurgaon. Customers can interact with the remote teller through a video branch machine with a real-time video call and perform regular banking transactions such as statement printing, cheque deposits, opening of fixed deposit accounts and encashment, funds transfer and cash withdrawal.

The distribution of the Bank's branches and banking outlets across India by region as at 31 March 2016, 2017 and 2018, and 31 December 2018 is set out in the following table:

	As at 31 March			As at 31 December
	2016	2017	2018	2018
Northern India	290	357	393	423
Southern India	165	199	266	299
Western India	217	250	286	300
Eastern India	109	129	164	178
Central India	185	225	242	244
North-East India	34	40	49	49
Banking outlets (other than branches)	-	-	-	65
Total branches	1,000	1,200	1,400	1,558

Non-Branch Delivery Channels

ATMs: The Bank had 1,800, 2,036 and 2,203 ATMs as at 31 March 2016, 2017 and 2018, respectively. As at 31 December 2018, the Bank had 2,453 ATMs, of which 1,397 were off-site ATMs, with the rest located within its branches. The Bank's ATMs are part of the VISA, MasterCard and National Finance Switch shared payment networks. In addition, VISA and MasterCard cardholders who have accounts with other banks can access their accounts using its ATM network.

Internet and mobile phone banking: The Bank offers most retail banking services via internet access to its consumer banking and corporate and commercial banking customers. In 2011, the Bank launched its mobile phone banking application, IndusMobile, which is available across the Android, iOS and Windows Phone platforms and facilitates banking transactions by its customers. Customers are also able to use the Bank's Cash on Mobile service to make small value remittances using their mobile phones and to enable cardless withdrawals of such amounts from its ATMs by recipients.

Contact centre: The Bank's contact centres operate out of Mumbai and Chennai and attend to customer requests and queries on the phone and by video call and e-mail. The centres have multiple language capabilities. The Bank's premium customers can use its Direct Connect service to access assigned contact centre executives without waiting for interactive-voice-response system prompts.

Video branch: In June 2014, the Bank launched its "video branch" initiative to enable customers to schedule a video call with its staff, including branch managers, relationship managers or the central video branch. Customers can undertake fixed deposit booking, RTGS, NEFT and fund transfers through this channel.

Marketing outlets: The Bank used 1,003, 1,009, 920 and 869 marketing outlets as at 31 March 2016, 2017 and 2018, and 31 December 2018, respectively. The Bank has outsourced the operation of its marketing outlets, which originate substantially all of its vehicle loan business, to its associate company, IndusInd Marketing and Financial Services Private Limited. During the term of its outsourcing arrangement, which expires in May 2020, IndusInd Marketing and Financial Services Private Limited is required to obtain the Bank's prior permission before accepting any assignment from any other body corporate or bank.

Investments

As at 31 March 2018, the total value of the Bank's gross investments was Rs. 502,853.05 million and the total value of its investments was Rs. 500,761.17 million. The average yield on net investments was 7.1 per cent. for the fiscal year ended 31 March 2018. As at 31 December 2018, the total value of the Bank's gross investments was Rs. 540,251.29 million and the total value of its investments was Rs. 536,806.14 million. The average yield on net investments was 7.2 per cent. for the nine-month period ended 31 December 2018.

Under the RBI guidelines, the Bank is required to maintain 19.50 per cent. of its NDTL in Government and other approved securities and 4 per cent. of its NDTL in a deposit account with the RBI. As at 31 March 2018, Government securities constituted 80.61 per cent. of the Bank's net investments, compared with 85.70 per cent. as at 31 March 2017 and 80.95 per cent. as at 31 March 2016. As at 31 December 2018, Government securities constituted 85.22 per cent. of the Bank's net investments.

Priority Sector Lending and Financial Inclusion

The RBI requires all domestic commercial banks in India to allocate a minimum of 40 per cent. of their ANBC as at 31 March of the applicable prior year to the "priority sector", which includes, *inter alia*, loans to the agricultural sector, loans to micro, SMEs, loans to individuals for educational purposes, housing loans, loans for building social infrastructure and loans for the renewable energy sector. As at 28 December 2018, the RBI has specified sub-allocation requirements, including a minimum of 18 per cent. of ANBC to the agricultural sector (within this, a target of 8 per cent. of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher is prescribed for small and marginal farmers), 7.5 per cent. of the ANBC to micro enterprises and 10 per cent. of the ANBC to economically weaker sectors.

If the Bank's lending falls below the RBI's directed lending requirements, the Bank is required to fulfil its obligations by contributing to the Rural Infrastructure Development Fund established by the National Bank for Agriculture and Rural Development or funds with other financial institutions specified by the RBI. These deposits have a maturity ranging up to seven years and carry interest rates linked to the bank rate. During the year ended 31 March 2018, the Bank met its priority sector lending RBI requirements.

The Bank's ANBC as at 31 March 2018 and 31 December 2018 was Rs. 1,407,893 million and Rs. 1,576,559 million, respectively. Also, as at 31 March 2018, the Bank's gross lending to priority sectors was Rs. 483,528 million, which constituted 43.90 per cent. of its ANBC. As at 31 December 2018, the Bank's gross lending to priority sectors was Rs. 447,850 million, which constituted 36.48 per cent. of its ANBC. In addition, 13.78 per cent. of its ANBC for the fiscal year ended 31 March 2018 (or Rs. 151,802.10 million) was lent to the agricultural sector and the remaining 30.12 per cent. of its ANBC (or Rs. 331,726 million) was lent to other priority sectors, including economically weaker sections of the community, micro and small enterprises and Rural Infrastructure Development Fund deposits. For the nine-month period ended 31 December 2018, 15.17 per cent. of the Bank's ANBC was lent to the agricultural sector and the remaining 21.31 per cent. of its ANBC (or Rs. 261,653 million) was lent to other priority sectors, including economically weaker sections of the community, micro and small enterprises and Rural Infrastructure Development Fund deposits. Some of the Bank's existing businesses, including commercial vehicle finance and other loans to agricultural sector customers, qualify as eligible agricultural sector lending under the RBI's priority sector lending requirements. As at 31 March 2018, net advances to economically weaker sections were Rs. 102,487.0 million, which constituted 9.3 per cent. of the Bank's ANBC. As at 31 December 2018, net advances to economically weaker sections were Rs. 138,391 million, which constituted 11.27 per cent. of the Bank's ANBC.

RBI regulations specify that the above priority sector requirements should be met on the basis of credit equivalent amounts of off balance sheet exposure rather than ANBC if such off balance sheet exposure by a bank is higher than its ANBC.

A breakdown of the Bank's priority sector lending position as at 31 March for each of the last three fiscal years and the nine-months to 31 December 2018 is as follows:

	As at 31 March						As at 31 December	
	2016		2017		2018		2018	
	(Rs. in millions)	*% of ANBC*	*(Rs. in millions)*	*% of ANBC*	*(Rs. in millions)*	*% of ANBC*	*(Rs. in millions)*	*% of ANBC*
Agriculture advances	110,218.19	15.86%	117,121.98	13.15%	151,802.07	13.78%	186,197.26	15.17%
Small-scale industry and services and others	188,870.02	27.17%	250,521.25	28.14%	331,726.12	30.12%	261,652.92	21.31%
Total	299,088.21	43.03%	367,643.23	41.29%	483,528.19	43.90%	447,850.18	36.48%
ANBC for computing Priority Sector Lending	**695,113.48**	—	**890,478.00**	—	**1,101,530.37**	—	**1,227,789.73**	—

In consonance with the RBI guidelines for promoting financial inclusion, the Bank has established itself in under-banked and rural or semi-urban locations as part of its existing branch network and consumer finance marketing outlets. In addition, the Bank offers a "no frills" basic savings bank deposit account with no minimum balance requirement and simplified KYC procedures for account opening.

Customers in this division are provided "RuPay" debit cards introduced by the National Payment Corporation of India. The Bank also organises financial literacy and enrolment camps at regular intervals. It also offers such customers account-related services under three social security schemes launched by the Government: the Atal Pension Yojana, the Pradhan Mantri Jeevan Jyoti Bima Yojana and the Pradhan Mantri Suraksha Bima Yojana.

The Bank has also entered into business correspondent arrangements with certain local microfinance partners to offer credit as well as savings products to microfinance customers. Origination, collection and servicing of the loans are undertaken by the business correspondent entities. As at 31 December 2018, the Bank had 1.31 million active loans to women entrepreneurs through business correspondents totalling Rs. 19,998 million in loans outstanding, which were spread across 17 states in 25,536 villages and represented 1.38 per cent. of its total net advances.

The Bank was awarded the "Best Financial Inclusion Initiative among Medium Banks — Runners-up award" by IBA Banking Technology Awards 2017.

Risk Management

The Bank's risk management department is responsible for identifying, measuring, monitoring and controlling risks across its business units, encompassing credit risk, market risk (including asset-liability management) and operational risk, and ensuring the functional independence of its business units. The head of the department reports to the Chief Risk Officer ("**CRO**"), who in turn reports to the MD and Chief Executive Officer. There are separate committees for asset-liability management, credit risk management, market risk management and operational risk management which review the Bank's risk management policies, risk appetite, exposure limits and risk values and which make recommendations. Further, the risk management committee, which is a committee of the Bank's board of directors, oversees the risk management framework. The department is responsible for determining the amount of capital to hold against each class of the Bank's assets, for undertaking stress tests to evaluate the strength of its portfolio and for ensuring compliance with applicable regulations. Policies are periodically reviewed and revised to address changes in the economy and the banking sector and the Bank's risk profile. The Bank has policies on credit risk, bank risk, country risk, market risk, asset-liability management, operational risk, business continuity planning and on other aspects of risk management. The

Bank's internal capital adequacy assessment policy addresses material risks faced, the control environment, risk management processes, risk measurement techniques, capital adequacy and capital planning.

Credit Risk

Credit risk constitutes the largest risk to which the Bank is exposed. Credit risk measures the probability that the borrower or counter-party may fail to meet its obligations in accordance with agreed terms and arises from the inability or unwillingness of a borrower or counter-party to meet any agreed commitments in relation to lending, trading, hedging, settlement and any other financial transactions.

The Bank manages credit risk at the transaction level and at the portfolio level. At the transaction level, it uses customer segment-specific internal credit rating models equipped with transition matrix capabilities, and the ratings grades ranging from IB1 to IB10 in decreasing order of creditworthiness. The table below sets forth the distribution of the Bank's internally rated portfolio of exposure (including fund-based and non-fund-based facilities) across various rating grades, segregated into secured and unsecured portions, in proportion to total rated exposure as at 31 December 2018:

	Fund-Based		**Non Fund-Based**		
Rating Grades	**Secured**	**Unsecured**	**Secured**	**Unsecured**	**Total**
			(%)		
IB1	2.67%	1.20%	9.24%	1.63%	14.74%
IB2+	2.28%	0.94%	1.50%	2.61%	7.33%
IB2	1.83%	0.30%	1.07%	0.37%	3.57%
IB2-	2.50%	0.44%	3.51%	3.52%	9.97%
IB3+	2.13%	0.60%	2.25%	0.79%	5.76%
IB3	2.55%	0.69%	1.78%	0.11%	5.13%
IB3-	8.29%	0.82%	4.44%	0.35%	13.90%
IB4+	7.55%	0.03%	1.67%	0.29%	9.55%
IB4	7.11%	0.27%	2.16%	0.08%	9.62%
IB4-	8.77%	0.77%	2.59%	0.04%	12.17%
IB5+	1.30%	0.01%	0.13%	0.00%	1.44%
IB5	3.13%	0.02%	0.27%	0.00%	3.42%
IB5-	0.98%	0.00%	0.24%	0.00%	1.22%
IB6	1.10%	0.03%	0.23%	0.00%	1.37%
IB7	0.16%	0.00%	0.04%	0.03%	0.24%
IB8	0.14%	0.00%	0.01%	0.00%	0.15%
NPA	0.41%	0.01%	0.00%	0.00%	0.41%
Total	89.60%	10.40%	76.00%	24.00%	100.00%

The Bank monitors the entire life cycle of each exposure, including the opportunity for the transaction, the assessment of credit risk, the grant of credit, the disbursement and subsequent monitoring, identifying any emerging credit problems of the borrower, remedial action in the event of any credit quality deterioration and repayment or termination of the loan. In order to monitor borrower-specific risk, the Bank analyses the borrower's financial statements, including its cash flow, its past and estimated future financial performance and its ability to raise capital. The Bank also considers the borrower's relative market position, operating efficiency, the quality of its management and the seasonality of its business. The Bank generally lends on the basis of the borrower's cash flow adequacy. However, for borrowers falling outside the Bank's preferred range of creditworthiness, the Bank also considers sufficient collateral, incorporating early warning signs and exception tracking. The Bank's primary security and collateral for each of its loans are valued at periodic intervals by a panel of valuation experts engaged by the Bank. The Bank internally specifies exposure limits for counterparties, including, for cross-border loans, in respect to the country where the counterparty is located.

The Bank's credit portfolio-level risk management mechanism monitors the concentration risk from exposure in all its business units and under the following categories: exposure to a single borrower or affiliated borrowers (or group of borrowers), certain RBI-specified sensitive sectors, industry, unsecured loans, borrower's credit rating, off balance sheet exposure and lending product. The Bank specifies exposure limits at the portfolio level. The Bank's retail and consumer finance loans (which provide wider diversification benefits) comprised 39.49 per cent. of its total net advances as at 31 March 2018 and 39.29 per cent. of its total net advances as at 31 December 2018. The Bank's exposure to corporate customers is diversified across industries with a view to protecting its loan portfolio from industry cycles. The table below provides information on the Bank's funded exposure by major industry as at 31 December 2018.

Industry	**Funded exposure**	**Percentage of total funded exposure**
	(Rs. millions)	*(%)*
Airlines	10,052.62	0.69%
Auto Ancillaries	7,847.88	0.54%
Construction related to Infra – EPC	39,909.43	2.75%
Contract Construction – Civil	15,503.42	1.07%
Engineering and Machinery	11,318.49	0.78%
Food Beverages and Food Processing	20,327.49	1.40%
Food Credit	13,736.94	0.95%
Gems and Jewellery	75,103.72	5.18%
Housing Finance Companies	1,901.16	0.13%
Lease Rental	43,618.39	3.01%
Media, Entertainment and Advertisement	10,990.02	0.76%
NBFCs (other than HFCs)/NBFC-MFI	55,125.19	3.80%
Paper	6,998.65	0.48%
Petroleum & Products	16,766.09	1.16%
Pharma	10,323.74	0.71%
Plastic and Plastic products	5,729.20	0.40%
Power Distribution	11,233.22	0.77%
Power Generation	59,803.00	4.13%
Power Transmission	13,602.45	0.94%
Real Estate Developer (Non-Residential)	13,666.56	0.94%

Industry	Funded exposure	Percentage of total funded exposure
	(Rs. millions)	*(%)*
Real Estate Developer (Residential)	35,170.93	2.43%
Roads/Other Infra Projects	7,898.22	0.54%
Rubber and Rubber products	2,055.51	0.14%
Services	32,465.24	2.24%
Steel	23,074.29	1.59%
Telecom – Cellular	9,950.00	0.69%
Other Industry	363,807.28	25.10%
Credit Cards	27,320.34	1.88%
Consumer Finance Division	504,231.00	34.79%

The table below provides information on loans outstanding from the Bank's top ten borrowers (measured by funded exposure) as at 31 December 2018.

Borrower's industry	Loans outstanding	Percentage of total loans outstanding
	(Rs. millions)	*(%)*
Roads	30,000.00	2.76
Basic Iron & Steel	19,040.08	1.75
Petroleum & Products	25,000.00	2.30
Project Construction – Power, Telecoms, Ports, Airports, etc.	24,540.00	2.26
NBFCs (other than HFCs)	20,509.17	1.89
Power Generation	20,000.00	1.84
NBFC – MFIs	19,043.73	1.75
Power Generation	8,157.66	0.75
Airlines	10,210.81	0.94
Telecom – Cellular	9,950.00	0.92

Market Risk

Market risk includes interest rate risk, price risk and foreign exchange risk. The Bank uses tools such as mark-to-market, duration analysis, sensitivity analysis, stress tests, PV01, value-at-risk and operational limits such as stop-loss limits, exposure limits, deal-size limits and maturity ladders to monitor portfolios exposed to market risk. The Bank's sophisticated markets management system supports its risk management capabilities and facilitates straight-through processing.

The Bank's board of directors approves the Bank's fund and investment policy (covering money markets and fixed income, foreign exchange dealings, derivatives and equity and market risk management policy), which sets out its investment guidelines and specifies limits for transactions in foreign exchange, money and fixed income markets, derivatives and equities.

Exposure to single issuers is maintained within specified limits. The Bank's traders' activities have various individual prudential limits and exceptions must be approved.

The Bank's treasury activities are monitored by its risk management department, in addition to oversight from within the global markets business unit. Any investments that do not meet all of the Bank's guidelines must be pre-approved by its funds and investment committee.

Currency positions are required to be maintained for intra-day and overnight positions as well as currency mismatches according to limits prescribed in the policy guidelines.

The Bank carries out comprehensive stress testing and scenarios analysis for pro-active measurement and management of risks. The Bank has an independent model valuation unit under the market risk group to ensure models used for market risk analysis are independently validated and ensure implemented models are behaving in line with expectations.

Operational Risk

The Bank manages operational risk by addressing risks associated with people, processes and systems and risks arising from the external environment, such as riots and floods. The Bank assesses operational risk using tools such as key risk indicators, score cards, risk events, loss data, near-miss events and risk and control self-assessment ("**RCSA**"). The Bank's audit mechanism comprises periodic on-site audits, concurrent audits and on-site and off-site surveillance enabled by its technology infrastructure. The Bank also conducts operational risk assessments for its new products or processes whereby such new products or processes are assessed for associated risks pursuant to which risk mitigating measures are recommended for such products and processes.

The Bank has in place a business continuity plan to ensure the continuity of its critical business functions and banking services to its customers. The Bank also has a disaster recovery site at an undisclosed location in Chennai, which facilitates online real-time replication of data. The Bank has also stipulated an information technology security policy to safeguard the security and integrity of its data.

Asset-Liability Management

The Bank's asset-liability management committee is responsible for liquidity risk and interest rate risk management. The committee monitors liquidity risk through structural liquidity gaps, dynamic liquidity position, LCR, analysis of other liquidity ratios, under stock approach and behavioural analysis, with limits for negative gaps in various time buckets. The committee monitors interest rate sensitivity through limits for rate-sensitive gaps and other risk parameters. Interest rate risk is constantly reassessed in line with market movements and expectations. The committee aims to meet frequently and met 13 times during the year ended 31 March 2018.

The Bank generally funds its customer assets with customer deposits. Most of the Bank's liabilities and assets are short to medium-term. To manage its funding mismatches, the Bank borrows in the short-term money market.

The Bank's ALM system supports effective management of liquidity risk and interest rate risk, covering all assets and liabilities. The Bank's ALM Committee ("**ALCO**") is responsible for liquidity risk and interest rate risk management. ALCO monitors liquidity risk through structural liquidity gaps, dynamic liquidity position, LCR, analysis of liquidity ratios under stock approach and behavioural analysis, with limits for negative gaps in various time buckets. ALCO monitors interest rate sensitivity through prudential limits for rate sensitive gaps, earning at risk, modified duration of equity and other risk parameters. Interest rate risk is constantly reassessed in line with market movements and expectations. Also, interest rate risk on trading portfolios is monitored through, PV01, Value at Risk ("**VaR**") and modified duration. ALCO meets frequently to deliberate on the liquidity position, interest rate risks, product mix, business growth versus budgets and interest rate outlook and met 13 times during the year ended 31 March 2018.

The Bank carries out stress tests on liquidity position periodically to assess the impact of stressed liquidity scenarios on funding and its liquidity position. Stress tests help the Bank to be better equipped to meet stressed situations and have contingency funding plans in place. Contingency funding plans have been developed to respond swiftly to any anticipated or actual stressed market conditions. The Bank has put in place the necessary framework to measure and monitor interest rate risk on the loan portfolio using the duration gap approach as well as the traditional gap approach.

For statutory liquidity purposes, the Bank maintains a substantial portfolio of liquid Government securities. As at 31 March 2018, the Bank's portfolio of Government securities (excluding securities pledged for clearing facility and margin requirements) was Rs. 400,916 million which constituted 80.06 per cent. of its total net investments. As at 31 December 2018, the Bank's portfolio of Government securities (excluding securities pledged for clearing facility and margin requirements) was Rs. 446,833 million which constituted 83.24 per cent. of its total net investments. While the market for Government securities generally provides adequate liquidity, the interest rates at which funds are available can sometimes be volatile. As at 31 March 2018 and 31 December 2018, the duration of the Bank's investment portfolio was approximately 4.99 years and 5.23 years, respectively.

The Bank has a structural liquidity management system which measures the Bank's liquidity positions on an ongoing basis and also scrutinises the reasons behind liquidity requirements evolving under different assumptions. For measuring net funding requirements, the Bank prepares regular maturity gap analyses and uses a maturity ladder to calculate the cumulative surplus or deficit of funds at selected maturity dates. The analysis facilitates the Bank in its strategies for repricing its assets and liabilities.

Credit Department

All credit proposals originated by its corporate and commercial banking business unit are appraised by its credit department, which reports to its CRO and are then submitted to an appropriate credit committee for approval. The Bank has separate credit committees according to the level of its exposure and decisions are taken hierarchically at the branch, zonal, corporate office and executive levels depending on the amount of the loan. The Bank's credit approval committees are independent of customer-facing teams and have no volume or profit targets to achieve. If any member of such a committee disapproves of the application for credit, the application is referred to a higher committee for a final decision. However, if the Executive Credit Committee disapproves of the application for credit, the proposal is referred to the committee of the board of directors if the MD and Chief Executive Officer and the CRO are in favour of the proposal.

Credit Quality Assurance and Loan Review

The Bank has a separate credit quality assurance team, which reports directly to the CRO and is independent of the Bank's credit approval process. The team assesses the quality of an advance, the effectiveness of the Bank's loan administration, compliance with the Bank's internal policies and regulatory requirements and overall portfolio quality. It also tracks the deterioration in the Bank's internal credit rating for any customer subsequent to the credit approval process.

Financial Restructuring and Reconstruction

This team focuses on restructuring and recovering non-performing corporate loans and is present at various branches across India. It takes over the management of any loan account in the corporate and commercial banking business unit as soon as the account is declared an NPA. This group also handles standard accounts under restructuring, including through the corporate debt restructuring mechanism.

As at 31 March 2018, the Bank's NPAs comprised 0.51 per cent. of its customer advances. The Bank's net NPAs for the three fiscal years ended 31 March 2016, 2017 and 2018, and the nine-month period ended 31 December 2018 are reflected in the information set out in the table below:

	Year ended 31 March			Nine months ended 31 December
Items	**2016**	**2017**	**2018**	**2018**
	(in Rs. millions, except percentages)			
Net non-performing assets to Net Advances (%)	0.36%	0.39%	0.51%	0.59%
Movement in non-performing assets (Gross)				
(a) Opening Balance	5,629.21	7,768.21	10,548.66	17,049.13
(b) Additions during the year	8,486.47	14,292.74	33,245.57	17,008.56
(c) Reductions during the year	6,347.47	11,512.29	26,745.10	14,376.21
(d) Closing Balance	7,768.21	10,548.66	17,049.13	19,681.48
Movement in Net non-performing assets				
(a) Opening Balance	2,104.76	3,217.49	4,389.09	7,456.75
(b) Additions during the year	3,313.57	6,936.60	20,037.06	9,624.91
(c) Reductions during the year	2,200.84	5,765.00	16,969.40	6,788.92
(d) Closing Balance	3,217.49	4,389.09	7,456.75	10,292.74
Movement in provisions for non-performing assets (excluding provisions on standard assets)				
(a) Opening Balance	3,524.45	4,550.72	6,159.58	9,592.38
(b) Provisions made during the year	5,172.90	7,356.04	13,208.51	7,383.65
(c) Write-off/write-back of excess provisions	4,146.63	5,747.18	9,775.71	7,587.29
(d) Closing Balance	4,550.72	6,159.58	9,592.38	9,388.74

Internal Audit

The Bank's internal audit department is an independent body and the head of its audit department functionally reports to the audit committee of its board of directors and administratively to the MD and Chief Executive Officer. The department conducts an internal audit of all the Bank's consumer banking branches as well as various other corporate office functions and centralised units such as the consumer finance division, information security system, integrated treasury operations, the centralised processing unit for assets and liability operation, zonal credit administration at the North, West, South and East zones, trade finance operations, and management audit of corporate functions and other support functions. Each of these branches/ units are given a risk rating based on the audit findings, which complies with RBI requirements on risk-based supervision, and the frequency of audit is linked to the risk rating so assigned to each branch or unit.

The internal audit department also monitors the concurrent audits assigned by the internal audit department to external chartered accountant firms. In accordance with RBI guidelines, the scope of concurrent audit covers depository operations, treasury operations, zonal credit administration units, centralised processing units like loan processing units, centralised account opening unit, global remittance unit, trade finance activities, credit card operations, microfinance centralised processing unit activities, consumer finance division, data centre operations, selected centralised clearing cells and the GIFT City branch. The scope of coverage of various audits is reviewed from time to time and the quality of the coverage is monitored.

Compliance

The Bank's compliance department is independent and centralised. It is headed by the Chief Compliance Officer who reports to the Chief Executive Officer. The Chief Compliance Officer has the right to report serious compliance matters directly to the Bank's board of directors. The department monitors compliance with various laws, regulations and guidelines, rules of self-regulatory bodies and industry associations and the Bank's internal policies. The Bank aims to embrace best practice and follow a higher standard of compliance than that required by law.

As at 31 December 2018, the Bank had obtained all licences and approvals required by law for the conduct of the Bank's business.

Capital Adequacy

As at 31 March 2018, the Bank's capital adequacy ratio (in accordance with Basel III) was 15.03 per cent., compared with 15.31 per cent. (as per Basel III) as at 31 March 2017 and 15.50 per cent. as at 31 March 2016, and its Tier I capital ratio as at 31 March 2018 was 14.58 per cent., compared with 14.72 per cent. as at 31 March 2017 and 14.92 per cent. as at 31 March 2016. As at 31 December 2018, the bank's capital adequacy ratio was 14.19 per cent.. The RBI requires a minimum capital adequacy ratio of 9 per cent. and a minimum total Tier I capital ratio of 7 per cent.

The table below sets out the Bank's capital adequacy ratios as at 31 March 2016, 2017 and 2018, and 31 December 2018.

	As at 31 March			As at 31 December
	2016 (Basel III)	**2017 (Basel III)**	**2018 (Basel III)**	**2018 (Basel III)**
	(in Rs. millions, except percentages)			
Capital	5,949.86	5,981.49	6,002.23	6,021
Reserve and surplus (excluding revaluation reserves and including employee stock options outstanding)	167,202	196,734	228,792	254,400
Capital adequacy ratio (%)	15.50%	15.31%	15.03%	14.19%

	As at 31 March			As at 31 December
	2016 (Basel III)	2017 (Basel III)	2018 (Basel III)	2018 (Basel III)
		(in Rs. millions, except percentages)		
Capital adequacy ratio – Tier I capital (%) ..	14.92%	14.72%	14.58%	13.78%

Competition

The Bank faces strong competition in all its principal lines of business. The Bank's primary competitors are government-controlled public sector banks, major private sector banks, foreign banks with operations in India and, for certain products, NBFCs. In February 2013, the RBI also released guidelines on the issue of new banking licences to private sector entities, including NBFCs. In April 2014, the RBI granted in-principle approvals, valid for a period of 18 months, to IDFC Limited and Bandhan Financial Services Private Limited to set up banks, which began operations during fiscal year 2016. On 19 August 2015, the RBI granted in-principle approval to 11 applicants to set up payment banks. In September 2015, the RBI granted in-principle licences to ten applicants for small finance banks, most of which are microfinance NBFCs. The RBI has also released guidelines with respect to a continuous licensing policy for universal banks in August 2016. As of 31 December 2018, five payment banks have commenced their operations. In addition, 10 entities have been functioning as small finance bank operations.

Consumer banking and consumer finance

In retail banking, the Bank's principal competitors are public sector banks, other "New Private Sector Banks", certain "Old Private Sector Banks", foreign banks and, for retail loan products, NBFCs. Some foreign banks have a significant share of the non-resident Indian market for international remittances and deposits and also compete for non-branch-based products such as vehicle loans. The Bank also has significant competition from other "New Private Sector Banks", foreign banks and certain public-sector banks in offering credit cards and loans against property. In mutual fund sales, insurance distribution and other investment-related products, the Bank's principal competitors are broking houses, foreign banks, private sector banks and public-sector banks.

Corporate and commercial banking

The Bank's principal competitors in corporate and commercial banking are certain public-sector banks, private sector banks and foreign banks. Large public-sector banks have traditionally been market leaders in this segment. Foreign banks have focused primarily on serving the needs of multinational companies and larger Indian companies with cross-border financing requirements, including trade, transactional and foreign exchange services. Large public-sector banks typically have extensive branch networks and large local currency funding capabilities.

Global markets and transaction banking

In its treasury advisory services for corporate customers, the Bank competes principally with foreign banks, private sector banks and public-sector banks in the foreign exchange and money markets businesses.

Information Technology

The Bank uses advanced information technology in its operations.

The Bank's current core banking software solution is the Finacle core banking software solution from Infosys, and the Bank's global markets operations are enabled by the TI Plus system of Misys. The Bank has implemented an integrated treasury risk capturing application of Calypso Technology. The Bank also uses risk management for banking software and analytical tools from SAS. The Bank has implemented fraud monitoring and anti-money laundering software to address operational risk. The Bank uses Reuters' RET platform for its foreign exchange-related trade finance services. The Bank also uses Newgen's iWorks BPM, a business process management system, to provide various services to its customers, including account opening, insurance purchases, mutual funds purchases, accounts payable processing, trade finance, kisan loans, gold loan processing and cheque referral processes. The Bank uses BizScore Enterprise, a business intelligence solution developed by iCreate Software, to measure and track its business performance and operational efficiency and to manage its regulatory reporting. The Bank's corporate customers are able to use Indus Online, its corporate internet banking portal, which enables the use of account services, balance and transaction reporting, trade services and management information systems reporting services in a secure online environment, as well as Indus Direct, an internet-based corporate payment channel to securely initiate instructions for internal, NEFT, RTGS and IMPS funds transfers and to print customised current account cheques and demand drafts. The Bank's retail banking customers are able to securely initiate internal and NEFT funds transfers, review balances and mutual fund portfolios, pay utility and other bills and insurance premiums by using IndusNet, the Bank's electronic retail banking system. The Bank upgrades its software and hardware periodically to leverage advances in technology in its businesses. In 2015, the Bank also launched its "video branch" initiative and its "digital" branch. In 2017, the Bank's mobile banking application, IndusMobile, had one million registered users and also became integrated with the "All-in-One Store" powered by Tapzo. This integration enables customers to book taxis or flights, order food and pay bills with the ability to use electronic wallets such as MobilKwik or Ola Money, making IndusMobile a convenient one-stop destination. Also, in 2017 the Bank launched a pilot with WhatsApp to communicate with its customers. This pilot allows customers to access basic banking services, including checking their account balance and updating their Aadhar or Unique Identification Number. The Bank has also recently launched a first of its kind voice banking service using Amazon Echo to enable customers to initiate funds transfers and check their account balance. This has won several awards such as the Finnoviti awards presented by Banking Frontiers in 2019 and the Innovator of the Year Award 2018 recognised by Amazon.

The Bank's critical systems are hosted at a production data centre at Mumbai and its disaster recovery programme is at a third-party location in Chennai. The Bank's branches have back-up links to ensure connectivity in the event of interruption. The Bank's contact centres, which are enabled by the Talisma CRM software and the Aspect interactive-voice-response solution, provide retail banking customers with an interactive voice response system.

The Bank was recognised at the IDRBT (Institute for Development and Research in Banking Technology) Banking Technology Excellence Awards 2017 with the "Best Bank Award for High Performance IT Ecosystem" and the "Best Bank Award for Cyber Defense". The Bank also received the "Innovative Company" award in the IT Excellence Awards by VMWare in 2017. The Bank received ISO 27001 certification for its information technology operations from BSi and the current certification is valid until September 2021.

The Bank's information technology security policy sets out its procedures in relation to information security and confidentiality. All employees of the Bank are required to agree to the procedures set out in the policy.

Corporate Social Responsibility

The Bank has established and implemented an Environmental and Social Management System ("**ESMS**") Policy to ensure its investments balance economic growth with socio-economic sustainability. The Bank has upgraded its sustainability reporting into integrated reporting to communicate the Bank's approach to managing its key environmental and social issues while addressing the capital approach as per the integrated reporting framework. The Bank has been a national leader in the Carbon Disclosure Project ("**CDP**") and a frontrunner in the financial services sector in carbon emissions mitigation and management for the fourth consecutive year during 2018. The Bank is the only financial services organisation to be featured in the CDP India "A List". The Bank has a flagship outreach programme called 'Green Champions', under its 'Hum aur Hariyali' initiative, developed to inculcate sustainability within the organisation by promoting active action on social and environmental issues among its employees.

The Bank has constituted a CSR committee to comply with the requirements of the Companies Act, 2013. The CSR committee of the Bank reviews the policy and strategies related to CSR which focuses on community development interventions as a part of the Bank's CSR philosophy. The Bank has six CSR focus areas, namely (i) education; (ii) rural development and inclusiveness; (iii) environmental sustainability; (iv) preventive healthcare; (v) promoting inclusiveness through sports; and (vi) areas of special interest - heritage, arts and culture, armed forces. The Bank incurred expenditure of Rs. 204.7 million in the fiscal year ended 31 March 2018 on various social and environment-oriented programmes under these six CSR focus areas. Major initiatives included programmes on financial and legal literacy, promoting digital literacy through Pradhan Mantri Gramin Digital Saksharta Abhiyan, biodiversity and resource conservation, and renewable energy installations. In the fiscal year ended 31 March 2018, in line with its agenda on digitisation, the Bank pledged support for the Prime Minister's initiative of digitising rural India by reaching out to 200,000 candidates in Haryana, Punjab, Rajasthan, Madhya Pradesh, Maharashtra, Gujarat, Jharkhand, Chhattisgarh, West Bengal, Odisha and Uttar Pradesh. The Bank has also initiated a flagship solid waste segregation and management programme in partnership with the government of Uttarakhand.

Insurance

The Bank maintains insurance policies with respect to its premises, information technology assets, other office equipment, banker's indemnity and cash in premises, at ATMs, in transit and on account payments. The Bank does not have insurance for business interruption or key man insurance.

Properties

The Bank owns its registered office in Pune, its secretarial and investor services office in Mumbai, its consumer finance division's administrative office in Chennai, and its retail banking central processing centre and an advanced record storage facility in Chennai. The Bank's corporate office in Mumbai is located on leased premises. The administrative office of the Bank's consumer banking business unit operates from leased premises in Gurgaon in the National Capital Region. The Bank's currency chest operations are conducted from leased premises at Thane, Maharashtra, New Delhi and Chennai, Tamil Nadu, Kolkata, West Bengal and Bengaluru, Karnataka. As at 31 December 2018, 1,476 of the Bank's 1,493 branches were in leased premises and 17 were in owned premises. The Bank leases its data centres in Mumbai and Chennai.

Employees

As at 31 March 2016, 2017 and 2018, and 31 December 2018, the Bank had 23,060, 25,314, 27,071 and 26,837 employees, respectively. The headcount increased due to the general growth in the Bank's business and from new hires in its customer-facing business units. The following table lists net profit and operating expenses on a per employee basis over the fiscal years ended 31 March 2016, 2017 and 2018, and for the nine-month period ended 31 December 2018.

	For the year ended 31 March	For the year ended

				31 December
	2016	2018	2018	2018
		(Rs.'000 per employee[(1)])		
Net profit per employee (annualised)....................	991.52	1,132.92	1,426.19	1,461.17
Operating expenses per employee (excluding employee costs, annualised)	1,056.38	1,288.64	1,507.18	1,643.87

Note:

(1) Net profit per employee and operating expenses per employee (excluding employee costs) have been computed based on the number of employees at the end of the periods indicated. Figures for the nine-months ended 31 December 2018 are annualised.

Almost all of the Bank's employees are located in India. The Bank considers its relations with its employees to be good. The Bank's employees do not belong to any union.

The Bank uses a structured compensation package for employees and has established a performance-based bonus scheme under which permanent employees have a variable pay component in their compensation. In addition to basic compensation, employees are eligible for basic retirement benefits. Under the ESOP 2007, the maximum number of options that may be granted to any one eligible employee in a financial year cannot, without the approval of the Board of Directors, exceed 0.20 per cent. of its paid-up equity capital at the time of such grant of options and the aggregate of all such options granted to eligible employees cannot exceed 7 per cent. of its paid-up equity capital on the date of such grant of options. As at 31 December 2018, the Bank granted options to purchase, in the aggregate, approximately 41.81 million Equity Shares to members of its senior management and other employees, including new hires, out of which approximately 30.09 million options have been exercised. The remaining unexercised vested and unvested options to purchase approximately 9.49 million Equity Shares represented approximately 1.58 per cent. of the Bank's paid up and issued Equity Shares as at that date. The options typically vest over a period of three years from the date of the grant and are not tied to any performance requirements and may typically be exercised over a period of five years. As at 31 December 2018, options that may be exercised to purchase 6.60 million Equity Shares have vested. For further information with respect to the ESOP 2007, see the section "*Management*".

The Bank engages with its employees in relation to their attendance, leave, goal setting and performance management through its human resources information system. The Bank focuses on continuously training its employees, including by using online training programmes for self-learning and evaluation. The Bank also endeavours to offer a good working environment for its employees.

DESCRIPTION OF THE BANK'S ASSETS AND LIABILITIES

Overview

The total assets of the Bank increased from Rs. 1,786,484.14 million as of 31 March 2017 to Rs. 2,216,261.61 million as of 31 March 2018, an increase of 24.1 per cent. During the fiscal year ended 31 March 2018, the Bank's advances increased by 28.2 per cent. from Rs. 1,130,805.08 million as of 31 March 2017 to Rs. 1,449,536.58 million as of 31 March 2018 and its investments increased by 36.4 per cent. from Rs. 367,021.38 million as of 31 March 2017 to Rs.500,767.17 million as of 31 March 2018. As of 31 December 2018, the Bank's total assets amounted to Rs. 2,561,985.20 million, advances amounted to Rs. 1,731,692.59 million and investments amounted to Rs. 536,806.14 million.

The following table sets out the assets of the Bank on a standalone basis as at the dates indicated below

	As at 31 March		As of 31 December
	2017	2018	2018
		(Rs. in millions)	
Assets			
Cash and balance with the Reserve Bank of India	77,487.47	109,624.06	95,803.99
Balances with banks and money at call and short notice	108,795.07	22,534.71	31,698.66
Investments	367,021.38	500,767.17	536,806.14
Advances	1,130,805.08	1,449,536.58	1,731,692.59
Fixed assets	13,352.33	13,387.53	16,988.92
Other assets	89,022.81	120,411.56	148,994.90
Total assets	1,786,484.14	2,216,261.61	2,561,985.20

The following table sets out the advances of the Bank on a standalone basis as at the dates indicated below.

	As of 31 March		As of 31 December
	2017	2018	2018
		(Rs. in millions)	
Bills purchased and discounted	40,312.68	43,312.50	22,017.87
Cash credits, overdrafts and loans payable on demand	330,100.56	430,770.63	505,611.49
Term loans	760,391.84	975,453.45	1,204,063.23
Sub-total	1,130,805.08	1,449,536.58	1,731,692.59
Secured by tangible assets	965,737.87	1,127,230.30	1,301,132.74

	As of 31 March		As of 31 December
	2017	2018	2018
		(Rs. in millions)	
Covered by bank/government guarantees	22,151.42	28,344.24	16,604.67
Unsecured	142,915.79	293,962.04	413,955.18
Sub-total...	1,130,805.08	1,449,536.58	1,731,692.59
Advances in India			
Priority sector..	348,210.24	453,143.08	398,897.36
Public sector...	16,550.36	50,907.33	68,764.89
Banks..	4.81	6.40	—
Others..	748,867.98	901,516.73	1,214,586.08
Sub-total...	1,113,633.39	1,405,573.54	1,682,248.33
Advances outside India...	17,171.69	43,963.04	49,444.26
Grand total	1,130,805.08	1,449,536.58	1,731,692.59

Loan Portfolio

The Bank's total loan portfolio consists of two broad client segments: corporate loans, including loans to SMEs, and consumer finance loans, including vehicle financing loans. The distribution of the Bank's loans according to the above segments is as follows:

	As of 31 March						As of 31 December	
	2016		2017		2018		2018	
	Loans	%	Loans	%	Loans	%	Loans	%
	(in Rs. millions, except percentages)							
Consumer Finance Division.....................	365,490.10	41.34	455,285.08	40.26	572,399.44	39.49	680,332.59	39.29
Corporate and Commercial Banking	518,703.32	58.66	675,520.00	59.74	877,137.14	60.51	1,051,360.00	60.71
Total Outstanding Net Loans.........................	884,193.42	100.00	1,130,805.08	100.00	1,449,536.58	100.00	1,731,692.59	100.00

The following table sets forth, at the dates indicated, the Bank's outstanding net fund-based loans categorised by major client segments and industry groups.

	As of 31 March						As of 31 December	
	2016		2017		2018		2018	
	Loans	%	Loans	%	Loans	%	Loans	%
	(in Rs. millions, except percentages)							
Consumer Finance	**365,490**	**41.34**	**455,285**	**40.26**	**572,399**	**39.49**	**680,333**	**39.29**
Commercial vehicles	141,008	15.95	156,064	13.8	198,717	13.71	233,036	13.46

Multi Utility vehicles	20,580	2.33	23,421	2.07	28,657	1.98	33,831	1.95
Construction equipment	32,443	3.67	41,202	3.64	54,789	3.78	68,523	3.96
Cars	39,171	4.43	46,645	4.12	53,455	3.69	62,853	3.63
Two wheelers	30,445	3.44	32,615	2.88	35,886	2.48	43,219	2.50
LAP	52,487	5.94	70,512	6.24	80,090	5.53	85,573	4.94
Other – Consumer Finance	49,356	5.58	84,826	7.50	120,805	8.33	153,298	8.85
Corporate and Commercial Banking	**518,701**	**58.66**	**675,520**	**59.74**	**877,138**	**60.51**	**1,051,360**	**60.71**
Gems and Jewellery	52,743	5.97	69,407	6.14	75,104	5.18	71,192	4.11
Power generation	10,657	1.21	22,096	1.95	59,803	4.13	66,835	3.86
Lease rental	41,045	4.64	57,486	5.08	43,618	3.01	40,945	2.36
Construction related to infrastructure	13,891	1.57	19,000	1.68	39,910	2.75	47,251	2.73
Services	12,616	1.43	25,509	2.26	32,465	2.24	36,165	2.09
Others – Corporate and commercial banking	387,749	43.85	482,022	42.63	626,238	43.20	788,972	45.56
Total loans outstanding	884,191	100.00	1,130,805	100.00	1,449,537	100.00	1,731,693	**100.00**

Pursuant to the guidelines of the RBI, the Bank's exposure to individual borrowers is limited to 15 per cent. of its capital funds (Tier I and Tier II capital), and the Bank's exposure to a group of companies under the same management is limited to 40 per cent. of its capital funds. In the case of infrastructure projects, such as power, telecommunications, road and port projects, an additional exposure of up to 5 per cent. of capital funds is allowed in respect of individual borrowers and up to 10 per cent. in respect of group borrowers. The Bank may, in exceptional circumstances, with the approval of its board of directors, consider enhancement of exposure to a borrower by a further 5 per cent. of capital funds.

The Bank's largest single borrower as of 31 December 2018 accounted for 22.86 per cent. of its capital funds (as per regulatory guidelines, the ratio is computed on the capital funds as of 31 March 2018). As at the same date, the Bank's ten largest individual borrowers accounted for 118.04 per cent. of its capital funds (Tier I and Tier II capital as defined by the RBI, and capital funds as of 31 March 2018).

Directed Lending

Commercial banks in India are required by the RBI to lend, through advances or investments, 40.00 per cent. of their ANBC or credit equivalent amount of off-balance sheet exposures, whichever is higher, to specified sectors known as "priority sectors", subject to certain exemptions permitted by the RBI from time to time. Priority sector advances include advances to the agriculture sector, micro and small enterprises, vulnerable groups of society, the housing sector and the education finance sector. Pursuant to amendments in April 2015, the earlier distinction between direct and indirect lending with respect to the agriculture sector has been dispensed with.

Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with the Rural Infrastructure Development Fund established by the National Bank for Agriculture and Rural Development ("**NABARD**") or funds with other financial institutions as specified by the RBI. In addition, the Government through the notification dated 4 February 2016 has specified "Dealing in Priority Sector Lending Certificates ("**PSLCs**") in accordance with the Guidelines issued by Reserve Bank of India" as a form of business under Section 6(1)(o) of the Banking Regulation Act.

Priority sector lending includes advances towards housing finance. This can be in the form of home loans up to specified limits to individuals, loans for repairs to damaged dwelling units, bank loans to any governmental agency for the construction of various housing units such as dwelling units or for slum clearance and rehabilitation of slum dwellers, loans sanctioned by banks for housing projects.

The following table sets forth, for the periods indicated, the Bank's directed lending broken down by sector:

	As of 31 March		As of 31 December
	2017	**2018**	**2018**
		(in Rs. millions)	
Directed lending:			
Agriculture[(1)]	117,121.98	151,802.07	191,197.26
Micro and Small Enterprises[(2) (3)]	250,103.57	322,338.54	375,522.58
Other priority sectors[(4)]	6,420.19	8,387.57	9,380.34
PSLC sold (net of Purchase of PSLC)	(6,002.51)	170.00	(128,250)
Total directed lending	367,643.23	483,528.19	447,850.18

Notes:

(1) Includes deposits with NABARD in relation to credit extended to small and marginal farmers.

(2) Includes deposits with the Small Industries Development Bank of India and the Micro Units Development and Refinance Agency Limited.

(3) Pertains to SME business of the Bank.

(4) Includes deposits with National Housing Bank.

Non-Performing Assets

Recognition of NPAs

The RBI has issued guidelines on income recognition, asset classification, provisioning standards and the valuation of investments applicable to banks, which are revised from time to time. The principal features of the RBI guidelines are set forth below.

An asset, including a leased asset, becomes non-performing once it ceases to generate income for the relevant bank.

The RBI guidelines stipulate the criteria for determining and classifying an NPA. An NPA is a loan or an advance where:

- interest and/or an instalment of principal remains "overdue" (as defined below) for a period of more than 90 days in respect of a term loan;
- the account remains "out-of-order" (as defined below) in respect of an overdraft or cash credit for more than 90 days;
- the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted;

- in the case of a loan granted for short duration crops, the instalments of principal or interest thereon remain overdue for two crop seasons;
- in the case of a loan granted for long duration crops, the instalments of principal or interest thereon remain overdue for one crop season;
- the amount of a liquidity facility remains outstanding for more than 90 days, in respect of securitisation transactions undertaken in accordance with the RBI guidelines on securitisation; or
- in respect of derivative transactions, the overdue receivables representing the positive mark-to-market value of a derivative contract remain unpaid for a period of 90 days from the specified due date for payment.

Banks should classify an account as an NPA if the interest imposed during any quarter is not fully repaid within 90 days of the end of the relevant quarter. For additional information on the classification of NPAs, please refer to the section "*Supervision and Regulation*".

"Overdue" Status

Any amount due to the Bank under any credit facility is "overdue" if it is not paid on the due date fixed by the Bank.

"Out-of-Order" Status

An account should be treated as "out-of-order" if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In circumstances where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but (i) there are no credits continuously for a period of 90 days as on the date of the balance sheet of the Bank or (ii) the credits are not sufficient to cover the interest debited during the same period, these accounts should be treated as "out-of-order".

The following table sets forth, for the periods indicated, information about the Bank's NPAs on a standalone basis:

	As of 31 March		As of 31 December
	2017	**2018**	**2018**
	(Rs. in millions, except percentages)		
Gross non-performing assets	10,548.66	17,049.14	19,681.48
Provisions for non-performing assets (A)	6,159.58	9,592.44	9,388.74
Net non-performing assets	4,389.08	7,456.70	10,292.74
Gross advances (B)	1,137,064.66	1,459,128.98	1,741,081.33
Net advances (B-A)	1,130,905.08	1,449,536.58	1,731,692.59
Gross non-performing assets as a percentage of gross advances	0.93%	1.17%	1.13%
Net non-performing assets as a percentage of net advances	0.39%	0.51%	0.59%
Provisions for non-performing assets as a percentage of gross non-performing assets	58%	56%	47.70%

Classification of Non-Performing Assets

As a commercial bank operating in India, the Bank recognises NPAs strictly in accordance with the RBI guidelines. The guidelines require Indian banks to classify their NPAs into three categories, as described below, based on the period for which the asset has remained non-performing and the estimated realisation of amounts due in relation to such asset. Further, the NPA classification is at the borrower level, rather than at the facility level, and, accordingly, if one of the loans granted to a borrower becomes non-performing, such borrower is classified as non-performing and all loans due from it are so classified.

Substandard Assets

An asset becomes non-performing if interest and/or instalment of principal in relation thereto remain overdue for more than 90 days (an exception to this rule is that loans to agricultural borrowers are classified as non-performing only if the loan remains overdue for more than two harvest seasons). In accordance with RBI guidelines, a substandard asset is an asset that has remained non-performing for a period of up to twelve months.

Doubtful Assets

In accordance with RBI guidelines, a doubtful asset is an asset that has remained non-performing for a period exceeding one year. Further, doubtful assets are to be classified further into Doubtful-I, Doubtful-II and Doubtful-III, depending on the period such assets have been classified as doubtful, in the following manner:

- if the asset has remained in the doubtful category for a period of up to one year, it is classified as a Doubtful-I asset;
- if the asset has remained in the doubtful category for a period of more than one year but less than three years, it is classified as a Doubtful-II asset; and
- if the asset has remained in the doubtful category for a period of more than three years, it is classified as a Doubtful-III asset.

Loss Assets

In accordance with the RBI guidelines, a loss asset is an asset that is considered irrecoverable with little or no salvage value.

In cases of serious credit impairment, an asset is required to be immediately classified as doubtful or as a loss asset, as appropriate. Further, erosion in the value of the security provided may also be considered significant when the realisable value of the security is less than 50 per cent. of the value as assessed by the Bank or as accepted by the RBI at the time of the last inspection of the security, as the case may be. In such a case, the assets secured by such impaired security may immediately be classified as doubtful. If the realisable value of the security, as assessed by the Bank's appraisers or by the RBI, is less than 10 per cent. of the amount outstanding from the borrower providing such security, the value of the security is ignored and the asset is immediately classified as a loss, which is either written off or fully provided for.

The following table sets forth, for the periods indicated, the classification of the Bank's gross NPAs in accordance with the RBI guidelines:

	As of 31 March		As of 31 December
	2017	**2018**	**2018**
		(Rs. in millions)	
Substandard	3,929.94	7,072.35	10,712.01

	As of 31 March		As of 31 December
	2017	2018	2018
	(Rs. in millions)		
Doubtful	6,026.71	9,126.52	8,530.88
Loss	592.01	850.26	438.59
Gross Non-Performing Assets	10,548.66	17,049.14	19,681.48

Restructured Assets

A fully secured standard asset can be restructured by rescheduling principal repayments and/or the interest element, subject to compliance with certain conditions, but must be separately disclosed as a restructured asset. In respect of accounts with aggregate exposure of the lenders at Rs. 20 billion and above, on or after 1 March 2018 ("**Reference Date**"), including accounts where resolution may have been initiated under any of the existing schemes as well as accounts classified as restructured standard assets which are currently in respective specified periods (as per the previous guidelines), resolution plan shall be implemented as per the following timelines:

3. If in default as on the Reference Date, then 180 days from the Reference Date.
4. If in default after the Reference Date, then 180 days from the date of first such default.

If a resolution plan in respect of such large accounts is not implemented as per the timelines specified in paragraph 8, lenders shall file insolvency application, singly or jointly, under the IBC within 15 days from the expiry of the said timeline.

In respect of such large accounts, where a resolution plan involving restructuring/change in ownership is implemented within the 180-day period, the account should not be in default at any point of time during the 'specified period', failing which the lenders shall file an insolvency application, singly or jointly, under the IBC within 15 days of the date of such default.

Provisions for Non-Performing Assets

The following table sets forth, for the periods indicated, movements in the Bank's provisions against NPAs on a standalone basis:

	For the year ended 31 March			For the period ended 31 December
Particulars	**2016**	**2017**	**2018**	**2018**
	(Rs. in millions)			
NPA provisions:				
Total NPA provisions at the beginning of the year	3,524.45	4,550.72	6,159.58	9,592.38
Additions during the year	5,172.90	7,356.04	13,208.51	7,383.65
Reductions during the year on account of recovery and write-offs	4,146.63	5,747.18	9,775.71	7,587.29
Total NPA provisions at the end of the year	4,550.72	6,159.58	9,592.38	9,388.74

Non-Accrual Policy

When an asset is classified as non-performing, interest accrual thereon is stopped, and the unrealised interest is reversed by a debit to the Bank's profit and loss account. In accordance with RBI guidelines, interest realised on NPAs may be credited as income, provided that the interest does not come out of additional credit facilities sanctioned to the borrower. The RBI has also stipulated that in the absence of a clear agreement between banks and borrowers for the purpose of appropriating recoveries in NPAs (i.e. towards principal or interest due), banks should adopt an accounting principle and exercise the right of appropriation of recoveries in a uniform and consistent manner. In the case of NPAs where recoveries are affected, the Bank's policy is to appropriate the same first against interest, and once the interest past due as well as the interest due are recovered, then against the principal overdue and principal outstanding. If any of a borrower's loans are classified as an NPA, all loans to such borrower are classified as NPAs.

Provisioning Policy for Non-Performing Assets

The RBI policy on provisioning for NPAs is described below.

Substandard assets	15% of the amount outstanding and in respect of "unsecured exposures" identified as "substandard" an additional provision of 10% of the amount outstanding
Doubtful assets	Doubtful-I — 100% of the unsecured portion and 25% of the secured portion
	Doubtful-II — 100% of the unsecured portion and 40% of the secured portion
	Doubtful-III — 100% of the unsecured portion and 100% of the secured portion
Loss assets	100% to be provided or written-off.

The Bank follows the policy on NPA provisioning as prescribed by the RBI.

The table below set out the Bank's credit cost as of the dates specified.

	As of 31 March			As of 31 December
	2016	2017	2018	2018
		(Rs. in millions)		
Bad debts written off and provisions for NPA – corporate loan book	2,580	4,010	4,680	2,970
Bad debts written off, diminution in value/loss on sale of repossessed	2,440	3,030	4,330	4,180
vehicles and provisions for NPA – consumer finance loan book				
Total credit costs	5,020	7,040	9,010	7,150
Credit costs (basis points on net advances)	53	59	59	40*

**Not annualised*

Floating Provisions

As on 31 December 2018, the Bank carried a floating provision of Rs. 700 million.

Provisions on Standard Loans

In accordance with RBI guidelines, general provision on standard assets is made at the following rates:

(a) at 1 per cent. on standard advances to the Commercial Real Estate Sector;

(b) at 0.25 per cent. on standard direct advances to SME and the Agriculture sector; and

(c) at 0.40 per cent. of the balance outstanding in other standard assets.

Standard assets provision also includes additional provision made on restructured standard assets in compliance with RBI guidelines.

As per RBI guidelines from fiscal year 2015, the Bank has also created provision on unhedged foreign currency exposure on account of the risk of loss arising out of adverse movements in foreign exchange rates affecting both on-balance sheet and off-balance sheet exposures of customers

Remediation Strategy for Non-Performing Loans

The Bank has utilised the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests Act, 2002, as amended, to enforce the security charged to the Bank in case of defaulting borrowers as well to take appropriate portfolio intervention such as the sale of non-performing loans to specialised asset reconstruction companies. The Bank has also restructured loans to customers who have faced cash flow problems causing delay or default in servicing their loan obligations.

Restructuring of Debt

In case of restructured or rescheduled accounts, the Bank makes provisions for the sacrifice against erosion diminution in fair value of restructured loans, in accordance with the general framework of restructuring of advances issued by the RBI.

The erosion in fair value of advances is computed as the difference between the fair values of the loan before and after restructuring.

The fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at a rate equal to the Bank's Benchmark Prime Lending Rate ("**BPLR**") or Base Rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

The fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at a rate equal to the Bank's BPLR or Base Rate as of the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

	As of 31 March 2016		**As of 31 March 2017**		**As of 31 March 2018**		**As of 31 December 2018**	
	No. of accounts	**Amount**	**No. of accounts**	**Amount**	**No. of accounts**	**Amount**	**No. of accounts**	**Amount**
	(Rs. in millions, except percentages and number of restructured advances)							
Restructured Advances	12	5,353.20	10	4,820.10	7	3,017.20	4,093*	1,864.0
Net Advances...........................		884,193.42		1,130,905.08		1,449,536.58		1,731,692.59
% of Restructured Advances to Net Advances...........................		0.61%		0.43%		0.21%		0.11%

**A large number of loan accounts were restructured to provide relief to borrowers in the state of Kerala that suffered due to unprecedented floods which was declared as a natural calamity.*

Funding

The Bank's primary interest-bearing liability is its deposit base. To continue to source low-cost funding through customer deposits, the Bank has to, among other things, further expand its branch network, increase brand recall and develop products and services to distinguish the Bank in an increasingly competitive industry. However, increasing customer sophistication and heightened competition for funding coupled with sharp increases in prevailing interest rates and changes to the RBI's liquidity and reserve requirements may compel the Bank to increase the rates that the Bank pays on deposits.

Total Deposits

The following table sets forth, for the periods indicated, the Bank's outstanding deposits and the percentage composition by each category of deposits. The outstanding deposits for the periods set forth are as follows:

	As of 31 March				As of 31 December	
	2017		2018		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(Rs. in millions, except percentages)					
Current Accounts	196,088.12	15.49	208,409.86	13.74	265,260.11	15.10
Savings Accounts	270,372.32	21.36	458,882.73	30.26	500,230.50	28.47
Term deposits	799,261.79	63.15	849,099.15	56.00	991,515.58	56.43
Total	1,265,722.23	100.00	1,516,391.74	100.00	1,757,006.19	100.00

Borrowings

The following table sets forth, for the periods indicated, information related to the Bank's borrowed funding, which comprises primarily money market borrowings.

	As of 31 March				As of 31 December	
	2017		2018		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(Rs. in millions, except percentages)					
I. Borrowings in India						
Reserve Bank of India	—	0.00	—	0.00	—	0.00
Other banks	23,674.89	10.54	7,576.75	1.98	29,826.23	6.70
Other institutions and agencies	135,000.00	60.12	214,740.28	56.08	221,605.80	49.76
Long-Term Infrastructure Bonds	20,000.00	8.91	20,000.00	5.22	20,000	4.49
Unsecured Non-Convertible Perpetual Non-Cumulative Bonds (Subordinated Additional Tier I Capital)	10,000.00	4.45	20,000.00	5.22	20,000	4.49
II. Borrowings outside India	35,862.05	15.98	120,573.75	31.50	153,923.65	34.56
Total	224,536.94	100.00	382,890.78	100.00	445,355.68	100.00

Issue of Senior Unsecured Redeemable Non-Convertible Long-Term Bonds in the Nature of Debentures

The Bank has issued Unsecured Redeemable Non-Convertible Long-Term Bonds in the Nature of Debentures ("**Infrastructure Bonds**"), for use in eligible business operations and to meet the demand for long-term financing. These Infrastructure Bonds do not qualify as Tier I capital. As of 31 December 2018, the outstanding amount of Infrastructure Bonds issued by the Bank amounted to Rs. 20,000 million. The following table sets forth information with respect to Infrastructure Bonds issued by the Bank, and outstanding as of 31 December 2018:

Date of Allotment	Number of Debentures	Rate of Interest (%)	Date of Redemption	Amount (in Rs. millions)
31 March 2015...........	5,000	8.80	31 March 2022................	10,000
9 December 2016........	15,000	7.60	9 December 2026............	10,000
Total..........................	20,000			20,000

Subordinated Debt

As described above, the Bank's borrowings include funds obtained from the issuance of unsecured non-convertible perpetual non-cumulative subordinated debt securities, which qualify as Tier 1 risk-based capital under the RBI guidelines for assessing capital adequacy. Subordinated debt instruments outstanding that are eligible towards Tier 1 capital as of 31 December 2018, 31 March 2018 and 31 March 2017 were Rs. 20,000 million, Rs. 20,000 million and Rs. 10,000 million, respectively.

The following table sets forth information with respect to Basel III compliant Additional Tier 1 Bonds issued by the Bank, and outstanding as of 31 December 2018:

Date of Allotment	Number of Debentures	Rate of Interest (%)	Date of Redemption	Amount (in Rs. millions)
18 March 2017...........	10,000	9.50	Perpetual.........................	10,000
22 April 2017.............	10,000	9.50	Perpetual.........................	10,000
Total..........................	20,000			20,000

Classification of Investments

Investments in India

As of 31 March 2018, the Bank's total investments on a standalone basis amounted to Rs. 500,767.17 million in India, of which Rs. 403,659.86 million (80.61 per cent.) was held in approved securities in accordance with the SLR requirements. The Bank's investments are classified as held-to-maturity ("**HTM**"), available-for-sale ("**AFS**") and held-for-trading ("**HFT**") in accordance with RBI regulations. While the Bank cannot hold securities classified as HFT for more than 90 days, there are no such restrictions on the holding period or monetary limits for AFS. In respect of HTM securities, the Bank cannot hold SLR securities classified as HTM in excess of 19.50 per cent. of the Bank's demand and time deposits. As of 31 December 2018, the Bank's aggregate investments amounted to Rs. 536,806.14 million in India, of which Rs. 457,480.19 million (85.22 per cent.) was held in approved securities in accordance with the SLR requirements. Out of investments in approved securities, 77.25 per cent. were classified as HTM investments, and the remaining 22.75 per cent. were classified as AFS investments. No investment was held under HFT category.

Investments outside India

There were no investments outside India as of 31 March 2017, 31 March 2018 and 31 December 2018.

The table below describes the book value of the Bank's investment portfolio on a standalone basis as at the dates indicated:

	As of 31 March		As of 31 December
	2017	2018	2018
	(Rs. in millions)		
Investments			
Investments in India (net)			
Government securities	314,523.42	403,659.86	457,480.19
Other approved securities	—	—	—
Shares	1,612.46	2,919.38	1,474.70
Debentures and bonds	25,245.73	44,764.19	52,859.60
Subsidiaries and/or Joint Ventures	—	—	—
Others[1]	25,639.77	49,423.74	24,991.65
Total investments in India	367,021.38	500,767.17	536,806.14
Investments outside India (net)			
Government securities	—	—	—
Other investments	—	—	—
Total investments outside India	—	—	—
Total investments	367,021.38	500,767.17	536,806.14

Note:

(1) Includes certificates of deposit, commercial paper and pass-through certificates.

Capital Adequacy

The Bank is subject to the capital adequacy requirements of the RBI. The Bank is required to maintain a minimum capital adequacy ratio of 9 per cent. prescribed by RBI guidelines based on total capital to RWAs. The Basel III capital regulations have become applicable to the Bank with effect from 1 April 2013.

The Bank's capital adequacy ratios are as follows:

	As of 31 March			As of 31 December
	2016	2017	2018	2018
	(Rs. in millions)			
Capital Funds				
CET 1	173,497.61	201,253.25	232,423.48	258,089.18

Additional Tier 1 Capital	—	10,000.00	20,000.00	20,000.00
Tier 2 Capital	6,695.60	8,420.51	7,791.78	8,313.16
Total Capital Funds	**180,193.21**	**219,673.76**	**260,215.26**	**286,402.34**
Risk-Weighted Assets				
Risk-weighted assets under Credit Risk	993,598.00	1,220,360.60	1,445,488.63	1,750,425.17
Risk-weighted assets under Market Risk	54,618.30	66,683.80	97,669.80	79,730.20
Risk-weighted assets under Operational Risk	114,658.90	148,243.50	188,396.66	188,396.66
Total Risk-Weighted Assets	1,162,875.20	1,435,287.90	1,731,555.09	2,018,552.03
Capital Adequacy Ratio				
CET 1 Capital to RWA (%)	14.92%	14.02%	13.42%	12.79%
Tier 1 Capital (CET 1+AT1)	14.92%	14.72%	14.58%	13.78%
Tier 2 Capital to RWA (%)	0.58%	0.59%	0.45%	0.41%
Capital to Risk-Weighted Assets Ratio (CRAR)	15.50%	15.31%	15.03%	14.19%

DESCRIPTION OF THE BANK'S INTERNATIONAL FINANCIAL SERVICES CENTRE BANKING UNIT (IBU)

Background

The Bank's IBU started operations in Gujarat International Finance Tec-City, Gujarat ("**GIFT City**") in June 2016. The IBU conducts its operations under the framework announced by the Government for International Financial Services Centres and, in particular, guidelines issued by the RBI as amended from time to time.

The IBU is located at "Hiranandani Signature Building", unit no. 408, 4th floor, GIFT – multi services – SEZ, Zone 1, GIFT City, Gandhinagar, India – 382355.

Key objectives of the IBU

The IBU is, for most regulatory purposes, treated as a foreign branch and is a significant development in the overall augmentation of the Bank's business model whereby the Bank provides comprehensive solutions for its clients' foreign currency banking requirements.

The key objectives of the IBU are as summarised below:

- to offer foreign currency funding to eligible non-resident corporates and Indian corporates, including their joint ventures and wholly-owned subsidiaries registered abroad;
- to offer foreign exchange and hedging facilities to eligible non-resident entities and joint ventures and wholly-owned subsidiaries of Indian corporates registered abroad;
- to extend bilateral or trade loans to correspondent banks globally at competitive pricing; and
- to support banking requirements of players in the capital markets and insurance segment and other customers established at the GIFT City as permitted by the regulators from time to time, supplementing the granular business profile of the Bank.

Business activities of the IBU

The IBU offers the following primary products:

Trade Finance

- Trade Credits: The IBU facilitates finance of import payables in the form of buyers' credit and suppliers credit.
- Risk Participation on Obligor Banks: The IBU underwrites the risk of customers who are obligor banks on a funded and non-funded basis.
- External Commercial Borrowings: The IBU extends commercial loans to Indian corporates in the form of bank loans and trade credits as permitted by the RBI from time to time.
- Reimbursing Financing: The IBU undertakes to provide reimbursement under letters of credit to issuing banks.

Lending

IBU's targeted clientele are primarily joint ventures and wholly-owned subsidiaries of Indian companies and any other eligible non-resident entities with strong direct or indirect India linkage.

Forfaiting

The IBU finances by way of forfaiting of export receivables of non-resident corporate clients.

Financial Markets

The IBU provides the service of underwriting and arranging of debt instrument issuances, including rupee denominated "Masala Bonds" issued by Indian companies. The IBU provides derivatives and foreign exchange hedging services primarily to joint ventures and wholly-owned subsidiaries of Indian companies and any other eligible non-resident entities with strong direct or indirect India linkage.

Business Update

During fiscal year 2018, IBU's business gained significant momentum as a specialised unit of the Bank and has reached the milestone of U.S.$879.13 million balance sheet size as at 31 March 2018. Further, as on 31 December 2018, the balance sheet size of the IBU has grown to over U.S.$961.49 million.

MANAGEMENT

Overview

The Bank's Board currently consists of ten Directors. Its senior management team, including Romesh Sobti (MD & Chief Executive Officer), is under the overall supervision and control of the Board, and is responsible for the Bank's day-to-day operations. The Bank's Articles of Association provide that the number of directors shall not be less than three or more than twelve (excluding debenture and alternate directors, if any). Further, the Bank's Articles of Association provides that one-third of the strength of the Board of Directors shall be liable to retire by rotation. A retiring Director shall be eligible for re-appointment. The Companies Act, 2013 provides that not less than two-third of the total number of directors, excluding the independent directors, shall be liable to retire by rotation, with one-third of such number retiring at each Annual General Meeting ("**AGM**"). Further, the independent directors may be appointed for a maximum of two terms of up to five consecutive years each. Any re-appointment of independent directors shall *inter alia* be on the basis of the performance evaluation report and approved by the shareholders by way of special resolution. Pursuant to the provisions of the Banking Regulation Act, none of the directors of a banking company, other than its chairman or whole-time directors may hold office continuously for a period exceeding eight years.

The Banking Regulation Act requires that at least 51 per cent. of the directors of a banking company should have specialised knowledge or practical experience in one or more of the following areas: accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small-scale industry and any other matter that the RBI may specify. Out of the aforesaid number of directors, not less than two directors are required to have specialised knowledge or practical experience in agriculture and rural economy, co-operation or small-scale industry. Further, under the Banking Regulation Act, the appointment of chairman, MD or whole-time directors requires the approval of the RBI. The RBI has also prescribed "fit and proper" criteria to be considered when appointing directors of banks, and the Bank's Directors are required to make declarations confirming their compliance with such criteria.

Directors

The following table sets forth details regarding the Board as on the date of this Offering Circular:

S. No.	Name, Address, DIN, Nationality and Occupation	Age (in years)	Designation
1.	Mr. R. Seshasayee **Address**: Krishna, New No. 20 Old No. 52/1 Luz Avenue, Mylapore Chennai -600 004 **DIN**: 00047985 **Term**: Up to 23 July 2019 **Nationality**: Indian **Occupation**: Service	70	Non-Executive Part-time Chairman

S. No.	Name, Address, DIN, Nationality and Occupation	Age (in years)	Designation
2.	Mr. Romesh Sobti **Address**: Apartment 29/30 33 South Peddar Road Mumbai – 400 026 **DIN**: 00031034 **Term**: Up to 23 March 2020 **Nationality**: Indian **Occupation**: Service	68	Managing Director & Chief Executive Officer
3.	Mr. Shanker Annaswamy **Address**: Villa No A265, East Drive Prestige Ozone, Whitefield Main Road, Whitefield, Bangalore 560066 **DIN**: 00449634 **Term**: Up to 11 January 2020 **Nationality**: Indian **Occupation**: Retired. Former Managing Director of IBM India Pvt. Ltd.	63	Independent Non-Executive Director
4.	Mrs. Kanchan Chitale **Address**: 167/C Poonawadi Dr. Ambedkar Road, Dadar Mumbai – 400 014 **DIN**: 00007267 **Term**: Up to 17 October 2019 **Nationality**: Indian **Occupation**: Practising Chartered Accountant	66	Independent Non-Executive Director
5.	Dr. T.T. Ram Mohan **Address**: House No. 504 Indian Institute of Management, IIM Campus, Vastrapur, Ahmedabad-380015 **DIN**: 00008651 **Term**: Up to 11 May 2020 **Nationality**: Indian	62	Independent Non-Executive Director
	Occupation: Professor - Finance & Accounting, IIM, Ahmedabad		

S. No.	Name, Address, DIN, Nationality and Occupation	Age (in years)	Designation
6.	Mr. Yashodhan Madhusudan Kale **Address**: 2, Sumit, 31 Carmichael Road, Dr. G. Deshmukh Marg Mumbai – 400 026 **DIN**: 00013782 **Term**: Up to 15 April 2019 **Nationality**: Indian **Occupation**: Service	70	Non-Independent and Non-Executive Director
7.	Mrs. Akila Krishnakumar **Address**: S-67 Golden Enclave, HAL Airport Road, Bangalore - 560017 **DIN**: 06629992 **Term**: Up to the ensuing AGM. **Nationality**: Indian **Occupation**: Self-employed	56	Additional Director (Independent Non-Executive)
8.	Mr. Arun Tiwari **Address**: B-14, Ahuja Towers, Rajabhau Anant Desai Marg, Century Bazar, Prabhadevi, Mumbai- 400 025 **DIN**: 05345547 **Term**: Up to 24 July 2019. **Nationality**: Indian **Occupation**: Retired. Former CMD of Union Bank of India	61	Additional Director (Independent Non-Executive)
9	Mr. Siraj Chaudhry **Address**: S-12 B, Windsor Court, DLF – Phase 4, Gurgaon – 122009. **DIN**: 00161853 **Term**: Up to the ensuing AGM. **Nationality**: Indian **Occupation**: Advisor	52	Additional Director (Independent Non-Executive)
10	Mr. Rajiv Agarwal **Address:** 6, Yashwant Nagar, Ganeshkhind Road, Shivajinagar, Pune - 411007. **DIN**: 00336487	62	Additional Director (Independent Non-Executive)

S. No.	Name, Address, DIN, Nationality and Occupation	Age (in years)	Designation
	Term: Up to the ensuing AGM. **Nationality**: Indian **Occupation**: Industrialist		

R. Seshasayee –Non-Executive Part-time Chairman

Mr. Seshasayee, a chartered accountant, has been a non-executive vice chairman of Ashok Leyland Ltd., since 2011, after having been the MD for 13 years. He was also a member of the board of ICICI Bank Ltd. from 6 May 1997 to 31 October 2003. Mr. Seshasayee has also been the President of the Confederation of Indian Industry and of the President of the Society of Indian Automobile Industries. Mr. Seshasayee has been Non-Executive, part-time Chairman of IndusInd Bank Limited since 24 July 2007.

Romesh Sobti – MD and Chief Executive Officer ("CEO")

Mr. Romesh Sobti is a career banker with 43 years of experience in all three sectors of banking - public, foreign and private. He took over as MD & CEO of IndusInd Bank Limited during the financial year 2007-08. Prior to this assignment, Mr. Sobti was the Executive Vice President – Country Executive, India and Head, UAE and sub-continent, at ABN AMRO Bank N.V. He joined ABN AMRO Bank N.V. in November 1990 and over a 17-year period, was CEO for 12 years. In his banking career, Mr Sobti has been associated with ANZ Grindlays Bank plc (now Standard Chartered Bank) and State Bank of India in the past. He holds a Bachelor's degree (Honours) in electrical engineering and has also done a diploma in corporate laws and secretarial practice.

Shanker Annaswamy – Independent Non-Executive Director

Mr. Shanker Annaswamy holds a Bachelor of Engineering degree, in electronics and communications from Madras University and a Diploma in Business Management Education from All India management Association, New Delhi. Mr. Shanker Annaswamy was the MD of IBM India Private Limited from July 2004 to December 2012. He had also served as President and Chief Executive Officer for GE Medical Systems, South Asia and before that MD of Wipro-GE Medical Systems. He was a member of NASSCOM's executive council from 2004 to 2008 and Chairman of the CII National Committee of IP owners. He was also on the National Executive Committee of FICCI. In 2009, he was nominated to the Prime Minister's Advisory Group on Science and Technology. In 2009, Business Week listed him as among India's 50 Most Powerful People. In October 2011, he was conferred the Best CEO – Multinational Company Award as part of Forbes India Leadership Awards 2011 for transformational leadership.

Kanchan Chitale – Independent Non-Executive Director

Mrs. Chitale was Senior Finance Manager at SICOM Limited ("**SICOM**") before she set up her own professional practice as Chartered Accountant. At SICOM, she handled various functions, including project assessment/appraisal and accounts. She managed the legal and company secretarial functions and operations of the newly set up State Government Corporation MOPEC while on deputation from SICOM during 1982-83. She also handled the overseas project assignment in Baghdad in 1982. In practice for nearly 20 years, her main functional areas include internal and management audits of corporates and specialised / concurrent audits of commercial banks and financial institutions. Mrs. Chitale has had extensive internal audit exposure as associate director of M/s M. P. Chitale & Co., a leading accounting firm in India associated with big corporate names in infrastructure/ construction and in banking industries. She has contributed articles and given talks on professional topics at seminars and conferences.

Dr. T.T. Ram Mohan –Independent Non-Executive Director

Dr. T. T. Ram Mohan, Professor of Finance & Economics at Indian Institute of Management, Ahmedabad, graduated from Indian Institute of Techology, Bombay and Indian Institute of Management, Calcutta and obtained his doctorate from Stern School of Business, New York University ("**NYU**"). Prof. Ram Mohan worked in consultancy and in the financial sector before entering academics. He has served as Divisional Manager, Tata Economic Consultancy Services, Head of Strategy, Standard Chartered Bank, India, Vice President Bear Stearns, Hong Kong, and Head of Research, Birla Marlin Securities. He was a visiting faculty at Stern School of Business, NYU in 2001. He has served on numerous committees of the RBI and has been member of the Primary Markets Advisory Committee of SEBI. He has also been on the board of directors of several companies, including many in the financial sector: Brics Securities, IndusInd Bank, Rural Electrification Corporation, SBI Pension Fund and SBICaps Securities. Prof. Ram Mohan is also an advisor to Acacia Partners, a New York-based asset management company, and advises them on a range of matters, including macroeconomic conditions in India, policy and regulatory issues impacting the financial sector, and the competitive position of various firms in the financial sector.

Yashodhan Madhusudan Kale – Additional Non-Independent and Non-Executive Director

Mr. Kale, FCA (England & Wales) & FCA (India), was the President of the Institute of Chartered Accountants of India ("**ICAI**") during 1995 – 1996. He has served as the Chairman of the Institute of Chartered Accountants of India's Accounting Standards Board as well as the Audit Practices Committee in earlier years and has also been on the apex ICAI Council for 16 years from 1982 to 1998. Between 1995-98, Mr. Kale was the Indian representative on the Board of International Accounting Standards. Since 2002, Mr. Kale has been the Group President, Corporate Governance & Development, in Hinduja Group India Ltd. and is a Director in several group companies. Mr. Kale was also appointed by the RBI as a member of the Group for introduction of concurrent audit of banks and member of the 'DBOD Working Group on Revised Formats for Published Accounts of Banks'. Mr. Kale has also served on many committees constituted by SEBI and by the Government. He was also chairman of a Committee for setting Accounting Norms for Trading Members of the National Stock Exchange.

Mrs. Akila Krishnakumar – Additional Independent Non-Executive Director

Mrs. Akila Krishnakumar holds a Master's degree in Management Studies. She was President – Global Technology and Country Head until February 2013 at SunGard – a Fortune 500 Company and a global leader in financial services software. During her career spanning 30 years, she has led Technology-driven companies which were building enterprise-scale solutions across the world. Mrs. Akila Krishnakumar's focus has been on operational excellence, talent engagement and customer relevance, which repeatedly has delivered robust returns for the many businesses she managed. She had been on the board of State Bank of Mysore from 1 June 2016 to 31 March 2017.

Mr. Arun Tiwari - Additional Independent Non-Executive Director

Mr. Arun Tiwari (M.Sc. in Chemistry), has over 38 years of professional experience in banking and financial market operations. He was the Chairman & MD of Union Bank of India from December 2013 to June 2017. Prior to that, Mr. Tiwari was executive director of Allahabad Bank from June 2012 to December 2013. He was also general manager of Bank of Baroda from January 1979 to June 2012. He has also held the position of deputy chairman of Indian Bank's Association and has been a member of the Governing Council of Indian Institute of Banking and Finance. Mr. Tiwari is currently a member of the Governing Council, Bankers' Institute of Rural Development.

Mr. Siraj Chaudhry - Additional Independent Non-Executive Director

Mr. Siraj Chaudhry currently serves as an advisor to Cargill India, having been its Chairman previously. His association with Cargill spanned nearly 24 years, and included handling the leadership role in India, as well as a global commodity trading role in Geneva. Under his leadership since 2007, Cargill India successfully built both consumer FMCG businesses in India, and institutional businesses, backed by world-class manufacturing facilities, and a robust distribution network for a wide brand portfolio. Mr. Chaudhry has served on the board of Tata Global Beverages Ltd. and Tata Coffee Ltd. as an independent director. He has been a member of the audit committee, the risk management committee and the nomination and remuneration committee of the Board.

Mr. Chaudhry holds a Master's in Business Administration from the Indian Institute of Foreign Trade and is a graduate of Shri Ram College of Commerce, University of Delhi. He has been the past Chair of the National Committee on Food Processing at FICCI and the National Alliance for Edible Oil Fortification, a joint initiative by CII and GAIN to address malnutrition through food fortification. He is a thought leader in the space of agriculture and food and is consulted by Central and State Governments. Mr. Chaudhry is actively involved with several non-governmental organisations and provides leadership to a few including India Food Banking Network, United Way of Delhi and Enactus India.

Mr. Rajiv Agarwal - Additional Independent Non-Executive Director

Mr. Rajiv Agarwal, (B. Sc. in Physics, and a 2 years course in Materials Science in Cranfield Institute of Technology in the UK) has 38 years of experience in the 'Small Scale Industries' segment. Mr. Agarwal started his career in the family business at JG Vacuum Flasks Pvt Ltd., manufacturers of thermos flasks and vacuum refills, with significant exports to Europe. During his career, Mr Agarwal has been a promotor in several small-scale ventures, primarily manufacturing concerns.

Mr Agarwal is presently working as a Director in Rightsource Technologies Pvt. Ltd. and Autopress India Pvt Ltd. He is also a partner in Sensory Solutions. Rightsource Technologies Pvt Ltd is a consulting company working as a local strategic buying office for a large international company manufacturing home and kitchen appliances and cookware. Autopress India Pvt. Ltd. is a manufacturing company making high-end cookware. Autopress was one of the first companies to bring the Indian market "Triply" cookware "made in India" under the brand name of STAHL. Sensory Solutions is a firm in partnership with Mr Agarwal's sons which conducts training programmes with corporate as well as individual customers.

Directors' Remuneration

MD and CEO

Pursuant to a resolution adopted by the Board of Directors at the meeting held on 7 December 2007, Mr. Romesh Sobti was appointed MD and CEO for a period of three years. He was re-appointed as MD and CEO for a further period of three years with effect from 1 February 2015 and re-appointed for a period of two years with effect from 1 February 2018. During the fiscal year ended 31 March 2018, Mr. Sobti received a basic salary of Rs. 18.95 million per annum. In addition to his salary, Mr. Sobti is entitled to rent-free furnished accommodation, allowances, provident fund, gratuity and pension benefits, performance-linked variable pay and other perquisites as approved by the RBI.

The following table sets forth the compensation paid by the Bank to the MD and CEO during the current fiscal year 2019 (to the extent applicable) and the fiscal years 2016, 2017 and 2018:

Fiscal Year	Remuneration	Perquisites and Allowances[(1)]	Commission	Total
		(Rs. in million)		
2016	46.05	11.13	NIL	57.18
2017	49.30	13.91	NIL	63.21
2018	52.62	12.01	NIL	64.63
2019	31.51	10.32	NIL	41.83

Note:

(1) Perquisites and allowances exclude stock options exercised during the fiscal year as it does not constitute remuneration paid for the fiscal year.

Non-Executive Directors

During the nine-months ended 31 December 2018, Non-Executive Directors, including the Non-Executive, Part-time Chairman received remuneration in the form of profit-related commission, in addition to sitting fees and reimbursement of expenses for attending the meetings of the Board and its committees, as per the details furnished below:

Non-Executive Director	**Sitting fees paid, in Rs. million (A)**	**Amount of Profit related Commission paid, in Rs. million (B)**	**Total Remuneration, in Rs. million (A +B) (C)**
Mr. Seshasayee	1.38	1.88	3.26
Mrs. Kanchan Chitale	1.85	0.75	2.60
Mr. T. Anantha Narayanan (1)	0.72	0.23	0.95
Mr. Y. M. Kale	1.42	0.75	2.17
Mr. Shanker Annaswamy	1.49	0.75	2.24
Dr. T. T. Ram Mohan	1.70	0.75	2.45
Mrs. Akila Krishnakumar (2)	0.22	0.39	0.61
Mr. Arun Tiwari (2)	0.45	0.39	0.84
Mr. Ranbir Singh Butola (3)	0.3	0.25	0.55

Notes:

(1) Mr. T. Anantha Narayanan's tenure concluded on 23 June 2018

(2) Ms Akila Krishnakumar and Mr. Arun Tiwari were inducted in the Board on 10 August 2018

(3) Mr. Ranbir Singh Butola's ceased to be a Director on 17 December 2018

No Stock Options were granted to Non-Executive Directors.

Corporate Governance

The Bank is required to comply with applicable corporate governance requirements, including the listing agreements with the Stock Exchanges and the Companies Act, in respect of the constitution of the Board and committees thereof. The corporate governance framework of the Bank is based on an effective, independent Board of Directors, separation of the supervisory role of the Board of Directors from the executive management team and proper constitution of the committees of the Board of Directors. The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas. The executive management of the Bank provides the Board of Directors with detailed reports on the performance of the Bank periodically.

Responsible and ethical corporate conduct is integral to the way the Bank does its business. Integrity, transparency and accountability are the basic tenets of corporate governance. The Bank is committed to operate on commercial principles ensuring, at the same time, the need to remain accountable, transparent and responsive to its stakeholders and regulators.

The Bank's corporate governance philosophy has been strengthened through various policies and codes adopted by the Bank. The Bank's Board consists of eminent individuals having, on an average, industry experience of more than 30 years, and plays a crucial role in overseeing how the Management serves the short-term and long-term interests of various stakeholders and creates lasting value for its stakeholders, including its customers. This belief is reflected in the Bank's governance practices, under which it strives to maintain an effective, informed and independent Board.

Board Committees

The Board has constituted several committees of Directors to take decisions on and monitor the activities falling within their terms of reference. The Board's Committees are as follows:

Audit Committee of the Board

Terms of reference

The audit committee has powers to (1) investigate any activity within its terms of reference; (2) seek information from any employee, (3) obtain outside legal or other professional advice and (4) secure attendance of outsiders with relevant expertise, if it considers necessary. The role of the audit committee includes, *inter alia*, (1) oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible, (2) recommending to the Board, the appointment, remuneration and terms of appointment of auditors of the Bank, (3) approval of payment to statutory auditors for any other services rendered by the statutory auditors, (4) reviewing, along with the management, the quarterly and annual financial statements before submission to the Board for approval, with particular reference to: (i) matters required to be included in the director's responsibility statement to be included in the Board's report in terms of Section 134(3)(c) of the Companies Act, 2013; (ii) changes, if any, in accounting policies and practices and reasons for the same; (iii) major accounting entries involving estimates based on the exercise of judgement by the management; (iv) significant adjustments made in the financial statements arising out of audit findings; (v) compliance with listing and other legal requirements relating to financial statements; (vi) disclosure of related party transactions, if any; and (vii) qualifications in the draft audit report, (5) reviewing with the management, the quarterly financial statements before submission to the Board for approval; (6) reviewing, along with the management, the statement of uses or application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter; (7) review and monitor the auditors' independence and performance, and effectiveness of audit process; (8) approval or any subsequent modification of transactions of the Bank with related parties; (9) scrutiny of inter-corporate loans and investments; (10) valuation of undertakings or assets of the Bank, wherever it is necessary; (11) evaluation of internal financial controls and risk management systems; (12) reviewing, with the management, the performance of statutory and internal auditors, adequacy of the internal control systems; (13) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the officer heading the department, reporting structure coverage and frequency of internal audit; (14) discussion with internal auditors of any significant findings and follow-up thereon; (15) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board; (16) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern; (17) to look into the reasons for substantial defaults in the payment to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends) and creditors; (18) to review the functioning of the whistle blower mechanism; (19) approval of appointment of CFO (i.e., the whole-time finance director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate; and (20) carrying out any other function as is mentioned in the terms of reference of the audit committee.

The audit committee also reviews (1) management discussion and analysis of financial condition and results of operations; (2) statement of significant related party transactions (as defined by the audit committee), submitted by management; (3)

management letters / letters of internal control weaknesses issued by the statutory auditors; (4) internal audit reports relating to internal control weaknesses; and (5) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.

Composition

The audit committee comprises the following five members: Kanchan Chitale (Chairperson), Shanker Annaswamy and Yashodhan Madhusudan Kale, Arun Tiwari and Siraj Chaudhry.

Committee of Directors

Terms of reference

The Committee of Directors exercises powers delegated to it by the Board, for managing the Bank's affairs, efficient control over operational areas and for ensuring speedy disposal of matters requiring immediate approval.

Composition

The Committee of Directors comprises four members: Mr. R. Seshasayee (Chairman), Dr. T. T. Ram Mohan, Mr. Arun Tiwari and Mr. Romesh Sobti.

Compensation Committee

Terms of reference

The Compensation Committee's role is to make recommendations on the issuance of the Banks' shares to its employees under ESOP 2007.

Composition

The Compensation Committee comprises the following four members: Kanchan Chitale (Chairperson), R. Seshasayee, Akila Krishnakumar and Siraj Chaudhry.

Customer Service Committee

Terms of reference

The Customer Service Committee's function is to monitor the quality of customer service extended by the Bank, and to review the needs of customers.

Composition

The Customer Service Committee comprises the following four members: Dr. T. T. Ram Mohan (Chairman), Yashodhan M Kale, Akila Krishnakumar and Romesh Sobti.

CSR Committee

Terms of reference

The Committee's role is to supervise the expenditure by the Bank, in every financial year, of at least 2% of the Average Net Profits made during three immediately preceding financial years in pursuance of its CSR Policy.

Composition

The Committee comprises four members: Kanchan Chitale (Chairperson), Yashodhan M. Kale, Akila Krishnakumar and Romesh Sobti.

Finance Committee

Terms of reference	The Committee's role is to decide on the appropriate mode of raising of capital; to finalise, settle, approve or agree to terms and conditions including the pricing for the said capital-raising programme; finalise, settle, approve, and authorise the executing of any document, deed, writing, undertaking, guarantee or other papers (including any modification thereof) in connection with the capital-raising programme and authorise the affixing of the common seal of the Company, if necessary thereto in accordance with the provisions of articles of association of the Company; to appoint and to fix terms and conditions of merchant bankers, investment bankers, lead or other managers, advisors, solicitors, agents or such other persons or intermediaries as may be deemed necessary for the capital-raising programme; to do all such things and deal with all such matters and take all such steps as may be necessary to give effect to the resolution for raising of capital and to settle / resolve any question or difficulties that may arise with regard to the said programme.
Composition	The Committee comprises three members: R. Seshasayee (Chairman), Yashodhan Kale and Romesh Sobti.

IT Strategy Committee

Terms of reference	The Committee conducts Board-level overview of aligning Information Technology with the business strategy of the Bank, aimed at offering better service to customers, improved risk management, and superior performance.
Composition	The Committee comprises four members: Shanker Annaswamy (Chairman), R. Seshasayee, Akila Krishnakumar and Romesh Sobti.

Nomination & Remuneration Committee

Terms of reference	Pursuant to Section 178 and other applicable provisions of the Companies Act, 2013, Regulation 19 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and guidelines issued by RBI, the Terms of Reference of the Nomination & Remuneration Committee include: For Nomination matters: (1) to identify persons who are qualified to become Directors; (2) to devise the policy on board diversity; (3) to formulate criteria for evaluation of independent directors, the Board and its Committees; (4) to determine whether to extend the tenure of appointment of the independent directors, on the basis of the report of performance evaluation of independent directors; and (5) to conduct due diligence as to the credentials of any Director

before his / her appointment, and making appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI.

For Remuneration and HR matters:

(1) to oversee the framing, review and implementation of the compensation policy of the Bank for whole-time Directors / chief executive officers / key managerial personnel / risk-takers and control function staff towards ensuring effective alignment between remuneration and risks; (2) to determine, on behalf of the Board, the Bank's policy on remuneration packages for Executive Directors, including Pension, etc.; (3) to formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board the Policy relating to the remuneration of Directors, key managerial personnel and other employees; (4) to review the talent management and succession; (5) Policy of top-level executives, one level below the MD and Chief Executive Officer (member of the core executive team), and the process for ensuring business continuity; and (6) to review the HR strategy, performance appraisal process, fundamental changes in the organisation structure, training and the overall HR function.

Composition — The Committee comprises the following four members: Kanchan Chitale, R. Seshasayee, Arun Tiwari and Siraj Chaudhry.

Risk Management Committee

Terms of reference — The Committee's role is to examine risk policies and procedures developed by the Bank and to monitor adherence to various risk parameters and prudential limits by the various operating departments.

Composition — The Committee comprises four members: Dr. T. T. Ram Mohan (Chairman), Shanker Annaswamy, Arun Tiwari and Romesh Sobti.

Review Committee for Non Co-operative Borrower/s/Wilful Defaulters ("Review Committee")

Terms of reference — The Committee's role is to review the decisions taken by the Identification Committee in respect of non-cooperative / wilful defaulters.

Composition — The Committee comprises three members: Romesh Sobti (Chairman), Akila Krishnakumar and Arun Tiwari.

Stakeholders Relations Committee

Terms of reference	The objective of the Committee is monitoring the redressal of stakeholders' grievances.
Composition	The Committee comprises the following three members: Yashodhan Madhusudan Kale (Chairman), Akila Krishnakumar and Romesh Sobti.

Special Committee for monitoring large value frauds (the "Special Committee")

Terms of reference	In accordance with the directives of the RBI, the Special Committee has been set up to monitor and follow-up on cases of frauds involving amounts of Rs.10 million and above.
Composition	The Committee comprises the following five members: Kanchan Chitale (Chairperson), Shanker Annaswamy, Yashodhan Madhusudan Kale, Siraj Chaudhry and Romesh Sobti.

Vigilance Committee

Terms of reference	The Vigilance Committee conducts overview of cases of lapses of vigilance on the part of employees of the Bank.
Composition	The Committee comprises the following three members: Kanchan Chitale, Akila Krishnakumar and Romesh Sobti.

Directors' Interests as of 31 December 2018

The total of the interests of the Bank's Directors in Equity Shares, held directly or indirectly, as of 31 December 2018, are set out in the table below:

Name	Number of Equity Shares held as of 31 December 2018
Romesh Sobti	830,000
Kanchan Chitale	1,000
Dr. T.T. Ram Mohan	3,800

No other Director held any of the Bank's Equity Shares as of 31 December 2018.

The Bank instituted an ESOP 2007 to enable the Bank's employees, including its whole-time Director, to participate in its future growth. The number of options granted to the MD & CEO as at 31 December 2018 was 4.80 million and the total number of options vested as at 31 December 2018 was 4.46 million. The Bank has not granted stock options to any of the non-executive Directors.

Management

Under the provisions of the Banking Regulation Act, the management of the whole of the affairs of a banking company is entrusted to an MD who exercises his powers subject to the superintendence, control and direction of the board of directors.

The table below sets out the names of its principal executive officers (core executive team) and their current responsibilities.

Name	Designation	Year of appointment
Romesh Sobti	MD & CEO	2008
Paul Abraham	Chief Operating Officer	2008
Suhail Chander	Head, Corporate & Commercial Banking	2008
Sumant Kathpalia	Head, Consumer Banking	2008
K. S. Sridhar	Senior Executive Vice President – Risk	2008
Ramaswamy Meyyappan	CRO	2014
S. V. Zaregaonkar	Chief Financial Officer	2001
Arun Khurana	Head, Global Markets Group	2011
S. V. Parthasarathy	Head, Consumer Finance	2004
Ramesh Ganesan	Head, Transaction Banking	2008
Sanjay Mallik	Head, Investor Relations and Strategy	2011
Roopa Satish	Head, Corporate, Institutions & Investment Banking	2008
Sanjeev Anand	Deputy Head, Corporate & Commercial Banking	2008
Zubin Mody	Head, Human Resources	2005
Bijayananda Pattanyak	Head, Gems & Jewellery	2015

The table below sets out the names of the Bank's key managerial personnel in accordance with the Companies Act, 2013 and their current responsibilities.

Name	Designation	Year of appointment
Romesh Sobti	MD & CEO	2008
S. V. Zaregaonkar	Chief Financial Officer	2001
Haresh Gajwani	Company Secretary	2006

Romesh Sobti – MD & CEO

See the section "*Directors*" above.

Paul Abraham – Chief Operating Officer

Mr. Abraham has served as the Bank's Chief Operating Officer since 1 February 2008. Prior to this, he was the MD of ABN AMRO Central Enterprise Services.

Suhail Chander – Head, Corporate & Commercial Banking

Mr. Chander has served as the Bank's Head, Corporate & Commercial Banking since 1 February 2008. Prior to this, he was the head of consumer and commercial banking at ABN AMRO, Singapore and Malaysia.

Sumant Kathpalia – Head, Consumer Banking

Mr. Kathpalia has served as the Bank's Head, Consumer Banking since 1 February 2008. Prior to this, he was the head of the consumer banking operations of ABN AMRO, India.

K. S. Sridhar – President-Risk

Mr. Sridhar has served as the Bank's Senior Executive Vice President – Risk since 1 February 2015. He was appointed as its CRO between 1 February 2008 and 31 January 2015. Prior to this, he was the senior vice president and country risk officer at ABN AMRO, India.

Ramaswamy Meyyappan – Chief Risk Officer

Mr. Ramaswamy Meyyappan has served as the Bank's CRO since 1 February 2015. He served as Co-CRO from 20 May 2014 until 31 January 2015, prior to which he was a MD in Corporate and Investment Bank at JP Morgan Chase Bank N.A, Mumbai.

S. V. Zaregaonkar – Chief Financial Officer

Mr. Zaregaonkar has served as the Bank's Chief Financial Officer since 2001 and Head of Investor Relations from 21 March 2008 until 20 March 2011. He joined the Bank in 1995 as Head, Operations. Prior to this, he was the Chief Manager – Accounts at Dena Bank.

Arun Khurana – Head, Global Markets Group

Mr. Khurana has served as the Bank's Head, Global Markets Group since 1 November 2011. Prior to this, he was with the Royal Bank of Scotland ("**RBS**"), Singapore as the Regional Head Corporate Solutions for the Asia Pacific Region.

S. V. Parthasarathy – Head, Consumer Finance

Mr. Parthasarathy has served as the Bank's Head, Consumer Finance since 28 March 2008. He joined the Bank in 2004 when Ashok Leyland Finance Limited merged with the Bank. Prior to this, he was an Executive Director at Ashok Leyland Finance Limited.

Ramesh Ganesan – Head, Transaction Banking

Mr. Ganesan has served as the Bank's Head, Transaction Banking since April 2008. Prior to this, he was an Executive Director at ABN AMRO Bank.

Sanjay Mallik – Head, Investor Relations and Strategy

Mr. Mallik has served as the Bank's Head, Investor Relations and Strategy since 21 March 2011. Prior to this, he was engaged with his own entrepreneurship venture in the financial consulting and commercial brokerage space. He has banking experience with ANZ, ABN AMRO and Standard Chartered Bank.

Roopa Satish – Head, Corporate, Institutions & Investment Banking

Mrs. Satish has served as the Bank's Head, Corporate, Institutions and Investment Banking since 2008. Prior to this, she was Vice-President at ABN AMRO Bank N.V.

Sanjeev Anand – Deputy Head, Corporate & Commercial Banking

Mr. Anand has served as the Bank's Deputy Head, Corporate & Commercial Banking and has also served as the Bank's Head, Commercial Banking in the past. Prior to this, he was Head, Commercial Banking at ABN AMRO Bank.

Zubin Mody – Head, Human Resources

Mr. Mody has served as the Bank's Head, Human Resources since December 2005. Prior to this, he headed the human resources function at ICICI Lombard General Insurance Company Limited.

Bijayananda Pattanyak – Head, Gems & Jewellery

Mr. Pattanyak has served as the Bank's Head, Gems and Jewellery since 2015. Prior to this, he was Head, Gems and Jewellery at RBS.

Management Remuneration

For the year ended 31 March 2018, the aggregate remuneration paid and benefits in kind granted to senior managerial personnel (i.e. the principal executive officers (core executive team) and key managerial personnel named under "*MANAGEMENT*" above, excluding the MD & CEO) was Rs. 628.20 million.

Non-executive Directors' compensation

The Bank has not granted stock options to any of the non-executive Directors. The details of sitting fees and profit-related commission paid to the non-executive Directors for attending the Board and committee meetings during the fiscal years 2016, 2017 and 2018 are set forth in the table below:

Fiscal year 2016:

Name of Director	Profit-related Commission (Rs.)	Sitting Fee (Rs.)	Total (Rs.)
Mr. R. Seshasayee	-	1,240,000	1,240,000
Mr. Ashok Kini (1)	-	1,110,000	1,110,000
Mrs. Kanchan Chitale	-	1,630,000	1,630,000
Mr. Vijay Vaid	-	1,120,000	1,120,000
Mr. T. Anantha Narayanan	-	1,580,000	1,580,000
Mr. Ranbir Singh Butola	-	1,450,000	1,450,000
Mr. Yashodhan Kale	-	1,390,000	1,390,000
Mr. Shanker Annaswamy (2)	-	260,000	260,000

Notes:

(1) Mr. Ashok Kini retired on 12 December 2015, on attaining the age of 70 years.

(2) Mr. Shanker Annaswamy was inducted in the Board on 12 January 2016.

In the 22nd AGM of the Bank held on 1 July 2016 Shareholders approved payment of Profit-related Commission w.e.f. 1 April 2016 to Non-Executive Directors (other than Non-Executive Part-time Chairman) not exceeding Rs. 1 million and payment of profit-related Commission to Non-Executive Part-time Chairman not exceeding Rs. 2.5 million.

Fiscal year 2017:

Name of Director	Profit-related Commission (Rs.)	Sitting Fee (Rs.)	Total (Rs.)
Mr. R. Seshasayee	25,00,000	1,300,000	3,800,000
Mrs. Kanchan Chitale	1,000,000	1,780,000	2,780,000
Mr. Vijay Vaid	1,000,000	1,140,000	2,140,000
Mr. T. Anantha Narayanan	1,000,000	1,700,000	2,700,000
Mr. Ranbir Singh Butola	1,000,000	1,360,000	2,360,000
Mr. Yashodhan Kale	1,000,000	1,380,000	2,380,000

Name of Director	Profit-related Commission (Rs.)	Sitting Fee (Rs.)	Total (Rs.)
Mr. Shanker Annaswamy	1,000,000	1,420,000	2,420,000
Dr. T. T. Ram Mohan(1)	887,363	1,020,000	1,907,363

Notes:

(1) Dr. Ram Mohan was inducted in the Board on 12 May 2016. Commission has been paid to him on pro-rata basis, from the date of his induction in the Bank's Board.

(2) Commission to Non-Executive Directors was paid on quarterly basis w.e.f. 1 April 2016.

Fiscal year 2018:

Name of Director	Profit-related Commission (Rs.)	Sitting Fee (Rs.)	Total (Rs.)
Mr. R. Seshasayee	2,500,000	1,400,000	3,900,000
Mrs. Kanchan Chitale	1,000,000	2,160,000	3,160,000
Mr. Vijay Vaid (1)	840,411	1,060,000	1,900,411
Mr. T. Anantha Narayanan	1,000,000	1,950,000	2,950,000
Mr. Ranbir Singh Butola	1,000,000	1,530,000	2,530,000
Mr. Yashodhan Kale (2)	1,000,000	1,520,000	2,520,000
Mr. Shanker Annaswamy	1,000,000	1,760,000	2,760,000
Dr. T. T. Ram Mohan	1,000,000	1,420,000	2,420,000

Notes:

(1) Mr. Vijay Vaid ceased to be Director as of 3 February 2018. Commission has been paid to him on pro-rata basis, up to the date of cessation from the Bank's board.

(2) Mr. Kale completed his tenure in the board on 3 November 2017. Since the RBI had, pursuant to their letter dated 20 December 2017, conveyed approval for continuance of Mr. Kale in the Board up to 15 April 2019 and remuneration has been paid to him accordingly.

Whole-time Director's Compensation

The appointment and compensation of any whole-time Director is made with the approval of the RBI.

Management Level Committees

The Bank has management level committees which take decisions in areas such as ALM, risk management, customer service and the sanction of higher value credit proposals. The details of these committees are given below.

Asset Liability Management Committee

The Committee monitors liquidity risk and interest rate risk and reviews business strategies in order to mitigate any inherent risks. The committee reviews performance against budget and recommends modifications in product mix and pricing of products with the objective of mitigating volatility in earnings.

The Committee comprises the following 16 members: MD and CEO, Chief Operating Officer, President Risk, Chief Risk Officer, Head Corporate and Commercial Banking, Head Consumer Banking, Chief Financial Officer, Head Global Markets Group, Head Transaction Banking, Head Consumer Finance, Head Corporate, Institutions and Investment Banking, Head Risk Management, Country Head – Financial Institutions and Public Sector, Head – Direct Banking, Chief Technology Officer and Head Market Risk.

Credit Risk Management Committee ("CRMC")

The CRMC manages credit risk on a Bank-wide basis through vetting and recommending policies to the Board. The CRMC reviews compliance of prudential limits set out in the Bank's credit risk policy and monitors diversification of the asset portfolio and the composition of asset and product mix. The CRMC also monitors the overall portfolio return *vis-à-vis* credit quality. It also monitors progress of the Bank's compliance with the RBI guidelines and Basel II recommendations in respect of credit risk management.

The CRMC comprises the following 11 members: MD and CEO, Head Corporate and Commercial Banking, President Risk, Head Global Markets Group, Head Consumer Finance, Chief Risk Officer, Head Risk Management, Head Finanial Restructing and Reconstruction Group, Head – Credit C&I, Head – Credit Commercial Banking, and Chief Economist.

Market Risk Management Committee ("MRMC")

In order to mitigate the market risks that the Bank is exposed to, the MRMC monitors the exposures and risk values regularly. The committee manages the market risk through vetting and recommending the Bank's market risk policy to the Board. The MRMC reviews compliance of prudential limits and risk values set out in the market risk policy.

The Committee comprises the following six members: Chief Risk Officer, Head Global Markets Group, Chief Financial Officer, Head Risk Management, Head Trading, and Head Market Risk.

Operational Risk Management Committee ("ORMC")

The ORMC is responsible for the management and mitigation of risks resulting from inadequate and failed internal processes, people and systems or from other external events. The ORMC reviews bank-wide operational risk through Operational Risk Assessment Process ("**ORAP**") – New Product Programme Policy, loss data analysis, RCSA and key risk indicators of how frauds are carried out. The ORAP – New Product Programme Policy formalises the process for the introduction of new products or processes and provides a structured mechanism for due recognition of risks embedded within the new product, process or service.

The committee comprises of the following 11 members: MD and CEO, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer, Chief Administrative Officer – Consumer Banking, Head Risk Management, Head Internal Audit, Chief Compliance Officer, Head Legal, Chief Technology Officer, and Head CGMO SDG.

Fraud Risk Management Committee ("FRMC")

The FRMC is responsible for identifying the systemic failure of controls or absence of key controls or severe weaknesses in existing controls which facilitated large value frauds, approving corrective actions for immediate rectification of any systemic weaknesses, examining the need for strengthening internal controls in other fraud-prone areas brought out at the meetings of the Committee and approving preventive actions, approving line of action relating to filing of first information report, monitoring the progress of police investigations, recoveries and insurance, and ensuring that staff actions are completed promptly.

The Committee consists of the following members: Managing Director and CEO (Chairman), Chief Operating Officer, Head - Consumer Banking, Chief Risk Officer, Chief Administrative Officer, Head – Corporate & Global Market Operations, Head – HRD, Head – Internal Audit, Head – GBO, Chief Information and Security Officer, Head – Risk Management, Chief Technology Officer, Head – Branch Banking, Head – Savings Account Product and Head – Current Accounts Product.

Committee on Procedures and Performance of Audit of Public Services ("CPPAPS")

The CPPAPS ensures timely and effective implementation of the RBI's guidelines related to customer service. It also collects feedback to determine that the action taken by the Bank's various departments is in tune with the spirit and intent of such instructions and, along with reviewing the Bank's practice and procedures.

This Committee comprises the following members: Managing Director & CEO, Chief Operating Officer, Head – Consumer Banking, Head-Branch Distribution, Head Consumer Finance Division, Chief Administrative Officer, Head Solution Delivery, SVP-IT and Head GBO. In addition, certain customers of various branches are invited to each meeting.

Funds and Investment Committee

The role of the Funds and Investment Committee is to review matters relating to strategies to be adopted and provide guidance in the areas of funds and investments.

This Committee comprises the following four members: Managing Director and CEO, Chief Risk Officer, Head – Global Markets Group and Head – Risk Management. .

Equity Investment Committee

The role of the Equity Investment Committee is to decide upon the broad policy within which the Equity Division will operate; and to decide on direct investments in shares, convertible bonds, preference shares, warrants, quasi equity investments and strategic investments from time to time.

This Committee comprises the following five members: Chief Risk Officer, Head – Global Markets Group, Chief Financial Officer, Head – Risk Management and Head – Trading..

Credit Function Committees

Under the delegation of powers, committees have been set up at various levels for the purpose of vetting and approving higher value credit proposals.

Executive Credit Committee ("ECC")

ECC, which is highest level management committee, is common for all business groups and comprises of the following members: MD and CEO, CRO, Head (Corporate and Commercial Banking), Head Credit (for the relevant CCBG verticals), Head Risk Management, Head Consumer Banking (in respect of proposals pertaining to Consumer Banking), Head Consumer Finance (in respect of proposals pertaining to the consumer finance division ("**CFD**")), and Head Transaction Banking (in respect of proposals pertaining to Transaction Banking).

Corporate & Commercial Banking, Business Banking, Consumer Banking (excluding Consumer Finance Division)

Corporate Office Credit Committee I – Corporate & Commercial Banking ("COCC I – CCBG")

COCC I – CCBG comprises the following members: head of the relative business vertical (i.e. Head (CBG), Head (CII), Head (G&J)), Head Credit – of the relative CCBG vertical who acts as the convenor and Head Risk Management or his nominee.

Corporate Office Credit Committee I – Supply Chain Finance

The Corporate Office Credit Committee I – Supply Chain Finance comprises Deputy Vice President ("**DVP**") / Vice President ("**VP**") / Chief Manager ("**CM**") Credit as the convenor, Head Credit Business Banking / National Credit Manager – Supply Chain Financing, Head Risk Management or his nominee, Head Supply Chain Finance / Head Emerging Corporate Group.

Corporate Office Credit Committee I – Business Banking Group ("BBG")

The Corporate Office Credit Committee I – Business Banking comprises Head Credit Business Banking / National Credit Manager BBG / National Credit Manager Strategic Clients BBG / Head Credit Policies and Compliance BBG, Chief Manager / Regional Credit Manager / Zonal Credit Adminstrator as the convenor, Head Risk Management or his nominee, and Business Head BBG / Head Strategic Clients BBG.

Corporate Office Credit Committee II – Corporate & Commercial Banking ("COCC II – CCBG")

COCC II – CCBG comprises the following members: CRO, Head CCBG, Head Transaction Banking, Head Credit and Head Risk Management.

Corporate Office Credit Committee II – Business Banking and Consumer Banking excluding CFD ("COCC II – Business Banking and Consumer Banking excluding CFD")

COCC II – Business Banking and Consumer Banking excluding CFD comprises the following members: CRO, Head BBG / Head Consumer Banking Non CFD / Head Supply Chain Finance, Head CCBG/ Head Transaction Banking/ Head Consumer Banking and Head Credit Business Banking.

Critical Account Monitoring Committee ("CAMC")

The CAMC monitors Special Mention Accounts ("**SMA**") of the Bank and the progress of the resolution plan.

CAMC consists of Chief Risk Officer, Head Credit CCBG, Head Credit of respective verticals, Business Unit Head of respective verticals and Head Financial Reconstruction and Restructuring Group.

Consumer Banking – Consumer Finance Division

Branch Credit Committee – Consumer Banking ("BCC – Consumer Banking")

BCC – Consumer Banking comprises two members: Branch Manager (Commercial Vehicle ("**CV**") / Construction Equipment ("**CE**") Segment) / Credit Officer (Personal Products Segment) and Field Officer (CV/CE Segment)/ Marketing Officer (Personal Products Segment). Both the members of the Branch Credit Committee – CFD shall be present for considering proposals within the delegated powers of the committee.

Regional Credit Committee – Consumer Banking ("RCC – Consumer Banking")

Regional Credit Committee – Consumer Banking comprises five members: Regional Head, Regional Credit Manager – convenor, Supervisor (Credit & Banking), Branch Manager, Marketing / Field Officer. The presence of Branch Manager and Marketing / Field Officer is not necessary in the meetings unless specifically warranted. They will originate the proposals and send it to Regional Head for approval. Regional Credit Manager will be the convener for the meeting.

Zonal Credit Committee – Consumer Banking ("ZCC – Consumer Banking")

Zonal Credit Committee – Consumer Banking comprises six members: Zonal Head, Regional Head, Regional Credit Manager, Supervisor (Credit & Banking), Branch Manager and Marketing / Field Officer. Regional Credit Manager will be the convener for this meeting.

Central Credit Committee – Consumer Banking ("CCC – Consumer Banking")

CCC – Consumer Banking comprises the following six members. Product Head, Zonal Head, Regional Head, Head - CFD Credit, National Credit Manager ("**NCM**") – Credit and Head CFD – Operations. Credit Representative will be the convener for this meeting and it will be presided over by Respective Product Head.

Corporate Office Credit Committee I – Consumer Banking ("COCC I – Consumer Banking")

COCC I – Consumer Banking comprises the following seven members: Head Consumer Finance Division (CFD)/ Business Head (CFD) – Chairman, Product Heads, Zonal Heads, Regional Head, Head - CFD Credit, NCM – Credit, Head CFD - Operations. Credit Representative will be the convener for this meeting and it will be presided over by Head CFD/Business Head - CFD. Head Consumer Finance Division (CFD)/ Business Head (CFD) will be the Chairman of the meeting.

Corporate Office Credit Committee II – Consumer Banking ("COCC II – Consumer Banking")

COCC II – Consumer Banking comprises the following eight members: Chief Risk Officer/Co-Chief Risk Officer-Chairman, Head (Consumer Banking)-Chairman in the absence of CRO/Co-CRO, Head Consumer Finance Division (CFD)/ Business Head (CFD), Product Heads, Regional Manager, Head - CFD Credit, NCM – Credit, Head CFD - Operations. Credit Representative will be the convener for this meeting, which will be presided over by any of the first 3 functionaries who are present. Chief Risk officer will be the chairman of the meeting.

Financial Reconstruction & Restructuring Group ("FRRG")

The function of compromise committees is to evaluate the settlement proposals received in respect of accounts that involv a write-off on the Bank's part.

Compromise Committee for NPA/written off cases of Corporate Commercial Banking Group, Business Banking Group, LAP, Agri Finance and Channel Finance, and standard accounts of Corporate Commercial Banking Group:

Compromise Committee (1) consists of Head Corporate Credit, Head FRRG and any one SVP/VP/DVP/Assistant Vice Prseident ("**AVP**") from Credit / FRRG.

Compromise Committee (2) consists of Head FRRG and any two of Head - Corporate Credit, Executive Vice President ("**EVP**"), CRO, COO or MD.

Compromise Committee for standard accounts of Business Banking Group, LAP, Agri Finance and Channel Finance:

Compromise Committee (1) consists of Country Head of respective business segment and Head Credit (Business Banking) with anyone of Senior Vice President ("**SVP**")/VP/DVP/AVP from related product/business team.

Compromise Committee (2) consists of Country Head of respective business and Head Credit (Business Banking) and with anyone of SVP/EVP/CRO/COO/MD.

Identification Committee

The role of the Identification Committee is to decide on the classification of borrowers as wilful defaulters or non-co-operative borrowers after examining evidence placed before it.

The Identification Committee comprises the following members: CRO, Head Credit of the respective verticals and Head FRRG.

Interest of the Principal Executive Officers (core executive team) and key managerial personnel as of 31 December 2018

The total of the interests of the principal executive officers (core executive team) and key managerial personnel in the Bank's Equity Shares, held directly or indirectly, as at 31 December 2018, are set out in the table below:

Name	Number of Equity Shares Held
Romesh Sobti	830,000
Paul Abraham	291,000
Suhail Chander	125,000
Sumant Kathpalia	613,818
K. S. Sridhar	461,065

S. V. Zaregaonkar	12,700
Arun Khurana	46,600
S.V. Parthasarathy	70,000
Ramesh Ganesan	112,000
Sanjay Mallik	16,500
Zubin Mody	78,800
Sanjeev Anand	35,140
Ramaswamy Meyyappan	14,000
Bijayananda Pattanayak	165,500
Roopa Satish	NIL
Haresh Gajwani	NIL

None of the Bank's principal executive officers (core executive team) and key managerial personnel were granted options in excess of 5 per cent. of the total options granted during the fiscal year ended 31 March 2018.

The principal executive officers (core executive team) and key managerial personnel of the Bank do not have any interests in the Bank other than to the extent of (i) the remuneration or benefits to which they are entitled to as per their terms of appointment; (ii) the Equity Shares held by them or their relatives in the Bank; and (iii) number of options granted to them under ESOP 2007.

Employees' Stock Option Plan

Pursuant to the approval of the Bank's shareholders in the general meeting held on 18 September 2007, the Bank had instituted the ESOP 2007 to enable its employees, including its whole-time Director, to participate in the Bank's future growth. Under the ESOP 2007, the maximum number of options that may be granted to any one eligible employee in a financial year cannot, without the approval of the Board of Directors, exceed 0.20 per cent. of the Bank's paid-up equity capital at the time of such grant of options and the aggregate of all such options granted to eligible employees cannot exceed 7 per cent. of the Bank's paid-up equity capital on the date of such grant of options. The Board of Directors is further authorised to vary or modify the terms of the ESOP 2007. The eligibility and number of options to be granted to an employee is determined on the basis of criteria laid down in the ESOP 2007 and is approved by the Compensation Committee of the Board of Directors. The Compensation Committee also has the discretion to determine the exercise price of any options granted under the ESOP 2007. In addition, any options granted under the ESOP 2007 may only vest one year or more following the date of the grant of such options.

An aggregate of 41.81 million options have been granted under the ESOP 2007, of which 36.68 million options have vested as of 31 December 2018.

Loans to Directors and Management

There are no loans or advances outstanding from the Bank to any Director. As of 31 December 2018, the Bank had Rs. 0.77 million outstanding in loans and advances to members of management other than Directors. The Bank has not given any guarantees in favour of any Director or any member of management.

Related Party Transactions

Related party transactions are determined in accordance with Accounting Standard 18 issued by the ICAI.

During the fiscal year ended 31 March 2018 and up to the date of this Offering Circular, no transactions were effected by the Bank in which members of its administrative, management and supervisory bodies had interests, and which were unusual in their conditions. There were no materially significant related party transactions that could have had any potential for conflict with the Bank's interests at large.

Prevention of Insider Trading Policy

In compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended, the Bank has formulated, adopted and implemented the "IndusInd Bank Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information" of the Bank.

PRINCIPAL SHAREHOLDERS

The following table contains information as of 31 December 2018 concerning the Bank's shareholding pattern:

Category of Shareholder	Number of Equity Shares	Total shareholding as a percentage of the total number of issued and outstanding Equity Shares (%)
Shareholding of Promoters and Promoter Group		
Indian	-	-
Foreign	90,227,939	14.99%
Non-Promoter's Holding		
Mutual funds/Unit Trust of India ("**UTI**")	49,498,041	8.22%
Financial institutions/Banks	788,668	0.13%
Insurance companies	2,330,046	0.39%
Foreign Institutional Investors ("**FIIs**")	288,322,473	47.89%
Central Government/State Government(s)	50	0.00%
Bodies Corporate	49,879,202	8.28%
Individuals	38,198,435	6.34%
Qualified Foreign Investors	-	-
Clearing Members	542,089	0.09%
Directors and their relatives and friends	834,800	0.14%
Overseas Corporate Bodies	920,000	0.15%
NRIs	5,428,334	0.90%
Trusts	6,299,335	1.05%
Foreign Nationals	333	0.00%
Foreign Banks	42	0.00%
Alternate Investment Funds	1,262,239	0.21%
Hindu Undivided Family	706,220	0.12%
NBFC Registered with RBI	1,002,775	0.17%
Investor Education Protection Fund	1,160,028	0.19%
Shares held by Custodians (against which Depository Receipts have been issued)	64,681,514	10.74%
Total	602,082,563	100.00%

In March 2007, the Bank issued 29,490,300 Equity Shares in connection with an issuance and listing of global depositary receipts ("**GDRs**"). In June 2008, the Bank issued 35,192,064 Equity Shares in connection with another issuance and listing of GDRs, each representing one Equity Share. All such GDRs representing the

Bank's Equity Shares are listed on the Luxembourg Stock Exchange. As of 31 December 2018, 64,681,514 Equity Shares were outstanding in connection with issuance of GDRs.

The following table contains information as of 31 December 2018 concerning each person in the public category, who the Bank knows beneficially owns 1 per cent. or more of the Bank's Equity Shares:

No.	Category of Shareholder	Number of Equity Shares	Total shareholding as a percentage of the total number of issued and outstanding Equity Shares (%)
1	Bridge India Fund…………………….	20,303,458	3.37%
2	EuroPacific Growth Fund....................	13,589,115	2.26%
3	ICICI Prudential Life Insurance Company Ltd.	9,819,665	1.63%
4	Afrin Dia	9,096,463	1.51%
5	Government of Singapore	9,006,726	1.50%
6	SBI - ETF Sensex...............................	9,033,013	1.50%
7	Tybourne Equity Master Fund............	8,841,851	1.47%
8	DVI Fund Mauritius Ltd.	8,645,300	1.44%
9	UTI Nifty Index Fund	8,418,442	1.40%
10	New Leaina Investments Limited........	7,207,000	1.20%
11	Aditya Birla Sun Life Trustee Private Limited A/C Aditya Birla Sun Life Equity Hybrid '95 Fund.......................	7,132,152	1.18%
12	Aasia Corporation LLP	6,919,250	1.15%
13	BNP Paribas Arbitrage	6,070,510	1.01%
14	NPS Trust- A/C SBI Pension Fund Scheme - Central Govt	5,994,706	1.00%
	Total..	**130,077,651**	**21.62%**

THE INDIAN FINANCIAL SECTOR

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries, the RBI and the Indian Banks Association, and has not been prepared or independently verified by the Bank, the Dealers, the Trustee, the Agents or any of their affiliates or advisers.

Introduction

The RBI, the central banking and monetary authority of India, is the central regulatory and supervisory authority for Indian banks and NBFCs. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following:

- commercial banks;
- small financial banks and payment banks;
- long-term lending institutions;
- NBFCs, including HFCs;
- other specialised financial institutions and state-level financial institutions;
- insurance companies; and
- mutual funds.

Until the 1990s, the Indian financial system was strictly controlled. Interest rates were administered by the Government. Formal and informal parameters governed asset allocation and strict controls limited entry into and expansion within the financial sector. Bank profitability was low, NPAs were comparatively high, capital adequacy was diminished and operational flexibility was hindered. The Government's economic reform programme, which began in 1991, encompassed the financial sector. The first phase of the reform process began with the implementation of the recommendations of the Committee on the Financial System, namely the Narasimham Committee I. Following that, reports were submitted in 1997 and 1998 by other committees, such as the second Committee on Banking Sector Reform, namely the Narasimham Committee II, and the Tarapore Committee on Capital Account Convertibility. This, in turn, led to the second phase of reforms relating to capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The deregulation of interest rates, the emergence of a liberalised domestic capital market and the entry of new private sector banks have progressively intensified the competition among banks. Banks in India may be categorised as scheduled banks and non-scheduled banks, where the former are banks which are included in the second schedule to the RBI Act as amended. These banks comprise SCBs and scheduled co-operative banks.

The RBI

The RBI, established in 1935, is the central banking and monetary authority in India. The RBI manages and regulates the country's money supply and foreign exchange and also serves as a bank for the Government and for the country's commercial banks. In addition to these traditional central banking roles, the RBI undertakes certain developmental and promotional roles.

The RBI issues guidelines on exposure limits, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy for commercial banks, long-term lending institutions and NBFCs. The RBI requires these institutions to furnish information relating to their businesses to it on a regular basis. For further discussion regarding the RBI's role as the regulatory and supervisory authority of India's financial system and its impact on the Bank, see "*Supervision and Regulation*".

Commercial Banks

Commercial banks in India have traditionally focused on meeting the short-term financial needs of industry, trade and agriculture. In recent years they have also focused on increasing long-term financing to sectors such as infrastructure. As of 31 December 2018, there were 150 SCBs in the country, including 56 regional rural banks ("**RRBs**"). SCBs are banks that are listed in the second schedule to the RBI Act and are further categorised as public-sector banks, private sector banks and foreign banks. SCBs have a presence throughout India with a network of 144,952 branches, and approximately 63.33 per cent. of these branches were located in rural or semi-urban areas of the country as of 30 September 2018. A large number of these branches belong to the public-sector banks.

Public Sector Banks

Public sector banks make up the largest category in the Indian banking system. They include the State Bank of India, 20 nationalised banks (including IDBI Bank) and 56 RRBs. Excluding the RRBs, the remaining public-sector banks accounted for 60.94 per cent. of gross bank credit and 65.73 per cent. of the aggregate deposits of the SCBs as of 31 December 2018. The public-sector banks' large network of branches enables them to fund themselves out of low cost savings and current accounts. As of 30 September 2018, the public-sector banks' network of 90,949 branches accounted for 62.74 per cent. of the total branch network of SCBs in the country.

RRBs were established from 1976 to 1987 by the Government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. RRBs provide credit to small farmers, artisans, small entrepreneurs and agricultural labourers. The NABARD is responsible for supervising the functions of the RRBs.

Private Sector Banks

Most large banks in India were nationalised in 1969, resulting in public sector banks making up the largest portion of Indian banking. The Government's focus on public sector banks was maintained throughout the 1970s and 1980s. In addition, existing private sector banks that showed signs of an eventual default were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry of the private sector into the banking system. This resulted in the introduction of private sector banks. These banks are collectively known as the "new" private sector banks. As of 31 December 2018, there were a total of 22 private banks. As of 31 December 2018, private sector banks accounted for approximately 26.23 per cent. of aggregate deposits and 31.41 per cent. of gross bank credit outstanding of the SCBs. As of 30 September 2018, their network of 29,439 branches accounted for 20.31 per cent. of the total branch network of SCBs in the country.

In the past, there has been certain inorganic growth in the banking sector such as the Bank of Rajasthan Limited, an "old" private sector bank, merged with ICICI Bank with effect from the close of business on 12 August 2010. On 1 April 2015, the RBI approved the merger of Kotak Mahindra Bank and ING Vysya Bank. Subsequently in April 2016, the RBI issued a master direction on "Amalgamation of Private Sector Banks, Directions, 2016", which are applicable to all private sector banks licensed to operate in India by the RBI and to the NBFCs registered with the RBI. The principles underlying these directions shall appropriately be applicable to public sector banks as well. These guidelines will essentially cover the amalgamation of two banking companies or amalgamation of an NBFC with a banking company. On 18 December 2018, Capital First Limited, an NBFC, merged with IDFC Bank Limited, under these directions.

In February 2013, the RBI issued guidelines on the entry of "new" private sector banks into the banking industry, specifying that select entities or groups in the private sector, entities in the public sector or NBFCs with a successful track record of at least ten years and not receiving over 10 per cent. of income from real estate, construction and/or broking activities are eligible to promote banks. The initial minimum capital requirement for these entities is Rs. 5.0 billion, with foreign shareholding not exceeding 49 per cent. for the first five years, and the new banks could be set up only through a wholly-owned non-operative financial holding company registered with the RBI. The business plan for the bank should cover a realistic plan for achieving financial inclusion.

On 2 April 2014, the RBI granted "in-principle" approval to two applicants (IDFC Limited and Bandhan Financial Services Private Limited) to set up banks under the New Banks Licensing Guidelines. As at the date of this Offering Circular, these two banks had started functioning. In the future, the RBI intends to issue licences on an ongoing basis, subject to the RBI's qualification criteria.

The RBI also issued guidelines in November 2014 on the entry of "SFBs" and "Payments Banks" into the private sector in the banking industry, including the eligibility criteria, structure, capital requirements, shareholding structure and corporate governance practices applicable to such proposed entities. The RBI also issued operating guidelines for payment banks on 6 October 2016, which provides various frameworks such as the capital adequacy, capital measurements, inter-bank borrowings, investment classification and valuation norms, corporate governance and risk management.

During fiscal 2016, the RBI issued new bank licences to "SFBs" and "Payments Banks" in the private sector, which, apart from providing an impetus to financial inclusion, is expected to intensify competition in the banking sector in the medium term.

On 27 September 2018, the RBI issued a scheme on the voluntary transition of urban co-operative banks into SFBs, under which co-operative banks with good track record will be eligible to voluntarily transit into a small finance bank.

As of 31 March 2018, there are ten SFBs and seven payment banks as approved by the RBI.

Foreign Banks

As of 31 December 2018, there were over 43 foreign banks operating in India with a combined total of 286 branches. As of 31 December 2018, they accounted for 4.46 per cent. of aggregate deposits and 4.22 per cent. of outstanding gross bank credit of SCBs. In 2009, as part of the liberalisation process that accompanied the second phase of the reform process that began in 2005, the RBI began permitting foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made retail banking a significant part of their portfolios. Most foreign banks operate in India through branches of the parent bank. Certain foreign banks also have wholly owned NBFC subsidiaries or joint ventures for both corporate and retail lending. In 2004, the RBI stipulated that banks, including foreign banks operating in India, should not acquire any fresh stake in another bank's equity shares if, by such acquisition, the investing bank's holding would exceed 5 per cent. of the investee bank's equity capital.

The RBI now requires foreign banks with 20 or more branches to achieve the same priority sector lending targets as domestic banks within the five-year period commencing on 1 April 2013. All other foreign banks will continue to be subject to the existing overall target of 32 per cent. In March 2018, the RBI issued a notification pursuant to which a sub-target of 8 per cent. of the ANBC or credit equivalent amount of off-balance exposure, whichever is higher, will be applicable for foreign banks with 20 or more branches for the purpose of lending to small and marginal farmers from fiscal 2019. Further, a sub-target of 7.50 per cent. of ANBC or credit equivalent amount of off-balance exposure, whichever is higher, will be applicable for foreign banks with 20 or more branches for the purpose of bank lending to the micro enterprises.

On 6 November 2013, the RBI issued a framework for the establishment of wholly owned subsidiaries ("**WOS**") by foreign banks in India. The framework requires that foreign banks must establish a WOS to operate in India if they (i) have complicated holding structures, (ii) do not provide adequate disclosure in their home jurisdiction or (iii) are from jurisdictions that give a preferential claim to depositors of its home country in a winding up proceeding. The initial minimum paid-up voting equity capital for a WOS shall be Rs. 5 billion and the parent entity shall be required to bring in the entire amount of initial capital upfront, which should be funded by free foreign exchange remittance from its parent. The WOS shall meet the Basel III requirements on a continuous basis from the time of its entry/conversion and will be required to comply with capital requirements as prescribed in the 'scheme for setting up WOS by foreign banks in India'. Banks not fitting these criteria may operate as either a branch or a WOS. The framework does not require existing foreign banks (which established a presence in India before 31 August 2010) to convert into a WOS. However, foreign banks are incentivised to convert into a WOS because the regulatory regime for a WOS is similar to that for local banks. For example, a foreign bank WOS would benefit from policies such as the lifting of nearly all branch expansion restrictions. However, foreign banks converting into a WOS would have to abide by the RBI's 40 per cent. priority sector lending requirement and increase their involvement in the financing of sectors such as agriculture and small-scale industries, following an adequate transition period.

Co-operative Banks

Co-operative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In response to liquidity and insolvency problems experienced by some co-operative banks in fiscal 2001, the RBI undertook several interim measures, pending formal legislative changes, including measures relating to lending against shares, borrowing in the call market and term deposits placed with other urban co-operative banks. Currently, the RBI is responsible for the supervision and regulation of urban co-operative banks, and NABARD for state co-operative banks and district central co-operative banks.

Long-Term Lending Institutions

The long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernisation of existing facilities. These institutions provided fund-based and non-fund-based assistance to industries in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions included Industrial Development Bank of India (now IDBI Bank), IFCI Limited, the Industrial Investment Bank of India and ICICI Bank prior to its amalgamation with ICICI Bank Limited.

The long-term lending institutions were expected to play a critical role in Indian industrial growth and, accordingly, had access to concessional Government funding. However, in recent years, the operating environment of the long-term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for Government funding to industry, the reform process required such institutions to expand the scope of their business activities, including into:

- fee-based activities such as investment banking and advisory services; and
- short-term lending activity, including making corporate finance and working capital loans.

NBFCs

There were about 10,461 NBFCs in India as at 31 December 2018, mostly in the private sector. All NBFCs are required to register with the RBI. The NBFCs may be categorised into entities which take public deposits and those which do not. The companies which take public deposits are subject to strict supervision and the capital adequacy requirements of the RBI. The RBI classifies NBFCs into the following categories: asset finance companies, investment companies, loan companies, infrastructure finance companies ("**IFCs**"), systemically important core investment companies, infrastructure debt fund companies, microfinance institutions, factoring companies, mortgage guarantee companies and non-operative financial holding companies. By way of a circular dated 22 February 2019, the RBI decided that in order to provide NBFCs with greater operational flexibility, harmonisation of different categories of NBFCs into fewer ones would be carried out based on the principle of regulation by activity rather than regulation by entity. Accordingly, it has been decided to merge three categories of NBFCs which are Asset Finance Companies ("**AFCs**"), Loan Companies ("**LCs**") and Investment Companies ("**ICs**") into a new category called NBFC - Investment and Credit Company ("**NBFC-ICC**"), effective from 22 February 2019.

The primary activities of the NBFCs are providing consumer credit, including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bill discounting for SMEs and infrastructure finance, and fee-based services such as investment banking and underwriting. In 2003, Kotak Mahindra Finance Limited, a large NBFC, was granted a banking licence by the RBI and converted itself into Kotak Mahindra Bank.

During fiscal 2006, the RBI issued guidelines on the financial regulation of systemically important NBFCs and banks' relationships with them with a view to removing the possibility of regulatory arbitrage leading to an uneven playing field and potential systemic risk.

Within non-deposit taking NBFCs, the guidelines classify those with an asset size above Rs. 1.0 billion as per the last audited balance sheet as systemically important. These NBFCs were required to maintain a minimum CRAR of 10 per cent., in addition to conforming to single and group exposure norms. In August 2008, the RBI issued draft guidelines covering non-deposit taking NBFCs. It was proposed that non-deposit taking NBFCs with an asset size of Rs. 1.0 billion and above would have to maintain a CRAR of 12 per cent. instead of the current minimum of 10 per cent.

The capital adequacy ratio was proposed to be increased to 15 per cent. from April 2009. In its 2009 annual policy statement, the RBI deferred the implementation of the CRAR of 12 per cent. requirement to 31 March 2010 and of 15 per cent. to 31 March 2011. In February 2011, the RBI issued guidelines mandating deposit taking NBFCs to maintain a CRAR of 15 per cent. against the current minimum of 12 per cent.

With the purpose of enhancing the flow of funds to infrastructure projects, the RBI issued guidelines in November 2011 for the establishment of infrastructure debt funds. An infrastructure debt fund may be set up either as a trust or as a company. A trust-based infrastructure debt fund would be a mutual fund which would be regulated by SEBI, while a company-based infrastructure debt fund would be a NBFC which would be regulated by the RBI. All NBFCs, including IFCs, may sponsor infrastructure debt funds set up as mutual funds. However, only IFCs can sponsor infrastructure debt funds set up as NBFCs. Banks are allowed to sponsor infrastructure debt funds in the form of mutual funds and NBFCs with investments by the bank not exceeding 10 per cent. of the bank's paid-up capital. In August 2011, the RBI released a working group report on issues and concerns in the NBFC sector. Some key recommendations of the report included a minimum asset size of Rs. 500 million with a minimum net owned fund of Rs. 20 million for registering as an NBFC, a minimum Tier I capital of 12 per cent. to be achieved in three years, the introduction of liquidity ratios, more stringent asset classification norms and provisioning norms, and limits on exposure to real estate. In December 2012, the RBI issued draft guidelines on the regulatory framework for NBFCs based on the recommendations of the working group. The guidelines relate to entry norms, principal business criteria, prudential regulations, liquidity requirements and corporate governance of NBFCs.

On 1 April 2014, the RBI temporarily suspended, for a period of one year, the issue of certificates of registration to companies proposing to conduct the business of NBFCs under the terms of Section 45IA of the RBI Act. The report submitted by the Committee on Comprehensive Financial Services for Small Businesses and Low Income Households made several recommendations pertaining to NBFCs. In view of the recommendation, the

RBI felt the need to review the regulatory framework and streamline the sector before allowing more entities into the sector.

On 10 November 2014, the RBI revised the regulatory framework for NBFCs by raising the capital adequacy requirement and the net owned fund limit, among others, with an objective to mitigating risks in the sector and revoked, with immediate effect, its temporary suspension on issuance of a certificate of registration to companies proposing to conduct the business of an NBFC. Pursuant to the master directions issued by the RBI in relation to NBFCs accepting public deposits, the net owned funds should be Rs. 250 million subject to obtaining a minimum investment grade or credit rating for fixed deposits from any approved credit rating agencies at least once a year. However, for asset finance companies, in case the minimum investment grade rating is not obtained by 31 March 2016, such asset finance companies shall not be able to renew existing deposits or accept fresh deposits. Further, pursuant to the master directions issued by the RBI in relation to systemically important NBFCs and non-systemically important NBFCs not accepting public deposits are required to maintain net owned funds Rs. 20 billion to commence or carry on the business of NBFC, except as specified otherwise.

The RBI circular on "Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions" dated 1 July 2016 and the master direction "Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016" dated 1 September 2016 states that the minimum capital ratio consisting of Tier I and Tier II capital shall not be less than 15 per cent. of its aggregated RWAs on-balance sheet and of risk adjusted value of off-balance sheet items. The total of Tier I capital, at any time, shall not be less than 8.5 per cent. as of 31 March 2016 and 10 per cent. as of 31 March 2017.

The RBI further notified on 29 November 2018 a relaxation of its guidelines relating to NBFCs for securitisation transactions with respect to the abovementioned circulars. The notification now permits NBFCs to securitise/assign their eligible assets and it has been decided to relax the minimum holding period requirement for originating NBFCs, in respect of loans of original maturity above five years, to receipt of repayment of six-monthly instalments or two quarterly instalments adhering to the prudential norm. The minimum retention requirement for such securitisation/assignment transactions shall be 20 per cent. of the book value of the loans being securitised or 20 per cent. of the cash flows from the asset assigned. With a view to facilitate flow of credit to well-rated NBFCs, by way of the RBI circular dated 22 February 2019, it has now been decided that rated exposures of banks to all NBFCs, excluding Core Investment Companies ("**CICs**"), would be risk-weighted as per the ratings assigned by the accredited rating agencies, in a manner similar to that for corporates. Exposures to CICs will continue to be risk-weighted at 100 per cent.

Housing Finance Companies

HFCs form a distinct sub-group of NBFCs. As a result of the various incentives given by the Government for investing in the housing sector in recent years, the scope of this business has grown substantially. Housing Development Finance Corporation Limited is a leading provider of housing finance in India. In recent years, several other players, including banks, have entered the housing finance industry. The National Housing Bank and Housing and Urban Development Corporation Limited are the two major financial institutions instituted through acts of Parliament to improve the availability of housing finance in India. The National Housing Bank Act provides for securitisation of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme.

In August 2013, the IRDAI relaxed the investment regulations of HFCs, as specified in the IRDA (Investment) Regulations, 2000, as follows:

- investments in debt instruments issued by the HFCs as specified in the Investment Regulations shall be treated as exposure to the housing sector instead of exposure to "Financial and Insurance Activities"; and
- the single investee debt exposure limits in the HFCs was increased to 20 per cent. of equity plus free reserves from the existing 10 per cent. limit, with a further option of an increase by an additional 5 per cent. on the 20 per cent. limit, with prior approval from the board of the company.

Other Financial Institutions

Specialised Financial Institutions

In addition to the long-term lending institutions, there are various specialised financial institutions which cater to the specific needs of different sectors. These include NABARD, Export Import Bank of India, SIDBI, Risk Capital and Technology Finance Corporation Limited, Tourism Finance Corporation of India Limited, National Housing Bank, Power Finance Corporation Limited, Infrastructure Development Finance Corporation Limited, Industrial Investment Bank of India, North Eastern Development Finance Corporation and India Infrastructure Finance Company.

State-level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote SMEs. The state financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industry. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large enterprises.

Insurance Companies

As at November 2018, there were 68 insurance companies in India, of which 24 are life insurance companies, 30 are general insurance companies and two are re-insurance companies. Of the 24 life insurance companies, 23 are in the private sector and one is in the public sector. Among the general insurance companies, 28 are in the private sector and six (including the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited) are in the public sector. The re-insurance company General Insurance Corporation of India is in the public sector. Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector.

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority. In December 1999, the Indian Parliament passed the Insurance Regulatory and Development Authority Act, 1999, which amended the Insurance Act, 1938 and opened up the Indian insurance sector for foreign and private investors. The Insurance Act, 1938 allows foreign equity participation in new insurance companies of up to 26 per cent. A new company should have minimum paid-up equity capital of Rs. 1.0 billion to carry on the business of life insurance or general insurance or Rs. 2.0 billion to carry on exclusively the business of re-insurance.

The Insurance Laws (Amendment) Act has lowered the minimum capital required for a health insurer to Rs. 500 million from Rs. 1000 million which may result in regional health insurance players coming up. As per industry expectations, FDI relaxation has resulted in infusion of foreign capital and IPOs aiding insurance penetration. IRDA has also pitched for involving SFBs and payment banks to deepen insurance penetration. The majority of growth still continues to be driven by motor and health insurance, although other segments such as marine and engineering are seeing some uptick. It is expected that the engineering segment is likely to perform better as new projects are expected to come up with the revival of India's economy.

On 1 January 2016, the RBI issued the Master Directions on Insurance to regulate the business carried out by insurance companies outside India with persons resident in India. These directions apply to general insurance companies, health insurance companies, re-insurance companies and governs the premium remittance's and insurers may open, hold and maintain with a bank outside India, foreign currency accounts for facilitating transactions and expenses relating to and incidental to the business carried out by such companies.

Mutual Funds

The mutual fund industry in India started in 1963 with the formation of UTI at the initiative of the Government and the RBI. From 1963 to 1987, UTI was the only mutual fund operating in India. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, LIC and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the SEBI (Mutual Fund) Regulation, 1996. Average Total Assets Under Management ("**AAUM**") of the Indian Mutual Fund Industry for the month of January 2019 stood at Rs. 24.52 trillion.

In June 2009, SEBI removed the entry load for all mutual fund schemes and directed that upfront commissions to distributors be paid directly by the investors. To enhance the reach and marketability of mutual fund schemes, in November 2009, SEBI permitted the use of stock exchange terminals to facilitate transactions in mutual fund schemes. As a result, mutual fund units can now be traded on recognised stock exchanges. In 2010, SEBI introduced guidelines for the valuation of money market and debt securities with a view to ensuring that the value of the money market and debt securities in the portfolio of mutual funds schemes reflect the current market scenario. Further, in fiscal 2014 mutual fund distributors were allowed to become members of the mutual fund segment of stock exchanges to enable them to leverage the stock exchange network to improve the reach and distribution of mutual fund products.

Banking Sector Reform

Most large banks in India were nationalised in 1969 and thereafter were subject to a high degree of control until reform began in 1991. In addition to controlling interest rates and entry into the banking sector, these Government regulations also channelled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing Government securities or SLR bonds to fulfil statutory liquidity requirements. As a result, bank profitability was low, NPAs were comparatively high, capital adequacy was diminished, and operational flexibility was hindered.

Committee on the Financial System ("Narasimham Committee I")

The Narasimham Committee I was set up in August 1991 to recommend measures for reforming the financial sector. Many of the recommendations made by the committee, which addressed organisational issues, accounting practices and operating procedures, were implemented by the Government. The major recommendations that were implemented included the following:

- with fiscal stabilisation and the Government increasingly resorting to market borrowing to raise resources, the SLR or the proportion of banks' NDTL that was required to be invested in Government securities was reduced from 38.5 per cent. in the pre-reform period to 25 per cent. in October 1997. The RBI currently requires banking companies to maintain a liquidity ratio of 19.50 per cent. with effect from August 2018;

- similarly, the CRR or the proportion of a bank's NDTL that was required to be deposited with the RBI was reduced from 15 per cent. in the pre-reform period to a low of 4.5 per cent. The CRR effective from 9 February 2013 is 4 per cent.;

- special tribunals were created to resolve bad debt problems;
- most of the restrictions on interest rates for deposits were removed. Commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits. Subsequently, on 25 October 2011, the RBI deregulated the savings bank deposit rate, after which commercial banks were also allowed to determine their savings bank deposit rate; and
- substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. By the end of fiscal 2002, aggregate re-capitalisation amounted to Rs. 217.5 billion. Stronger public sector banks were given permission to issue equity to further increase capital.

Committee on Banking Sector Reform ("Narasimham Committee II")

The Narasimham Committee II submitted its report in April 1998. The major recommendations of the Committee were in respect of capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The RBI accepted and began implementing many of these recommendations in October 1998.

Banks have implemented new prudential accounting norms for the classification of assets, income recognition and loan loss provisioning. Following the Bank for International Settlements guidelines, capital adequacy norms have also been prescribed. To meet additional capital requirements, public sector banks have been allowed to access the market for funds. Interest rates have been deregulated, while the rate of directed lending has been progressively reduced.

Commercial Banking Trends

Credit

For fiscal 2019, credit to agriculture and allied activities grew by 5.9 per cent. as compared to 7.4 per cent. in fiscal 2018. For the industry sector, credit increased by 1 per cent. in fiscal 2019 in contrast with a contraction of 14 per cent. in fiscal 2018. The slowdown within the industry sector was mainly seen amongst others in the "infrastructure", "basic metal and metal products", "chemical and chemical products", and "cement and cement products" sub-sectors. Credit to the services sector increased by 20.7 per cent. during fiscal 2019, as compared to 4.1 per cent. during fiscal 2018. Personal loans increased by 17.8 per cent. during fiscal 2019 as compared with an increase of 16.4 per cent. during fiscal 2018. In December 2018, the deposit growth of SCBs is at 8.4 per cent. and bank credit is at 13.1 per cent.

Inflation

Inflation picked up during the first four months of 2016-17, driven by an upsurge in food prices, outweighing favourable base effects. With the monsoon gaining momentum, however, inflation reversed into a declining trajectory beginning August 2016, which was accentuated by falling food prices, especially those of vegetables, in the wake of demonetisation in November 2016. Rapid disinflation in the food group drove down headline inflation month after month – barring February and March – to a low of 1.5 per cent. in June 2017. India's annual inflation rate eased to 4.17 per cent. in July 2018 from a downwardly revised projection of 4.92 per cent. from the previous month and below market expectations of 4.51 per cent.

Asset quality and capital position

The asset quality of the banking sector continued to be a concern during 2016 and 2017. In the aftermath of the asset quality review ("**AQR**") undertaken by the RBI beginning July 2015 and concomitantly with better recognition of NPAs, the asset quality of banks, particularly the PSBs, deteriorated sharply. As of end of March 2017, 12.1 per cent. of the advances of the banking system were stressed (sum of gross NPAs and restructured standard advances). PSU banks reported average stressed asset levels of approximately 15 per cent. and private banks' average was sub 5 per cent. A sharp increase in provisioning for NPAs adversely impacted the profitability of banks, with the PSBs as a whole continuing to incur net losses during fiscal 2017. While the agriculture, retail and services sector witnessed a decline in stressed assets, stressed assets in the industry sector rose to 23 per cent. as at March 2017 (22 per cent. as at September 2016), primarily on account of sectors like cement, mining and metals. Further, it is estimated that around 7.7 per cent. of advances are under various resolution schemes of which approximately 5.8 per cent. is still classified as standard. Hence, the overall vulnerable portfolio is aproximately18 per cent. of total outstanding bank credit.

The gross non-performing assets ratio ("**GNPA Ratio**") for SCBs as of March 2018 was 11.6 per cent. As of the end of March 2018, 12.5 per cent. of the advances of the banking system were stressed (sum of gross NPAs and restructured standard advances). PSBs reported average stressed levels of 16.7 per cent. and private sector banks' average was 4.4 per cent. as of March 2018. Further, stressed advances ratio for the Agriculture, Industry and Services sectors all went up whereas there was a decline in the Retail sector.

The capital position of many banks also witnessed erosion even though the total capital to total risk-weighted assets ratio, i.e., total capital adequacy ratio ("**CRAR**") for the banking system as a whole marginally increased and continued to be above the regulatory minimum under the Basel III framework. Overall, CRAR was at 13.5 per cent. in March 2018. The large amount of bad loans circumscribed the ability of banks to lend, as reflected in the declining credit growth in recent years. Large NPAs also led to risk aversion on the part of banks as apprehension of loans turning into NPAs intensified. Furthermore, banks engaged in diversifying their credit portfolios, reducing their exposure from large industries and shifting towards the relatively less stressed categories of housing, personal loans and services.

Income and profitability

PSUs' earning profile is weak on account of the decline in earning assets, pressure on net interest margins ("**NIMs**") with decline in yields and higher NPAs and provisions. Private banks remained comfortable on the back of operating profits growth. Average return on assets ("**ROAs**") for PSUs were negative, while private banks reported ROAs of approximately 1.5 per cent. The overall banking sector average stood at below 0.5 per cent. ROE for the sector stood at 4.3 per cent. with private banks reporting ROEs of 12 per cent. while PSUs were reporting negative 2.4 per cent.

Recent Structural Reforms

Legislative Framework for Recovery of Debts due to Banks

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended by the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016 ("**SARFAESI Act**") provides for the enforcement of security interests without the intervention of the courts. Under the provisions of the SARFAESI Act, a secured creditor can recover dues from its borrowers by taking any of the measures as provided therein, including (i) taking possession of the secured assets or (ii) taking over the management of the secured assets. Rights, with respect to the enforcement of security interest, under the SARFAESI Act cannot be enforced unless the account of the borrower has been classified as a non-performing asset in the books of account of the secured creditor in accordance with the directions or guidelines issued by the RBI or any other applicable regulatory authority. In accordance with the SARFAESI Act, the definition of debt has been expanded to include fund-raising through debt securities and consequently, the definition of a secured creditor under the SARFAESI Act has been expanded to include a debenture trustee appointed by the company for debt securities.

The SARFAESI Act also provides for the sale of financial assets by banks and financial institutions to asset reconstruction companies. The financial assets can be sold to asset reconstruction companies in accordance with the extant guidelines and prudential norms issues by the RBI. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts ("**SRs**") or pass-through or pay through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

In the event that the secured creditor is unable to recover the entire sum due by exercise of the remedies under the SARFAESI Act in relation to the secured assets, such secured creditor may approach the relevant court for the recovery of the balance amounts. A secured creditor may also simultaneously pursue its remedies under the SARFAESI Act.

5/25 Scheme for Infrastructure Sector

In July 2014, the RBI introduced a long-term flexible refinancing and repayment option scheme for the infrastructure sector where the exposure of a lender is more than Rs. 5 billion. The scheme allows banks to extend long-term loans of 20 to 25 years to match the cash flow of infrastructure projects, with an option of refinancing them every five to seven years.

Universal Banking Guidelines

Universal banking in the Indian context means the transformation of long-term lending institutions into banks. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, the RBI, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. If a long-term lending institution chose to exercise the option available to it and formally decided to convert itself into a universal bank, it could formulate a plan for the transition path and a strategy for smooth conversion into a universal bank over a specified time frame. In May 2001, the RBI issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank. In August 2016, the RBI issued guidelines for 'on tap licensing of universal banks in the private sector which included norms for following:

(i) "eligible promoters", being resident individuals and professionals having 10 years of experience in banking and finance at a senior level are also eligible to promote universal banks;

(ii) "fit and proper criteria", being that the promoter/promoting entity/promoter group should have a past record of sound financials, credentials, integrity and have a minimum 10 years of successful track record;

(iii) "corporate structure", being that a non-operative financial holding company ("**NOFHC**") is non-mandatory in case of promoters being individuals or standalone promoting/converting entities who/which do not have other group entities and that not less than 51 per cent. of the total paid-up equity capital of the NOFHC shall be owned by the promoter/promoter group, instead being wholly owned by the promoter group;

(iv) minimum capital requirements", being that the initial minimum paid-up voting equity capital for a bank shall be five billion and that the bank shall have a minimum net worth of five billion at all times. The promoter/s and the promoter group / NOFHC, as the case may be, shall hold a minimum of 40 per cent. of the paid-up voting equity capital of the bank which shall be locked-in for a period of five years from the date of commencement of business of the bank. The promoter group shareholding shall be brought down to 15 per cent. within a period of 15 years from the date of commencement of business of the bank.

(v) "foreign shareholdings in the banks" shall mean that the foreign shareholding in the bank would be as per the existing FDI policy subject to the minimum promoter shareholding requirement; and

(vi) "corporate governance and prudential and exposure norms" shall mean that the bank shall comply with the provisions of Banking Regulations Act and the existing guidelines on prudential norms as applicable to SCBs.

Revised Prompt Corrective Action ("PCA") Framework

The RBI released a revised PCA framework in April 2017. The provisions of the revised PCA framework will be effective from 1 April 2017 based on the financials of the banks for the year ended 31 March 2017. The framework would be reviewed after three years. Capital, asset quality and profitability continue to be the key areas for monitoring in the revised framework. Indicators to be tracked for capital, asset quality and profitability would be CRAR/Common Equity Tier ("**CET**") I ratio, net NPAs ratio and ROA, respectively. Each of these parameters would have three thresholds with appropriate action for the level of breach. Leverage would be monitored additionally as part of the PCA framework.

Breach of any risk threshold (as detailed below) would result in invocation of PCA.

Parameter	**Indicator**	**Threshold 1**	**Threshold 2**	**Threshold 3**
Capital	Breach of either of the below to trigger PCA CAR (10.875% as at December 2018) CET 1 (7.375% as at December 2018)	Up to 250 basis point lower than the applicable CRAR Up to 162.5 basis point lower than the applicable CET1	>250bps-400 basis point lower than the applicable CRAR >162.5 basis point to 312.5 basis point lowerthan the applicable CET1	CRAR lower than the applicable minimum by 400 basis points or more CET1 lower than the applicable minimum by 312.50 basis points or more
Asset quality	Net NPA (earlier norm- 10%)	> 6% but <9%	> 9% but <12%	>=12%
Profitability	ROA (earlier norm- below 0.25%)	-ve for 2 yrs	-ve for 3 yrs	-ve for 4 yrs
Leverage	Tier 1 leverage ratio	<=4.0% but > = 3.5%	< 3.5%	

Breach of 'Risk Threshold 3' of CET 1 by a bank would identify a bank as a likely candidate for resolution through tools like amalgamation, reconstruction, and winding up.

Actions by the RBI under the framework

Action steps	**Threshold 1**	**Threshold 2**	**Threshold 3**
Mandatory Actions	Restriction on dividend distribution additional capital from parent	In addition to actions under threshold 1, restriction on branch expansion, higher provision requirement	In addition to actions under threshold 2, restriction on branch expansion. Restriction on management compensation/director fees
Discretionary Actions	These would include (a) supervisory monitoring meetings/audit, (b) strategy/governance related actions, (c) credit/market risk related action and (d) operations related actions		

Impact on the sector

All banks are expected to be compliant with total CAR and leverage levels stipulated under the framework. Given that NPA ratios are already elevated on the back of AQR in fiscal 2016 and continued stress in the sector, the Bank expects invocation of PCA on banks (primarily public-sector banks) on the back of breach of NPAs and RoA thresholds. However, the intent of the framework is to facilitate banks to take corrective measures, including those prescribed by the RBI in a timely manner to restore their financial health.

IBC

As the banking sector struggled with the sizeable volume of NPAs, the RBI continued its efforts to fortify the regulatory framework through significant policy interventions for improving the banking system's ability to deal with distress. Pursuant to the promulgation of the Banking Regulation (Amendment) Ordinance, 2017, the RBI constituted an Internal Advisory Committee ("**IAC**") to recommend cases that might be considered for reference under the IBC. On the recommendation of the IAC, the RBI directed banks to file proceedings under the IBC in respect of 12 accounts comprising about 25 per cent. of the current gross NPAs of the banking system. The RBI also brought the Overseeing Committee under its aegis and strengthened it by adding three more members and by expanding its mandate to review the resolution of cases other than those under the Scheme for Sustainable Structuring of Stressed Assets. Final guidelines on large exposure frameworks and enhancing credit supply for large borrowers through market mechanisms were also issued in order to align the exposure norms for Indian banks with the Basel Committee on Banking Supervision ("**BCBS**") standards and to further diversify the lending base of banks.

Base Rate System

The BPLR system, introduced in 2003, fell short of its original objective of bringing transparency to lending rates. This was mainly because, under the BPLR system, banks could lend below the BPLR. For the same reason, it was also difficult to assess the transmission of policy rates of the RBI to lending rates of the relevant bank. The base rate system replaced the BPLR with effect from 1 July 2010. The base rate system is aimed at enhancing transparency in lending rates of banks and enabling better assessments of the transmission of monetary policies. Base rate includes all those elements of the lending rate that are common across all categories of borrowers. Banks may choose any benchmark to arrive at the base rate for a specific tenor that is required to be disclosed transparently. Banks are free to use any methodology in computing the base rate, provided it is consistent and is made available for supervisory review and scrutiny, as and when required.

Banks may determine their actual lending rates on loans and advances with reference to the base rate and by including such other customer specific charges as considered appropriate. In order to give banks some time to stabilise the system of base rate calculation, banks were permitted to change the benchmark and methodology until 30 June 2011.

On 17 December 2015, the RBI released the final guidelines on computing interest rates on advances based on the marginal cost of funds. The guidelines came into effect on 1 April 2016. Apart from helping improve the transmission of policy rates into the lending rates of banks, these measures are expected to improve transparency in the methodology followed by banks for determining interest rates on advances. The guidelines are also expected to ensure availability of bank credit at interest rates which are fair to the borrowers as well as the banks. Further, marginal cost pricing of loans will help the banks become more competitive and enhance their long-run value and contribution to economic growth.

The highlights of the guidelines are as follows:

1. all rupee loans sanctioned and credit limits renewed with effect from 1 April 2016 will be priced with reference to the marginal cost of funds-based lending rates ("**MCLR**") which will be the internal benchmark for such purposes;

2. the MCLR will be a tenor-linked internal benchmark;

3. actual lending rates will be determined by adding the components of spread to the MCLR;

4. banks will review and publish their MCLR of different maturities every month on a pre-announced date;

5. banks may specify interest reset dates on their floating rate loans. They will have the option to offer loans with reset dates linked either to the date of sanction of the loan/credit limits or to the date of review of the MCLR;

6. the MCLR shall be reset at least every year;

7. the MCLR prevailing on the day the loan is sanctioned will be applicable until the next reset date, irrespective of the changes in the benchmark during the interim period;

8. existing loans and credit limits linked to the base rate may continue until repayment or renewal, as the case may be. Existing borrowers will also have the option to move to the MCLR linked loan on mutually acceptable terms; and

9. banks will continue to review and publish the base rate as hitherto.

Bank Recapitalisation

In October 2017, the Government proposed a total recapitalisation package for the public-sector banks of Rs. 2.11 trillion (U.S.$32.4 billion) over the next two years, comprising the following:

1. recapitalisation bonds of Rs. 1.35 trillion (U.S.$20.7 billion);

2. capital raising by banks, by diluting government equity of Rs. 580 billion (U.S.$8.9 billion); and

3. budgetary provisions worth Rs. 181.4 billion (U.S.$2.8 billion).

The Government had used recapitalisation bonds to provide capital to banks from the 1990s until the early 2000s. Those were initially issued at a fixed interest rate and fixed tenor. In the early 2000s, the coupon was linked to T-bills and the bonds were converted into perpetual securities. At first, the bonds were neither tradable nor eligible for SLR (although they carried zero-risk weight), in order to avoid negatively affecting Government bond markets or banking-sector liquidity. In the mid-2000s, the recapitalisation bonds were converted to marketable securities in tranches and made SLR-eligible, which helped enhance liquidity of the recapitalisation bonds portfolio.

Implementation of Ind-AS – Guidance on the Expected Credit Loss ("ECL") Framework

The implementation of Ind-AS will mark a major shift from the current accounting framework followed by banks in India which is based on a melange of accounting standards and regulatory guidelines, especially in certain key areas, such as classification and measurement of financial instruments, and impairment of financial assets. Recent developments in the banking system underscore the continued importance of adequate provisioning, commensurate with the increase in credit risk. Applying an incurred loss provisioning framework can result in impairments that are recognised after the loss event has occurred, when the probability of default is close to 100 per cent. Provisions are not made as credit risk increases significantly (although short of default) even where bank management has information about stress/future likely losses. Ind-AS 109 expresses the view that delinquency is a lagging indicator of significant increase in credit risk. Banks are, therefore, expected to have credit risk assessment and measurement processes in place to ensure that credit risk increases are detected ahead of exposures becoming past due or delinquent, for timely transfer to lifetime ECLs. The standard differentiates between the three stages of credit risk:

- The financial assets in Stage 1 are those with no significant increase in credit risk since initial recognition, or financial instruments that have low credit risk at the reporting date. For these assets, 12-month ECLs are recognised in profit or loss.

- The financial instruments in Stage 2 are those which have experienced a significant increase in credit risk since initial recognition, but with no objective evidence of impairment. For such assets, lifetime

ECLs are recognised. This accounting treatment is based on the rationale that an economic loss arises when ECLs significantly exceed initial expectations. By recognising lifetime ECLs following a significant increase in credit risk, this economic loss is reflected in the financial statements.

- The financial instruments in Stage 3 comprise those for which objective evidence indicates impairment at the reporting date. These are typically non-performing loans where the bank considers that the borrower is unlikely to pay the existing debt. Lifetime ECLs are recognised for these exposures.

The estimated overall impact of Ind-AS on regulatory capital is likely to be adverse mainly due to the impairment requirements under it. In view of the capital constraints already faced by many banks, particularly public-sector banks, the RBI believes that it may be appropriate to introduce transitional arrangements for the impact of accounting changes on regulatory capital. The primary objective of a transitional arrangement is to avoid a 'capital shock', by giving banks time to rebuild their capital resources following a potentially significant negative impact arising from the introduction of ECL accounting. The RBI is also considering the introduction of 'regulatory floor' for provisioning in the regulatory capital calculation, i.e. when a bank makes lower accounting provisions than the standardised regulatory floor amounts, the shortfall would be deducted from the bank's CET capital, which would incentivise robust provisioning.

Credit Policy Measures

The RBI issues an annual policy statement setting out its monetary policy stance and announcing various regulatory measures. The RBI issues a review of the annual policy statement on a bi-monthly basis.

Monetary Policy Statements for 2016-17

First Bi-Monthly Monetary Policy Statement for Fiscal 2017 held in April 2016.

Monetary and Liquidity Measures

- Reduced the policy repo rate under the Liquidity Adjustment Facility ("**LAF**") by 25 basis points from 6.75 per cent. to 6.5 per cent.
- CRR remained unchanged at 4 per cent. Reduced the minimum daily cash maintenance of CRR from 95 per cent. to 90 per cent. with effect from the fortnight beginning 16 April 2016.
- Narrowed the policy rate corridor from +/-100 basis points to +/-50 basis points by reducing the Marginal Standing Facility ("**MSF**") rate by 75 basis points and increasing the reverse repo rate by 25 basis points.
- The MSF rate stood adjusted at 7 per cent., the bank rate at 7 per cent. and the reverse repo rate under the LAF at 6 per cent.
- The liquidity provided under term repos of 7-day and 14-day tenor remained unchanged at 0.75 per cent. of NDTL of the banking system while liquidity provided under overnight repos remained unchanged at 0.25 per cent. of bank-wise NDTL.
- Reduced the SLR by 25 basis points from 21.5 per cent. to 21 per cent. of NDTL.
- Introduced the MCLR for improving monetary policy transmission.

Second Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on 7 June 2016

Monetary and Liquidity Measures

- The policy repo rate under the LAF remained unchanged at 6.5 per cent.
- The MSF rate, Bank Rate and reverse repo rate remained unchanged at 7 per cent., 7 per cent. and 6 per cent., respectively.

- The liquidity provided under term repos of 7-day and 14-day tenor remained unchanged at 0.75 per cent. of NDTL of the banking system while liquidity provided under overnight repos remained unchanged at 0.25 per cent. of bank-wise NDTL.

Third Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on 9 August 2016

Monetary and Liquidity Measures

- The policy repo rate under the LAF remained unchanged at 6.5 per cent.
- The MSF rate remained unchanged at 7 per cent., the Bank Rate at 7 per cent. and the reverse repo rate under the LAF at 6 per cent.
- The liquidity provided under term repos of 7-day and 14-day tenor remained unchanged at 0.75 per cent. of NDTL of the banking system while liquidity provided under overnight repos remained unchanged at 0.25 per cent. of bank-wise NDTL.

Fourth Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on 4 October 2016

Monetary and Liquidity Measures

- Reduced the policy repo rate under the LAF by 25 basis points from 6.5 per cent. to 6.25 per cent. with immediate effect.
- CRR of scheduled banks remained unchanged at 4 per cent. of NDTL.
- Continued to provide liquidity under overnight repos at 0.25 per cent. of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as allowed longer term repos of up to 0.75 per cent. of NDTL of the banking system through auctions.
- Continued with daily variable rate repos and reverse repos to smoothen the liquidity.
- The reverse repo rate under the LAF stands adjusted to 5.75 per cent., and the MSF rate and the Bank Rate to 6.75 per cent.
- SLR adjusted to 20.75 per cent. from 21 per cent. with effect from 1 October 2016.

Fifth Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on 7 December 2016

Monetary and Liquidity Measures

- Policy repo rate under the LAF unchanged at 6.25 per cent.
- CRR of scheduled banks unchanged at 4 per cent. of NDTL.
- Continued to provide liquidity under overnight repos at 0.25 per cent. of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as allowed longer term repos of up to 0.75 per cent. of NDTL of the banking system through auctions.
- Continued with daily variable rate repos and reverse repos to smoothen the liquidity.
- The reverse repo rate under the LAF remained unchanged at 5.75 per cent., and the MSF rate and the Bank Rate at 6.75 per cent.
- Withdrew the incremental CRR of 100 per cent. of increase in NDTL which was introduced between 16 September 2016 and 11 November 2016 to absorb excess liquidity in the system due to withdrawal of legal tender status of Rs. 500 and Rs. 1,000.

Sixth Bi-Monthly Monetary Policy Statement for Fiscal 2017 held on 8 February 2017

Monetary and Liquidity Measures

- Policy repo rate under the LAF unchanged at 6.25 per cent.
- CRR of scheduled banks unchanged at 4 per cent. of NDTL.
- Continue to provide liquidity under overnight repos at 0.25 per cent. of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as longer term repos of up to 0.75 per cent. of NDTL of the banking system through auctions.
- Continue with daily variable rate repos and reverse repos to smooth liquidity.
- The reverse repo rate under the LAF remained unchanged at 5.75 per cent., and the MSF rate and the Bank Rate at 6.75 per cent.

Monetary Policy Statements for 2017-18

First Bi-Monetary Policy Statement for Fiscal 2018 held in April 2017

Monetary and Liquidity Measures

- Policy repo rate under the LAF unchanged at 6.25 per cent.
- CRR of scheduled banks unchanged at 4 per cent. of NDTL.
- Continued with daily variable rate repos and reverse repos for smooth liquidity.
- Reverse repo rate under the LAF increased by 25 bps to 6 per cent. and the MSF rate and Bank Rate have been reduced by 25 bps to 6.50 per cent.

Second Bi-Monthly Monetary Policy Statement for Fiscal 2018 held in October 2017

Monetary and Liquidity Measures

- Policy repo rate unchanged at 6 per cent. and reverse repo rate at 5.75 per cent.
- CRR of scheduled banks unchanged at 4 per cent. of NDTL.
- The MSF rate and the Bank Rate at 6.25 per cent.
- Policy repo rate unchanged at 6 per cent.
- Reverse repo rate at 5.75 per cent.
- MSF and Bank Rate at 6.25 per cent.

Third Bi-Monthly Monetary Policy Statement for Fiscal 2018 held in February 2018

Monetary and Liquidity Measures

- Policy repo rate under the LAF unchanged at 6 per cent.
- Reverse repo rate under the LAF remains at 5.75 per cent. Marginal Standing Facility and Bank Rate at 6.25 per cent.
- Monetary Policy Statement for 2018-19

Monetary Policy Statements for 2017-18

First Bi-Monthly Monetary Policy Statement for Fiscal 2019 held in April 2018

Monetary and Liquidity Measures

- Policy repo rate under LAF at 6 per cent.
- Reverse repo rate unchanged at 5.75 per cent.
- MSF and Bank Rate at 6.25 per cent.

Second Bi-Monthly Monetary Policy Statement for Fiscal 2019 held in June 2018

Monetary and Liquidity Measures

- Increase of policy repo rate under LAF at 6.25 per cent.
- Reverse repo rate adjusted to 6 per cent. under the LAF
- MSF and Bank Rate changed to 6.50 per cent.

Third Bi-Monthly Monetary Policy Statement for Fiscal 2019 held in August 2018

Monetary and Liquidity Measures

- Increase the policy repo rate under LAF by 25 basis points to 6.50 per cent.
- Adjusted reverse repo rate under LAF to 6.25 per cent.
- MSF and Bank Rate adjusted to 6.75 per cent.

Fourth Bi-Monthly Monetary Policy Statement for Fiscal 2019 held in October 2018

Monetary and Liquidity Measures

- Policy repo rate at 6.5 per cent.
- Reverse repo rate under LAF kept at 6.25 per cent.
- MSF and Bank Rate unchanged at 6.75 per cent.

Fifth Bi- Monthly Monetary Policy Statement for Fiscal 2019 held in December 2018

Monetary and Liquidity Measures

- Policy repo rate at 6.5 per cent.
- Reverse repo rate under LAF at 6.25 per cent.
- MSF and the Bank Rate at 6.75 per cent.

Sixth Bi- Monthly Monetary Policy Statement for Fiscal 2019 held in February 2019

Monetary and Liquidity Measures

- Policy repo rate at 6.25 per cent.
- Reverse repo rate under LAF at 6.00 per cent.
- MSF at 6.50 per cent.

Reforms of the Non-Banking Financial Companies

Standards relating to income recognition, provisioning and capital adequacy were prescribed for non-banking financial companies in June 1994. Registered non-banking financial companies were required to achieve a minimum capital adequacy of 6.0 per cent. by the end of fiscal 1995 and 8.0 per cent. by the end of fiscal year 1996 and to obtain a minimum credit rating. To encourage companies to comply with the regulatory framework, the RBI announced in July 1996 certain liberalisation measures under which the non-banking financial companies registered with it and complying with the prudential norms and credit rating requirements were granted freedom from the ceiling on interest rates on deposits and amount of deposits. Other measures introduced include requiring non-banking financial companies to maintain a certain percentage of liquid assets and to create a reserve fund. The percentage of liquid assets to be maintained by non-banking financial companies has been revised uniformly upwards to 15.0 per cent. of public deposits since April 1999. From 1 January 2000, the requirement has been set at a minimum of 10.0 per cent. in approved securities and the remaining in unencumbered term deposits in any scheduled commercial bank, the aggregate of which shall not be less than 15.0 per cent. of the "public deposit" outstanding at the close of business on the last working day of the second preceding quarter. The maximum rate of interest that non-banking financial companies could pay on their public deposits was reduced from 12.5 per cent. per annum to 11.0 per cent. per annum effective 4 March 2003. Effective 24 April 2007, the maximum rate of interest on public deposits accepted by non-banking financial companies was increased to 12.5 per cent. per annum.

Efforts have also been made to integrate non-banking financial companies into the mainstream financial sector. The first phase of this integration covered measures relating to registrations and standards. The focus of supervision has now shifted to non-banking financial companies accepting public deposits. This is because companies accepting public deposits are required to comply with all the directions relating to public deposits, prudential norms and liquid assets. A task force on non-banking financial companies set up by the Government submitted its report in October 1998 and recommended several steps to rationalise the regulation of non-banking financial companies. Accepting these recommendations, the RBI issued new guidelines for non-banking financial companies in December 1998, which were as follows:

- a minimum net owned fund of Rs. 2.5 million is mandatory before existing non-banking financial companies may accept public deposits;
- a minimum investment grade rating is compulsory for loan and investment companies accepting public deposits, even if they have the minimum net owned funds;
- permission to accept public deposits was also linked to the level of capital to risk assets ratio. Different capital to risk assets ratio levels for non-banking financial companies with different ratings were specified; and
- non-banking financial companies were advised to restrict their investments in real estate to 10.0 per cent. of their net owned funds.

In the monetary and credit policy for fiscal 2000, the RBI stipulated a minimum capital base of Rs. 20 million for all new non-banking financial companies. This measure was implemented by a notification dated 21 April 1999. In this regard, draft guidelines were introduced on 21 May 2007 whereby the requirement of a minimum net owned fund of Rs. 20 million was proposed to be extended to all NBFCs. Subsequent to the Government's budget for fiscal 2002, the procedures for foreign direct investment in NBFCs were substantially liberalised.

During fiscal 2003, the RBI introduced a number of measures to enhance the regulatory and supervisory standards of non-banking financial companies, especially in order to bring them in line with commercial banks, in select operations, over a period of time. Other regulatory measures adopted and subsequently revised in November 2004 included aligning interest rates in this sector with the rates prevalent in the rest of the economy, tightening prudential norms and harmonising supervisory directions with the requirements of the Companies

Act, 1956, procedural changes in nomination facilities, issuance of a Know Your Customer policy and allowing non-banking financial companies to enter the insurance agency business.

In 2005, the RBI introduced stricter regulatory measures for non-banking financial companies, including stringent reporting requirements and revised Know Your Customer guidelines.

On 11 May 2010, the RBI decided to modify the extant ECB policy in respect of IFCs. As per the extant norms, IFCs have been permitted to avail of ECBs for on-lending to the infrastructure sector, as defined in the extant ECB policy, under the approval route. As a measure of liberalisation of the existing procedures, it was decided to permit the IFCs to avail of ECBs, including the outstanding ECBs, up to 50.0 per cent. of their owned funds under the automatic route, subject to their compliance with the prudential guidelines already in place. ECBs incurred by IFCs in excess of 50.0 per cent. of their owned funds would require the approval of the RBI and would, therefore, be considered under the approval route. All the other aspects of the ECB policy remained unchanged.

In February 2011, the RBI decided to align the minimum capital ratio of all deposit taking as well as systemically important non-deposit-taking NBFCs to 15 per cent. Accordingly, all deposit taking NBFCs were required to maintain a minimum capital ratio consisting of Tier I and Tier II capital, which shall not be less than 15 per cent. of its aggregate risk-weighted assets on balance sheet and risk adjusted value of off-balance sheet items with effect from 31 March 2012.

In March 2011, the RBI decided to prohibit NBFCs from contributing capital to any partnership firm or to be partners in partnership firms in view of the risks involved in NBFCs associating themselves with partnership firms. In the case of existing partnerships, NBFCs may seek early retirement from the partnership firms.

Pursuant to the master directions issued by the RBI in relation to NBFCs accepting public deposits, the net owned funds should be Rs. 250 million subject to obtaining a minimum investment grade or credit rating for fixed deposits from any approved credit rating agencies at least once a year. However, for asset finance companies, in case the minimum investment grade rating is not obtained by 31 March 2016, such asset finance companies shall not be able to renew existing deposits or accept fresh deposits. Further, pursuant to the master directions issued by the RBI in relation to systemically important NBFCs and non-systemically important NBFCs not accepting public deposits are required to maintain net owned funds of Rs. 20 billion to commence or carry on the business of an NBFC, except as specified otherwise.

Guidelines on Liquidity Risk Management and Basel III Framework on Liquidity Standards

To address the deficiencies witnessed in liquidity risk management in the recent crisis and to strengthen liquidity risk management in banks, the BCBS published "Principles for Sound Liquidity Risk Management and Supervision" in September 2008. This was followed by the publication of "Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring" in December 2010, i.e. the Basel III rules text on liquidity prescribing two minimum global regulatory standards, namely the LCR and the NSFR for liquidity risk and a set of five monitoring tools.

In accordance with this, the RBI, being a member of the BCBS, released draft guidelines "Liquidity Risk Management and Basel III Framework on Liquidity Standards" in February 2012. The final guidelines on Basel III capital regulations were issued on 2 May 2012. These guidelines were scheduled to be implemented on 1 January 2013 in a phased manner and were scheduled to be fully implemented on 31 March 2018. Subsequently, the implementation date for Basel III capital regulations was changed to 1 April 2013 from 1 January 2013 to align the implementation date with the Indian fiscal year.

The Basel III Framework on Liquidity Standards –NSFR – Final Guidelines introduced on 17 May 2018 to be effective from 1 April 2020.

Compliance with Basel II and Basel III Requirements

In April 2011, the RBI issued guidelines to banks in relation to moving towards the "Advanced Measurement Approach" ("**AMA**") for computing capital for operational risk. According to the AMA guidelines, banks are required to submit their letter of intent to migrate to the AMA followed by a detailed application to the RBI for migrating to the advanced measurement approach. The Bank had submitted its letter of intent for migration to the AMA in September 2012. On the basis of the RBI's permission, the Bank had made its final application for moving to the AMA in September 2014. The RBI had undertaken an off-site and on-site assessment of the Bank's preparedness and had granted approval to the Bank to migrate to the AMA on a parallel run basis in June 2015.

In April 2010 and March 2012, the RBI issued guidelines relating to switching over to (i) the "Internal Model Approach" for computing capital for market risk and (ii) the "Internal Ratings-Based Approach" ("**IRB**") for computing capital for credit risk, respectively.

The Bank has constituted a Basel Credit Risk Committee which comprises the deputy MD, the CRO and the group head of finance and audit functions, which meets on a quarterly basis to oversee the progress of the preparation for the IRB. The Committee is also responsible for approving various IRB-related policies which are presented to it from time to time. Further, the Committee also reviews the capital impact as per the IRB approach and provides guidance on reviews of the methodology used from time to time.

The Bank had completed a self-assessment of its preparation to migrate to the IRB approach and, with the approval of the Risk Policy and Monitoring Committee of the Board, submitted a letter of intent to the RBI for migrating to the IRB approach. Following the submission of additional information and further interaction with the RBI officials, the Bank has been allowed by the RBI to participate in the parallel run process for the Foundation IRB approach for regulatory capital calculation for credit risk, subject to certain conditions. During the parallel run period, the Bank is required to provide data and/or information as per prescribed returns to the RBI on a quarterly basis. Quantitative disclosures in line with pillar 3 disclosures under the Basel III guidelines as mandated by the RBI for commercial banks are disclosed in the Regulatory Disclosure Section of the Bank's website on a quarterly basis.

With regards to market risk capital charge, the Bank currently follows the standardised approach (being the standardised measurement methodology) prescribed by the regulator and has further put in place a risk analytics system towards developing capability for adopting an internal model approach. The Basel III guidelines have been introduced with a view to improve the banking sector's ability to absorb shocks arising from any financial and economic stress from whatever source and with the aim of supplementing the risk-based capital requirement with a leverage ratio that requires capital for all "on and off balance sheet" items, thus shifting the focus towards common equity capital.

During fiscal 2014, the Bank made concurrent qualified institutions placements and a public offering of American depositary shares each representing three equity shares. The aggregate funds received from these issuances was Rs. 97,661 million. Furthermore, the Bank continuously takes measures to be in compliance with the phasing in of capital and leverage ratio requirements under the Basel III guidelines as per the schedule prescribed by the RBI.

SFBs and Payment Banks

The RBI on 27 November 2014 issued guidelines for the licensing of payment banks and SFBs in the private sector, which was further updated by way of a notification dated 29 October 2018. The primary objective of setting up the payment banks and SFBs was to further financial inclusion by providing (i) small savings accounts and (ii) payments/remittance services to a migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users, by enabling high-volume low-value transactions in deposits and payments/remittance services in a secured technology driven environment. The RBI received

72 applications for SFBs and 41 applications for payment banks. In August 2015, 11 entities were granted "in-principle" approval from the RBI for the setting up of payment banks while 10 entities were provided "in-principle" approval for the setting up of SFBs. However, as at the date of this Offering Circular, of the 11 payment banks, 3 applicants had surrendered their payment bank licences.

Key features of the Small Finance Bank guidelines are as follows:

Eligible promoters

Resident individuals/professionals with 10 years' experience in banking and finance and companies and societies "owned and controlled by residents" will be eligible to set up SFBs. Existing NBFCs, micro-finance institutions, and local area banks ("**LABs**") that are "owned and controlled by residents" can also opt for conversion into SFBs. Promoter/promoter groups should be "fit and proper", with a sound track record of professional experience or of running their businesses for a period of at least five years in order to be eligible to promote SFBs.

Scope of activities

- The SFBs shall primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections, including small business units, small and marginal farmers, micro and small industries and unorganised sector entities.
- There will not be any restriction in the area of operations of SFBs.

Capital requirement

The minimum paid-up equity capital for SFBs shall be Rs. 100 million.

Promoter's contribution

The promoter's minimum initial contribution to the paid-up equity capital of such small finance bank shall be at least 40 per cent. and shall gradually be brought down to 26 per cent. within 12 years of the date of commencement of business of the bank.

Foreign shareholding

The foreign shareholding in SFBs would be as per the FDI policy for private sector banks as amended from time to time.

Prudential norms

- The SFBs will be subject to all prudential norms and regulations of the RBI as applicable to existing commercial banks, including the requirement of maintenance of CRR and SLR. No forbearance would be provided for complying with the statutory provisions.
- The SFBs will be required to extend 75 per cent. of their ANBC to the sectors eligible for classification as PSL by the RBI.
- At least 50 per cent. of their loan portfolio should constitute loans and advances of up to Rs. 2.5 million.

Transition path

If a small finance bank aspires to transit into a universal bank, such transition will not be automatic, but would be subject to fulfilling the minimum paid-up capital/net worth requirement as applicable to universal banks, its satisfactory track record of performance as a small finance bank and the outcome of the RBI's due diligence exercise.

Key features of the Payments Banks guidelines are as follows:

Eligible promoters

- Existing non-bank pre-paid payment instrument issuers and other entities such as individuals/professionals, NBFCs, corporate Business Correspondents ("**BCs**"), mobile telephone companies, supermarket chains, companies, real sector co-operatives that are "owned and controlled by residents", and public-sector entities may apply to set up payments banks.
- A promoter/promoter group can have a joint venture with an existing SCB to set up a payments bank. However, an SCB can take an equity stake in a payments bank to the extent permitted under Section 19(2) of the Banking Regulation Act.
- Promoter/promoter groups should be "fit and proper", with a sound track record of professional experience or of running their businesses for a period of at least five years in order to be eligible to promote payments banks.

Scope of activities

- Acceptance of demand deposits. Payments banks will initially be restricted to holding a maximum balance of Rs. 100,000 per individual customer.
- Issuance of ATM/debit cards. Payments banks, however, cannot issue credit cards.
- Payments and remittance services through various channels.
- BC of another bank, subject to the RBI guidelines on BCs.
- Distribution of non-risk sharing simple financial products such as mutual fund units and insurance products, etc.

Deployment of funds

- The payments banks cannot undertake lending activities.
- Apart from amounts maintained as CRR with the RBI on its outside demand and time liabilities, payments banks will be required to invest a minimum of 75 per cent. of their "demand deposit balances" in SLR eligible Government securities/treasury bills with a maturity of up to one year and to hold a maximum 25 per cent. in current and time/fixed deposits with other SCBs for operational purposes and liquidity management.

Capital requirement

- The minimum paid-up equity capital for payments banks shall be Rs. 100 million.
- The payments banks should have a leverage ratio of not less than 3 per cent., i.e. their outside liabilities should not exceed 33.33 times their net worth (paid-up capital and reserves).

Promoter's contribution

The promoter's minimum initial contribution to the paid-up equity capital of such payments bank shall be at least 40 per cent. for the first five years from the commencement of its business.

Foreign shareholding

The foreign shareholding in the payments banks would be as per the FDI policy for private sector banks as amended from time to time.

Other conditions

- The operations of the banks should be fully networked, and technology driven from the beginning, conforming to generally accepted standards and norms.
- The banks should have a high-powered customer grievances cell to handle customer complaints.

Developments in the Banking Sector

Implementation of the Basel III capital regulations

In December 2010, the BCBS issued a comprehensive reform package of capital regulations, known as Basel III. The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spill over from the financial sector to the real economy. The RBI issued the RBI Basel III Capital Regulations in 2012 and the guidelines became operational from 1 April 2013. However, the reform package and guidelines will be implemented in a phased manner. On 31 December 2013, the RBI further extended the implementation of credit valuation adjustment risk to 1 April 2014, and, on 27 March 2014, extended the deadline for full implementation of Basel III requirements to 31 March 2019. *(Source: RBI Circular DBOD.No.BP.BC.81/21.06.201/2013-14 dated 31 December 2013 and RBI Circular DBOD.No.BP.BC.102/21.06.201/2013-14 dated 27 March 2013).*

Under Basel III, the total capital of a bank in India must be at least 9 per cent. of RWAs (8 per cent. as specified by the BCBS), Tier I capital must be at least 7 per cent. of RWAs (6 per cent. as specified by the BCBS) and CET I capital must be at least 5.50 per cent. of RWAs (4.50 per cent. as specified by the BCBS). Due to the transitional arrangements, the capital requirements of banks may be lower during the initial periods and higher during later years. Therefore, banks have been advised to do their capital planning accordingly. In addition to the minimum requirements as indicated above, banks are required to maintain a CCB in the form of common equity of 2.50 per cent. of RWAs. Under the RBI Basel III Guidelines, total capital with CCB has been fixed at 11.50 per cent. of RWAs. In July 2014, the RBI released the "Final Report of the Internal Working Group on Implementation of Counter-cyclical Capital Buffer ("**CCCB**")", which requires banks to maintain a buffer of up to 2.5 per cent. of RWAs in periods of high credit growth as a precaution for downturn.

Furthermore, under Basel III, a simple, transparent, non-risk-based leverage ratio has been introduced. The BCBS will test a minimum Tier I leverage ratio of 3 per cent. during a parallel run period from 1 January 2013 to 1 January 2017. The RBI has prescribed that during this parallel run period banks should strive to maintain their existing leverage ratios, but in no case should a bank's leverage ratio fall below 4.50 per cent. Banks whose leverage is below 4.50 per cent. have been advised to achieve this target as early as possible. This leverage ratio requirement is yet to be finalised and will be finalised taking into account the final proposals of the BCBS *(Source: RBI Annual Report 2011-2012)*. Additionally, in June 2014, the RBI released guidelines for an LCR as part of the Basel III framework on liquidity standards, which will require minimum LCRs starting at 60 per cent. as at 1 January 2015, increasing in equal annual steps to 100 per cent. by 1 January 2019.

Furthermore, Additional Tier I non-equity capital instruments under Basel III are expected to provide additional features such as full coupon discretion, and principal loss absorption when the common equity ratio of a bank falls below 6.125 per cent. of its RWAs. In the case of Tier II non-equity capital instruments, the distinction between Upper Tier II and Lower Tier II instruments under Basel II is removed and a single class of Tier II instrument eligibility criteria has been prescribed. Additionally, under Basel III, loss absorption features have been included in the event of the occurrence of the "Point of Non-Viability" trigger. The RBI has also fixed the base at the nominal amount of capital instruments outstanding on 1 January 2013, and their recognition will be capped at 90 per cent. from 1 April 2013, with the cap reducing by 10 per cent. points in each subsequent year.

On 31 August 2015, the RBI designated the State Bank of India and ICICI Bank Ltd. as domestic systematically important banks ("**D-SIB**"). Based on the methodology provided in the D-SIB framework and data collected from banks as at 31 March 2015, the State Bank of India and ICICI Bank Ltd. will have to provide additional CET 1 requirements as a percentage of RWAs of 0.6 per cent. and 0.2 per cent., respectively. The CET 1 requirements applicable to D-SIBs will be applicable from 1 April 2016 in a phased manner and would become fully effective from 1 April 2019. The additional CET 1 requirements will be in addition to the CCB.

Dynamic provisioning guidelines

At present, banks generally make two types of provisions; general provisions on standard assets, and specific provisions on NPAs. Since the level of NPAs varies through the economic cycle, the resultant level of specific provisions also behaves cyclically. Consequently, lower provisions during upturns and higher provisions during downturns have a pro-cyclical effect on the real economy.

To address the pro-cyclicality of capital and provisioning, efforts at an international level are being made to introduce countercyclical capital and provisioning buffers. The RBI has prepared a discussion paper on a countercyclical (dynamic) provisioning ("**DP**") framework.

The DP framework is based on the concept of expected loss ("**EL**"), which is the average level of losses a bank can reasonably expect to experience and is considered the cost of doing business. It is generally covered by provisioning and pricing. The objective of DP is to soften the impact of incurred losses on the results of operations through the economic cycle, and not to provide a general provisioning cushion for EL. More specifically, the DP created during a year will be the difference between the long run average EL of the portfolio for one year and the incremental specific provisions made during the year. The parameters of the model suggested in the discussion paper are calibrated based on the data of Indian banks. Banks that have the capability to calibrate their own parameters may, with the prior approval of the RBI, introduce a DP framework using the theoretical model indicated by the RBI. Other banks will have to use the standardised calibration provided by the RBI. *(Source: RBI Annual Report 2011-2012 and Discussion Paper on Introduction of Dynamic Loan Loss Provisioning Framework for Banks in India dated 30 March 2012.)*

The RBI, in its circular dated 30 March 2015, has decided that, as a countercyclical measure, a bank may utilise up to 50 per cent. of the countercyclical provisioning buffer/floating provisions held by it as of 31 December 2014 for making specific provisions for NPAs, as per the policy approved by the bank's Board of Directors. The RBI further clarified that the use of the countercyclical provisioning buffer/floating provisions under this measure may be over and above the use of the countercyclical provisioning buffer/floating provisions as proposed in the RBI's circular of 26 February 2014 on "Framework for Revitalising Distressed Assets in the Economy – Refinancing of Project Loans, Sale of NPAs and Other Regulatory Measures". The February 2014 circular also emphasises that all banks should develop the necessary capabilities to have a dynamic loan loss provisioning framework in place which would enable them to build up a "DP account" during good times and utilise the same during a downturn.

The Master Direction issued by the RBI on 12 May 2016 titled "Master Direction – Ownership in Private Sector Banks, Directions, 2016" provides the applicable shareholding ceilings in private sector banks to various categories of shareholders. It states that the ownership limits for all shareholders in the long run shall be based on categorisation of the shareholders under two broad categories, namely (i) natural persons (individuals) and (ii) legal persons (entities or institutions). Further, non-financial and financial institutions and, among financial institutions, diversified and non-diversified financial institutions shall have separate limits for shareholding, as below:

- in the case of individuals and non-financial entities (other than promoters or promoter groups), the limit shall be 10 per cent. of the paid-up capital. However, in the case of promoters being individuals and non-financial entities in existing banks, the permitted promoter or promoter group shareholding shall be in line with the permitted level in the 22 February 2013 guidelines on the licensing of universal banks at 15 per cent.;

- in the case of entities from the financial sector, other than regulated or diversified or listed, the limit shall be 15 per cent. of the paid-up capital;
- in the case of "regulated, well diversified, listed entities from the financial sector" and shareholding by supranational institutions or public sector undertakings or Government, a uniform limit of up to 40 per cent. of the paid-up capital is permitted for promoters, promoter groups and non-promoters; and
- higher stake or strategic investment by promoters, non-promoters through capital infusion by domestic or foreign entities or institutions shall be permitted on a case-by-case basis under circumstances, among others, such as relinquishment by existing promoters, rehabilitation, restructuring of problems, weak banks, entrenchment of existing promoters, or if it is in the interests of the bank or in the interests of consolidation in the banking sector.

Future Outlook and Key Trends

Going forward, banks will need to move towards the mandated higher capital standards, stricter liquidity and leverage ratios and a more cautious approach to risk. This implies that Indian banks will need to improve efficiency even as their costs of doing business increase. They will need to refine their risk management skills for enterprise-wide risk management. In addition, banks need to have in place a fair and differentiated risk pricing of products and services, since capital comes at a cost. This involves costing, a quantitative assessment of revenue streams from each product and service and an efficient transfer-pricing mechanism that would determine capital allocation.

SUPERVISION AND REGULATION

The following description is a summary of certain sector specific laws and regulations in India, which are applicable to the Bank. The information detailed in this chapter has been taken from publications available in the public domain. The regulations set out below may not be exhaustive and are only intended to provide general information to the investors and are neither designated nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

The main legislation governing commercial banks in India is the Banking Regulation Act. The provisions of the Banking Regulation Act are in addition to and not, save as expressly provided in the Banking Regulation Act, in derogation of the Companies Act, 2013 and any other law for the time being in force. Other important laws include the RBI Act, the Negotiable Instruments Act, 1881, the Foreign Exchange Management Act, 1999, the (SARFAESI Act, Recovery of Debts Due and Bankruptcy Act, 1993 (the "**RDDB Act**") (formerly titled as Recovery of Debts Due to Banks and Financial Institutions Act, 1993), the IBC and Banker's Books Evidence Act, 1891, as amended from time to time. Additionally, the RBI, from time to time, issues guidelines to be followed by the Bank, under the various provisions of the Banking Regulation Act. Compliance with all regulatory requirements is evaluated with respect to financial statements under Indian GAAP and Ind-AS according to the implementation roadmap drawn up by the Indian Ministry of Corporate Affairs as applicable. Banks listed on a stock exchange in India are also subject to various regulations of the SEBI.

The RBI Regulations

The opening of new branches and shifting of existing branches of banks are governed by the Banking Regulation Act. Before granting any permission on an annual basis, the RBI may require to be satisfied, by an inspection, as to the financial condition and history of the banking company, the general character of its management, the adequacy of its capital structure and earning prospects and that public interest will be served by the opening or, as the case may be, change of location of the existing place of business. The RBI may cancel the license for violations of the conditions under which it was granted. The RBI issues instructions and guidelines to banks on branch authorisation from time to time, including guidelines allowing banking companies to open new branches, closure and shifting of branches/extension counters/ATMs. The RBI notified the Revised Guidelines - Opening of new place of business and transfer of existing places of business on 18 May 2017, which allowed domestic SCBs (other than Regional Rural Banks), unless otherwise specifically restricted by RBI, to open branches and banking outlets in Tier 1 to Tier 6 centers without prior permission from RBI, subject to the conditions laid down by RBI.

Financial Services Guidelines

The RBI had released the Master Directions on Reserve Bank of India (Financial Services Provided by Banks) on 26 May 2016, which were further revised on 25 September 2017. These master directions set out the permissible financial services that may be undertaken by SCBs in India. Various basic conditionalities have also been imposed for undertaking such financial services, including, but not limited to: (i) board-approved policy for the permitted activities and risk mitigation; (ii) compliance with KYC/AML/CFT norms applicable to banks; and (iii) prudential regulations (including minimal capital requirements and investment limits) for the financial services conducted by banks in India.

Capital Adequacy Requirements

On 2 May 2012, the RBI issued guidelines based on the Basel III reforms on capital regulation to the extent applicable to banks operating in India. The Basel III capital regulation has been implemented from 1 April 2013 in India and the transitional period for the full implementation of the Basel III capital regulations is up to 31 March 2020. Banks have to comply with the regulatory limits and minima as prescribed under Basel III capital regulations, on an ongoing basis.

The Basel III Guidelines impose a minimum CET 1 risk-based capital ratio of 5.50 per cent. and require banks to maintain a minimum capital to risk-weighted asset ratio of 9 per cent. on an ongoing basis, of which a minimum of 7 per cent. must be Tier 1 capital. The Basel III Guidelines focus on enhancing quality and quantity of capital, introduction of CCB and leverage ratio. The Guidelines also enhance the risk coverage by increasing the capital requirement for certain asset classes (e.g. claims on banks, securitisation) and introducing credit value adjustment on the derivatives portfolio. The Basel III Guidelines require, among other things, higher levels of Tier 1 capital, including common equity, deductions from CET 1 capital for investments in subsidiaries (with minority interest), changes in the structure of debt instruments and preference shares eligible for inclusion in Tier 1 and Tier 2 capital, criteria for classification as common shares, methods to deal with credit risk and reputational risk, capital charges for credit risks, introduction of a leverage ratio and criteria for investments in capital of banks, financial and insurance entities (including where ownership is less than 10 per cent.). The Basel III Guidelines also stipulate that non-equity Tier 1 and Tier 2 capital should have loss-absorbency characteristics, which require them to be written down or be converted into common equity upon the occurrence of a pre-specified trigger event. It also provides for more limited recognition of minority interests in the regulatory capital of a consolidated banking group and imposes a 4.50 per cent. Basel III leverage ratio of Tier 1 capital-to-exposure measure.

The below table summarises the capital requirements under Basel III Guidelines for banks in India:

Sr. No.	**Regulatory Capital**	**As % of Risk-weighted assets (as at 31 March 2020)**
i.	Minimum CET I Ratio	5.5%
ii.	CCB (Comprising Common Equity)	2.5%
iii.	Minimum CET I Ratio plus CCB [(i)+(ii)]	8.0%
iv.	Additional Tier I Capital	1.5%
v.	Minimum Tier I Capital Ratio [(i)+(iv)]	7.0%
vi.	Tier II Capital	2.0%
vii.	Minimum Total Capital Ratio (MTC) [(v)+(vi)]	9.0%
viii.	Minimum Total Capital Ratio plus CCB [(vii)+(ii)]	11.5%

To ensure a smooth transition to Basel III, transitional arrangements have been provided for meeting the minimum Basel III capital ratios, full regulatory adjustments to the components of capital etc. Consequently, Basel III capital regulations would be fully implemented as of 31 March 2020. In view of the gradual phase-in of regulatory adjustments to the common equity component of Tier I capital under Basel III, certain specific prescriptions of the Basel II capital adequacy framework (e.g. rules relating to deductions from regulatory capital, risk-weighting of investments in other financial entities etc.) applied until 31 March 2017 on the remainder of regulatory adjustments not treated in terms of Basel III rules. The phase-in arrangements for capital requirements for banks operating in India are indicated in the following table:

Minimum-capital ratios (as % of Risk-weighted assets)	**1 April 2013**	**1 April 2014**	**1 April 2015**	**1 April 2016**	**1 April 2017**	**1 April 2018**	**1 April 2020**
Minimum CET I	4.5%	5.0%	5.5%	5.5%	5.5%	5.5%	5.5%
CCB................................	—	—	—	0.625%	1.25%	1.875%	2.5%
Minimum CETI + CCB ...	4.5%	5.0%	5.5%	6.125%	6.75%	7.375%	8.0%

Minimum-capital ratios (as % of Risk-weighted assets)	**1 April 2013**	**1 April 2014**	**1 April 2015**	**1 April 2016**	**1 April 2017**	**1 April 2018**	**1 April 2020**
Minimum Tier I Capital...	6.0%	6.5%	7.0%	7.0%	7.0%	7.0%	7.0%
Minimum Total Capital(1)	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Minimum Total Capital + CCB................................	9.0%	9.0%	9.0%	9.625%	10.25%	10.875%	11.5%
Phase-in of all deduction from CETI(2) (in %)	20	40	60	80	100	100	100

Notes:

(3) The difference between the minimum total capital requirement of 9 per cent. and the Tier I requirement can be met with Tier II and higher forms of capital.

(4) The same transition approach will apply to deductions from additional Tier I and Tier II capital.

To improve the quality and quantity of regulatory capital, the Basel III Guidelines provide for common equity to be the predominant part of CET 1 capital, while additional Tier 1 capital ("**Additional Tier 1 Capital**") and Tier 2 capital continue to form part of the regulatory capital.

Common Equity is recognised as the highest quality component of capital and is the primary form of funding that ensures that a bank remains solvent. It comprises paid-up capital and reserves consisting of any statutory reserves, free reserves and capital reserve, as reduced by regulatory adjustments/deductions applied in the calculation of CET 1 capital. Additional Tier I capital comprises perpetual debt and any other instrument generally notified by the RBI from time to time for inclusion in Additional Tier 1 Capital as reduced by regulatory adjustments/deductions applied in the calculation of Tier 1 capital.

Tier II capital consists of undisclosed reserves, general provisions and loss reserves (allowed up to a maximum of 1.25 per cent. of weighted risk assets), hybrid debt capital instruments (which combine features of both equity and debt securities), cumulative perpetual preference shares (which should be fully paid-up and should not contain clauses that permit redemption by the holder) and subordinated debt with an initial maturity of not less than five years.

Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the risk-weighted total of certain funded and non-funded exposures. Degrees of credit risk expressed as risk-weights have been assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant risk-weight and conversion factor to produce risk-adjusted values of assets and off-balance sheet items. These risk weights are applied to various balance sheet items based on the rating distribution, assigned by various credit rating agencies. Standby letters of credit and guarantees are treated as similar to funded exposure and are subject to a 100 per cent. credit conversion factor. The credit conversion factor for certain off-balance sheet items such as performance bonds, bid bonds and standby letters of credit related to particular transactions is 50 per cent. while that for short-term, self-liquidating, trade-related contingencies such as documentary credits collateralised by the underlying shipments is 20 per cent. The credit conversion factor for undrawn commitments is either 20 per cent., or 50 per cent., as based on the original maturity of the facility. Unconditionally cancellable undrawn commitments have a credit conversion factor of 0 per cent. Currently, residential mortgages are risk-weighted on the basis of loan-to-value ratio and amount of loan. Claims on non-deposit-taking systematically important NBFCs are risk-weighted at 100 per cent. Consumer credit and advances included in capital market exposure at 125 per cent., exposure to venture capital funds at 150 per cent. Other loans/credit exposures are risk-weighted based on their ratings or turnover. The RBI issued revised guidelines on securitisation of standard assets on 7 May 2012. The guidelines define a true sale, the criteria to be met by special purpose vehicles set up for securitisation, the policy on provision of credit enhancement facilities, liquidity facilities, underwriting facilities and provision of services. The guidelines also cover capital requirements on securitisation, prudential norms for investment in securities issued by special purpose vehicles, accounting treatment of the securitisation transactions and disclosure requirements.

On 22 July 2014, the RBI released the final framework for dealing with D-SIBs. The banks with systemic importance above a threshold will be designated as D-SIBs, which are segregated into five different buckets based on their systemic importance scores and are subject to loss absorbency capital surcharge in a graded manner depending on their respective buckets. D-SIBs will also be subjected to differentiated supervisory requirements and a higher intensity of supervision based on the risks they pose to the financial system. The higher capital requirements applicable to D-SIBs became applicable from 1 April 2016 in a phased manner and would become fully effective from 1 April 2019.

On 9 June 2014, the RBI issued guidelines on LCR, Liquidity Risk Monitoring Tools and LCR Disclosure Standards, under the Basel framework. The LCR has been introduced in a phased manner starting with a minimum requirement of 60 per cent. from 1 January 2015 and reaching a minimum 100 per cent. on 1 January 2019.

On 1 March 2016, the RBI, by way of a circular, revised the Basel III norms for the treatment of certain balance sheet items for the purposes of determining banks' regulatory capital. The salient features of the circular are:

(i) Revaluation reserves arising from change in the carrying amount of a bank's property consequent upon its revaluation would be considered as CET 1 instead of Tier 2 capital as hitherto. These would continue to be reckoned at a discount of 55 per cent.

(ii) Foreign currency translation reserves arising due to translation of financial statements of a bank's foreign operations to the reporting currency may be considered as CET 1 capital. These will be reckoned at a discount of 25 per cent.

(iii) Deferred tax assets arising due to timing differences may be recognised as CET 1 capital up to 10 per cent. of a bank's CET 1 capital.

Loan Loss Provisions and Non-Performing Assets

The RBI annually issues consolidated instructions and guidelines relating to income recognition, asset classification and provisioning standards in the Master Circular – "Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" which is issued annually, the latest one being dated 1 July 2015. These guidelines are revised from time to time. Similarly, the RBI annually issues consolidated instructions and guidelines relating to the valuation of investments in Master Circular – "Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks" requiring banks to classify NPAs into the following three categories: (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets, based on the period for which the asset has remained non-performing. These norms also specify provisioning requirements specific to the classification of the assets.

The RBI has issued guidelines on 18 April 2017 advising all SCBs to make additional provisions in respect of advances to stressed sectors of the economy. The banks are required to put in place a Board-approved policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors. This evaluation needs to be on a quarterly basis.

The RBI has issued guidelines on 1 September 2016 to restrict SCBss' investment in SRs backed by their own stressed assets. With effect from 1 April 2017, where the investment by a bank in SRs backed by stressed assets sold by it under an asset securitisation is more than 50 per cent. of the SRs backed by its sold assets and issued under that securitisation, the provisioning requirement on such SRs will be the higher of the provisioning rate required in terms of net asset value declared by the securitisation companies/reconstruction companies and the provisioning rate as applicable to the underlying loans, assuming that the loans notionally remained on the balance sheet of the bank. With effect from 1 April 2018, this threshold of 50 per cent. was reduced to 10 per cent.

Non-Performing Assets

Stressed Assets

Pursuant to the Banking Regulation (Amendment) Act, 2017, the Central Government has been granted the power to authorise the RBI to issue directions to one or more banking companies to initiate an insolvency resolution process in respect of a "default" under the IBC. The RBI has also been granted powers to issue directions to banks for resolution of stressed assets. The RBI has issued the revised framework on Resolution of Stressed Assets on 12 February 2018. According to the revised framework, banks are required to put in place board-approved policy for curing stress in accounts. As a guideline, as set out more specifically in the revised framework, banks are required to identify incipient stress in loan accounts, immediately on default, and classify such accounts into different categories of "special mention accounts" ("**SMAs**") depending on the time period that such default has been subsisting in such accounts. Upon identification and classification of the stressed account, the revised framework provides for different procedures for curing such stress which include change in ownership or restructuring and conversion of debt into equity. Pursuant to the circular, extant instructions on resolution of stressed assets such as a framework for revitalising distressed assets, a corporate debt restructuring scheme, flexible structuring of existing long-term project loans, strategic debt restructuring, change of ownership outside strategic debt restructuring and a scheme for sustainable structuring of stressed assets stand withdrawn. The joint lenders' forum as an institutional mechanism for resolution of stressed accounts has also been discontinued.

The stressed assets of the Bank are classified into the following two main categories:

(i) the NPAs; and

(ii) the SMAs.

Non-Performing Assets:

NPAs are defined as assets, including leased assets, which become non-performing when they cease to generate income for a bank. The RBI has stated the following criterion for recognising an NPA:

(i) there being a default in payment of interest and/or instalment of principal, or amounts due remain irregular for a period of more than 90 days in respect of a term loan, cash credits, overdrafts, bill discounting products, securitisation transactions or derivative transactions; or

(ii) the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops and the instalment of principal or interest thereon remains overdue for one crop season for long duration crops.

SMAs:

In January 2014, the RBI introduced a new concept of SMAs. The RBI has stated the following criterion for recognising SMAs:

SMA Sub-Categories	Basis for Classification
SMA-0..................................	Principal or interest payment not overdue for more than 30 days but account showing signs of the onset of stress
SMA-1..................................	Principal or interest payment overdue between 31 to 60 days

SMA Sub-Categories	Basis for Classification
SMA-2..................................	Principal or interest payment overdue between 61 to 90 days

"Out-of-Order" Status

An account should be treated as "out-of-order" if the outstanding balance remains continuously in excess of the sanctioned drawing limit for 90 days. In circumstances where the outstanding balance in the principal operating account is less than the sanctioned drawing limit, but (i) there are no credits continuously for a period of 90 days as at the date of the balance sheet of the bank or (ii) the credits are not sufficient to cover the interest debited during the same period, these accounts should be treated as "out-of-order".

Non-Performing Asset Classification

NPAs are classified as described below:

Sub-Standard Assets. Assets that are NPAs for a period not exceeding 12 months. In such cases, the current net worth of the borrower/guarantor or the current market value of the security charged is not enough to ensure recovery of dues to the bank in full. Such an asset has well-defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected.

Doubtful Assets. An asset would be classified as doubtful if it has remained in the sub-standard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that are classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss Assets. These are assets on which losses have been identified by the bank or internal or statutory auditors or an RBI inspection but the amount has not been written off fully.

There are separate guidelines for projects under implementation that are based on the achievement of financial closure, Date of Commencement of Commercial Operations ("**DCCO**") and the date of approval of the project financing.

The RBI also has separate guidelines for restructured loans. A fully secured standard asset can be restructured by rescheduling principal repayments and/or the interest element but must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or a provision is made to the extent of the sacrifice involved. The total provisions required against an account are capped at 100 per cent. of the outstanding debt amount. Similar guidelines apply to sub-standard assets. The sub-standard accounts that have been subjected to restructuring, whether in respect of principal instalment or interest amount, by whatever modality, are eligible to be upgraded to the standard category only after the specified period, i.e. a period of one year from the commencement of the first payment of interest or of principal, whichever is later, on the credit facility with the longest period of moratorium under the terms of the restructuring package subject to satisfactory performance during the period.

Disclosures in Notes to Accounts to the Financial Statements – Divergence in the asset classification and provisioning

As a part of its supervisory process, the RBI assesses compliance by banks with extant prudential norms on income recognition, asset classification and provisioning ("**IRACP**"). In order to bring in greater transparency, better discipline with respect to compliance with IRACP norms as well as to involve other stakeholders, the RBI has by way of its circular on 18 April 2017 mandated certain disclosures to be made in the notes to accounts to the financial statements of banks. The disclosure is required where the additional provisioning requirements assessed by the RBI exceed 15 per cent. of the published net profits after tax for the reference period or the additional gross NPAs identified by the RBI exceed 15 per cent. of the published incremental gross NPAs for the reference period.

These disclosures are required to be made in the notes to accounts in the ensuing annual financial statements published immediately following communication of any such divergence by the RBI to a bank.

Floating Provisions

By way of its Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances dated 1 July 2015, the RBI issued prudential norms on the creation and utilisation of floating provisions (i.e. provisions that are not made in respect of specific NPAs or are made in excess of regulatory requirements for provisions for standard assets). The norms state that floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions against non-performing accounts after obtaining approval from the board of directors and with the prior permission of the RBI. Floating provisions for advances and investments must be held separately and cannot be reversed by credit to the profit and loss account. Until utilisation of such provisions, they can be netted off from gross NPAs to compute the net NPAs. Alternatively, floating provisions could be treated as part of Tier II capital within the overall ceiling of 1.25 per cent. of total RWAs. Floating provisions do not include specific voluntary provisions made by banks for advances that are higher than the minimum provision stipulated by the RBI guidelines. The banks have a choice between deducting their existing floating provisions from gross NPAs to arrive at net NPAs or reckon it as part of Tier II capital subject to the overall ceiling of 1.25 per cent. of total RWAs.

Additional Provisions for Standard Advances at Higher Than the Prescribed Rates

Through a notification on 18 April 2017, the RBI prescribed that the provisioning rates prescribed in the Master Circular – Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances are the regulatory minimum and banks are encouraged to make provisions at higher rates in respect of advances to stressed sectors of the economy. With a view to ensure that banks have adequate provisions for loans and advances at all times, the RBI advised as follows:

(i) Banks shall put in place a Board–approved policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors.

(ii) The policy shall require a review, at least on a quarterly basis, of the performance of various sectors of the economy to which the bank has an exposure to evaluate the present and emerging risks and stress therein. The review may include quantitative and qualitative aspects like debt-equity ratio, interest coverage ratio, profit margins, ratings upgrade to downgrade ratio, sectoral NPAs/ stressed assets, industry performance and outlook, legal/ regulatory issues faced by the sector, etc. The reviews may also include sector specific parameters.

Provisioning for Investment in Security Receipts

When banks/FIs invest in the SRs/Pass-Through Certificates ("**PTCs**") issued by SCs/RCs, in respect of the financial assets sold by them to the SCs/RCs, the sale shall be recognised in books of the banks/FIs at the lower of:

- the redemption value of the SRs/PTCs; and
- the net book value ("**NBV**") (i.e. book value less provisions held), of the financial asset.

The above investment should be carried in the books of the bank/FI at the price as determined above until its sale or realisation, and on such sale or realisation, the loss or gain must be dealt with as follows:

(i) If the sale to SC/ RC is at a price below the NBV, the shortfall should be debited to the profit and loss account of that year. Banks can also use countercyclical/floating provisions for meeting any shortfall on sale of NPAs i.e. when the sale is at a price below the NBV.

(ii) Banks may reverse the excess provision on sale of NPAs, if the sale value is for a value higher than the NBV, to its profit and loss account in the year the amounts are received. However, banks can reverse excess provision arising out of sale of NPAs only when the cash received (by way of initial consideration and/or redemption of SRs/PTCs) is higher than the NBV of the asset. Further, reversal of excess provision will be limited to the extent to which cash received exceeds the NBV of the asset.

All instruments received by banks/FIs from SC/RC as sale consideration for financial assets sold to them and also other instruments issued by SC/RC in which banks/FIs invest will be in the nature of non-SLR securities. Accordingly, the valuation, classification and other norms applicable to investment in non-SLR instruments prescribed by the RBI from time to time would be applicable to such bank's/FI's investment in debentures/bonds/security receipts/PTCs issued by SC/RC. However, if any of the above instruments issued by SC/RC is limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the bank/FI shall reckon the Net Asset Value ("**NAV**"), obtained from SC/RC from time to time, for valuation of such investments.

Investment in Preference Shares & Non-Performing Investment ("NPI")

The valuation of preference shares should be on a yield to maturity ("**YTM**") basis. The preference shares will be issued by companies with different ratings. These will be valued with appropriate mark-up over the YTM rates for Government securities put out by the Primary Dealers' Association of India/Fixed Income Money Market and Derivatives Association of India periodically. The mark-up will be graded according to the ratings assigned to the preference shares by the rating agencies subject to the following:

(i) The YTM rate should not be lower than the coupon rate/ YTM for a Government loan of equivalent maturity.

(ii) The rate used for the YTM for unrated preference shares should not be less than the rate applicable to rated preference shares of equivalent maturity. The mark-up for the unrated preference shares should appropriately reflect the credit risk borne by the bank.

(iii) Investments in preference shares as part of the project finance may be valued at par for a period of two years after commencement of production or five years after subscription whichever is earlier.

(iv) Where investment in preference shares is as part of rehabilitation, the YTM rate should not be lower than 1.5 per cent. above the coupon rate/ YTM for a Government loan of equivalent maturity.

(v) Where preference dividends are in arrears, no credit should be taken for accrued dividends and the value determined on YTM should be discounted by at least 15 per cent. if arrears are for one year, and more if arrears are for more than one year. The depreciation/provision requirement arrived at in the above manner in respect of non-performing shares where dividends are in arrears shall not be allowed to be set-off against appreciation on other performing preference shares.

(vi) The preference share should not be valued above its redemption value.

(vii) When a preference share has been traded on a stock exchange within 15 days prior to the valuation date, the value should not be higher than the price at which the share was traded.

NPI

In respect of securities included in any of the three categories where interest/principal is in arrears, banks should not record income on the securities and should also make appropriate provisions for the depreciation in the value of the investment. The banks should not set-off the depreciation requirement in respect of these non-performing securities against the appreciation in respect of other performing securities.

An NPI, similar to an NPA, is one where:

(i) Interest/instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.

(ii) The above would apply *mutatis-mutandis* to preference shares where the fixed dividend is not paid. If the dividend on preference shares (cumulative or non-cumulative) is not declared/paid in any year it would be treated as due/unpaid in arrears and the date of the balance sheet of the issuer for that particular year would be reckoned as the due date for the purpose of asset classification.

(iii) In the case of equity shares, in the event the investment in the shares of any company is valued at Re.1 per company on account of the non-availability of the latest balance sheet in accordance with the instructions contained in paragraph 28 of the Annex to the circular DBOD.BP.BC.32/21.04.048/2000-01 dated 16 October 2000, those equity shares would also be reckoned as NPI.

(iv) If any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities, including preference shares issued by the same issuer would also be treated as NPI and vice versa. However, if only the preference shares are classified as NPI, the investment in any of the other performing securities issued by the same issuer may not be classified as NPI and any performing credit facilities granted to that borrower need not be treated as NPA.

(v) The investments in debentures/bonds, which are deemed to be in the nature of advance, would also be subjected to NPI norms as applicable to investments.

(vi) In case of conversion of principal and/or interest into equity, debentures, bonds, etc., such instruments should be treated as NPA *ab initio* in the same asset classification category as the loan if the loan's classification is sub-standard or doubtful on implementation of the restructuring package and provision should be made as per the norms.

Provisioning and Write-Offs

Provisions are based on guidelines specific to the classification of the assets. The following guidelines apply to the various asset classifications:

- *Standard Assets.* A general provision of 0.25 per cent. in case of farm credit to agricultural activities and SME sectors, 1 per cent. in respect of advances classified as commercial real estate, 0.75 per cent. in respect of advances to commercial real estate – residential housing sector and 0.40 per cent. for all other advances.

- *Sub-Standard Assets.* A general provision of 15 per cent. on total outstanding without making any allowance for Export Credit Guarantee Corporation guarantee cover and securities available. If the sub-standard asset is unsecured *ab initio*, then a provision of 25 per cent. is to be made. However, infrastructure loan accounts that are classified as sub-standard are provisioned at 20 per cent.

- *Doubtful Assets.* A provision of up to 100 per cent., depending on the extent to which the advance is not covered by the realisable value, estimated on a realistic basis, of the security to which the bank has valid recourse in the case where there is a secured portion of the asset, depending upon the period for which the asset remains doubtful. A 25 per cent. to 100 per cent. provision is required to be taken against the secured asset as follows:

- up to one year: 25 per cent. provision;
- one to three years: 40 per cent. provision; and
- more than three years: 100 per cent. provision.

- *Loss Assets.* The entire asset is required to be written off.
- *Restructured Assets.* Apart from the provisions mentioned above, a provision is made equal to the net present value of the reduction in the rate of interest on the loan over its maturity.

The RBI also has separate guidelines for restructured loans. A fully secured standard asset can be restructured by rescheduling principal repayments and/or the interest element but must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or a provision is made to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets. The sub-standard accounts that have been subjected to restructuring, whether in respect of principal instalment or interest amount, by whatever modality, are eligible to be upgraded to the standard category only after the specified period, i.e. a period of one year from the commencement of the first payment of interest or principal, whichever is later, on the credit facility with the longest period of moratorium under the terms of the restructuring package, subject to satisfactory performance during the relevant period. In its circular dated 30 May 2013, the RBI has decided, with effect from 1 April 2015, to withdraw the asset classification benefits which were previously available on restructured assets subject to certain conditions. Under the revised guidelines, a standard account on restructuring would immediately be classified as sub-standard and the NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories according to the extant asset classification norms with reference to the pre-restructuring repayment schedule. These new regulations do not apply to loans that are restructured due to a change in the DCOO up to a specified period in the infrastructure sector and non-infrastructure sector. The provisioning requirement for restructured standard advances has also been further increased to 5 per cent. with effect from 1 June 2013. This requirement was implemented in a phased manner and became fully effective from 31 March 2016.

Legal and Regulatory Framework with respect to NPAs in India

As part of the financial sector reforms, the Government introduced the following legal and regulatory provisions.

(a) *Recovery Mechanism*

(i) **The RDDB Act**:

The RDDB Act provides for the establishment of debt recovery tribunals ("**DRTs**") for adjudication and recovery of debts due to any bank or public financial institution or to a consortium of banks and public financial institutions, for an amount of Rs. 0.1 million or more. Under the RDDB Act, the procedures for recoveries of debt have been simplified and timeframes have been fixed for speedy disposal of cases. Upon the establishment of the DRT, no court or other authority can exercise jurisdiction in relation to matters covered by the RDDB Act, except the higher courts in India in certain circumstances. Appeals against orders passed by the DRT lie before the Debt Recovery Appellate Tribunal.

(ii) **The SARFAESI Act**:

The SARFAESI Act empowers banks to enforce their security interest over secured assets without the intervention of the courts or tribunals.

(iii) **Negotiable Instruments Act, 1881**:

Section 138 of the Negotiable Instruments Act, 1881 allows banks to file a criminal case against the drawer of an instrument, if the instrument tendered towards discharge of the amounts due is not honoured.

(iv) **Insolvency and Bankruptcy Code, 2016**:

The Government enacted the IBC to provide a consolidated framework to address the concerns of lenders and to provide corporate debtors with an exit mechanism. The Banking Regulation (Amendment) Ordinance, 2017 promulgated on 4 May 2017 states that the Government may authorise the RBI to issue directions to banking companies to initiate insolvency proceedings under the IBC. Further, the RBI may issue directions to banking companies for the resolution of stressed assets.

(b) Revival/Rehabilitation

(i) **Arrangement under the Companies Act, 2013**:

Section 230 of the Companies Act, 2013 addresses the rights of a company to enter into a compromise or arrangement (i) between itself and its creditors or any class of them and (ii) between itself or its members or any class of them.

The section also applies to compromises entered into by a company under a winding up. The arrangements contemplated by the section include a reorganisation of the share capital of a company by consolidation of its shares into shares of different classes.

Ownership in Private Sector Banks

On 12 May 2016, the RBI issued master directions to govern ownership in private sector banks. These directions classify shareholders into different categories on the basis of which limits are stipulated for their shareholding in the bank. The limit of shareholding of both promoters and non-promoters may be exceeded subject to conditions provided in these directions.

These master directions supersede the 28 October 2005 RBI circular on Ownership and Governance in Private Sector Banks and the 5 February 2007 RBI circular on Issue of American Depository Receipts/Global Depository Receipts – Depository Agreements.

Guidelines relating to use of Recovery Agents by Banks

In April 2008, the RBI issued guidelines for banks engaging recovery agents. These guidelines are consolidated in the master circular on "Loans and Advances – Statutory and Other Restrictions" issued by the RBI annually, the latest one dated 1 July 2015. The RBI has asked banks to put in place a due diligence process for engagement of recovery agents, structured to cover individuals involved in the recovery process. Banks are expected to communicate details of recovery agents to borrowers and have in place a grievance redress mechanism pertaining to the recovery process. The RBI has advised banks to initiate a training course for current and prospective recovery agents to ensure prudent recovery practices.

Regulations Relating to Sale of Assets to Asset Reconstruction Companies

The SARFAESI Act also provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The offer financial assets can be sold to asset reconstruction companies in accordance with the extant guidelines and prudential norms issues by the RBI. Consideration for the sale may be in the form of cash, bonds or debentures or SRs or pass-through or pay certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

Guidelines on Sale and Purchase of NPAs

In July 2005, the RBI issued guidelines on the sales and purchases of NPAs between banks, financial institutions and NBFCs. These guidelines require that the Board of Directors of banks must establish a policy for purchases and sales of NPAs. Purchases and sales of NPAs must be without recourse to the seller and on a cash basis, with the entire consideration being paid up-front. An asset must have been classified as non-performing for at least two years by the seller to be eligible for sale. The purchasing bank must hold the NPAs on its books for at least 15 months before it can sell the asset to another bank. The asset cannot be sold back to the original seller. The RBI, by way of its circular on 26 February 2014 which was amended on 1 September 2016, stated that banks will be permitted to sell their NPAs to other banks, financial institutions or NBFCs (excluding SCs/RCs) without any initial holding period. However, the non – performing financial asset should be held by the purchasing bank on its books at least for a period of 12 months before it is sold to other banks, financial institutions or NBFCs (excluding SCs/RCs).

Financial Literacy Guidelines

For promoting financial literacy and financial inclusion in India, the RBI had, by way of a circular on 2 March 2017, released revised guidelines on financial literacy centres ("**FLCs**"). FLCs of SCBs in India have been advised to conduct special camps for a period of one year beginning 1 April 2017 on "Going digital", and the tailored camps for the different target groups such as farmers, micro and small entrepreneurs, school children, Self Help Groups, senior citizens, etc. Rural branches of banks are required one camp per month (on the third Friday of each month after branch hours), as per the model approach recommended by the RBI. Both FLCs and rural branches of banks are eligible for funding support for the financial literacy camps to the extent of 60 per cent. of the expenditure of the camp subject to a maximum of Rs. 15,000/- per camp. The RBI, by way of its circular dated 13 July 2017, revised the funding support available to banks to the extent of 60 per cent. of the expenditure of the camp subject to a maximum of Rs. 5,000/- per camp.

Directed Lending

Priority Sector Lending

(i) The RBI has linked the priority sector lending targets to ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. Commercial banks are required to lend a certain percentage of their ANBC to specific sectors, such as agriculture, micro SMEs, export credit, education, housing, social infrastructure and renewable energy. Total priority sector advances should be 40 per cent. of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, with agricultural advances required to be 18 per cent. of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher (within the 18 per cent. target for agriculture, a target of 8 per cent. of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher is prescribed for small and marginal farmers, to be achieved in a phased manner i.e. 7 per cent. by March 2016 and 8 per cent. by March 2017), advances to micro enterprises – 7.5 per cent. of ANBC or credit equivalent amount of off-balance sheet advances, whichever is higher, and advances to weaker sections required to be 10 per cent. of or credit equivalent amount of off-balance sheet exposure, whichever is higher. The RBI, by way of its circular dated 1 March 2018, stated that after undertaking a review of the priority sector lending profile of the above banks and to create a level-playing field within banks, it has been decided that the sub-target of 8 per cent. of ANBC or CEOBE, whichever is higher, shall become applicable for foreign banks with 20 or more branches in India, for lending to small and marginal farmers from fiscal 2019. Further, the sub-target of 7.50 per cent. of ANBC or CEOBE, whichever is higher, for bank lending to the micro enterprises shall also become applicable for the foreign banks with 20 or more branches from fiscal 2019.

The currently applicable RBI guidelines specify that housing loans to individuals of up to Rs. 3.5 million in metropolitan centres with a population above one million and housing loans of up to Rs. 2.5 million in other centres for the purchase/construction of a dwelling unit per family (provided the overall cost of the dwelling unit in the metropolitan centre and other centres does not exceed Rs. 4.5 million and Rs. 3 million, respectively) are treated as a priority sector. Housing loans for construction of housing projects are applicable to economically weaker sections and low-income groups. The total cost of the dwelling unit for economically weaker sections and low-income groups should not exceed Rs. 1 million per dwelling unit and the family income should be limited to Rs. 0.03 million per annum for economically weaker sections and Rs. 0.6 million per annum for low income groups in alignment with the income criteria specifid under the Pradhan Mantri Awas Yojana. The guidelines have removed the distinction between direct and indirect agriculture. The indirect agriculture sub-target has been removed and lending to small and marginal farmers included in a phased manner.

(ii) The incremental export credit over the corresponding date of the preceding year will be reckoned up to 2 per cent. of ANBC or CEOBE, whichever is higher.

(iii) Educational loans eligible for classification under PSL has been capped at Rs. 1 million.

(iv) A new category has been introduced entitled "Social Infrastructure". Loans up to a limit of Rs. 50 million per borrower for building social infrastructure may be made.

(v) Loans to renewable energy have been introduced, up to a limit of Rs. 150 million for solar based power generators, biomass power generators, wind mills etc. For individuals a limit of Rs. 1 million has been set as a limit for setting up off-grid solar and other off-grid renewable energy solutions for households.

(vi) Lending to microfinance institutions for on-lending, must ensure that the microfinance institutions comply with the cap on individual loans and margin caps according to the RBI guidelines, in order to classify these loans under a priority sector. The loans extended by Micro-Finanace Institutions to individuals and Self Help Groups/Joint Liability Groups would be eligible to be classified under priority sector lending and not medium enterprises.

Any shortfall in the amount required to be lent to priority sectors may be required to be allocated to the Rural Infrastructure Development Fund established with NABARD or other funds with NABARD or the National Housing Board or Small Industries Development Bank of India ("**SIDBI**") or MUDRA Ltd, as may be decided by the RBI from time to time. For fiscal 2016, the shortfall in achieving priority sector target/sub-targets was assessed based on the position as of 31 March 2016. From fiscal 2017 onwards, the achievement is being arrived at the end of fiscal year based on the average of priority sector target/sub-target achievement as at the end of each quarter. The interest rates on banks' contribution to RIDF or any other funds, tenure of deposits, etc. are required to be fixed by the RBI from time to time.

Priority Sector Lending Certificates

The Government through its notification dated 4 February 2016 has specified "Dealing in Priority Sector Lending Certificates ("**PSLCs**") in accordance with the Guidelines issued by the RBI" as a form of business under Section 6 (1)(o) of the Banking Regulation Act. Pursuant thereto the RBI on 7 April 2016 released the Priority Sector Lending Certificates Scheme.

(i) Purpose: To enable banks to achieve the priority sector lending target and sub-targets by purchase of these instruments in the event of shortfall and at the same time incentivise the surplus banks; thereby enhancing lending to the categories under each priority sector.

(ii) Nature of the Instruments: The seller will be selling fulfilment of a priority sector obligation and the buyer would be buying the same. There will be no transfer of risks or loan assets.

(iii) Modalities: The PSLCs will be traded through the CBS portal ("**e-Kuber**") of the RBI. The detailed operational instructions for carrying out the trades are available through the e-Kuber portal.

(iv) Sellers/Buyers: SCBs, RRBs, LABs, SFBs (when they become operational) and urban co-operative banks who have originated PSL eligible category loans subject to such regulations as may be issued by the RBI.

(v) Types of PSLCs: There are four kinds of PSLCs:

- PSLC Agriculture: Counting for achievement towards the total agriculture lending target.
- PSLC Small Farmers ("**SF**")/Marginal Farmers ("**MF**"): Counting for achievement towards the sub-target for lending to small and marginal farmers.
- PSLC Micro Enterprises: Counting for achievement towards the sub target for lending to micro enterprises.
- PSLC General: Counting for achievement towards the overall priority sector target.

As stated in the Master Circular on Priority Sector Lending – Targets and Classifications dated 1 July 2015, "Priority Sector" comprises several categories, including agriculture and micro enterprises. In addition to the overall target and sectoral targets for lending to agriculture and micro enterprises, banks are required to achieve specified sub-targets for lending to small and marginal farmers. Accordingly, to avoid computational issues in assessing the achievement/shortfall of PSL targets, it is advised that the above four types of certificates will represent specific loans and count for specific sub-targets/targets as indicated hereunder:

S. No.	**Type of PSLCs**	**Representing**	**Counting for**
1.	PSLC – Agriculture	All eligible agriculture loans except loans to SF/MF for which separate certificates are available	Achievement of agriculture target and overall PSL target
2.	PSLC – SF/MF	All eligible loans to small/marginal farmers	Achievement of SF/MF sub-target, agriculture target and overall PSL target
3.	PSLC – Micro Enterprises	All PSL loans to micro enterprises	Achievement of micro-enterprise sub-target and overall PSL target
4.	PSLC – General	The residual priority sector loans, i.e. other than loans to agriculture and micro enterprises for which separate certificates are available	Achievement of overall PSL target

Thus, a bank, having a shortfall in achievement of any sub-target (e.g. SF/MF, Micro), will have to buy the specific PSLC to achieve the target. However, if a bank has a shortfall in the overall target only, may buy any of the available PSLCs.

(vi) Computation of PSL Achievement: A bank's PSL achievement would be computed as the sum of outstanding priority sector loans, and the net nominal value of the PSLCs issued and purchased. Such computation will be done separately where sub targets are prescribed as on the reporting date.

(vii) Amount Eligible for Issue: Normally PSLCs will be issued against the underlying assets. However, with the objective of developing a strong and vibrant market for PSLCs, a bank is permitted to issue PSLCs up to 50 per cent. of previous year's PSL achievement without having the underlying in its books. However, as on the reporting date, the bank must have met the priority sector target by way of the sum of outstanding priority sector lending portfolio and net of PSLCs issued and purchased. To the extent of shortfall in the achievement of target, banks may be required to invest in RIDF/other funds as hitherto.

(viii) Credit Risk: There will be no transfer of credit risk on the underlying as there is no transfer of tangible assets or cash flow.

(ix) Expiry Date: All PSLCs will expire by 31 March and will not be valid beyond the reporting date (31 March), irrespective of the date it was first sold.

(x) Settlement: The settlement of funds will be done through the platform as explained in the e-Kuber portal.

(xi) Value and Fee: The nominal value of PSLC would represent the equivalent of the PSL that would get deducted from the PSL portfolio of the seller and added to the PSL portfolio of the buyer. The buyer would pay a fee to the seller which will be market determined.

(xii) Lot Size: The PSLCs would have a standard lot size of Rs. 2,500,000 and multiples thereof.

(xiii) Accounting: The fee paid for purchase of the PSLC would be treated as an "Expense" and the fee received for the sale of PSLCs would be treated as "Miscellaneous Income".

(xiv) Disclosures: Both seller and buyer shall report the amount of PSLCs (category-wise) sold and purchased during the year in the "Disclosures to the Balance Sheet".

Guidelines on Relief Measures for Natural Calamities

On 3 July 2017, the RBI released the Master Directions on Relief Measures by banks in areas affected by Natural Calamities, under which banks (including SFBs) have been recommended to provide various relief measures, in the eventuality of natural calamities, through rescheduling existing loans and sanctioning fresh loans as per the emerging requirements of the borrowers. Further, on 17 October 2018, the RBI released Master Directions on relief measures by banks in areas affected by natural calamities for RRBs.

Export Credit

The RBI also requires commercial banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option.

Credit Exposure Limits

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the RBI has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all companies in a single group (or sponsor group).

The limits set by the RBI are as follows:

(i) Exposure ceiling for a single borrower is 15 per cent. of capital funds and group exposure limit is 40 per cent. of capital funds. In the case of financing for infrastructure projects, the single borrower exposure limit is extendable by another 5 per cent., i.e. up to 20 per cent. of capital funds and the group exposure limit is extendable by another 10 per cent. i.e. up to 50 per cent. of capital funds. With effect from 29 May 2008, the exposure limit in respect of a single borrower, in respect of borrowers which are oil companies who have been issued oil bonds by the Government, was raised to 25 per cent. of capital funds. Banks may, in exceptional circumstances, with the approval of their board of directors, consider enhancement of the exposure to a borrower up to a maximum of a further 5 per cent. of capital funds, subject to the borrower (single or group) consenting to the banks making appropriate disclosures in their annual reports.

(ii) Capital funds are the total capital as defined under capital adequacy standards (Tier I and Tier II capital). The infusion of capital under Tier I and Tier II, either through domestic or overseas issue, after the published balance sheet date will also be taken into account for determining the exposure ceiling. Other accretion to capital funds by way of quarterly profits would not be eligible to be taken into account for determining the exposure ceiling.

(iii) Exposure shall include credit exposure (funded and non-funded credit limits) and investment exposure (including underwriting and similar commitments). Non-fund-based exposures are calculated at 100 per cent. For the purpose of exposure norms, banks compute their credit exposures arising on account of the interest rate and foreign exchange derivative transactions and gold by using the "Current Exposure Method". In computing credit exposure, banks may exclude "sold options", provided that the entire premium or fee or any other form of income is received or realised in accordance with the "Prudential Norms for Off-Balance Sheet Exposures of Banks" published on 8 August 2008.

(iv) Exposures to public sector undertakings are exempt from group exposure limits, and only single borrower exposure limits apply to them.

To ensure that exposures are evenly spread, the RBI requires banks to fix internal limits of exposure to specific sectors. These limits are subject to periodical review by the banks.

Limits on exposure to NBFCs

The exposure (both lending and investment, including off-balance sheet exposures) of a bank to a single NBFC predominantly engaged in lending against collateral of gold jewellery and any NBFC-Asset Financing Company ("**NBFC-AFC**") should not exceed 10 per cent. and 15 per cent., respectively, of the bank's capital funds according to its last audited balance sheet. Banks may, however, assume exposures on a single NBFC or NBFC-AFC up to 15 per cent. and 20 per cent., respectively, of their capital funds provided the exposure in excess of 10 per cent. and 15 per cent., respectively, is on account of funds on-lent by the NBFC or NBFC-AFC to the infrastructure sector. Exposure of a bank to IFCs should not exceed 15 per cent. of its capital funds according to its last audited balance sheet, with a provision to increase it to 20 per cent. if the same is on account of funds on-lent by the IFCs to the infrastructure sector. Furthermore, banks can also consider fixing internal limits for their aggregate exposure to all NBFCs considered together.

Regulation Relating to Country Risk Management

The RBI has issued detailed guidelines on country risk management that cover banks' exposure to those countries to which they have a net funded exposure of 2 per cent. or more of their total assets and no provision is maintained on such country exposure. The countries are categorised into seven risk categories; namely, insignificant, low, moderate, high, very high, restricted and off-credit and provisioning based on exposures exceeding 180 days on a graded scale ranging from 0.25 per cent. to 100 per cent. Banks may make a lower level of provisioning of 25 per cent. of the requirement in respect of exposures with contractual maturity of less than 180 days.

Regulations Relating to Investments and Capital Market Exposure Limits

Pursuant to the RBI guidelines, the aggregate exposure of a bank to capital markets (both fund-based and non-fund-based), should not exceed 40 per cent. of its net worth on a standalone and consolidated basis. Within this limit, direct investments in shares, convertible bond/debentures and units of equity-oriented mutual funds should not exceed 20 per cent. of the bank's net worth.

In November 2003, the RBI issued guidelines on investments by banks in non-SLR securities issued by companies, banks, financial institutions, central and State Government-sponsored institutions and special purpose vehicles. These guidelines apply to primary market subscriptions and secondary market purchases. Pursuant to these guidelines, banks are prohibited from investing in non-SLR securities with an original maturity of less than one year, other than commercial paper and certificates of deposits. Banks are also prohibited from investing in unrated non-SLR securities, except unlisted bonds of companies engaged in infrastructure activities. A bank's investment in unlisted non-SLR securities may not exceed 10 per cent. of its total investment in non-SLR securities as at the end of the preceding fiscal year. These guidelines do not apply to investments in SRs issued by securitisation or reconstruction companies registered with the RBI and asset-backed securities and mortgage-backed securities with a minimum investment grade credit rating.

The RBI requires that any investment by a bank in capital eligible instruments (e.g. equity shares, perpetual non-cumulative preference shares, innovative perpetual debt instruments, Tier II bonds/preference shares, subordinated debt instruments etc.), representing capital, issued by other banks and financial institutions should not exceed 10 per cent. of the investing bank's capital funds (Tier I plus Tier II after adjustments). Any investment in excess of this limit shall be deducted at 50 per cent. from Tier I capital and 50 per cent. from Tier II capital investments in the instruments, which are not deducted from Tier I capital of the investing bank or financial institution, are subject to a 100 per cent. risk weight (or such other percentage as applicable to the ratings assigned to the relevant instruments, whichever is higher) for credit risk for capital adequacy purposes. The risk weight for credit risk exposure in capital markets was increased to 125 per cent. (or a higher percentage if warranted by any external rating) from 100 per cent. in July 2005. Furthermore, banks and financial institutions cannot acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's or financial institution's holding exceeds 5 per cent. of the investee bank's equity capital. Banks with investments in excess of the prescribed limits are required to apply to the RBI with a roadmap for a reduction of the exposure.

The RBI by way of a circular dated 16 September 2015 has permitted banks to invest in equities of financial service ventures, including stock exchanges and depositories without any prior approval. This investment flexibility will be limited to banks that have CRAR of 10 per cent. or more and also have made a net profit in the previous fiscal year.

Tri-Party Repo Directions

On 10 August 2017, the RBI issued the Tri-Party Repo (Reserve Bank) Directions, 2017 ("**Tri-Party Repo Directions**"). These Tri-Party Repo Directions pertain to guidelines on eligibility, trading, documenting/reporting and settling of repo and reverse repo contracts where a third-party tri-party agent acts as an intermediary between the borrower and the lender to the repo/ reverse repo, to facilitate services like collateral selection, payment and settlement, custody and management during the life of the transaction. Further on 2 August 2017, the RBI reduced the repo rates under the LAF by 25 basis points from 6.25 per cent. to 6 per cent., and the reverse repo rate to 5.75 per cent. with immediate effect.

Repurchase Transactions Directions

On 24 July 2018, Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 ("**Repurchase Transactions Directions**") which shall be applicable to repurchase transactions ("**Repos**"), undertaken on recognised stock exchanges, electronic trading platforms and over-the-counter to the extent stated in the Repurchase Transaction Directions. In case of exchange traded Repo, procedure for execution and settlement of trades shall be in accordance with the rules and regulations issued by the recognized stock exchanges/SEBI.

However, the Repurchase Transactions Directions shall not be applicable to repo/reverse repo transactions under the LAF and the MSF.

Consolidated Supervision Guidelines

In fiscal 2003, the RBI issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective 1 April 2003. The principal features of these guidelines are:

Consolidated Financial Statements. Banks are required to prepare consolidated financial statements intended for public disclosure.

Consolidated Prudential Returns. Banks are required to submit to the RBI consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries. Compliance on a consolidated basis is required in respect of the following main prudential norms:

- single borrower exposure limit of 15 per cent. of capital funds (20 per cent. of capital funds provided the additional exposure of up to 5 per cent. is for the purpose of financing infrastructure projects);
- borrower group exposure limit of 40 per cent. of capital funds (50 per cent. of capital funds provided the additional exposure of up to 10 per cent. is for the purpose of financing infrastructure projects); and
- deduction from Tier I capital of the bank of any shortfall in capital adequacy of a subsidiary for which capital adequacy norms are specified.

Banks' Investment Classification and Valuation Norms

Based on the comments to the Report of the Informal Group on Banks' Investment Portfolio dated 3 November 1999, the RBI finalised its guidelines on categorisation and valuation of banks' investment portfolios. These guidelines took effect from 30 September 2000. The guidelines issued by the RBI are consolidated under the master circular on "Prudential Norms for classification, Valuation and Operation of Investment Portfolio by Banks", the latest one dated 1 July 2015 and the latest notification in this regard being 27 July 2018. The salient features of the guidelines are given below:

- The entire investment portfolio is required to be classified under three categories (a) HTM, (b) HFT and (c) AFS. Banks should decide the category of investment at the time of acquisition.

HTM securities are not marked-to-market and are carried at acquisition cost or at an amortised cost if acquired at a premium over the face value.

AFS and HFT securities are valued at market or fair value as at the balance sheet date. Depreciation or appreciation for each basket within the AFS and HFT categories is aggregated. Net appreciation in each basket, if any, that is not realised is ignored, whilst net depreciation is provided for.

Investments in SRs or PTCs issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the net asset value announced periodically by the asset reconstruction company based on the valuation of the underlying assets.

Restrictions on Investments in a Single Company

No bank may hold shares in any company exceeding 30 per cent. of the paid-up share capital of that company or 30 per cent. of its own paid-up share capital and reserves, whichever is less. In addition, the investment by a bank in a subsidiary company, financial services company, financial institution, stock and other exchanges should not exceed 10 per cent. of the bank's paid-up share capital and reserves, and the investments in all such companies, financial institutions, stock and other exchanges, collectively, should not exceed 20 per cent. of the bank's paid-up share capital and reserves. However, a bank may hold shares in a subsidiary company in accordance with the provisions of the Banking Regulation Act.

Cap on Investments in Debt Oriented Mutual Funds

The RBI's Monetary Policy Statement of 2011-12 provides that the investment in liquid/short-term debt schemes of Debt Oriented Mutual Funds by banks will be subject to a prudential cap of 10 per cent. of their net worth as of 31 March of the previous year.

Limit on Transactions through Individual Brokers

Guidelines issued by the RBI require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. The RBI specifies that not more than 5 per cent. of the total transactions through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, the RBI has stipulated that the board of directors of the bank should be informed of this, *post facto*.

Limits on Intra-Group Transactions and Exposures

On 11 February 2014, the RBI issued guidelines titled "Guidelines on Management of Intra- Group Transactions and Exposures" regarding banks' transactions and exposures to the entities belonging to the bank's own group ("**group entities**"). The guidelines contain both quantitative limits for the financial Intra-Group Transactions and Exposures ("**ITEs**") and prudential measures for the non- financial ITEs to ensure that the banks engage in the ITEs in a safe and sound manner in order to contain the concentration and contagion risk arising out of ITEs. These measures are aimed at ensuring that banks at all times maintain arm's length relationships in their dealings with group entities, meet minimum requirements with respect to group risk management and group-wide oversight, and adhere to prudential limits on intra-group exposures. The guidelines prescribe an exposure limit of 5 per cent. of paid-up capital and reserves for non-financial services companies and unregulated financial services companies at a standalone level, and a 10 per cent. limit at a group level for these companies. For regulated financial companies, the limit is set at 10 per cent. of paid-up capital and reserves on a standalone basis and 20 per cent. at the aggregate group level. These guidelines have been effective from 1 October 2014.

Prohibition on Short-Selling

The RBI does not permit short-selling of securities by banks, excluding short-selling in Government securities. The RBI has permitted banks to sell Government securities already contracted for purchase provided the purchase contract is confirmed and the contract is guaranteed by Clearing Corporation of India Limited or the security is contracted for purchase from the RBI. Each security is deliverable or receivable on a net basis for a particular settlement cycle.

Introduction of credit default swaps for corporate bonds

On 23 May 2011, the RBI issued guidelines on credit default swaps ("**CDSs**") for corporate bonds (the "**CDS Guidelines**"). The CDS Guidelines became effective from 24 October 2011 and banks were eligible to act both as "users" and "market-makers". Commercial banks who intend to act as "market-makers" shall fulfil the following criteria:

(i) minimum CRAR of 11 per cent. with core CRAR (Tier I) of at least 7 per cent.; and

(ii) net NPAs of less than 3 per cent.

Banks are required to submit their Board-approved policy and the date of commencement of CDS trading as 'market-makers' to the RBI.

By a circular dated 7 January 2013, the RBI revised the CDS Guidelines to introduce, among others, the following changes:

(a) CDSs have been permitted on unlisted but rated corporate bonds even for issues other than infrastructure companies; and

(b) CDSs have been permitted on securities with an original maturity up to one year such as commercial papers, certificates of deposit and non-convertible debentures with original maturity less than one year as reference/deliverable obligations.

The CDS Guidelines also prescribe the risk management framework to be followed.

The RBI issued further guidelines on 1 July 2015 which stated that 'primary dealers' intending to act as market makers in CDSs shall fulfil the following criteria:

(I) minimum net owned funds of Rs. 5,000 million;

(II) minimum CRAR of 15 per cent.; and

(III) must have robust risk management systems in place to deal with various risks introducing proper risk management systems for capturing and analysing the risk in respect of non-Government debt securities before making investments and taking remedial measures in time and should also introduce appropriate systems to ensure that investment in privately placed instruments is made in accordance with the systems and procedures prescribed under respective investment policies.

Regulations Relating to Making Loans

The provisions of the Banking Regulation Act govern the making of loans by banks in India. These directions and guidelines issued by the RBI are consolidated in the master circular on 'Loans and Advances-Statutory and Other Restrictions' issued by the RBI from time to time, the latest one (as of the date of this Offering Circular) being dated 1 July 2015. Some of the important provisions of the Banking Regulation Act and guidelines of the RBI, which are now in effect, which are now in effect, are as follows:

(i) The RBI has prescribed standards for bank lending to non-bank financial companies and financing of public sector disinvestment.

(ii) Prior to 1 July 2010, lending rates were linked to the prime lending rate which was determined and disclosed by each bank. Banks were given the freedom to lend at a rate below the prime lending rate in respect of creditworthy borrowers and exposures. From 1 July 2010, BPLR had been replaced by the base rate, which takes into consideration all elements of lending rates that are common across borrowers. The base rate is the minimum rate for all loans; banks are not permitted to lend below the base rate except for the "Differential Rate of Interest" advances, loans to banks' own employees and loans to banks' depositors against their own deposits. Banks have been permitted to arrive at the base rate for a specific tenor that would be needed to be disclosed transparently. Further, banks have been permitted to determine their final lending rates on loans and advances with reference to the base rate and by including such other customer specific charges as they consider appropriate. Until such time that loans linked to the benchmark prime lending rate exists, both the benchmark prime lending rate and the base rate will have to be announced by banks.

(iii) The base rate and BPLR are now replaced by the MCLR.

(iv) As per the RBI master direction on "Interest Rate on Advances" dated 3 March 2016, banks have to prepare a MCLR which will be the internal benchmark lending rate. Based upon the MCLR, interest rates for different types of customers should be fixed in accordance with their associated risk. The base rate is determined on the basis of the MCLR calculation. The MCLR will be revised monthly based on the consideration of certain new factors, including the repo rate and other borrowing rates. The MCLR is automatically applicable to any loans availed after the notification of the abovementioned master direction. As per the master direction, banks have to set five benchmark rates for different tenures or time periods ranging from one day to one year.

(v) Under the master directions, existing loans provided on the basis of the BPLR shall be allowed to run to maturity. Existing borrowers who wish to switch to the new MCLR system shall be given an option before the expiry of their existing contracts with the relevant banks to convert to the new MCLR on mutually agreed terms with the bank.

(vi) Section 20(1) of the Banking Regulation Act provides that a bank cannot grant any loans and advances against the security of its own shares, a banking company is prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company (not being a subsidiary of the banking company or a company registered under Section 8 of the Companies Act, 2013) of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor. There are certain exemptions in this regard as the explanation to the section provides that "loans or advances" shall not include any transaction which the RBI may specify by general or special order as not being a loan or advance for the purpose of such section.

There are also guidelines on loans against equity shares in respect of amount, margin requirement and purpose.

The RBI has prohibited banks from granting any loan or advance for subscription to Indian Depository Receipts ("**IDRs**"). Banks are also prohibited from granting any loan or advance against security or collateral of IDRs.

Regulations Relating to Deposits

The RBI has permitted banks to independently determine rates of interest offered on term deposits. However, banks are not permitted to pay interest on current account deposits.

The RBI has deregulated savings bank deposit interest rates with effect from 25 October 2011. Banks are free to determine their interest rates on savings account deposits subject to two conditions:

- a bank must offer a uniform interest rate on savings bank deposits up to INR 100,000, irrespective of the amount in the account within this limit; and
- banks may provide different interest rates on deposits greater than INR 100,000, but must use similar rates for similar amounts of deposit, accepted on the same date at any of its offices.

The RBI deregulated the interest rates on NRE and NRO deposit accounts from 28 December 2011. However, interest rates offered by banks on NRE and NRO deposits cannot be higher than those offered by them on comparable domestic Rupee deposits.

The RBI through its circular dated 16 April 2015 has provided banks with the discretion to offer differential interest rates based on whether the term deposits are with or without a premature withdrawal facility, subject to the following guidelines:

- all term deposits of individuals (held singly or jointly) of Rs. 1.5 million and below should, necessarily, have a premature withdrawal facility;
- for all term deposits above Rs. 1.5 million, banks can offer deposits without the option of premature withdrawal and are free to offer higher rates for the same;

- all customers should have an option to choose between term deposits either with or without a premature withdrawal facility;
- banks should disclose in advance the schedule of interest rates payable on deposits, i.e. all deposits mobilised by banks should be strictly in conformity with the published schedule; and
- the banks should have a board-approved policy with regard to interest rates on deposits, including deposits with differential rates of interest, and ensure that the interest rates offered are reasonable, consistent, transparent and available for supervisory review/scrutiny as and when required.

The RBI on 3 March 2016 issued the Master Direction on Interest Rates on Deposits. The master direction is applicable to all SCBs accepting deposits in rupee and foreign currency. This master direction consolidates instructions on rules and regulations framed by the RBI under various acts, including banking issues and foreign exchange transactions.

On 6 July 2017, the RBI released guidelines titled "Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions". Under these guidelines, banks have been directed to: (i) put in place appropriate internal control systems and procedures to ensure the safety and security of electronic banking transactions carried out by customers; and (ii) facilitate ease of reporting and monitoring of unauthorised transactions by customers to banks. Further, indicators have been informed by the RBI to banks on situations where liability may or may not be accorded to the customers in case of unauthorised transactions, and the limits on and timelines for such liability of customers for third-party breaches.

The Bank shall be required to comply with the Foreign Exchange Management (Deposit) Regulations, 2016 ("**Deposit Regulations**"), pursuant to which a person resident in India cannot accept any deposit from or make any deposit with a person resident outside India, subject to approval from the RBI. All deposits made with the Bank shall be subject to the provisions of the Deposit Regulations.

Deposit Insurance

Demand and time deposits of up to Rs. 100,000 accepted by Indian banks have to be mandatorily insured with the Deposit Insurance and Credit Guarantee Corporation, a wholly owned subsidiary of the RBI. Banks are required to pay the insurance premium for the eligible amount to the Deposit Insurance and Credit Guarantee Corporation on a semi-annual basis. The cost of the insurance premium cannot be passed onto the customer.

Regulations Relating to KYC and Anti-Money Laundering

The RBI issued a notification dated 29 November 2004 prescribing guidelines for KYC and AML standards, which have been revised from time to time. Banks are required to formulate a customer acceptance policy, customer identification procedures and risk parameters to categorise customers into low, medium and high risk, according to the perceived risk. For the purpose of KYC norms, the RBI has defined a "customer" as a person who is engaged in a financial transaction or activity with a regulated entity and includes a person on whose behalf the person who is engaged in the transaction or activity is acting. Accordingly, all customers of the Bank have been subjected to KYC documentation, transaction monitoring and risk categorisation.

On 15 February 2006, the RBI issued guidelines on the obligations of banks under the Prevention of Money Laundering Act, 2002 ("**PMLA**"). The RBI subsequently also issued anti-money laundering guidelines applicable to other entities such as NBFCs and authorised money changers.

All instructions and guidelines issued by the RBI on KYC norms, AML standards and obligations under the PMLA to be followed by banks are consolidated under the master direction on "KYC Direction, 2016" issued by the RBI on 25 February 2016. The RBI master direction is a compendium of all instructions on customer identification and due diligence, covering opening of accounts, wire transfers, non-face-to-face customers, correspondent banking, foreign funding of non-government organisations and non-profit organisations, politically exposed persons and multilevel marketing firms. The guidelines also include the periodic updating of customer identification data based upon risk assessment, screening of customers against negative lists, mandatory reporting to the Financial Intelligence Unit (the national agency responsible for receiving, processing, analysing and disseminating information relating to suspicious financial transactions to enforcement agencies and foreign financial intelligence units), which includes reporting of cash transactions, suspicious transactions, counterfeit currency, cross-border wire transfers and transactions involving receipts by non-profit organisations. In an amendment to section 13(2) of the PMLA, banks have been advised to nominate a director on their boards as a 'designated director' to ensure compliance with the obligations mentioned thereunder. Additional guidelines were also issued by the RBI on 20 July 2017 on detection, reporting, monitoring and impounding of counterfeit notes by banks in India.

The PMLA and the rules made thereunder stipulate that banking companies, financial institutions and intermediaries (together, the "**Institutions**") shall maintain a comprehensive record of all their transactions, including the nature and value of such transactions. Further, it mandates verification of the identity of all their clients and also requires the Institutions to maintain records of their respective clients. These details are to be provided to the authority established by the PMLA, who is empowered to order confiscation of property where the authority is of the opinion that a crime as recognised under the PMLA has been committed.

The Bank's AML/KYC policy has been reviewed to reflect the amendments on the Prevention of Money Laundering Act, 2002 and the RBI instructions on AML standards and KYC norms for fiscal 2017. The revised policy was approved by the Bank's board of directors on 25 April 2017 and was updated as on 12 July 2018. Apart from AML/KYC policy, AML/KYC/CFT-related guidelines are detailed in procedural manuals, which are accessible by branches/departments for compliance.

Legal Reserve Requirements

Cash Reserve Ratio

A bank is required to maintain a specified percentage of its NDTL, excluding inter-bank deposits, by way of a balance in a current account with the RBI. Following the enactment of the RBI (Amendment) Act, 2006, the floor and ceiling rates (3 per cent. and 20 per cent. respectively) on the CRR were removed.

The following liabilities are excluded from the calculation of the demand and time liabilities to determine the CRR:

- inter-bank liabilities;
- liabilities to primary dealers;
- refinancing from the RBI and other institutions permitted to offer refinancing to banks; and
- perpetual debt qualifying for Tier I capital treatment.

The CRR is 4 per cent., effective 9 February 2013. The RBI does not pay any interest on CRR balances.

The master circular issued annually by the RBI on CRR and SLR, the latest one being dated 1 July 2015, requires that the CRR is to be maintained on an average basis for a fortnightly period and should not fall below 95 per cent. of the required CRR on any day of the fortnight.

SLR

Each bank is required to maintain a SLR, a specified percentage of total demand and time liabilities ("**DTL**") by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to the Banking Regulation Act. At present, the RBI requires banks to maintain a SLR of 19.50 per cent.

On 10 December 2015, the RBI issued a notification reducing the SLR in the phased manner as provided below (as read in conjunction with the RBI notification dated 4 October 2017):

(i) 21.25 per cent. from 2 April 2016;

(ii) 21 per cent. from 9 July 2016;

(iii) 20.75 per cent. from 1 October 2016;

(iv) 20.50 per cent. from 7 January 2017;

(v) 20 per cent. from 31 December 2017; and

(vi) 19.50 per cent. from 31 March 2018.

On 5 December 2018, the RBI issued a notification reducing the SLR further, in the phased manner as provided below (as read in conjunction with the RBI notification dated 4 October 2017):

(i) 19.25 per cent. from 5 January 2019;

(ii) 19.00 per cent. from 13 April 2019;

(iii) 18.75 per cent. from 6 July 2019;

(iv) 18.50 per cent. from 12 October 2019;

(v) 18.25 per cent. from 4 January 2020; and

(vi) 18.00 per cent. from 11 April 2020.

Revisions in Constitution of Bank Assets

The capital regulations with respect to Liquidity Standards under the Basel III framework (Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards) were revised by the RBI by way of a circular dated 2 August 2017 to re-define the "Level 1" of bank assets comprising the following:

(i) Cash, including cash reserves in excess of required CRR.

(ii) For banks incorporated in India:

- reserves held with foreign central banks in excess of the reserve requirement, where a foreign sovereign has been assigned a 0 per cent. risk weight as per its rating by an international rating agency; and
- reserves held with foreign central banks in excess of the reserve requirement, to the extent these balances cover the bank's stressed net cash outflows in that specific currency, in cases where a foreign sovereign has been assigned a non-0 per cent. risk weight as per its rating by an international rating agency, but a 0 per cent. risk weight has been assigned at national discretion under the Basel II Framework.

(iii) Government securities in excess of the minimum SLR requirement.

(iv) Within the mandatory SLR requirement, Government securities to the extent allowed by the RBI, under an MSF.

(v) Marketable securities issued or guaranteed by foreign sovereigns satisfying all the following conditions:

(a) assigned a 0 per cent. risk weight under the Basel II standardised approach for credit risk;

(b) traded in large, deep and active repo or cash markets characterised by a low level of concentration; and proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions; and

(c) not issued by a bank/financial institution/NBFC or any of its affiliated entities.

Regulations on Asset Liability Management

At present, the RBI regulations for ALM require banks to draw up asset- liability gap statements separately for the Rupee and for four major foreign currencies. These gap statements are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date, or maturity date. These statements for the domestic assets and liabilities have to be submitted to the RBI fortnightly. The RBI has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being re-priced in a particular period and place internal prudential limits on the gaps in each time period, as a risk control mechanism. Additionally, the RBI has asked banks to manage their asset-liability structure such that the negative liquidity gap in the 1 to 14 day and 15 to 28 day time periods does not exceed 20 per cent. of cash outflows in these time periods. This 20 per cent. limit on negative gaps was made mandatory with effect from 1 April 2000. In respect of other time periods, up to one year, the RBI has directed banks to lay down internal norms in respect of negative liquidity gaps. It is not mandatory for banks to lay down internal norms in respect of negative liquidity gaps for time periods greater than one year.

With effect from 1 January 2008, the RBI has directed banks to split the first maturity buckets up to 28 days into day 1, 2 to 7 days, 8 to 14 days and 15 to 28 days with gap limits set at 5 per cent., 10 per cent., 15 per cent. and 20 per cent. of the cumulative cash outflows in the respective time buckets in order to recognise the cumulative impact on liquidity. With effect from April 2013, these limits have been extended to each of the overseas geographies of banks with the respective limits according to time buckets being applicable to each individual overseas branch as well as for consolidated overseas operations.

While banks may undertake dynamic liquidity management and should prepare the statement of structural liquidity on a daily basis, such statements should be reported to the RBI on the 15th and last date of every month. The statement of structural liquidity for overseas operations would have to be submitted on a monthly basis, with the reporting date being the last working day of the month.

Furthermore, the RBI has mandated banks to monitor stock ratios for liquidity risk at the individual bank level for the four major currencies: U.S. dollars, Euro, British Pounds and Japanese Yen.

The RBI mandates banks to adopt the Basel III framework on liquidity standards as prescribed by the RBI for computation and reporting of the LCR.

Foreign Currency Dealership

The RBI has granted the Bank a full-fledged authorised dealers' licence to deal in foreign exchange through its designated branches. Under this licence, the Bank has been granted permission to:

- engage in foreign exchange transactions in all currencies;
- open and maintain foreign currency accounts abroad;
- raise foreign currency and Rupee-denominated deposits from NRIs;
- grant foreign currency loans to on-shore and off-shore corporations;
- open documentary credits;
- grant import and export loans;

- handle collection of bills and funds transfer services;
- issue guarantees; and
- enter into derivative transactions and risk management activities that are incidental to its normal functions authorised under its organisational documents.

The Bank's foreign exchange operations are subject to the guidelines specified by the RBI in the exchange control manual. As an authorised dealer, the Bank is required to enrol as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India. Authorised dealers, like the Bank, are required to determine their limits on open positions and maturity gaps in accordance with the RBI guidelines and these limits are approved by the RBI. Furthermore, the Bank is permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, currency swaps and forward rate agreements, subject to certain conditions. Moreover, the RBI from time to time has simplified the reporting requirements for holdings of and dealings in all foreign currencies by authorised dealers, like the Bank; the last such rationalisation was made by the RBI by way of a circular dated 10 August 2017.

Simplified hedging facility guidelines were issued by the RBI by way of a circular dated 9 November 2017, to simplify the process for hedging exchange rate risk by reducing documentation requirements, avoiding prescriptive stipulations regarding products, purpose and hedging flexibility, and to encourage a more dynamic and efficient hedging culture. These guidelines stipulate operational mechanisms and guidelines for resident and non-resident entities, other than individuals, for hedging exchange rate risk on transactions, contracted or anticipated, with respect to any Over the Counter derivative or Exchange Traded Currency Derivative permitted under the Foreign Exchange Management Act, 1999 ("**FEMA**"). Additionally, different facilities have been provided for hedging trade exposures (i.e. currency risks arising out of genuine trade transactions involving exports from and imports to India), invoiced in Rupees in India, by way of the RBI Circular dated 12 October 2017.

Interest Rate Futures

The RBI issued the Interest Rate Futures (Reserve Bank) Directions, 2013 (the "**IRF Guidelines**") on 5 December 2013, superseding the previous Interest Rate Futures (Reserve Bank) Directions, 2009, to regulate the trading in interest rate futures. Under the IRF Guidelines (as last amended on 28 October 2016), the RBI has permitted interest rate futures on 91-Day Treasury Bills, and on two-year, five-year and ten-year coupon-bearing notional Government securities, and coupon-bearing Government securities with residual maturity between four and eight years, eight and eleven years and eleven and fifteen years. No scheduled bank can participate in the interest rate futures market without the permission of the RBI. The RBI has permitted commercial banks to participate in interest rate futures both for the purpose of hedging the risk in the underlying investment portfolio, and also to take trading positions. However, banks are not allowed to undertake transactions in interest rate futures on behalf of their clients.

Statutes Governing Foreign Exchange and Cross-Border Business Transactions

The foreign exchange and cross-border transactions undertaken by banks are subject to the provisions of the FEMA. All branches should monitor all non-resident accounts to prevent money laundering.

On 16 January 2019 the RBI formulated a new framework for ECBs and Rupee Denominated Bonds ("**New ECB Master Directions**"). The New ECB Master Directions state that any entity eligible to receive FDI can now also raise ECB. However, general corporate purposes as well as refinancing rupee loans and a few other items which are on the "negative list" for which ECB is not permitted except from a foreign equity holder. The overseas branches are not affected by these guidelines since Regulation 4(2)(iii) of the Foreign Exchange

Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, provides that foreign branches of authorised dealers who are banks incorporated or constituted in India (including the Bank) are permitted to borrow in foreign currency in the normal course of their banking business outside India. By way of a circular dated 7 February 2019, the RBI relaxed the end-use restrictions for resolution applicants under the corporate insolvency resolution process in order to allow them to raise ECBs from recognised lenders, except for branches/overseas subsidiaries of Indian banks, for repayment of Rupee term loans of the target company under the approval route.

All the regulations and guidelines issued by the RBI, as amended from time to time, in connection with foreign currency borrowings by banks in India have been consolidated in the master direction on "Risk Management and Inter-Bank Dealings" dated 5 July 2016 and further as updated on 2 April 2018 ("**Inter-Bank Dealings Guidelines**"). According to the Inter-Bank Dealings Guidelines, overseas foreign currency borrowings of AD Category I banks cannot exceed 100 per cent. of unimpaired Tier I capital or U.S.$10 million (or its equivalent), whichever is higher. The following borrowings would continue to be outside the limit of 100 per cent. of unimpaired Tier I capital or U.S.$10 million (or its equivalent), whichever is higher:

(a) Overseas borrowings by AD Category I banks for the purpose of financing export credit, subject to the conditions prescribed in DBOD Master Circular dated 2 July 2015, on Rupee/Foreign Currency Export Credit & Customer Service to Exporters.

(b) Subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital.

(c) Capital funds raised/augmented by the issue of Innovative Perpetual Debt Instruments and Debt Capital Instruments, in foreign currency, in terms of Circulars DBOD. No. BP.BC.57/21.01.002/2005-06, dated 25 January 2006, DBOD. No. BP.BC.23/21.01.002/2006-07, dated 21 July 2006, and Perpetual Debt Instruments and Debt Capital Instruments in foreign currency issued in terms of circular DBOD.No.BP.BC.98/21.06.201/2011-12, dated 2 May 2012.

(d) Any other overseas borrowing with the specific approval of the RBI.

Under the Inter-Bank Dealing Guidelines, AD Category I banks are permitted to borrow from international/multilateral FIs without approaching the RBI on a case-by-case approval. Such FIs shall include: (I) international/multilateral FIs of which the Government is a shareholding member; (II) FIs which have been established by more than one government; or (III) FIs owned by more than one government and other international organisations. However, all such borrowings should be for the purpose of general banking business and not for capital augmentation.

Special Provisions of the Banking Regulation Act

Under sections 35A and 36 of the Banking Regulation Act (which apply to the Bank), the RBI is empowered to give directions to, prohibit from entering into any transactions with, and advise generally the Bank. Consequently, the performance of obligations by the Bank under the Programme Agreement, the Trust Deed, the Agency Agreement and the Notes, may be restricted by the directions or advice given by the RBI under the aforesaid provision.

Under section 50 of the Banking Regulation Act (which also applies to the Bank), no person shall have a right, whether in contract or otherwise, to any compensation for any loss incurred by reason of operation of certain provisions of the Act, including sections 35A and 36. Therefore, a party may not be able to claim any compensation for a failure by the Bank to perform its obligations under the Programme Agreement, the Trust Deed, the Agency Agreement and the Notes, consequent to the operation of the aforesaid provisions.

Prohibited Business

The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities.

Reserve Fund

Any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25 per cent. of its profits each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation. The Government may, on the recommendation of the RBI and having regard to the adequacy of the paid-up capital and reserves of a bank in relation to its deposit liabilities, exempt a bank from requirements relating to its reserve fund.

Restrictions on Payment of Dividends

Pursuant to the provisions of the Banking Regulation Act, a bank can pay dividends on its shares only after all of its capitalised expenses (including preliminary expenses, organisation expenses, share- selling commission, brokerage, amounts of losses and any other item of expenditure not represented by tangible assets) have been completely written off. The Government may exempt banks from this provision by issuing a notification on the recommendation of the RBI.

Furthermore, according to the RBI guidelines issued in May 2005 on payment of dividends, only banks which comply with the following minimum prudential requirements are eligible to declare dividends with the prior approval of the RBI:

- CRAR of at least 9 per cent. for the preceding two completed years and for the accounting year for which it proposes to declare a dividend.
- Net NPAs of less than 7 per cent.
- In the event a bank does not meet the above CRAR norm but has a CRAR of at least 9 per cent. for the accounting year for which it proposes to declare a dividend, it would be eligible to declare a dividend, provided its Net NPA ratio is less than 5 per cent.
- The bank should comply with the provisions of sections 15 and 17 of the Banking Regulation Act which specify the restrictions on payment of dividend and procedure for creation of a reserve fund.
- The bank should comply with the prevailing regulations/guidelines issued by the RBI, including creating adequate provisions for impairment of assets and staff retirement benefits and transfer of profits to statutory reserves.
- The proposed dividend should be payable out of the current year's profit.
- The RBI should not have placed any explicit restrictions on the bank for declaration of dividends.

The dividend payout ratio shall not exceed 40 per cent. and shall be calculated as a percentage of "dividend payable in a year" (excluding dividend tax) to "net profit" during the year. In the case the profit for the relevant period includes any extraordinary profits/income, the payout ratio shall be computed after excluding such extraordinary items for calculating compliance with the prudential payout ratio. The financial statements pertaining to the fiscal year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors that have an adverse bearing on the profit during that year. In the case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payout ratio.

In the event that the Bank fulfils the conditions stated above, it can declare dividends without the consent of the RBI.

Restriction on Share Capital and Voting Rights

The share capital of banks can consist of (i) equity shares only or (ii) equity shares and preference shares, provided the issuance of preference shares shall be in accordance with the guidelines framed by the RBI specifying the class of preference shares, the extent of issue of each class of such preference shares (whether perpetual or irredeemable or redeemable) and the terms and conditions subject to which each class of preference shares may be issued. According to the Banking Regulation Act, section 13, banks are not allowed to pay directly or indirectly any commission, brokerage, discount or remuneration in respect of any shares issued at a discount exceeding 2.50 per cent. of the price at which the shares are issued. The Banking Regulation Act specifies that no shareholder in a bank can exercise voting rights on poll in excess of 10 per cent. of total voting rights of all the shareholders of the bank. According to the amendment to the Banking Regulation Act that came into effect on 18 January 2013, the ceiling of voting rights of the shareholders in a banking company will increase from 10 per cent. to 26 per cent. in a phased manner.

Regulatory Reporting and Examination Procedures

The RBI is empowered under the Banking Regulation Act to inspect a bank. The RBI monitors prudential parameters at quarterly intervals. To this end and to enable offsite monitoring and surveillance by the RBI, banks are required to report to the RBI on aspects such as:

- assets, liabilities and off-balance sheet exposures;
- the risk-weighting of these exposures, the capital base and the capital adequacy ratio;
- the unaudited operating results for each quarter;
- asset quality;
- concentration of exposures;
- connected and related lending and the profile of ownership, control and management; and
- other prudential parameters.

The RBI also conducts annual onsite inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance. The Bank is subject to risk-based supervision by the RBI at yearly intervals. The inspection report, along with the report on actions taken by the Bank, has to be placed before the board of directors. Necessary action has to be initiated by the Bank to rectify the deficiencies brought out in the report, and the status of compliance has to be submitted to the RBI with the approval of the Board. The RBI also discusses the report with the management team, including the Chairman, the MD and CEO during the course of supervisory discussions. The RBI also conducts onsite supervision of selected branches of the Bank with respect to their general operations and foreign exchange-related transactions.

Appointment and Remuneration of the Chairman and Other Directors

The Bank requires the prior approval of the RBI to appoint the Chairman and any other Whole- Time Directors and to fix their remuneration. The RBI is empowered to remove the appointee on the grounds of public interest or the interest of depositors or to ensure the proper management of the Bank. Furthermore, the RBI may order meetings of the Bank's board of directors to discuss any matter in relation to the affairs of the Bank, appoint observers to these meetings who will send a report of the proceedings to the RBI and order the Bank to make changes to its management as it may deem necessary and can also order the convening of a general meeting of the Bank to elect new directors.

Penalties

The RBI may impose penalties on banks and its employees in the case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in any contravention of the regulations.

By way of a circular dated 12 October 2017, the RBI specifically levied penal interest for delayed reporting/ wrong reporting/non-reporting of currency chest transactions and inclusion of ineligible amounts in currency chest balances. The intention behind the levy of penal interest is to inculcate discipline among banks so as to ensure prompt/correct reporting, and so that pleas by banks for waiver of penal interest on the grounds that delayed/wrong/non-reporting do not result in utilisation of the RBI's funds or shortfall in the maintenance of CRR or SLR. On similar lines, by way of an additional circular dated 12 October 2017, the RBI has revised the scheme of penalties for bank branches based on performance in rendering customer service to members of the public, to ensure that all bank branches provide better customer service to members of the public with regard to exchange of notes and coins.

Assets to be Maintained in India

Every bank is required to ensure that its assets in India (including import-export bills drawn in India and the RBI-approved securities, even if such bills and securities are held outside India) at the close of business on the last Friday of every quarter or, if that Friday is a public holiday under the Negotiable Instruments Act, 1881 (26 of 1881), at the close of the business on the preceding working day are not less than 75 per cent. of its demand and time liabilities in India.

Subsidiaries and Other Investments

The Bank is required to maintain an "arm's length" relationship in respect of its subsidiaries and in respect of mutual funds sponsored by it with regard to business parameters such as taking undue advantage in borrowing/lending funds, transferring/selling/buying of securities at rates other than market rates, giving special consideration for securities transactions, in supporting/financing the subsidiary and financing its clients through them when it itself is not able or is not permitted to do so. The Bank must observe the prudential norms stipulated by the RBI, from time to time, in respect of its underwriting commitments. Pursuant to such prudential norms, the Bank's underwriting commitment under any single obligation shall not exceed 15 per cent. of an issue. The Bank also requires the prior specific approval of the RBI to participate in the equity of financial services ventures, including stock exchanges and depositories, notwithstanding the fact that such investments may be within the ceiling prescribed under section 19(2) of the Banking Regulation Act (See "*Restrictions on Investments in a Single Company*" above). Further investment by the Bank in a subsidiary, financial services company or financial institution cannot exceed 10 per cent. of its paid-up capital and reserves and its aggregate investments in all such companies and financial institutions put together cannot exceed 20 per cent. of its paid-up capital and reserves.

Setting up of Wholly Owned Subsidiaries by Foreign Banks

On 6 November 2013, the RBI published the "Scheme for Setting up of Wholly Owned Subsidiaries by foreign banks in India" (the "**WOS Scheme**"). The main objective of the WOS Scheme is to ensure that there is a clear delineation between the assets and liabilities of the domestic bank and those of its foreign parent, and ring fencing of capital and assets within India. The WOS Scheme does not make it mandatory for all foreign banks in India to adopt the wholly owned subsidiary structure. However, the WOS Scheme mandates that a foreign bank can only operate in India through a "single mode of presence", i.e. either through a WOS or through branches.

In order to incentivise foreign banks to adopt the WOS structure, the biggest incentive being offered by the RBI under the WOS Scheme is the near national treatment with respect to branch expansion plans of foreign banks which adopt the WOS structure. Under the WOS Scheme, the RBI will follow the procedure prescribed under section 44A of the Banking Regulation Act, which contains provisions regarding bank mergers. A foreign bank that either (i) commenced business in India after August 2010 or (ii) applies to the RBI for a new licence, is required to mandatorily adopt the WOS structure based on certain criteria, such as giving domestic depositors a preferential claim on liquidation or does not require adequate disclosures to regulators, or if it has a "complex structure" or is not widely held, or is incorporated in a jurisdiction with unsatisfactory supervisory arrangements (including disclosure requirements) and market discipline, or if it is considered systemically important by the RBI due to the size of its business or for any other reason as determined by the RBI.

Restriction on Creation of Floating Charge

Prior approval of the RBI is required for creating a floating charge on the Bank's undertaking or its property. As at the date of this Offering Circular, all the Bank's borrowings, including bonds are unsecured, except for collateralised borrowing and lending obligations, which are secured.

Maintenance of Records

The Bank is required to maintain books, records and registers. The Banking Regulation Act specifically requires banks to maintain books and records in a particular manner and file the same with the Registrar of Companies on a periodic basis. The provisions for production of documents and availability of records for inspection by shareholders would apply to the Bank as any company. Under the PMLA, records of a transaction are to be preserved for five years from the date when the transaction between the customer and the bank is completed.

Secrecy Obligations

The Bank's obligations relating to maintaining secrecy arise out of section 13 of the Bank Nationalisation Act and common law principles governing its relationship with its customers. The Bank cannot disclose any information to third parties, except under clearly defined circumstances. The following are the exceptions to this general rule:

- where disclosure is required to be made under any law;
- where there is an obligation to disclose to the public;
- where the Bank needs to disclose information in its interest; and
- where disclosure is made with the express or implied consent of the customer.

The Bank is required to comply with the above in furnishing any information to any parties. The Bank is also required to disclose information if ordered to do so by a court. The RBI may, in the public interest, publish the information obtained from the Bank. Under the provisions of the Banker's Books Evidence Act, 1891, a copy of any entry in a banker's book, such as ledgers, day books, cash books and account books certified by an officer of the Bank may be treated as prima facie evidence of the transaction in any legal proceedings.

Introduction of Legal Entity Identifier for Large Corporate Borrowers

Pursuant to the Statement on Developmental and Regulatory Policies dated 2 November 2017, the RBI decided to introduce the Legal Entity Identifier ("**LEI**") system for all borrowers of banks having total fund based and non-fund based exposure of Rs. 500,000,000 and above in a phased manner (and for their parent entity, as well as all subsidiaries and associates). The LEI is a 20-digit unique code to identify parties to financial transactions worldwide. Borrowers who do not obtain an LEI as per the schedule are not to be granted renewal/enhancement of credit facilities. A separate roadmap for borrowers having exposure between Rs. 50,000,000 and up to Rs. 500,000,000 is also proposed to be issued by the RBI.

The RBI Restriction on Offshore Payments

Any offshore payments to be made under the Notes by the Head Office of the Bank would require prior approval of the RBI.

Scheme to set up IFSC Banking Units ("IBUs")

The RBI in its notification on Foreign Exchange Management (International Financial Services Centre) Regulations, 2015, dated 2 March 2015, set out the regulations relating to financial institutions set up in an IFSC. Pursuant thereto, the RBI has formulated a scheme for the setting up of IBUs by banks in IFSCs. The regulatory and supervisory framework governing IBUs' set up in IFSCs by Indian banks is detailed below.

Eligibility criteria: Indian banks in the public sector and the private sector authorised to deal in foreign exchange will be eligible to set up IBUs. Each of the eligible banks would be permitted to establish only one IBU in each IFSC.

Licensing: Eligible banks interested in setting up IBUs will be required to obtain prior permission of the RBI to open an IBU under Section 23(1)(a) of the Banking Regulation Act. For most regulatory purposes, an IBU will be treated on par with a foreign branch of an Indian bank.

Capital: With a view to enabling IBUs to start their operations, the parent bank will be required to provide a minimum capital of U.S.$20 million or equivalent in any foreign currency to its IBU which should be maintained at all times. However, the minimum prescribed regulatory capital, including for the exposures of the IBU, shall be maintained on an on-going basis at the parent level. The parent bank will be required to provide a letter of comfort for extending financial assistance, as and when required, in the form of capital/liquidity support to the IBU.

Reserve requirements: The liabilities of the IBU are exempt from both CRR and SLR requirements of the RBI.

Resources and deployment: The sources for raising funds, including borrowing in foreign currency, will be persons not resident in India and overseas branches of Indian banks. The deployment of funds can be with both persons resident in India as well as persons not resident in India. However, deployment of funds with persons resident in India shall be subject to the provisions of FEMA.

Permissible activities of IBUs: The IBUs will be permitted to engage in the form of business mentioned in Section 6(1) of the Banking Regulation Act as given below, subject to the conditions, if any, of the licence issued to them.

(i) IBUs can undertake transactions with resident (for deployment of funds) and non-resident (for both raising of resources and deployment of funds) entities other than individuals, including high net worth individuals/retail customers as indicated in "Resources and deployment" above.

(ii) All transactions of IBUs shall be in a currency other than INR.

(iii) IBUs can deal with wholly owned subsidiaries/joint ventures of Indian companies registered abroad.

(iv) IBUs are allowed to have liabilities, including borrowing in foreign currency, only with an original maturity period greater than one year. It is provided that the RBI will not prescribe any limit for raising short-term liabilities from banks. However, the IBUs must maintain LCR as applicable to Indian banks on a stand-alone basis and strictly follow the liquidity risk management guidelines issued by the RBI to banks. Further, NSFR will also be applicable to IBUs as and when it is applied to Indian banks.

(v) IBUs are not allowed to open any current or savings accounts. IBUs can open foreign currency current accounts of units operating in IFSCs and of non-resident institutional investors to facilitate their investment transactions. However, IBUs cannot raise liabilities from retail customers, including high net worth individuals. Also, no cheque facility will be available for holders of current accounts in IBUs. All transactions through these accounts must be undertaken via bank transfers.

(vi) IBUs are permitted to undertake factoring/forfaiting of export receivables.

(vii) With the prior approval of their board of directors, IBUs may undertake derivative transactions, including structured products that the banks operating in India have been allowed to undertake as per the extant RBI directions. However, IBUs shall obtain the RBI's prior approval for offering any other derivative products. Before seeking the RBI's approval, banks shall ensure that their IBUs have the necessary expertise to price, value and compute the capital charge and manage the risks associated with the products/ transactions intended to be offered and should also obtain their board's approval for undertaking such transactions.

(viii) IBUs are allowed to open foreign currency escrow accounts of Indian resident entities to temporarily hold subscriptions to the GDR/alternative depositary receipt ("**ADR**") issues until issuance of the Receipts. After GDRs/ADRs are issued, the funds should immediately be transferred to the client's account outside the IBU and cannot be retained by the bank in any form, including in long term deposits.

(ix) IBUs are allowed to act as underwriter/arranger of Rupee denominated overseas bonds issued by Indian entities in overseas markets in terms of extant RBI instructions. However, in cases where part of the issuance underwritten by an IBU devolves on it, efforts must be made to sell the underwritten holdings and after six months of the issue date these holdings must not exceed 5 per cent. of the issue size.

(x) The fixed deposits accepted from non-banks by the IBUs cannot be repaid prematurely within the first year. However, fixed deposits accepted as collateral from non-banks for availing credit facilities from IBUs or deposited as margin in favour of an exchange, can be adjusted prematurely in the event of default in repayment of the loan or meeting a margin call.

(xi) An IBU can be a trading member of an exchange in the IFSC for trading in interest rate and currency derivatives segments that the banks operating in India have been allowed to undertake as per the extant RBI directions.

(xii) An IBU can become a Professional Clearing Member ("**PCM**") of the exchange in the IFSC for clearing and settlements in any derivatives segments, subject to the conditions stipulated therein.

(xiii) An IBU is allowed to extend a facility of bank guarantees and short term loans to IFSC stock broking/commodity broking/commodity broking entities subject to the terms and conditions as per the Master Directions.

Prudential regulations: All prudential norms applicable to overseas branches of Indian banks would apply to IBUs. Specifically, these units would be required to follow the 90-days' payment delinquency norm for income recognition, asset classification and provisioning as applicable to Indian banks. The bank's board may set out appropriate credit risk management policy and exposure limits for their IBUs, consistent with the regulatory prescriptions of the RBI. The IBUs would be required to adopt liquidity and interest rate risk management policies prescribed by the RBI in respect of overseas branches of Indian banks and function within the overall risk management and ALM framework of the bank subject to monitoring by the board at prescribed intervals. The bank's board would be required to set comprehensive overnight limits for each currency for their IBUs, which would be separate from the open position limit of the parent bank. Exposure ceiling for IBUs shall be 5 per cent. of the parent bank's Tier 1 capital in the case of a single borrower and 10 per cent. of the parent bank's Tier 1 capital in the case of a borrower group.

Anti-Money Laundering measures: The IBUs will be required to follow "KYC", Combating of Financing of Terrorism (CFT) and other anti-money laundering instructions issued by the RBI from time to time. IBUs are prohibited from undertaking cash transactions.

Regulation and Supervision: The IBUs will be regulated and supervised by the RBI.

Reporting requirements: The IBUs will be required to furnish information relating to their operations as prescribed by RBI from time to time. These may take the form of offsite reporting, audited financial statements for IBUs, etc.

Ring-fencing the activities of IFSC Banking Units: The IBUs would operate and maintain balance sheet only in foreign currency and will not be allowed to deal in Rupees, except for having a special Rupee account out of a convertible fund to defray their administrative and statutory expenses. Such operations/transactions of these IBUs in INR would be through the Authorised Dealers (distinct from IBU), which would be subject to the extant foreign exchange regulations. IBUs are not allowed to participate in the domestic call, notice, term, forex, money and other onshore markets and domestic payment systems. The IBUs will be required to maintain separate nostro accounts with correspondent banks which would be distinct from nostro accounts maintained by other branches of the same bank. A financial institution or a branch of a financial institution set up in the IFSC and permitted/recognised as such by the Government or a regulatory authority shall be treated as a person resident outside India.

Priority sector lending: The loans and advances of IBUs would not be reckoned as part of the ANBC of the parent bank for computing priority sector lending obligations.

Deposit insurance: Deposits of IBUs will not be covered by deposit insurance.

Lender of Last Resort ("LOLR"): No liquidity support or LOLR support will be available to IBUs from the RBI.

SEBI (IFSC) Guidelines, 2015

The SEBI (IFSC) guidelines were promulgated to regulate financial services relating to the securities market in an IFSC created under Section 18(1) of the Special Economic Zones Act, 2005. The guidelines apply to any entity desirous of operating in an IFSC to render financial services relating to the securities market and prescribe the eligibility and shareholding limit for stock exchanges, clearing corporations and depositories. The guidelines also prescribe conditions to be complied with for issuing capital in an IFSC. The listing of the Notes is in compliance with the SEBI (IFSC) Guidelines, 2015, as amended from time to time.

Pursuant to the aforesaid guidelines, SEBI issued a circular dated March 17, 2016 clarifying that all recognized associations (commodity derivatives exchanges) under the Forward Contracts (Regulation) Act, 1952 are deemed to be recognized stock exchanges under the Securities Contracts (Regulation) Act, 1956. In August 2017, SEBI amended the SEBI (IFSC) Guidelines, bringing changes to credit rating requirements, provisions regarding agreements with depositories and custodians, and the reporting of financial instruments. On November 26, 2018, SEBI introduced operating guidelines for setting up of alternate investment funds in IFSCs.

International Operations

The Bank's international operations are governed by regulations in the countries in which the Bank has a presence.

The Bank has representative offices in Dubai, London and Abu Dhabi. These representative offices are permitted to carry out limited activities in accordance with the local regulations in those offices.

The Bank obtained a licence from the RBI in August 2015 for establishing an IBU at the GIFT City in accordance with the IFSC guidelines. The IBU at the IFSC is, for most regulatory purposes, treated as a foreign branch. The IBU commenced its operations in July 2016.

The IBC

The IBC was passed by the Parliament on 11 May 2016, with the aim of creating a unified framework for resolving insolvency and bankruptcy in India. The IBC repeals the Presidency Towns Insolvency Act, 1909, and Provincial Insolvency Act, 1920. The IBC also amends 11 other laws, including, the Companies Act, 2013 the RDDB Act and the Sick Industrial Companies (Special Provisions) Repeal Act, 2003. The IBC aims to consolidate the laws relating to the insolvency of companies and limited liability entities (including limited liability partnerships and other entities with limited liability), unlimited liability partnerships and individuals, currently contained in a number of legislations, into a single legislation. The IBC classifies creditors into financial creditors and operational creditors which include financial loans for interest and loans arising from the operational nature of the debtor, respectively. According to the IBC, the insolvency resolution process may be initiated by the debtor or the creditors or corporate applicant itself. Some of the new concepts introduced by the IBC include the Insolvency and Bankruptcy Board of India, the Insolvency and Bankruptcy Fund and two separate tribunals, namely the National Company Law Tribunal (which shall have jurisdiction over companies and limited liability partnerships) and the DRT (which shall have jurisdiction over individuals and partnership firms). The IBC provides a 180-day timeline, which may be extended by 90 days, for dealing with insolvency resolution applications. Subsequently, the insolvency resolution plan prepared by the resolution professional has to be approved by 75 per cent. of the creditors and, if rejected, the adjudicating authority will order the liquidation. Additionally, the order of priority of repayment of outstanding dues from liquidated assets of the insolvent company is proposed to be changed via suitable amendments in tax laws. In a bid to boost the sentiment among lenders, even repayment of dues to unsecured creditors has been given a higher priority as against payment of taxes to the Government.

Banking Regulation (Amendment) Act, 2017

The Banking Regulation (Amendment) Act, 2017, enacted on 25 August 2017, states that the Government may by order authorise the RBI to issue directions to banking companies to initiate insolvency proceedings under the IBC. Furthermore, the RBI may issue directions to banking companies for the resolution of stressed assets.

Regulations and Guidelines of the Securities and Exchange Board of India

SEBI was established to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market. The Bank is subject to SEBI regulations for its corporate governance, capital issuances, as well as its underwriting, custodial, depositary participant, investment banking, registrar and transfer agency, brokering and debenture trusteeship activities. These regulations provide for its registration with SEBI for each of these activities, functions and responsibilities. The Bank has been adhering to the regulations and guidelines issued by SEBI for various activities.

The Bank's equity shares are listed on the BSE and NSE. As a result, the Bank is required to comply with the requirements of the Listing Regulations. The Listing Regulations provide for continuing disclosure by all listed companies, which are required to inform the stock exchanges of all events immediately, which will have a bearing on the performance or appraisal of the company as well as price sensitive information.

Foreign Ownership Restriction

The Government regulates foreign ownership in private sector banks. The total foreign ownership in a private sector bank cannot exceed 74 per cent. of the paid-up capital. Shares held by foreign institutional investors under portfolio investment schemes through stock exchanges cannot exceed 49 per cent. of the paid-up capital.

The RBI's acknowledgement is required for the acquisition or transfer of a bank's shares, which will take the aggregate holding (both direct and indirect, beneficial or otherwise) of an individual or a group to the equivalent of 5 per cent. or more of its total paid-up capital. The RBI, while granting acknowledgement, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fitness and propriety tests. In determining whether the acquirer or transferee is fit and proper to be a shareholder, the RBI may take into account various factors, including, but not limited to, the acquirer or transferee's integrity, reputation and track record in financial matters and compliance with tax laws, proceedings of a serious disciplinary or criminal nature against the acquirer or transferee and the source of funds for the investment.

While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 10 per cent. or more and up to 30 per cent. of a private sector bank's paid-up capital, the RBI may consider additional factors, including, but not limited to:

- the source and stability of funds for the acquisition and ability to access financial markets as a source of continuing financial support for the bank;
- the business record and experience of the applicant, including any experience of acquisition of companies;
- the extent to which the acquirer's corporate structure is in consonance with effective supervision and regulation of its operations; and
- in case the applicant is a financial entity, whether the applicant is a widely held entity, publicly listed and a well-established regulated financial entity in good standing in the financial community.

While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 30 per cent. or more of a private sector bank's paid-up capital, the RBI may consider additional factors, including, but not limited to, whether or not the acquisition is in the public interest, and shareholder agreements and their impact on the control and management of the bank's operations.

Investments in Indian companies can be made both by non-resident as well as resident Indian entities. Any investment by a non-resident entity in an Indian company is considered a direct foreign investment. Investment by resident Indian entities could comprise both resident and non-resident investment. An Indian company would be considered to have indirect foreign investment if the Indian investing company has foreign investment in it. Indirect cascading investment through a multi-layered structure will also be taken into account.

Guidelines for Merger and Amalgamation of Private Sector Banks

The RBI issued the Master Directions on the Amalgamation of Private Banks Directions 2016 in relation to: (i) an amalgamation of two banks; and (ii) an amalgamation of an NBFC with a bank.

In the case of an amalgamation of two banks, the Banking Regulation Act requires that a draft scheme of amalgamation be approved by the shareholders of each bank, by passing a resolution with a majority in number representing two-thirds in value of the shareholders. Before convening the meeting for the purposes of obtaining the shareholders' approval, the draft scheme of amalgamation shall be approved by the boards of directors of the two banking companies separately. Additionally, the draft scheme must also be submitted to the RBI for sanction.

Where an NBFC is proposed to be amalgamated into a bank, the bank should obtain the approval of the RBI after the scheme of amalgamation is approved by its board and the board of the NBFC before it submits an application to the NCLT. Similar provisions apply in the rare case where a bank is amalgamated into an NBFC.

In either case, the decision of merger should be approved by a two-thirds majority of the total board members and not just the members present.

The RBI has issued a policy on ownership and governance in private sector banks. The key provisions of the policy on ownership of banks are:

- no single entity or group of related entities would be permitted to directly or indirectly hold more than 10 per cent. of the equity capital of a private sector bank and any higher level of acquisition would require the RBI's prior approval;
- any private sector bank will be allowed to hold shares in any other private sector bank only up to 5 per cent. of the paid-up capital of the investee bank;
- banks with shareholders of holdings in excess of the prescribed limit would have to indicate a plan for compliance;
- in respect of corporate shareholders, the objective would be to ensure that no entity or group of related entities has a shareholding in excess of 10 per cent. in the corporate shareholder. In the case of shareholders that are financial entities, the objective will be to ensure that it is widely held, publicly listed and well regulated; and
- banks would be responsible for the "fit and proper" criteria for shareholders (with a shareholding of 5 per cent. and above) on an ongoing basis.

Credit Information Bureaus

The Credit Information Companies (Regulation) Act, 2005, which requires every credit institution, including banks, to become a member of a credit information bureau and furnish to it such credit information as may be required by the credit information bureau about persons who enjoy a credit relationship with the credit institution. Other credit institutions, credit information bureaus and such other persons as the RBI specifies may access such disclosed credit information. In 2015, the RBI directed all credit institutions to become members of all credit information companies ("**CICs**") and submit data (including historical data) to it. In 2017, the RBI directed the CICs to ensure that the credit information report ("**CIR**") generated in respect of a borrower and furnished to the credit institutions, incorporates all the consolidated credit information available in all applicable modules, (e.g. consumer, commercial and MFI, etc.) in respect of the borrower. Presently, four CICs – Credit Information Bureau (India) Limited, Equifax Credit Information Services Private Limited, Experian Credit Information Company of India Private Limited and CRIF High Mark Credit Information Services Private Limited – have been granted certificates of registration by the RBI.

Special Status of Banks in India

The special status of banks is recognised under various statutes, including the RDDB Act and the SARFAESI Act. The Bank is entitled to certain benefits under the Recovery of Debts Due and Bankruptcy Act, 1993, which provides for the establishment of DRTs for expeditious adjudication and recovery of debts due to any bank or public financial institution or to a consortium of banks and public financial institutions. Under this Act, the procedures for recoveries of debt have been simplified and timeframes been fixed for speedy disposal of cases. Upon establishment of the DRT, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances.

Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012

Historically, banks and financial institutions in India faced numerous obstacles to the recovery of defaulted loans, mainly due to delays in the disposal of recovery proceedings. The RDDB Act and the SARFAESI Act were enacted to expedite the recovery of NPAs, whilst banks have presented further suggestions for strengthening rights of the secured creditors, which has led to the enactment of the Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012, which has amended the RDDB Act and the SARFAESI Act.

The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 ("UFIA").

The UFIA came into effect on 26 May 2015. It applies to Indian residents and penalises the concealment of foreign income and provides for criminal liability on attempts to evade tax in relation to foreign income. The UFIA also imposes liability on persons who abet or induce another to wilfully attempt to evade tax to make false statements/declarations in relation to foreign income and assets.

Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016 (the "Amendment Act")

The SARFAESI Act provides for the enforcement of security interest without the intervention of the courts. Under the provisions of the SARFAESI Act, a secured creditor can recover dues from its borrowers by taking any of the measures as provided therein, including (i) taking possession of the secured assets or (ii) taking over the management of the secured assets. Rights, with respect to the enforcement of security interest, under the SARFAESI Act cannot be enforced unless the account of the borrower has been classified as a non-performing asset in the books of account of the secured creditor in accordance with the directions or guidelines issued by the RBI or any other applicable regulatory authority. In accordance with the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016, the definition of debt has been expanded to include fund raising through debt securities and consequently, the definition of a secured creditor under the SARFAESI Act has been expanded to include a debenture trustee appointed by the company for debt securities. The SARFAESI Act also provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The financial assets can be sold to asset reconstruction companies in accordance with the extant guidelines and prudential norms issues by the RBI. Consideration for the sale may be in the form of cash, bonds or debentures or SRs or pass through or pay through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. In the event that the secured creditor is unable to recover the entire sum due by exercise of the remedies under the SARFAESI Act in relation to the assets secured, such secured creditor may approach the relevant court for the recovery of the balance amounts. A secured creditor may also simultaneously pursue its remedies under the SARFAESI Act.

ECB Policy

On 1 January 2016, the RBI "issued the Master Direction on External Commercial Borrowings, Trade Credits, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers which was updated on 22 November 2018, which established the framework for offshore issuance of Rupee denominated bonds. Pursuant to the ECB Master Direction, any company or body corporate, including real estate investment trusts and infrastructure investments trusts, can issue plain vanilla Rupee denominated bonds overseas, subject to compliance with the applicable minimum maturity period. These issuances can be listed or unlisted and can only be made *inter alia* in financial action task force ("**FATF**") compliant jurisdictions and any investor (not a related party to the issuer) from such FATF compliant jurisdiction can invest in such Rupee denominated bonds if they are also compliant with other restrictions under these master directions.

On January 16, 2019 the RBI formulated the New ECB Master Directions to improve the ease of doing business and to strengthen the AML/CFT framework. The revised guidelines are instrument neutral. The key changes are as follows:

1. Merger of Tracks: Track I (medium term ECB 1. of three to five years) and Track II (long term ECB of up to ten years) have been merged as "Foreign Currency Denominated ECB". Track III, consisting of NBFCs and Microfinance institutions as eligible borrowers, has been merged with rupee denominated borrowings as "Rupee Denominated ECB". Thus, the extant four-tier structure has been replaced by a two-tier structure.

2. Eligible Borrowers: The list of eligible borrowers have been expanded to include all entities that are eligible to receive FDI. Additionally, port trusts, units in SEZ, SIDBI, EXIM Bank, registered entities engaged in micro-finance activities i.e. registered not for profit companies, societies/trusts/cooperatives and non-government organisations can also borrow under the new framework.

3. Recognised Lenders expanded to include any entity who is a resident of a country which is FATF or International Organisation of Securities Commission's ("**IOSCO**") compliant. Multilateral and regional financial institutions, individuals and foreign branches / subsidiaries of Indian banks can also be lenders.

4. The minimum average maturity period ("**MAMP**") has been kept at 3 years for all ECB irrespective of the amount of borrowing. However, if the ECB is raised from a foreign equity holder and utilized for working capital, general corporate purposes or repayment of rupee loans, the maturity period will be five years. Manufacturing companies have been given a special dispensation to raise up to $50 million per financial year with a maturity period of one year. A special dispensation has also been provided to public sector oil marketing companies allowing them to raise ECB to an overall extent of $10 billion for working capital purposes with an MAMP of three years under the automatic route without mandatory hedging or individual limit requirements.

5. A delay in reporting drawdowns of proceeds before obtaining LRN or Form ECB 2 returns can be regularized by payment of late submission fee as per the laid down procedure.

6. ECB up to USD 750 million or equivalent per financial year is permitted under the automatic route, subject to compliance with other terms and conditions under the new framework, replacing the existing sector wise limits.

7. Lending and borrowing by Indian banks and their branches/subsidiaries outside India will have to comply with the prudential guidelines issued by the Department of Banking Regulation of the RBI. Further, other entities raising ECB are required to follow the guidelines issued, if any, by the concerned sectoral or prudential regulator.

The New ECB Master Directions provide that a rupee denominated bond is a bond issued by an Indian entity. The entity may either privately place or list the bond overseas in FATF compliant financial centres. It can only be issued in a country or resident of a country which is a member of FATF and has recognised securities market regulators that are signatory to the IOSCO's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral memorandum of understanding with the SEBI for an information sharing arrangement. However, recognised investors should not be related parties (of borrowers) as per IndAS 24.

Under the framework, any proposal of borrowing by eligible Indian entities by issuance of these bonds will be examined by the RBI. It further provides the minimum original maturity period for Masala Bonds raised up to $50 million equivalent Rs. per financial year should be three years and above $50 million equivalent Rs. should be five years. The subscriber of these bonds can sell rupee bonds to a third party (domestic or offshore) but the proceeds from the issue can't be used for real estate activities, capital market investment or land-purchase. Reporting requirements, including obtaining loan registration number, parking of bond proceeds, conversion into equity in accordance with the existing ECB norms will continue to apply to the Masala Bonds.

Income Tax Benefits

The Bank is entitled to certain tax benefits under the IT Act (applicable to Offshore Banking Unit as well), including but not limited to an entitlement to a tax deduction on the provisioning towards bad and doubtful debts equal to 8.5 per cent. of the Bank's business income, computed before making any deductions prescribed under section 36(1)(viia) and Chapter VI-A of the Income Tax Act, 1961, and to the extent of 10 per cent. of the aggregate average advances made by its rural branches computed in the manner prescribed.

Taxation

The Government has introduced two major reforms to Indian tax laws, namely the Goods and Services Tax and the provisions relating to GAAR. Under the Goods and Services Tax reforms, unified goods and services tax structures to expand the tax base, rationalise the input tax credit and harmonise the current multiple taxation laws in India have been introduced. The Goods and Services Tax was implemented from 1 July 2017 and replaced the indirect taxes on goods and services such as central excise duty, service tax, central sales tax, state VAT and surcharge which were collected by the central and state governments. The GAAR provisions came into effect from 1 April 2017. The GAAR provisions target arrangements declared as "impermissible avoidance arrangements", which is any arrangement, the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests: (i) creates rights or obligations which are not ordinarily created between persons dealing at arm's length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the IT Act; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which is not ordinarily employed for bona fide purposes. If GAAR provisions are invoked, then the tax authorities have wide powers, including denial of a tax benefit or a benefit under a tax treaty.

Further, pursuant to circulars dated 25 May 2017 and 30 May 2017, the RBI simplified the reporting guidelines for banks for submission of annual information returns relating to the issuance of savings bonds for Rs. 1,000,000 or more, as contemplated under Section 285 BA and Rule 114E of the IT Act.

LEGAL PROCEEDINGS

Except as disclosed below, the Bank is also from time to time involved in various litigation proceedings in the ordinary course of its business. These proceedings are primarily in the nature of recovery proceedings initiated by the Bank in respect of advances made pending before civil courts or the debts recovery tribunal(s), as the case may be, criminal cases filed by the Bank in cases of dishonour of cheques or fraud cases, claims against the Bank in relation to improper or fraudulent debit from customer accounts, criminal and labour-related proceedings against the Bank, past penalties imposed by RBI, claims for refund of business losses and damages, consumer claims for deficiency in service, claims involving forgery of demand draft, claim for increased rent, suits claiming compensation and damages for termination from service, and suits for setting aside recovery proceedings initiated by the Bank, stamp duty and tax matters.

Legal Proceedings

A civil suit was filed on 8 June 2009, by the Calcutta Stock Exchange ("**CSE**") against the Bank, before the Calcutta High Court, involving an amount of Rs. 1,906.9 million. The CSE claimed, that a branch of the Bank which was appointed as a clearing bank by CSE, for the purpose of settlement of trade transactions conducted by member brokers of CSE, had delayed intimation of dishonour of cheques issued by the member brokers of CSE, thereby causing a loss to CSE. The matter is currently pending before the Calcutta High Court.

A title suit was filed on 19 September 2015 by Robin Talukdar, Pratibha Talukdar and Prerona Transport against the Bank, before the District and Sessions Judge Court, Kamrup, Guwahati, involving an amount of Rs. 1,024.77 million, alleging, amongst others, serious loss, damages in business, mental agony and harassment. The matter is currently pending before the District and Sessions Judge Court, Kamrup, Guwahati.

TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, the information does not consider any specific facts of circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws applicable in India and each country of which they are residents. Additionally, in view of the number of different jurisdictions where local laws may apply, this Offering Circular does not discuss the local tax consequences applicable to a potential investor arising from the acquisition, holding or disposal of the Notes. Prospective investors must, therefore, inform themselves as to any tax, exchange control legislation or other laws and regulations in force relating to the subscription, holding or disposal of the Notes at their place of residence and in the countries of which they are citizens, or the countries of purchase, holding or disposition of the Notes.

Indian Taxation

The following is a summary of the existing principal Indian tax consequences for investors who are not resident ("**Non-resident Investors**") in India and are subscribing to the Notes issued by the Issuer from any offshore branch. The summary is based on Indian taxation law and practice in force as at the date of this Offering Circular and is subject to change, possibly with retrospective effect. The summary does not constitute legal or tax advice and is not intended to represent a complete analysis of the tax consequences under Indian law of the acquisition, ownership or disposal of the Notes. Prospective investors should, therefore, consult their own tax advisers regarding the Indian tax consequences, as well as the tax consequences under any applicable taxing jurisdiction, of acquiring, owning and disposing of the Notes.

Taxation of Interest

Interest on foreign currency denominated Notes will not be subject to taxes in India if the proceeds of the issuance of such Notes are used for the purposes of business carried on by the Issuer outside India. If the proceeds are utilised for the purposes of the business of the Issuer in India and in the event the tax authorities in India decide that exemption from tax is not available under the IT Act, Non-resident Investors are liable to pay income tax on the interest paid at the rate of 20 per cent. under Section 115A of the IT Act (plus applicable surcharge, health and higher education cess), in accordance with conditions of the IT Act. This rate may be reduced to 5 per cent. (plus applicable surcharge and cess) if the interest paid on the Notes qualifies for the benefits provided under Section 194LC of the IT Act. The rate of tax will stand reduced under the beneficial provisions of a tax treaty, subject to fulfilment of the conditions prescribed therein read with the IT Act.

A non-resident investor is obliged to pay such income tax on an amount equal to, or would be entitled to a refund of, as the case may be, any difference between amounts withheld in respect of interest paid on the foreign currency denominated Notes and its ultimate Indian tax liability for such interest, subject to the conditions of the IT Act. The non-resident investors shall be obliged to provide all necessary information and documents as may be required by the Issuer and/or the tax authorities in India.

Withholding of Taxes

There is no requirement to withhold tax under Indian law on interest payments that are made on the Notes issued by any offshore branch, if the proceeds of Notes are utilised outside India. If the proceeds raised are utilised in India, there may be a requirement to withhold tax of 5 per cent. or 20 per cent. (plus applicable surcharge, gealth and education cess) as the case may be on interest payments made on the foreign currency denominated Notes, subject to the conditions contained in the IT Act and also subject to any lower rate of tax provided for by an applicable tax treaty. An applicable tax treaty may reduce such tax liability, subject to fulfilment of the conditions prescribed therein read with the IT Act. However, if the IBU qualifies as an offshore banking unit for the purposes of Section 197A(1D) of the IT Act, then there is no requirement to withhold tax under Indian law on interest payments that are made on the Notes issued by the said Unit.

Pursuant to the Terms and Conditions of the Notes, all payments of, or in respect of, principal and interest on the Notes, will be made free and clear of and without withholding or deduction on account of any present or future taxes within India, unless it is required by law, in which case, pursuant to Condition 8, the Issuer will pay an additional amount as may be necessary in order that the net amount received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or the deduction, subject to certain exceptions.

Taxation of gains arising on disposal of Notes

Given below is a summary of taxation of capital gains arising upon disposal of Notes.

Any gains arising to a non-resident investor from disposal of the Notes held (or deemed to be held) as a capital asset will generally be chargeable to income tax in India if the Notes are regarded as property situated in India. A non-resident investor will generally not be chargeable with income tax in India from a disposition of Notes held as a capital asset, provided the Notes are regarded as being situated outside India. The issue as to where the Notes should properly be regarded as being situated is not free from doubt. The ultimate decision, however, will depend upon the view taken by the Indian tax authorities on the position with respect to the location of the rights being offered in respect of the Notes. There is a possibility that the Indian tax authorities may treat the Notes as being situated in India as the Issuer is a company incorporated in India.

If the Notes are regarded as situated in India by the Indian tax authorities, upon disposition of a Note:

(a) a non-resident investor, who has held the Notes for a period of more than 36 months immediately preceding the date of their disposition, would be liable to pay long-term capital gains tax at the rate up to 20 per cent. of the capital gains (plus applicable surcharge, health and education cess) in accordance with the provisions of the IT Act;

(b) a non-resident investor who has held the Notes for 36 months or less would be liable to pay capital gains tax at rates ranging up to 40 per cent. of the capital gains (plus applicable surcharge, health and education cess), depending on the legal status of the non-resident investor, and his taxable income in India;

(c) further, taxation of capital gains would also depend upon the provisions/benefits available under the relevant tax treaty, subject to fulfilment of the conditions prescribed under the relevant Tax Treaty as well as the IT Act; and

(d) any surplus realised by a non-resident investor from a disposition of the Notes held as stock-in-trade would be subject to income tax in India to the extent, if any, that the surplus is attributable to a “business connection in India” or, where a tax treaty applies, to a “permanent establishment” of the non-resident investor in India. A non-resident investor would be liable to pay Indian tax on the profits which are so attributable to such “business connection” or “permanent establishment” at a rate of tax ranging up to 40 per cent. (plus applicable surcharge, health and education cess), depending on the legal status of the non-resident investor and his taxable income in India. If the non-resident investor is a foreign company which has a permanent establishment in India, then it may alternatively also be subject to a minimum alternate tax on 18.5 per cent. of its book profits.

If applicable, under the tax law, tax shall be withheld by the person making any payment to a non-resident investor on long-term capital gains up to 20 per cent. (plus applicable surcharge, health and education cess) and short-term capital gains up to 40 per cent. (plus applicable surcharge, health and education cess), depending on the legal status of the recipient of income, subject to any lower rate provided for by an applicable tax treaty. Tax payable shall be computed as set out in the IT Act. For the purpose of tax withholding, the non-resident investor shall be obliged to provide the prescribed information or documents and fulfil any conditions set out in the applicable tax treaty, including a tax residency certificate (issued by the tax authorities of the country in which the investor is resident), to claim tax treaty benefits.

Potential investors should, in any event, consult their own tax advisers on the tax consequences of transfer of the Notes

Estate Duty

No estate duty is payable at present in relation to the Notes in India. There are no inheritance taxes or succession duties currently imposed in respect of the Notes held outside India.

Gift Tax

No gift tax is payable at present in relation to the Notes held outside India.

Stamp Duty

A transfer of the Notes outside India will not give rise to any Indian stamp duty liability, unless the Notes are brought into India. In the event that the Notes are brought into India for enforcement or for any other purpose, the same will attract stamp duty as payable in the relevant state. This stamp duty will have to be paid within a period of three months from the date the Notes are first received in India.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) 1287/2006 are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "**foreign financial institution**" or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service (the "**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer is classified as an FFI.

The new withholding regime is now in effect for payments from sources within the U.S. and will not apply to "foreign passthru payments" (a term not yet defined) prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. This withholding would potentially apply to payments in respect of (a) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "grandfathering date", which is (I) with respect to Notes that give rise solely to foreign passthru payments, the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register and (II) with respect to Notes that give rise to a dividend equivalent pursuant to section 871(m) of the U.S. Internal Revenue Code of 1986, 1 July 2017, or which are materially modified after the grandfathering date and (b) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The U.S. and a number of other jurisdictions have entered into IGAs to facilitate the implementation of FATCA. Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the U.S., an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The U.S. has entered into an agreement with India based largely on the Model 1 IGA (the "**U.S.-India IGA**").

If the Issuer is treated as a Reporting FI pursuant to the U.S.-India IGA, it does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. The Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (A) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (B) an investor is a Recalcitrant Holder.

While the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the Clearing Systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the Clearing Systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

Hiring Incentives to Restore Employment Act

The U.S. Hiring Incentives to Restore Employment Act introduced Section 871(m) of the U.S. Internal Revenue Code of 1986, which treats a "dividend equivalent" payment as a dividend from sources within the U.S. Under Section 871(m), such payments generally would be subject to a 30 per cent. U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the IRS. A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the U.S., (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the U.S. and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) and (ii). Recently published final U.S. Treasury regulations issued under Section 871(m) (the "**Section 871(m) Regulations**") will, when effective, require withholding on certain non-U.S. holders of the Notes with respect to amounts treated as attributable to dividends from certain U.S. securities. Under Section 871(m) Regulations, only a Note that has an expected economic return sufficiently similar to that of the underlying U.S. security, as determined on the Note's issue date based on tests set forth in the Section 871(m) Regulations, will be subject to the Section 871(m) withholding regime (making such Note a "**Specified Note**"). The Section 871(m) Regulations provide certain exceptions to this withholding requirement, in particular, for instruments linked to certain broad-based indices.

Withholding in respect of dividend equivalents will generally be required when cash payments are made on a Specified Note or upon the date of maturity, lapse or other disposition by the non-U.S. holder of the Specified Note. If the underlying U.S. security or securities are expected to pay dividends during the term of the Specified Note, withholding generally will still be required even if the Specified Note does not provide for payments explicitly linked to dividends. If the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld.

The Section 871(m) Regulations will generally apply to Specified Notes issued on or after 1 January 2017. If the terms of a Note are subject to a "significant modification" (as defined for U.S. tax purposes), the Note generally would be treated as retired and reissued on the date of such modification for purposes of determining, based on economic conditions in effect at that time, whether such Note is a Specified Note. Similarly, if additional Notes of the same series are issued (or deemed issued for U.S. tax purposes, such as certain sales of Notes out of inventory) after the original issue date, the IRS could treat the issue date for determining whether the existing Notes are Specified Notes as at the date of such subsequent sale or issuance. Consequently, a previously grandfathered Note, or otherwise out of scope Note, might become a Specified Note following such modification or further issuance.

The applicable Pricing Supplement will indicate whether the Issuer has determined that the Notes are Specified Notes and will specify contact details for obtaining additional information regarding the application of Section

871(m) to the Notes. If the Notes are Specified Notes, a non-U.S. holder of such Notes should expect to be subject to withholding in respect of any dividend-paying U.S. securities underlying those Notes. The Issuer's determination is binding on non-U.S. holders of Notes, but it is not binding on the IRS. The Section 871(m) Regulations require complex calculations to be made with respect to Notes linked to U.S. securities and their application to a specific issue of Notes may be uncertain. Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) to the Notes.

SUBSCRIPTION AND SALE

The Dealers have, in the programme agreement dated 27 March 2019 (such programme agreement as amended and/or supplemented and/or restated from time to time, the "**Programme Agreement**"), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe for Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

United States of America

In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment, except in accordance with Rule 903 of Regulation S under the Securities Act.

In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Securities Act), except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has offered and sold any Notes, and will offer and sell any Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer who has purchased Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and certify to the Issuing and Paying Agent the completion of the distribution of the Notes of such Tranche. On the basis of such notification or notifications, the Issuing and Paying Agent has agreed to notify such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer also agreed that, at or prior to confirmation of the sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"*The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except, in either case, in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S*".

Each Dealer has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement. The relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Prohibition of Sales to European Economic Area Retail Investors

From 1 January 2018, unless the Pricing Supplement in respect of any Instruments specifies the "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", each Dealer represents and agrees, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by the Information Memorandum as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(i) the expression "**retail investor**" means a person who is one (or more) of the following:

  (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (b) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (c) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and

(ii) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments.

Prior to 1 January 2018, and from that date if the Pricing Supplement in respect of any Instruments specifies "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by the Information Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Instruments to the public in that Relevant Member State:

(A) if the Pricing Supplement in relation to the Instruments specify that an offer of those Instruments may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such

Instruments which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(B) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(C) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(D) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Instruments referred to in paragraphs (B) to (D) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Instruments to the public" in relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to communicate an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Italy

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-*ter*, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under paragraph (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**");

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any Notes will only be offered in the Netherlands to Qualified Investors (as defined in the EU Prospectus Directive), unless such offer is made in accordance with the Dutch Financial Supervision Act, which entered into force on 1 January 2007 *(Wet op het financieel toezicht).*

India

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that: (i) this Offering Circular has not been and will not be registered, produced or published as an offer document (whether a prospectus in respect of a public offer or information memorandum or other offering material in respect of any private placement under the provisions of Companies Act, 2013 and the rules framed thereunder or any other applicable Indian laws)), with the Registrar of

Companies, SEBI or any other statutory or regulatory body of like nature in India, save and except for any information from any part of this Offering Circular mandatorily required to be disclosed or filed in India under applicable Indian laws; and (ii) the Notes have not been and will not be offered and have not been offered or sold to any person in India by means of any document and this Offering Circular or any other offering document or material relating to the Notes have not been and will not be circulated or distributed, directly or indirectly, to any person or to the public in India (including International Financial Services Centres) which would constitute an advertisement, invitation, offer, sale or solicitation of an offer to subscribe for or purchase any securities in violation of Indian laws. The Notes will not be offered, directly or indirectly, to any non-institutional investors in Gujarat International Finance Tec-City ("**GIFT**") IFSC or to, or for the account or benefit of, any non-institutional investors in GIFT IFSC.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA, modified or amended from time to time pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation, (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months of that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(I) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(II) where no consideration is or will be given for the transfer;

(III) where the transfer is by operation of law;

(IV) as specified in Section 276(7) of the SFA; or

(V) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that all Notes issued or to be issued under the Programme are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Notes (except for Notes which are a "**structured product**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the "**SFO**") other than: (i) to "**professional investors**" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee, the Agents nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee, the Agents and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

Other Relationships

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and CDSs) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes issued under the Programme may, subject to the selling restrictions described above, be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

Broker-Dealer Affiliates

If a jurisdiction requires that such offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 13 February 2019.

2. Currently the issuance of Notes by the Issuer acting through its head office / International Financial Services Centre Banking Unit, or any foreign branch for borrowings in foreign currency for the purpose of funding its foreign offices in the normal course of banking business outside India, does not require any approval from the RBI and/or the Ministry of Finance. The Issuer is, however, required to (i) comply with reporting requirements specified under the guidelines issued by the RBI (by its FED Master Direction No.18/2015-16 updated as on 15 May 2017) and (ii) report the issue of Notes as part of the overseas liabilities and DSBO Returns I and II with respect to the operation of foreign branches of Indian banks, as amended, modified or supplemented from time to time. Any payments under the Notes by the Issuer from its Registered Office or any branch in India will require prior RBI approval.

No Potential Conflicts of Interest

3. As at the date of this Offering Circular, there are no potential conflicts of interest between any duties owed to the Issuer by the directors and the private interests and/or other duties owed by these individuals.

Listing

4. Application has been made to the SGX-ST for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. If the application to the SGX-ST to list a particular series of Notes is approved, for so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded, will be traded on the SGX-ST in a board lot size of at least S$200,000 (or its equivalent in other currencies).

   Admission to the Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies, the Programme or the Notes. So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Notes is exchanged for definitive Notes. In addition, in the event that the Global Notes is exchanged for definitive Notes, an announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Delisting of Notes

5. The Trust Deed provides that, if the applicable Pricing Supplement indicates that the Notes are listed on a stock exchange (the "**relevant Stock Exchange**"), the Issuer will use its best endeavours to maintain the listing on the relevant Stock Exchange of those of the Notes which are listed on the relevant Stock Exchange or, if it is unable to do so having used its best endeavours or if the maintenance of such listings is unduly onerous whether, as a result of the implementation of the EU Transparency Directive (directive 2004/109/EC of the European Parliament and of the Council on the Harmonisation of Transparency Requirements in relation to information about issuers whose securities are admitted to trading on a

regulated market) or otherwise, it may cease to maintain such listing, provided that it shall use its best endeavours promptly to obtain and maintain a quotation or listing of such Notes on such other stock exchange or exchanges or securities market or markets on which it is then accepted in the sphere of international issues of debt securities to list securities such as the Notes as it may (with the approval of the relevant Dealer(s) in respect of such Notes that such other stock exchange or exchanges or securities market or markets is so accepted (such approval to be communicated to the Trustee) decide and shall also upon obtaining a quotation or listing of such Notes issued by it on such other stock exchange or exchanges or securities market or markets enter into a trust deed supplemental to the Trust Deed to effect such consequential amendments to the Trust Deed as the Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market.

Clearing Systems

6. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

No Significant Change

7. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Bank since 31 December 2018 and no material adverse change in the prospects of the Bank since 31 December 2018.

Litigation

8. The Bank is not involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Bank is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Bank.

Accounts

9. The auditors of the Issuer in respect of the audited standalone financial statements as at and for the years ended 31 March 2016, 31 March 2017 and 31 March 2018 were Price Waterhouse Chartered Accountants LLP ("**PwC**"). The auditors of the Issuer in respect of the reviewed standalone interim condensed financial statements as at and for the nine months ended 31 December 2018 were S. R. Batliboi & Co. LLP ("**SRB**"). PwC has issued audit opinions in connection with its audits and SRB has issued a review report, in each case for the respective periods without any qualification.

Documents Available

10. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available to Noteholders: (i) from the corporate office of the Issuer and (ii) at all reasonable times during normal business hours (being 9:00 a.m. to 3:00 p.m.) following written request and proof of holding and identity satisfactory to the Issuing and Paying Agent from the specified office of the Issuing and Paying Agent and, in the case of any of the following documents other than the

Agency Agreement, subject to the Issuing and Paying Agent having been provided with copies thereof by the Issuer:

(a) the audited financial statements of the Bank and the Group in respect of the fiscal years ended 31 March 2016, 2017 and 2018 and the reviewed financial statements of the Issuer for the nine months ended 31 December 2018;

(b) the most recently published audited annual financial statements of the Bank and the most recently published audited or unaudited standalone interim financial results of the Bank (the Bank currently prepares unaudited standalone interim results on a quarterly basis under Indian regulatory requirements);

(c) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Temporary Global Notes, the Permanent Global Notes, the Definitive Bearer Notes, the Receipts, the Coupons, the Talons, the Restricted Global Notes and the Definitive Registered Notes;

(d) a copy of this Offering Circular; and

(e) any future offering circulars, prospectuses, information memoranda and supplements, including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note) to this Offering Circular and any other documents incorporated herein or therein by reference.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND INDIAN GAAP

The financial statements of the Issuer included in this Offering Circular have been prepared in accordance with the accounting policies followed by the Issuer, which conform to Indian GAAP, as applicable, to the Issuer. The following table summarizes certain of the areas in which differences between IFRS and Indian GAAP could be significant to the Issuer's financial position and results of operations if the financial statements were prepared under IFRS. The matter discussed below should not be expected to reveal all differences between IFRS and Indian GAAP that are relevant to the Issuer or the industry in which it operates. The summary below should not be considered exhaustive and no attempt has been made by the Issuer to quantify the differences between Indian GAAP and IFRS, nor has any attempt been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented in the financial information and therefore no impact assessment of IFRS to Indian GAAP has been undertaken by the Issuer. Had any such quantification or impact assessment been undertaken, other potential significant accounting and disclosure differences may have come to its attention, which are not identified below. These also do not include differences that may arise due to the application of new standards already issued and/or future changes in the standards.

Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and Indian GAAP and how those differences might affect the financial information disclosed in this Offering Circular.

		IFRS	INDIAN GAAP
1.	Contents of financial statements – general	A complete set of financial statements comprises (a) a statement of financial position, (b) a statement of profit or loss and other comprehensive income, (c) a statement of cash flow, (d) a statement showing changes in equity, and (e) notes comprising significant accounting policies and other explanatory notes to financial statements. Comparative figures are presented for one year. When a change in accounting policy has been applied retrospectively or items of financial statements have been restated/reclassified, a statement of financial position is required as at the beginning of the earliest comparative period.	As per the Companies Act, 2013 "financial statement", in relation to a company, includes: (a) a balance sheet as at the end of the financial year; (b) a profit and loss account; (c) a cash flow statement for the financial year; and (d) any explanatory note annexed to, or forming part of, any document referred to above. Comparative (corresponding) figures are presented for one year. The presentation of these financial statements differs in certain respects compared to IFRS. Separate financial statements are required to be presented by all companies. The Companies Act, 2013, subject to certain relaxations, requires a company having one or more subsidiaries to prepare a consolidated financial statement of the company and of all its subsidiaries in the same form and manner as that of its own.

			Banks in India are required to prepare the financial statements in accordance with the formats prescribed under the Banking Regulation Act and such formats are significantly different from the formats prescribed under the Companies Act, 2013.
2.	Contents of financial statements – disclosures	No particular format is prescribed for the statement of profit and loss and other comprehensive income. However, an analysis of expenses must be presented in one of two formats (function or nature). Certain items must be presented on the face of the income statement. Reclassification adjustments relating to components of other comprehensive income are required to be disclosed separately in the statement of profit and loss and other comprehensive income or in the notes. Similarly, no particular format is prescribed for the statement of financial position; an entity may use a liquidity presentation of assets and liabilities, instead of a current/non-current presentation, only when a liquidity presentation provides more relevant and reliable information. Certain items must be presented on the face of the statement of financial position. For some entities, such as financial institutions, a presentation of asset and liabilities in increasing or decreasing order of liquidity provides information that is reliable and more relevant than a current / non-current presentation because the entity does not supply goods or services within a clearly identifiable operating cycle. However, banks	The Companies Act, 2013 prescribes the balance sheet format and the prescribed format for the profit and loss account. In the case of banks, the format of the balance sheet and the profit and loss account is prescribed in Schedule 3 to the Banking Regulation Act. Further, the RBI prescribes various disclosures from time to time.

		should present the statement of profit or loss which groups income and expenses by nature and discloses the amounts of principal types of income and expenses. Further, banks should present a statement of financial position that groups assets and liabilities by nature and lists them in the order that reflects their relative liquidity.	
3.	Correction of errors – comparative amounts for the prior year period(s) presented in which errors have occurred	Material prior period errors are required to be corrected retrospectively (except to the extent it is impracticable to determine either the period specific effects or the cumulative effects of the error) for the prior year period(s) presented in which errors have occurred.	Restatement is not required. The nature and amount of prior period items should be separately disclosed in the current year's profit and loss and the effect of the error must also be disclosed. SEBI may, in the case of publicly listed companies, take such necessary action as it deems fit, including mandating restatement of books of accounts on the scrutiny of audit reports that qualify the accounts of a company.
4.	Changes in accounting policies	Any change in accounting policies are required to be applied retrospectively, requiring entities to adjust each affected component of equity for the earliest period presented, except where impracticable to do so.	The impact of, and adjustments resulting from, the change in accounting policies are required to be shown in the income statement for the period in which the change is made, except as specified in the transitional provisions of certain standards where the changes resulting from the adoption of such standards have to be shown by an adjustment in the opening retained earnings.
5.	Statement of recognised gains and losses	The statement of profit or loss and other comprehensive income includes all items of income and expense- including (a) components of profit or loss and (b) other comprehensive income (OCI). The Statement of profit and loss and other comprehensive income shall present in addition to the profit and loss and oher comprehensive income (OCI) sections (wherein the components of profit or loss and OCI are disclosed), separate sub-	Accounting standards, statute and industry practices allow for the recognition of certain adjustments directly in reserves. The RBI specifically requires gains on the sale of held-to-maturity securities to be appropriated from the profit/loss account to the capital reserves. Revaluation gains on fixed assets are directly shown as part of reserves whereas revaluation losses, if any, are charged to revenue.

totals for profit or loss; total OCI and total comprehensive income for the periods presented.

If a separate statement of profit or loss is presented, then the profit or loss section is not required to be presented in the statement presenting comprehensive income.

Components of other comprehensive income include the following items presented either net of income tax or before tax with one amount shown for aggregate amount of income tax relating to those items:

- changes in revaluation surplus;
- remeasurement of defined benefit plans;
- foreign exchange translation differences;
- gains and losses from investments in equity instruments designated at fair value through other comprehensive income;
- gains and losses on financial assets classified as subsequently measured at fair value through other comprehensive income;
- the effective portion of gains and losses on hedging instruments in a cashflow hedge and the gains and losses on hedging instruments that hedge investments in equity instrucments measured at fair value through other comprehensive income; and
- for particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in own credit risk.

		Further the items of other comprehensive income shall be classified by nature and grouped into those that in accordance with other IFRS: • will not be reclassified subsequently to profit or loss; and • will be reclassified subsequently to profit or loss when specific conditions are met.	
6.	Statement of changes in shareholders' equity	The statement must be presented as a primary statement. The statement must show capital transactions with owners, the movement in accumulated profit and a reconciliation of all other components of equity.	A statement of changes in shareholders' equity is currently not presented. However, any adjustments to the equity and reserve account must be shown in the schedules that accompany the financial statements.
7.	Consolidation of subsidiaries	The consolidated financial statements include all subsidiaries and foreign/domestic branches of the parent. IFRS focus on the concept of the power to control in determining whether a parent-subsidiary relationship exists. An investor, regardless of the nature of its involvement with the investee, is required to determine whether it is a parent by assessing whether it controls the investee. An investor controls an investee if, and only if, the investor has all the following: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's return.	The Companies Act, 2013, subject to certain relaxations, requires a company having one or more subsidiaries to prepare a consolidated financial statement of the company and of all its subsidiaries in the same form and manner as that of its own. The reasons for not consolidating a subsidiary should be disclosed in the consolidated financial statements. In the separate financial statements of banks, investments in such subsidiaries should be accounted for in accordance with guidelines prescribed by the RBI. As per the RBI guidelines, such investments are required to be accounted at a cost less any permanent diminution in the value of such investments.
8.	Consolidation of subsidiaries – uniform	Consolidated financial statements are prepared using uniform accounting policies for all the entities in a group.	Similar to IFRS. However, if it is not practical to use uniform accounting policies, that fact should be disclosed together with the

	accounting policies		proportions of the items to which different accounting policies have been applied.
9.	Consolidation of subsidiaries – reporting period	The consolidated financial statements of the parent and the subsidiary shall have the same reporting date. When the reporting period of the parent is different from that of its subsidiary, the subsidiary is required to prepare, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so. If it is impracticable to do so, then the parent consolidates the most recent financial statements of the subsidiary adjusted for the effects of significant transactions that occur in the gap period. In any case the difference between the date of the subsidiary's financial statements shall be no more than three months.	Similar to IFRS. However, the difference between the reporting dates should not be more than six months.
10.	Accounting for jointly controlled entities	Under IFRS 11 – joint arrangements which became effective from January 2013, jointly controlled entities are required to be classified either as joint operations or joint ventures. A joint operator shall account for its interest in assets held jointly, liabilities incurred jointly, revenue from the sale of its share of output, its share of revenue from sale of output by the joint operation, and its expenses incurred.A joint venturer recognises its interest in a joint venture by using the equity method.	Accounting for jointly controlled entities is required to be done using the proportionate consolidation method (the equity method is not permitted), except when an interest in a jointly controlled entity: • is acquired and held exclusively with a view to its subsequent disposal in the near future; and • operates under severe long-term restrictions which significantly impair its ability to transfer funds to the investor.
11.	Jointly controlled entities – reporting period	The consolidated financial statements of the joint venturers are usually drawn up at the same reporting date. However, the	Similar to IFRS. However, the difference between the reporting

		consolidated financial statements can be drawn up using different reporting dates, provided the difference between the reporting dates of the joint venture and that of the venture is no more than three months. Adjustments are made for significant transactions that occur in the gap period.	dates should not be more than six months.
12.	Presentation of jointly controlled entities (joint ventures)	In standalone financial statements, investment in joint venture is accounted for at cost less impairment, or in accordance with IFRS 9, or using the equity method as described in IAS 28.	In standalone financial statements, investment in joint ventures is carried at cost less impairment.
13.	Presentation of associate results	In standalone financial statements, investments in an associate entity is accounted for at cost less impairment, or in accordance with IFRS 9, or using the equity method as described in IAS 28. In consolidated financial statements, investment in an associate entity is accounted for using the equity method as described in IAS 28.	Pursuant to the Companies Act 2013, even if the investor has no subsidiary, consolidated financial statements should be prepared consolidating the associate and using the equity method of accounting. The equity method of accounting is not required in the separate/standalone financial statements of the investor.
14.	Employee benefits – recognition of actuarial gains and losses	Actuarial gains or losses resulting from remeasurements of the net defined liability should be recognised in other comprehensive income and not reclassified to the profit and loss account in a subsequent period.	Actuarial gains or losses should be recognised immediately in the profit and loss account. Any difference between expected returns and actual returns would form part of actuarial gains/losses on assets and is recognised in the profit and loss account.
15.	Depreciation	Depreciation is allocated on a systematic basis to each accounting period over the useful economic life of the asset, reflecting the pattern in which the entity consumes the asset's benefits.	The Companies Act, 2013 sets out the useful lives based on the nature of the assets and the useful life should not ordinarily be different from that specified by the Companies Act, 2013. However, a different useful life may be used if such a difference is disclosed and if a justification, backed by technical advice, is provided on its behalf.
16.	Discounting of provisions	Discounting is required for provisions if the effect is material.	Discounting of provisions is not permitted.

17.	Provision for constructive obligation	IAS 37 deals with a "constructive obligation" in the context of the creation of a provision. The effect of recognising a provision on the basis of constructive obligation is that, in some cases, that provision will be required to be recognised at an early stage.	No provision is required to be made for a constructive obligation.
18.	Financial assets – classification	Financial assets are to be classified as one of the following three categories depending on certain conditions to be satisfied for each category: • financial asset measured at amortised cost • financial asset measured at fair value through other comprehensive income; and • financial asset measured at fair value through profit or loss, on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. IFRS 9 also provides following options to classify the financial assets: • Designating an equity instrument at FVOCI. This is an irrevocable election at initial recognition. • Designating a financial asset at FVTPL. This is permitted only if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch).	AS 13, Accounting for Investments, is not applicable to banks. The RBI has given guidelines for the classification of investments into: • held-to-maturity; • available-for-sale; and • held-for-trading. Loans and advances are classified on the basis of the RBI guidelines.
19.	Financial assets – measurement	Initially, a financial asset is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent	Investments are measured and valued on the basis of the guidelines issued by the RBI from time to time. Loans and advances are measured in accordance with the Income Recognition and Asset Classification norms of the RBI.

		measurement depends on the classification of the financial asset; in the case of financial assets subsequently measured at amortised cost, it should be done by using an effective interest method, while other financial assets should be measured at fair value. Unrealised gains and losses on fair value through profit or loss classification are recognised in the income statement. Unrealised gains and losses on other financial assets are recognised in other comprehensive income.	Investments classified as available-for-sale or held-for-trading are measured at lower of cost or market value, unrealised loss on such investments is accounted through the profit and loss account and those classified as held-to-maturity are measured at weighted average acquisition cost less the amortisation of the premium amount, if any, over the remaining period of maturity.
20.	Discounts on the purchase of held-to-maturity securities	Discounts on the purchase of held-to-maturity securities are required to be adjusted in the effective interest rate of the security and recognised over the life of the security.	Based on the RBI guidelines, discount is not accreted. The same will be recognised in the profit and loss accounts at the time of sale of the security.
21.	Financial liabilities – classification	There are two categories of financial liability: • financial liability carried at amortised cost; and • financial liability at fair value through the profit and loss account.	There are no classification guidelines for financial liabilities.
22.	Financial liabilities – measurement	Initially, a financial liability is measured at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, an entity shall measure all financial liabilities at amortised cost using the effective interest method, except for: • financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be measured at fair value;	Liabilities are recognised based on the legal obligation of the entity.

- financial liabilities that arise:
  - (i) when a transfer of a financial asset does not qualify for derecognition – financial liability is recognised for the consideration received; or
  - (ii) when there is a continuing involvement – accounted for using the continuing involvement approach;
- financial liabilities that are designated as hedged items are subject to measurement under the hedge accounting requirements;
- Financial guarantee contracts which are subsequently measured at higher of: (i) the amount of loss allowance determined in accordance with IFRS 9; and (ii) the amount initially recognised less, when appropriate the cumulative amount of income recognised in accordance with principles of IFRS 15;
- Commitments to provide loans at below market interest rate, are measured at higher of: (i) the amount of loss allowance determined in accordance with IFRS 9; and (ii) the amount initially recognised less, when appropriate the cumulative amount of income recognised in accordance with principles of IFRS 15;
- Contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration is

		subsequently measured at fair value with changes recognised in profit and loss. An entity may at initial recognition irrevocably designate a financial liability measured at fair value through profit or loss if it is an embedded derivative or when doing so results in more relevant information, because either: • it eliminates or significantly reduces a measurement or recognition inconsistency; or • a group of financial assets or financial liabilities is managed and its performance is evaluated on fair value basis.	
23.	Financial assets – reclassification	When, and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets. If an entity reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The entity shall not restate any previously recognised gains, losses or interest. If an entity reclassifies a financial asset so that it is measured at fair value, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in profit or loss. If an entity reclassifies a financial asset so that it is measured at amortised cost, its fair value at the reclassification date becomes its new carrying amount. An entity shall not reclassify any financial liability.	As per the RBI Guidelines, banks may reclassify investments into and out of HTM once a year. Banks may reclassify investments from AFS to HFT. Reclassification of investments from HFT to AFS is allowed in exceptional circumstances. Transfer of investments from one category to another, under all circumstances, should be done at the acquisition cost/book value/market value on the date of transfer, whichever is the least, and the depreciation, if any, on such transfer should be fully provided for. Banks may apply the values as on the date of transfer and, in the event that there are practical difficulties in applying the values as on the date of transfer, banks have the option of applying the values as on the previous working day, in order to arrive at the depreciation requirement on the shifting of securities.
24.	Impairment of loans	An entity shall recognise a loss allowance for expected credit losses on a financial asset that is measured	Impairment losses on loans are recognised on the basis of the RBI guidelines. The guidelines prescribe

		at amortised cost or at fair value through other comprehensive income. On each reporting date, in case the credit risk of a financial asset has not significantly increased since initial recognition, the loss allowance for the asset shall be measured at an amunt equal to 12-month expected credit losses; otherwise, the loss allowance shall be measured at an amount equal to the lifetime expected credit losses.	minimum losses to be provided based on the number of days past due of an asset. Losses above the minimum prescribed levels can be provided on the basis of the management estimates. General provisions for standard advances are recognised in accordance with the RBI guidelines.
25.	Revenue – interest	Interest income is recognised using the effective interest method.	Interest is recognised on a time proportion basis, taking into account the amount outstanding and the rate applicable. However, the interest is recognised on a receipt basis for NPAs as per the RBI guidelines.
26.	Revenue – financial service fees	Fees that are an integral part of the effective interest rate of the instrument, for example, loan origination, arrangement fees and direct selling agents' fees, are deferred and recognised as an adjustment to the effective interest rate. However, when financial instruments are valued at fair value, with changes in fair value being recognised in profit and loss, the fees are recognised as revenue when the instrument is initially recognised. Fees earned from services provided are recognised over the period for which the services are provided. For example, fees charged for servicing a loan are recognised over the period of the loan. Fees that are earned on the execution of a significant act are recognised when such an act is completed. For example, placement fees for arranging a loan and an investor are recognised when the loan has been arranged.	Financial service fees are recognised as revenue depending on whether the service has been provided "once for all" or is on a continuing basis. Loan origination and arrangement fees are recognised as revenue when the loan has been originated.

		Fees / revenue other than those in relation to financial instruments and other contractual rights or obligations within the scope of IFRS 9 are recognised using the five step model as prescribed under IFRS 15. Reveune, under IFRS 15, is recognised when (or as) a performance obligation is satisfied. Further, quantitative and qualitative information is required to be disclosed in relation to revenue measured in accordance with IFRS 15.	
27.	Deferred income taxes	The balance sheet approach must be used (with some exceptions), by which deferred tax is required to be created for all temporary differences between the tax base and the carrying value of the assets and liabilities. Deferred tax assets are recognised only if their recovery is probable. Further, deferred tax liability is required to be recognised in the consolidated financial statements for undistributed profits earned from the subsidiaries, associates and joint ventures except to the extent: • the parent, the investor, the venturer or joint operator is able to control timing of the reversal of the temporary difference; and • it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is also required to be recognised for unrealised intercompany profits in the consolidated financial statements.	Deferred tax is accounted using the income statement approach, which focuses on timing differences. Deferred tax assets and liabilities should be recognised for all timing differences subject to the consideration of prudence in respect of deferred tax assets. For other than specified situations, deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. No deferred tax is recognised for undistributed profits earned from the subsidiaries, associates and joint ventures or on unrealised profits from intergroup transactions in the consolidated financial statements.
28.	Interim financial reporting	It is not mandatory to prepare interim financial statements but IAS 34 must be used if an entity is	The recognition and measurement principles laid down in Accounting Standard 25 (AS 25 – Interim

		required or elects to publish an interim financial report. The basis should be consistent with the full-year statements and should include comparatives. Publicly traded companies are encouraged to provide interim financial reports.	Financial Reporting) are mandatory only for listed companies.
29.	Related party disclosures	The definition of related parties includes non-executive directors and the remuneration paid to such non-executive directors is required to be disclosed.	The definition of "related party" is narrower. Key managerial persons do not include non-executive directors.
30.	Employee stock options	The grant date fair value of the option is recognised as the employee cost over the vesting period.	There is an option to recognise the intrinsic value or the fair value of the option as an employee cost over the vesting period.
31.	Business combinations	Business combinations are required to be accounted using the purchase method. The pooling of an interest method is prohibited.	The pooling of an interest method is allowed for amalgamations when certain conditions are met.
32.	Securitisation	Derecognition of financial assets on account of securitisation is permitted only upon: • expiry of the contractual rights to the cash flows from the financial assets; and • transfer of the financial assets. An asset is transferred if either the entity has transferred the contractual rights to receive the cash flows, or the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows under an arrangement that meets certain specified conditions. Once an entity has determined that the asset has been transferred, it would need to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. If substantially all	Securitised loans are derecognised from the books of account if they meet the true sale criteria as per the RBI guidelines.

		the risks and rewards have been retained, derecognition of the asset is precluded. If risks and rewards have neither been substantially transferred nor retained, an assessment is made whether control has been retained by the transferor. If the entity does not control the asset then derecognition is appropriate; however, if the entity has retained control of the asset, then the assets continue to be recognised to the extent of continuing involvement.	
33.	Qualitative and quantitative disclosures related to risks	IFRS 7 requires both qualitative and quantitative disclosures relating to risks.	The RBI guidelines require certain risk-related information to be disclosed as part of Basel III disclosures. Such disclosures are not part of audited financial statements.
34.	Segment reporting	Operating segments are identified on the basis of the financial information that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.	Indian GAAP requires an enterprise to identify two sets of segments (namely business and geographical) based on the risks and rewards approach, with the enterprise's system of internal reporting to the key management personnel. This serves as the starting point for the identification of reportable segments. Reporting segments are identified on the basis of parameters such as revenue, net income, assets and liabilities as prescribed in AS 17 – Segment Reporting.

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Limited Review Report

Review Report to
The Board of Directors of IndusInd Bank Limited

1. We have reviewed the accompanying unaudited standalone interim condensed financial statements of IndusInd Bank Limited ('the Bank'), which comprise the interim condensed standalone Balance Sheet as at December 31, 2018, and the interim condensed standalone Statement of Profit and Loss and interim condensed Cash Flow Statement for the nine-month period then ended, and a summary of select explanatory notes (the "interim condensed financial statements").

2. The preparation of the interim condensed financial statements in accordance with the recognition and measurement principles laid down in Accounting Standard 25, Interim Financial Reporting (AS 25) prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other accounting principles generally accepted in India and in accordance with the relevant prudential norms issued by Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters, is the responsibility of the Bank's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the interim condensed financial statements based on our review.

3. We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed financial statements is free of material misstatement. A review is limited primarily to inquiries of bank personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25, Interim Financial Reporting (AS 25) prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other recognized accounting practices and policies contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.

5. The comparative financial information of the Bank for nine months ended December 31, 2017 included in the interim condensed financial statements, are neither audited nor reviewed and are as certified by Bank's management. The financial statements for the Bank for the year ended March 31, 2018, were audited by the predecessor auditor who expressed an unmodified opinion on those financial statements on April 19, 2018.

For S.R. BATLIBOI & CO. LLP
Chartered Accountants
ICAI Firm registration number: 301003E/E300005

per Shrawan Jalan
Partner
Membership No.: 102102

March 26, 2019
Mumbai

Standalone Condensed Balance sheet

as at December 31,2018

(Rs. in 000s)

	As at December 31, 2018 Unaudited	As at March 31, 2018 Audited
CAPITAL AND LIABILITIES		
Capital	**602,08,26**	600,22,32
Employee Stock Option Scheme (ESOS)	**11,18,84**	14,57,11
Reserves and Surplus	**25786,46,94**	23226,84,85
Deposits	**175700,61,86**	151639,17,43
Borrowings	**44535,56,83**	38289,07,82
Other Liabilities and Provisions	**9562,59,31**	7856,26,52
TOTAL	**256198,52,04**	221626,16,05
ASSETS		
Cash and Balances with Reserve Bank of India	**9580,39,86**	10962,40,60
Balances with Banks and Money at Call and Short Notice	**3169,86,56**	2253,47,14
Investments	**53680,61,40**	50076,71,74
Advances	**173169,25,94**	144953,65,76
Fixed Assets	**1698,89,21**	1338,75,31
Other Assets	**14899,49,07**	12041,15,50
TOTAL	**256198,52,04**	221626,16,05
Contingent Liabilities	**742418,95,20**	662099,15,62
Bills for Collection	**36181,18,56**	37415,47,98

As per our report of even date.

For **S R Batliboi & Co.** LLP
Chartered Accountants
ICAI Firm Registration No:
301003E/E300005

For **IndusInd Bank Limited**

per Shrawan Jalan
Partner
Membership No.102102

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Mumbai
March 26, 2019

Haresh Gajwani
Company Secretary

Standalone Condensed Statement of Profit and Loss

for the period ended December 31, 2018

(Rs. in 000s)

		Nine Months ended December 31,2018 Unaudited	Nine Months ended December 31,2017 Unaudited
I.	**INCOME**		
1.	**Interest Earned**		
(a)	Interest / Discount on Advances / Bills	13361,93,67	10030,59,26
(b)	Income on Investments	2697,88,53	2243,87,39
(c)	Interest on Balances with Reserve Bank of India and other Inter-Bank funds	74,05,25	246,09,41
(d)	Others	135,83,20	110,08,17
2.	**Other Income**	4087,73,57	3541,59,19
	TOTAL	20357,44,22	16172,23,42
II.	**EXPENDITURE**		
	Interest Expended	9655,90,37	7140,77,50
	Operating Expenses {(i)+(ii)}	4681,00,31	4144,73,04
	(i) Payments to and Provisions for Employees	1372,26,88	1327,17,30
	(ii) Other Operating Expenses	3308,73,43	2817,55,74
	Total expenses (excluding provisions and contingencies)	**14336,90,68**	**11285,50,54**
	Operating profit (profit before provisions and contingencies)	**6020,53,54**	**4886,72,88**
	Provisions and contingencies	1546,96,49	839,88,40
	Profit from ordinary activities before tax	**4473,57,05**	**4046,84,48**
	Extraordinary items	-	-
	Profit before tax	**4473,57,05**	**4046,84,48**
	Tax expenses	1532,56,77	1393,93,90
	Net profit for the period	**2941,00,28**	**2652,90,58**
	EARNINGS PER SHARE		
	(Face value of Rs.10/- per share) (Rupees)		
	Basic Earnings per share (not annualised)	48.94	44.31
	Diluted Earnings per share (not annualised)	48.56	43.88

As per our report of even date.

For **S R Batliboi & Co.** LLP
Chartered Accountants
ICAI Firm Registration No:
301003E/E300005

For **IndusInd Bank Limited**

per Shrawan Jalan
Partner
Membership No.102102

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Mumbai
March 26, 2019

Haresh Gajwani
Company Secretary

Standalone Condensed Cash Flow

for the period ended December 31, 2018

(Rs. in 000s)

	Nine months ended December 31,2018 Unaudited	Nine months ended December 31,2017 Unaudited
Cash flows used in operating activities	(5730,26,85)	(5435,60,73)
Cash flows used in investing activities	(531,63,29)	(162,98,58)
Cash flows generated from financing activities	5787,30,34	561,88,21
Effect of exchange fluctuation translation reserve	8,98,48	(3,58,79)
Net decrease in Cash and Cash Equivalents	(465,61,32)	(5040,29,89)
Cash and Cash Equivalents as at beginning of the period	13215,87,74	18628,25,43
Cash and Cash Equivalents as at the end of the period	12750,26,42	13587,95,54

As per our report of even date.

For **S R Batliboi & Co.** LLP
Chartered Accountants
ICAI Firm Registration No: 301003E/E300005

For **IndusInd Bank Limited**

per Shrawan Jalan
Partner
Membership No.102102

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Mumbai
March 26, 2019

Haresh Gajwani
Company Secretary

Notes to standalone condensed financial statements

for the period ended December 31, 2018

(Rs. in crores, except percentages)

1. The accounting policies followed in the preparation of the condensed financial statements for the nine month period ended December 31, 2018 are the same as those followed in the preparation of financial statements for the year ended March 31, 2018.

2. The significant changes in contingent liabilities since the last audited financial statement are as follows:

		As at December 31, 2018 Unaudited	As at March 31, 2018 Audited
CONTINGENT LIABILITIES			
I	Claims against the Bank not acknowledged as debts	479.23	476.52
II	Liability on account of outstanding Forward Exchange Contracts	274,116.57	351,440.73
III	Liability on account of outstanding Derivative Contracts	395,466.99	245,530.76
IV	Guarantees given on behalf of constituents		
	a) In India	45,633.27	45,380.97
	b) Outside India	2,559.25	559.32
V	Acceptances, Endorsements and Other Obligations	21,535.48	16,587.23
VI	Other Items for which the Bank is contingently liable	2,628.16	2,123.63
TOTAL		**742,418.95**	**662,099.16**

3. **Details of Capital Adequacy Ratio**

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI.

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain as of period ended December 31, 2018 a Minimum Total Capital (MTC) of 10.875% (Previous year March 31, 2018 of 10.875%) including Capital Conversion Buffer (CCB) at 1.875% (Previous year March 31, 2018 of 1.875%), of the total risk weighted assets (RWA). Out of the MTC, at least 7.375% (Previous year March 31, 2018 of 7.375%), including 1.875% (Previous year March 31, 2018 of 1.875%) towards CCB, shall be from Common Equity Tier 1 (CET1) capital and at least 7.00% (Previous year March 31, 2018 of 7.00%) from Tier 1 capital. The capital adequacy ratio of the Bank is set out below:

Notes to standalone condensed financial statements

for the period ended December 31, 2018

(Rs. in crores, except percentages)

		December 31, 2018 Unaudited	March 31, 2018 Audited
1.	Common Equity Tier 1 capital ratio	**12.79%**	**13.42%**
2.	Tier 1 capital ratio	**13.78%**	**14.58%**
3.	Tier 2 capital ratio	**0.41%**	**0.45%**
4.	Total Capital ratio (CRAR)	**14.19%**	**15.03%**
5.	Amount of equity capital raised	**83.75**	**101.97**
6.	Amount of Additional Tier 1 capital raised; of which	**-**	**1,000.00**
	Perpetual Non-Cumulative Preference Shares (PNCPS)	**-**	**-**
	Perpetual Debt Instruments (PDI)	**-**	**1,000.00**
7.	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)]	-	-

4. Movement in Non-Performing Assets (NPA)

The details of movement of NPA for the nine months ended December 31, 2018 is as follows:

		December 31, 2018 Unaudited	March 31, 2018 Audited
(i)	Net NPAs to Net Advances (%)	**0.59%**	0.51%
(ii)	Movement of Gross NPAs		
a)	Opening balance	**1,704.91**	1,054.87
b)	Additions during the year	**1,700.86**	3,324.55
c)	Reductions during the year	**1,437.62**	2,674.51
d)	Closing balance	**1,968.15**	1,704.91
(iii)	Movement of Net NPAs		
	a) Opening balance	**745.67**	438.91
	b) Additions during the year	**962.49**	2,003.70
	c) Reductions during the year	**678.89**	1,696.94
	d) Closing balance	**1,029.27**	745.67
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance	**959.24**	615.96
	b) Provisions made during the year	**738.36**	1,320.85
	c) Write-off / write back of excess provisions	**758.72**	977.57
	d) Closing balance	**938.88**	959.24

5. During the nine month period ended December 31, 2018, the Bank has allotted 18,59,376 shares pursuant to the exercise of stock options by certain employees.

(Rs. in crores, except percentages)

6. During the nine month period ended December 31, 2018, the Bank has not redeemed any Infrastructure bonds or Additional Tier -1 bonds.

7. On October 14, 2017, the Board of Directors of the Bank and Bharat Financial Inclusion Limited (BFIL), at their respective meetings, approved a merger of BFIL with the Bank in an all-stock transaction through a Composite Scheme of Arrangement. The Competition Commission of India has approved the proposed Scheme and RBI has conveyed their 'No Objection' for the Scheme and an approval for incorporating a Wholly-Owned-Subsidiary to act as Business Correspondent of the Bank. The Scheme has 'no adverse remarks' from Securities and Exchange Board of India (SEBI), National Stock Exchange of India Limited and BSE Limited. In terms of the Scheme, IndusInd Financial Inclusion Limited (IFIL) has been incorporated on August 06, 2018 as a wholly owned subsidiary of the Bank. Pursuant to an order of National Company Law Tribunal (NCLT), the respective shareholders and creditors of the Bank, BFIL and IFIL have approved the Scheme. A petition has been filed with NCLT to sanction the Scheme. As such, the proposed transaction does not have any impact on the current financial results or the financial position of the Bank as at December 31, 2018.

8. **Segment Reporting**

In accordance with the guidelines issued by RBI, the Bank has adopted Segment Reporting as under:

1. **Treasury** includes all investment portfolio; Profit / Loss on Sale of Investments, Profit / Loss on foreign exchange transactions, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation / amortisation of premium on Held to Maturity category investments.

2. **Corporate / Wholesale Banking** includes lending to and deposits from corporate customers and identified earnings and expenses of the segment.

3. **Retail Banking** includes lending to and deposits from retail customers and identified earnings and expenses of the segment.

4. **Other Banking Operations** includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and Reserves, Employee Stock Options (Grants) Outstanding and other unallocable assets, liabilities, income and expenses.

Notes to standalone condensed financial statements

for the period ended December 31, 2018

(Rs. in crores, except percentages)

Business Segments:

Particulars	Nine months ended December 31,2018 (Unaudited)	Nine months ended December 31,2017 (Unaudited)	Year ended March 31,2018 (Audited)
(a) Segment Revenue			
i) Treasury	3,217.56	3,060.65	4,095.20
ii) Corporate / Wholesale Banking	6,645.86	5,185.94	7,036.38
iii) Retail Banking	10,896.84	8,566.38	11,779.15
iv) Other Banking Operations	49.63	45.82	72.75
Total	**20,809.89**	**16,858.79**	**22,983.48**
Less: Inter-segment Revenue	452.45	686.56	952.63
Total Income	**20,357.44**	**16,172.23**	**22,030.85**
(b) Segment Results			
i) Treasury	352.10	495.76	605.79
ii) Corporate / Wholesale Banking	2,108.30	1,561.30	2,124.05
iii) Retail Banking	3,709.40	2,972.56	4,112.51
iv) Other Banking Operations	16.89	15.90	25.40
Total	**6,186.69**	**5,045.52**	**6,867.75**
Unallocated Expenses	166.16	158.80	211.64
Operating Profit	**6,020.53**	**4,886.72**	**6,656.11**
Income taxes and other provisions	3,079.53	2,233.82	3,050.12
Extraordinary Profit / loss	-	-	-
Net Profit	2,941.00	2,652.90	3,605.99
c) OTHER INFORMATION:			
Segment Assets			
i) Treasury	58,379.67	54,184.95	56,969.78
ii) Corporate / Wholesale Banking	81,526.25	56,335.56	68,167.50
iii) Retail Banking	101,382.37	81,561.29	86,296.31
iv) Other Banking Operations	-	-	-
Unallocated assets	14,910.23	8,620.76	10,192.57
Total Assets	**256,198.52**	**200,702.56**	**221,626.16**
Segment Liabilities			
i) Treasury	45,506.80	23,873.66	38,717.43
ii) Corporate / Wholesale Banking	79,955.74	64,338.74	67,234.30
iii) Retail Banking	97,232.87	83,089.89	85,833.83
iv) Other Banking Operations	-	-	-
Unallocated liabilities	7,103.37	6,460.13	5,998.96
Capital Employed	26,399.74	22,940.14	23,841.64
Total Liabilities	**256,198.52**	**200,702.56**	**221,626.16**

Notes to standalone condensed financial statements
for the period ended December 31, 2018

(Rs. in crores, except percentages)

Geographic Segments:

The business operations of the Bank are largely concentrated in India. Activities outside India are restricted to resource mobilization in the international markets and lending to a few overseas entities through the IFSC Banking Unit at the GIFT City Gujarat. Since the Bank does not have material earnings emanating from foreign operations, the Bank is considered to operate only in domestic segment.

As per our report of even date.

For **S R Batliboi & Co.** LLP
Chartered Accountants
ICAI Firm Registration No:
301003E/E300005

For **IndusInd Bank Limited**

per Shrawan Jalan
Partner
Membership No.102102

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Mumbai
March 26, 2019

Haresh Gajwani
Company Secretary

Independent Auditors' Report

To The Members of IndusInd Bank Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of IndusInd Bank Limited (the "Bank"), which comprise the Balance Sheet as at March 31, 2018 and the Profit and Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Board of Directors of the Bank are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 with respect to preparation of these standalone financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the 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 and provisions of Section 29 of the Banking Regulation Act,1949 and circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time as applicable to banks. 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 design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

4. We have taken into account the provisions of the Act and the Rules made thereunder, including the accounting standards, provisions of Section 29 of the Banking Regulation Act, 1949, circulars and guidelines issued by RBI as applicable to banks and matters which are required to be included in the audit report.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors of the Bank, as well as evaluating the overall presentation of the standalone financial statements.

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

Opinion

8. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying standalone financial statements together with the notes thereon give the information required by provisions of Section 29 of the Banking Regulation Act, 1949 as well as the Act and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Bank as at March 31, 2018 and its profit and its cash flow for the year then ended.

Report on Other Legal and Regulatory Requirements

9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with applicable provisions of Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.

10. As required by Section 143(3) of the Act and Section 30 of the Banking Regulation Act, 1949 we report that:

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

    b) The transactions of the Bank, which have come to our notice during the course of our audit, have been within the powers of the Bank;

    c) During the course of our audit we have visited 34 branches to examine the books of accounts and other records maintained at the branch and performed other relevant audit procedures. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out at Mumbai and Chennai as all the necessary records and data required for the purposes of our audit are available therein;

    d) 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;

    e) 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;

    f) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;

    g) On the basis of written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act;

    h) 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 A";

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

        i. The Bank has disclosed the impact, if any, of pending litigations as at March 31, 2018, on its financial position in its standalone financial statements – Refer Schedule 12 and Note 9.4 in Schedule 18;

        ii. The Bank has made provision as at March 31, 2018, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 9.5 in Schedule 18;

        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank during the year ended March 31, 2018;

        iv. The reporting on disclosures related to the Specified Bank Notes is not applicable to the Bank for the year ended March 31, 2018.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Russell I Parera
Partner
Membership Number: 042190

Mumbai
April 19, 2018

Annexure A to Independent Auditors' Report

Referred to in paragraph 10(h) of the Independent Auditors' Report of even date to the members of IndusInd Bank Limited on the standalone financial statements for the year ended March 31, 2018

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of IndusInd Bank Limited ("the Bank") as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Bank's Board of Directors 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 (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 (Act).

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

6. A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are

recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

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

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Russell I Parera
Partner
Membership Number: 042190

Mumbai
April 19, 2018

Balance Sheet as at March 31, 2018

	Schedule	As at 31.03.2018	As at 31.03.2017
			Rupees in '000s
CAPITAL AND LIABILITIES			
Capital	1	600,22,32	598,14,87
Employee Stock Options Outstanding	18(Note 10.2)	14,57,11	15,20,07
Reserves and Surplus	2	23226,84,85	20032,77,15
Deposits	3	151639,17,43	126572,22,28
Borrowings	4	38289,07,82	22453,69,43
Other Liabilities and Provisions	5	7856,26,52	8976,37,58
TOTAL		**221626,16,05**	**178648,41,38**
ASSETS			
Cash and Balances with Reserve Bank of India	6	10962,40,60	7748,74,71
Balances with Banks and Money at Call and Short Notice	7	2253,47,14	10879,50,71
Investments	8	50076,71,74	36702,13,82
Advances	9	144953,65,76	113080,50,76
Fixed Assets	10	1338,75,31	1335,23,28
Other Assets	11	12041,15,50	8902,28,10
TOTAL		**221626,16,05**	**178648,41,38**
Contingent Liabilities	12	662099,15,62	406387,19,15
Bills for Collection		37415,47,98	19006,90,91
Significant Accounting Policies	17		
Notes to the Financial Statements	18		

The schedules referred to above form an integral part of the Balance Sheet.

The Balance Sheet has been prepared in conformity with Form A of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration No : 012754N / N500016

Russell I Parera
Partner
Membership No : 042190

Place : Mumbai
Date : April 19, 2018

For INDUSIND BANK LTD.

R. Seshasayee
Chairman

Romesh Sobti
Managing Director

T. Anantha Narayanan
Director

Kanchan Chitale
Director

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Profit and Loss Account for the year ended March 31, 2018

Rupees in '000s

			Schedule	Year ended 31.03.2018	Year ended 31.03.2017
I.	**INCOME**				
	Interest Earned		13	17280,74,87	14405,67,03
	Other Income		14	4750,10,33	4171,49,22
		TOTAL		**22030,85,20**	**18577,16,25**
II.	**EXPENDITURE**				
	Interest Expended		15	9783,30,45	8343,06,61
	Operating Expenses		16	5591,44,36	4783,07,58
	Provisions and Contingencies		18(Note 12.1)	3050,11,64	2583,12,79
		TOTAL		**18424,86,45**	**15709,26,98**
III.	**PROFIT**				
	Net Profit for the year			3605,98,75	2867,89,27
	Profit brought forward			7118,38,07	5013,45,32
		TOTAL		**10724,36,82**	**7881,34,59**
IV.	**APPROPRIATIONS**				
	a) Transfer to Statutory Reserve			901,49,69	716,97,32
	b) Transfer to Capital Reserve			7,61,93	45,53,66
	c) Transfer to Investment Reserve Account			-	-
	d) Dividend paid including tax on dividend [Refer Schedule 18 (Note 12.4)]			432,24,16	45,54
	e) Deductions during the year [Refer Schedule 18 (Note 12.2 (b))]			71,51,62	-
				1412,87,40	**762,96,52**
	Balance carried over to the Balance Sheet			9311,49,42	7118,38,07
		TOTAL		**10724,36,82**	**7881,34,59**
V.	**EARNINGS PER EQUITY SHARE**				
	(Face value of ₹10/- per share)				
	Basic (₹)		18(Note 11.5)	60.19	48.06
	Diluted (₹)		18(Note 11.5)	59.57	47.56
	Significant Accounting Policies		17		
	Notes to the Financial Statements		18		

The schedules referred to above form an integral part of the Profit and Loss Account.
The Profit and Loss Account has been prepared in conformity with Form B of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For INDUSIND BANK LTD.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration No : 012754N / N500016

Russell I Parera
Partner
Membership No : 042190

Place : Mumbai
Date : April 19, 2018

R. Seshasayee
Chairman

Romesh Sobti
Managing Director

T. Anantha Narayanan
Director

Kanchan Chitale
Director

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Cash Flow Statement for the year ended March 31, 2018

Rupees in '000s

		Year ended 31.03.2018	Year ended 31.03.2017
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit before taxation	5480,67,20	4359,68,85
	Adjustments for :		
	Depreciation on Fixed assets	211,64,34	190,69,88
	Depreciation on Investments	120,86,12	31,36,39
	Employees Stock Option expenses	1,21,34	3,28,93
	Loan Loss and Other Provisions	1054,57,07	1059,96,81
	Amortisation of premium on HTM investments	179,32,22	78,50,86
	(Profit) on sale of fixed assets	(8,00,66)	(3,14,57)
	Operating Profit before Working Capital changes	**7040,27,63**	**5720,37,15**
	Adjustments for :		
	(Increase) / Decrease in Advances	(32927,72,06)	(25721,13,37)
	(Increase) / Decrease in Investments	(13674,76,26)	(2757,69,60)
	(Increase) / Decrease in Other Assets	(3038,10,85)	546,84,11
	Increase / (Decrease) in Deposits	25066,95,15	33571,87,67
	Increase / (Decrease) in Other Liabilities	(1191,62,68)	2093,81,94
	Cash generated from / (used in) Operations	**(18724,99,07)**	**13454,07,90**
	Direct Taxes paid (net of refunds)	(1975,45,00)	(1884,77,71)
	Net Cash generated from / (used in) Operating Activities	**(20700,44,07)**	**11569,30,19**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets (including WIP)	(235,79,27)	(287,18,59)
	Proceeds from sale of Fixed Assets	16,24,47	13,54,86
	Net Cash used in Investing Activities	**(219,54,80)**	**(273,63,73)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from issue of equity shares (net of issue expenses)	101,96,50	96,62,24
	Proceeds from issue of Long Term Infrastructure Bonds	-	1500,00,00
	Dividends paid	(432,24,16)	(322,70,55)
	Proceeds from Perpetual Debt instruments	1000,00,00	1000,00,00
	Redemption of Sub-ordinated Tier II capital	-	(308,90,00)
	Increase / (Decrease) in Borrowings	14835,38,38	(4733,27,06)
	Net Cash generated from / (used in) Financing Activities	**15505,10,72**	**(2768,25,37)**
	Effect of exchange fluctuation translation reserve	**2,50,47**	**(11,02,82)**
	Net Increase / (Decrease) in Cash and Cash Equivalents	**(5412,37,68)**	**8516,38,27**
	Cash and Cash Equivalents at the beginning of the year	**18628,25,42**	**10111,87,15**
	Cash and Cash Equivalents at the end of the year	**13215,87,74**	**18628,25,42**

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements.
2. Figures in bracket indicate cash outflow.
3. Cash and cash equivalents comprises of Cash in Hand and Balances with RBI (Schedule 6) and Balances with Banks and Money at Call and Short Notice (Schedule 7).

As per our report of even date.

For INDUSIND BANK LTD.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration No : 012754N / N500016

R. Seshasayee
Chairman

Romesh Sobti
Managing Director

Russell I Parera
Partner
Membership No : 042190

T. Anantha Narayanan
Director

Kanchan Chitale
Director

Place : Mumbai
Date : April 19, 2018

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Schedules

	As at 31.03.2018	Rupees in '000s As at 31.03.2017
SCHEDULE - 1 CAPITAL		
Authorised Capital		
70,00,00,000 (Previous year 70,00,00,000) equity shares of ₹ 10 each	**700,00,00**	**700,00,00**
Issued, Subscribed and Called Up Capital		
60,02,23,187 (Previous year 59,81,48,705) equity shares of ₹ 10 each	**600,22,32**	**598,14,87**
Paid up Capital		
60,02,23,187 (Previous year 59,81,48,705) equity shares of ₹ 10 each	600,22,32	598,14,87
[Refer Schedule 18 (Note 1.1)]		
TOTAL	**600,22,32**	**598,14,87**
SCHEDULE - 2 RESERVES AND SURPLUS		
I Statutory Reserve		
Opening balance	2922,77,00	2205,79,68
Additions during the year	901,49,69	716,97,32
	3824,26,69	**2922,77,00**
II Share Premium Account		
Opening balance	9369,42,05	9274,10,55
Additions during the year	101,73,36	95,31,50
	9471,15,41	**9369,42,05**
III General Reserve		
Balance as at the end of the year	1,35,57	1,35,57
	1,35,57	**1,35,57**
IV Capital Reserve		
Opening balance	215,74,87	170,21,21
Additions during the year	7,61,93	45,53,66
	223,36,80	**215,74,87**
V Investment Allowance Reserve		
Balance as at the end of the year	1,00,00	1,00,00
	1,00,00	**1,00,00**
VI Investment Reserve Account		
Balance as at the end of the year	40,52,98	40,52,98
	40,52,98	**40,52,98**
VII Revaluation Reserve		
Opening balance	374,59,43	380,76,96
Deductions during the year	(12,39,10)	(6,17,53)
	362,20,33	**374,59,43**
VIII Foreign Currency Translation Reserve		
Opening balance	(11,02,82)	-
(Debits) / Credits during the year	2,50,47	(11,02,82)
	(8,52,35)	**(11,02,82)**
IX Balance in the Profit and Loss Account	**9311,49,42**	**7118,38,07**
TOTAL	**23226,84,85**	**20032,77,15**

Schedules *(Contd.)*

				As at 31.03.2018	Rupees in '000s As at 31.03.2017
SCHEDULE - 3 DEPOSITS					
A	**I**	**Demand Deposits**			
		i)	From Banks	393,92,35	991,32,40
		ii)	From Others	20447,06,25	18617,48,76
	II	**Savings Bank Deposits**		45888,27,30	27037,23,23
	III	**Term Deposits**			
		i)	From Banks	5287,92,58	7328,65,30
		ii)	From Others	79621,98,95	72597,52,59
			TOTAL	**151639,17,43**	**126572,22,28**
B	**Deposits of Branches**				
	I	In India		151639,17,43	126572,22,28
	II	Outside India		-	-
			TOTAL	**151639,17,43**	**126572,22,28**
SCHEDULE - 4 BORROWINGS					
I	**Borrowings in India**				
	i)	Reserve Bank of India		-	-
	ii)	Other Banks		757,67,53	2367,48,93
	iii)	Other Institutions and Agencies		21474,02,79	13500,00,00
	iv)	Long Term Infrastructure Bonds		2000,00,00	2000,00,00
	v)	Unsecured Non-Convertible Perpetual Non-Cumulative Bonds (Subordinated Additional Tier 1 Capital)		2000,00,00	1000,00,00
II	**Borrowings outside India**			12057,37,50	3586,20,50
			TOTAL	**38289,07,82**	**22453,69,43**
Secured borrowings other than Collaterised Borrowing and Lending Obligation and Repo Borrowings included in I above				-	-
SCHEDULE - 5 OTHER LIABILITIES AND PROVISIONS					
I	Inter-office Adjustments (Net)			401,44,70	242,39,32
II	Bills Payable			667,65,72	600,34,85
III	Interest Accrued			788,20,11	947,61,27
IV	Others [Refer Schedule 18 (Note 4.11) for Standard Assets Provisions]			5998,95,99	7186,02,14
			TOTAL	**7856,26,52**	**8976,37,58**
SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA					
I	Cash in hand (including foreign currency notes)			1069,20,30	1135,52,11
II	Balances with Reserve Bank of India				
	i)	In Current Account		9893,20,30	6613,22,60
	ii)	In Other Accounts		-	-
			TOTAL	**10962,40,60**	**7748,74,71**

Schedules *(Contd.)*

				Rupees in '000s
			As at 31.03.2018	**As at 31.03.2017**
SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE				
I	**In India**			
	i)	Balances with Banks		
		a) In Current Accounts	618,43,12	323,86,22
		b) In Other Deposit Accounts	310,25,00	2333,96,50
	ii)	Money at Call and Short Notice - With Other Institutions	-	6300,00,00
		TOTAL	**928,68,12**	**8957,82,72**
II	**Outside India**			
	i)	In Current Accounts	493,80,89	467,74,28
	ii)	In Other Deposit Accounts	635,45,63	805,43,70
	iii)	Money at Call and Short Notice	195,52,50	648,50,01
		TOTAL	**1324,79,02**	**1921,67,99**
		GRAND TOTAL	**2253,47,14**	**10879,50,71**
SCHEDULE - 8 INVESTMENTS				
I	**In India**			
	Gross Value		50285,30,52	36789,86,48
	Less : Aggregate of provision / depreciation		208,58,78	87,72,66
	Net value of Investments in India		**50076,71,74**	**36702,13,82**
	Comprising :			
	i)	Government securities*	40365,98,63	31452,34,18
	ii)	Other approved securities	-	-
	iii)	Shares	291,93,76	161,24,61
	iv)	Debentures and bonds	4476,41,88	2524,57,26
	v)	Subsidiaries and / or Joint Ventures	-	-
	vi)	Others - Security Receipts, Pass Through Certificates, Units of schemes of Mutual Funds, Venture Capital Funds and Others	4942,37,47	2563,97,77
II	**Outside India**		-	-
		TOTAL	**50076,71,74**	**36702,13,82**
* Includes securities of ₹ 274.38 crores (Previous year ₹ 275.02 crores) pledged for clearing facility and margin requirements.				
SCHEDULE - 9 ADVANCES				
A	i)	Bills Purchased and Discounted	4331,25,05	4031,26,82
	ii)	Cash Credits, Overdrafts and Loans Repayable on Demand	43077,06,30	33010,05,62
	iii)	Term Loans	97545,34,41	76039,18,32
		TOTAL	**144953,65,76**	**113080,50,76**
B	i)	Secured by Tangible Assets (including advances against book debts)	112723,03,02	96573,78,66
	ii)	Covered by Bank / Government Guarantees (including advances against L/Cs issued by Banks)	2834,42,39	2215,14,18
	iii)	Unsecured	29396,20,35	14291,57,92
		TOTAL	**144953,65,76**	**113080,50,76**

Schedules *(Contd.)*

				As at 31.03.2018	Rupees in '000s As at 31.03.2017
C	I	Advances in India			
		i) Priority Sector		45314,30,79	34821,02,43
		ii) Public Sector		5090,73,31	1655,03,58
		iii) Banks		64,00	48,08
		iv) Others		90151,67,34	74886,79,76
			TOTAL	**140557,35,44**	**111363,33,85**
	II	Advances Outside India		4396,30,32	1717,16,91
			TOTAL	**144953,65,76**	**113080,50,76**
SCHEDULE - 10 FIXED ASSETS					
I	**Premises**				
	i)	At cost, as at the beginning of the year		586,58,71	590,01,82
	ii)	Additions during the year		-	-
				586,58,71	590,01,82
	iii)	Less : Deductions during the year		10,94,40	3,43,11
	iv)	Less : Depreciation to date [Refer Schedule No. 18(9.15)]		82,15,41	74,95,41
			TOTAL	**493,48,90**	**511,63,30**
II	**Other Fixed Assets (including furniture and fixtures)**				
	i)	At cost, as at the beginning of the year		1735,37,02	1465,63,13
	ii)	Additions during the year		238,78,76	296,22,64
				1974,15,78	1761,85,77
	iii)	Less : Deductions during the year		29,05,97	26,48,75
	iv)	Less : Depreciation to date [Refer Schedule No. 18(9.15)]		1125,27,62	940,20,75
			TOTAL	**819,82,19**	**795,16,27**
III	**Capital Work in Progress**			25,44,22	28,43,71
			GRAND TOTAL	**1338,75,31**	**1335,23,28**
SCHEDULE - 11 OTHER ASSETS					
I	Interest Accrued			1377,69,80	917,41,89
II	Tax paid in advance / Tax deducted at source (net of provision)			819,08,61	686,69,35
III	Stationery and Stamps			56,81	1,54,43
IV	Non-banking assets acquired in satisfaction of claims			372,20,40	29,68,73
V	Others [Deferred Tax Assets (Refer Schedule 18 (Note 11.6))]			9471,59,88	7266,93,70
			TOTAL	**12041,15,50**	**8902,28,10**
SCHEDULE - 12 CONTINGENT LIABILITIES					
I	Claims against the Bank not acknowledged as debts			476,51,86	522,68,84
II	Liability on account of outstanding Forward Exchange Contracts			351440,73,62	215013,20,26
III	Liability on account of outstanding Derivative Contracts			245530,75,62	138028,58,33
IV	Guarantees given on behalf of constituents				
	- In India			45380,96,66	38903,46,44
	- Outside India			559,32,07	60,82,61
V	Acceptances, Endorsements and Other Obligations			16587,23,27	12739,47,55
VI	Other Items for which the Bank is contingently liable			2123,62,52	1118,95,12
			TOTAL	**662099,15,62**	**406387,19,15**

Schedules *(Contd.)*

			Year ended 31.03.2018	Rupees in '000s Year ended 31.03.2017
SCHEDULE - 13 INTEREST EARNED				
I	Interest / Discount on Advances / Bills		13699,90,54	11479,10,87
II	Income on Investments		3074,38,28	2466,88,91
III	Interest on Balances with Reserve Bank of India and other inter-bank funds		321,47,51	330,83,18
IV	Others		184,98,54	128,84,07
		TOTAL	**17280,74,87**	**14405,67,03**
SCHEDULE - 14 OTHER INCOME				
I	Commission, Exchange and Brokerage		3411,91,42	2895,34,09
II	Profit / (Loss) on Sale of Investments (Net)		363,78,33	276,91,92
III	Profit / (Loss) on Sale of Land, Buildings and Other Assets		8,00,66	3,14,57
IV	Profit on exchange transactions / Derivatives (Net)		921,01,58	919,51,71
V	Income earned by way of dividend from companies in India		30,02	30,80
VI	Miscellaneous Income		45,08,32	76,26,13
		TOTAL	**4750,10,33**	**4171,49,22**
SCHEDULE - 15 INTEREST EXPENDED				
I	Interest on Deposits		8045,95,62	6931,27,54
II	Interest on Reserve Bank of India / Inter-Bank Borrowings		188,28,69	341,28,83
III	Other Interest		1549,06,14	1070,50,24
		TOTAL	**9783,30,45**	**8343,06,61**
SCHEDULE - 16 OPERATING EXPENSES				
I	Payments to and Provisions for Employees		1780,68,56	1521,02,16
II	Rent, Taxes and Lighting (includes operating lease rentals)		373,02,03	326,56,01
III	Printing and Stationery		65,71,65	63,06,99
IV	Advertisement and Publicity		32,54,70	50,33,60
V	Depreciation on Bank's Property		211,64,34	190,69,88
VI	Directors' Fees, Allowances and Expenses		2,78,73	2,71,53
VII	Auditors' Fees and Expenses		2,07,36	2,08,63
VIII	Law Charges		71,57,65	42,42,54
IX	Postage, Telegrams, Telephones, etc.		130,51,15	134,78,55
X	Repairs and Maintenance		341,82,56	255,14,69
XI	Insurance		167,80,30	137,57,00
XII	Service Provider Fees		418,24,15	381,26,30
XIII	Other Expenditure		1993,01,18	1675,39,70
		TOTAL	**5591,44,36**	**4783,07,58**

Schedule 17 Significant accounting policies

1. General

1.1 IndusInd Bank Limited ('the Bank') was incorporated in 1994 under the Companies Act, 1956 and is licensed by the Reserve Bank of India (RBI) to operate as a commercial bank under the Banking Regulation Act, 1949. The Bank is publicly held and provides a wide range of banking products and financial services to corporate and retail clients besides undertaking treasury operations. The Bank operates in India including at the International Financial Service Centres in India, and does not have a branch in any foreign country.

1.2 The accompanying financial statements have been prepared under the historical cost convention except where otherwise stated, and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by RBI from time to time (RBI guidelines), accounting standards referred to in Section 133 of the Companies Act, 2013 (the Act) and practices prevailing within the banking industry in India.

1.3 The preparation of the financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities on the date of the financial statements. Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent and reasonable. Any revision to accounting estimates is recognised prospectively in current and future periods.

2. Transactions involving Foreign Exchange

2.1 Monetary assets and liabilities of domestic and integral foreign operations denominated in foreign currency are translated at the Balance Sheet date at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resulting gains or losses are recognised in the Profit and Loss account.

2.2 Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

2.3 Both monetary and non-monetary assets and liabilities of non-integral foreign operations are translated at the Balance Sheet date at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resulting gains or losses are accumulated in the foreign currency translation reserve until disposal of the net investment in the non-integral foreign operation.

2.4 All foreign exchange contracts outstanding at the Balance Sheet date are re-valued on present value basis and the resulting gains or losses are recognised in the Profit and Loss account.

2.5 Swap Cost arising on account of foreign currency swap contracts to convert foreign currency funded liabilities and assets into rupee liabilities and assets is amortised to the Profit and Loss account under the head 'Interest – Others' over the underlying swap period.

2.6 Income and expenditure of domestic and integral foreign operations denominated in a foreign currency is translated at the rates of exchange prevailing on the date of the transaction. Income and expenditure of non-integral foreign operations is translated at quarterly average closing rates.

2.7 Contingent liabilities at the Balance Sheet date on account of outstanding forward foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in a foreign currency are stated at the closing rates of exchange notified by the FEDAI.

3. *Investments*

Significant accounting policies in accordance with RBI guidelines are as follows:

3.1 Categorisation of Investments

The Bank classifies its investment at the time of purchase into one of the following three categories:

(i) **Held to Maturity (HTM)** – Securities acquired with the intention to hold till maturity.

(ii) **Held for Trading (HFT)** – Securities acquired with the intention to trade.

(iii) **Available for Sale (AFS)** – Securities which do not fall within the above two categories.

Subsequent shifting amongst the categories is done in accordance with RBI guidelines.

3.2 Classification of Investments

For the purpose of disclosure in the Balance Sheet, investments are classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures, and (vi) Other Investments.

3.3 Acquisition cost

(i) Broken period interest on debt instruments is treated as a revenue item.

(ii) Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss account.

(iii) Cost of investments is computed based on the weighted average cost method.

3.4 Valuation of Investments

(i) **Held to Maturity** – Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortised over the balance period to maturity. The amortized amount is classified under Interest earned – Income on investments (Item II of Schedule 13). The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, is determined and provided for each investment individually.

(ii) **Held for Trading** – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.

(iii) **Available for Sale** – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.

(iv) Market value of government securities (excluding treasury bills) is determined on the basis of the prices / YTM published by Financial Benchmark India Private Limited (FBIL).

(v) Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.

(vi) Fair value of other debt securities is determined based on the yield curve published by FBIL and credit spreads provided by Fixed Income Money Market and Derivatives Association (FIMMDA).

(vii) Quoted equity shares are valued at lower of cost and the closing price on a recognised stock exchange. Unquoted equity shares are valued at their break-up value or at ₹ 1 per company where the latest Balance Sheet is not available.

(viii) Units of the schemes of mutual funds are valued at the lower of cost and Net Asset Value (NAV) provided by the respective schemes of mutual funds.

(ix) Investments in equity shares held as long-term investments by erstwhile IndusInd Enterprises & Finance Limited and Ashok Leyland Finance Limited (since merged with the Bank) are valued at cost and classified as part of HTM category. Provision towards diminution in the value of such long-term investments is made only if the diminution in value is not temporary in the opinion of management.

(x) Security Receipts (SR) are valued at the lower of redemption value and NAV obtained from the Securitisation Company (SC) / Reconstruction Company (RC). In respect of significant investment in SRs backed by stressed assets sold by the Bank, the value is subject to a prudential floor considering the asset classification of the stressed assets, had they remained on the books of the Bank.

(xi) Purchase and sale transaction in securities are recorded under Settlement Date method of accounting, except in the case of the equity shares where Trade Date method of accounting is followed.

(xii) Provision for non-performing investments is made in conformity with RBI guidelines.

(xiii) Repurchase (Repo) and Reverse Repurchase (Reverse Repo) transactions (including transactions under Liquidity Adjustment Facility (LAF) with RBI) are accounted for as collateralised borrowing and lending respectively. On completion of the second leg of the Repo or Reverse Repo transaction, the difference between the consideration amounts is reckoned as Interest Expenditure or Income, as the case may be. Amounts outstanding in Repo and Reverse Repo account as at the Balance Sheet date is shown as part of Borrowings and Money at Call and at Short Notice respectively, and the accrued expenditure and income till the Balance Sheet date is recognised in the Profit and Loss account.

(xiv) In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognised. Profit or loss on settlement of the short position is recognised in the Profit and Loss account.

(xv) Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account.

(xvi) In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA).

The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.

3.5 Investments in unquoted units of Venture Capital Funds (VCF) and Alternative Investment Funds (AIF) are categorised under HTM category for initial period of three years and valued at cost as per RBI guidelines. Units of VCF and AIF held under AFS category, where current quotations are not available, are marked to market based on the Net Asset Value (NAV) shown by VCF or AIF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF or AIF, as the case may be.

4. Derivatives

Derivative contracts are designated as hedging or trading and accounted for as follows:

4.1 The hedging contracts comprise of Forward Rate Agreements, Interest Rate Swaps, and Currency Swaps undertaken to hedge interest rate and currency risk on certain assets and liabilities. The net interest receivable or payable is accounted on an accrual basis over the life of the swaps. However, where the hedge is designated with an asset or liability that is carried at market value or lower of cost and market value, then the hedging instrument is also marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated assets or liabilities.

4.2 The trading contracts comprise of trading in Interest Rate Swaps, Interest Rate Futures and Currency Futures. The gain or loss arising on unwinding or termination of the contracts, is accounted for in the Profit and Loss account. Trading contracts outstanding as at the Balance Sheet date are re-valued at their fair value and resulting gains or losses are recognised in the Profit and Loss account.

4.3 Gains or losses on the termination of hedge swaps is deferred and recognised over the shorter of the remaining life of the hedge swap or the remaining life of the underlying asset or liability.

4.4 Premium paid and received on currency options is accounted when due in the Profit and Loss Account.

4.5 Fair value of derivative is determined with reference to bid / asks quoted market price or by using valuation models. Where the fair value is calculated using valuation models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to the present value. The valuation takes into consideration all relevant market factors (e.g. prices, interest rate, currency exchange rates, volatility, liquidity etc.). Most market parameters are either are directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

4.6 Provisioning of overdue customer receivable on derivative contracts is made as per RBI guidelines.

5. *Advances*

5.1 Advances are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.

5.2 Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines. In addition the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

5.3 A general provision on standard assets is made in accordance with RBI guidelines. Provision made against standard assets is included in 'Other Liabilities and Provisions'.

5.4 Advances are disclosed in the Balance Sheet, net of provisions and interest suspended for non-performing advances, and floating provisions.

5.5 Advances exclude derecognised securitised advances, inter-bank participation certificates issued and bills rediscounted.

5.6 Amounts recovered during the year against bad debts written off in earlier years are recognised in the Profit and Loss account.

5.7 Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.

5.8 For restructured / rescheduled assets, provision is made in accordance with the guidelines issued by RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. The restructured accounts are classified in accordance with RBI guidelines, including special dispensation wherever allowed.

6. *Securitisation transactions and direct assignments*

6.1 The Bank transfers its loan receivables both through Direct Assignment route as well as transfer to Special Purpose Vehicles ('SPV').

6.2 The securitisation transactions are without recourse to the Bank. The transferred loans and such securitised receivables are de-recognised as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains or losses are recognised only if the Bank surrenders the rights to the benefits specified in the loan contracts.

6.3 In terms of RBI guidelines, profit or premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortized over the life of the securities issued by the Special Purpose Vehicles (SPV). Any loss arising on account of the sale is recognised in the Profit and Loss account in the period in which the sale occurs.

6.4 In case of sale of non-performing assets through securitisation route to Securitisation Company or Asset Reconstruction Company by way of assignment of debt against issuance of Security Receipts (SR), the recognition of sale and accounting of profit and loss thereon is done in accordance with applicable RBI guidelines. Generally, the sale is recognised at the lower of redemption value of SR and the Net Book Value (NBV) of the financial asset sold, and the surplus is recognised in the Profit and Loss Account; shortfall if any, is charged to the Profit and Loss account subject to regulatory forbearance, if any, allowed from time to time. Profit or loss realized on ultimate redemption of the SR is recognised in the Profit and Loss Account.

7. *Property, Plant and Equipment*

7.1 Fixed assets are stated at cost (except in the case of premises which were re-valued based on values determined by approved valuers) less accumulated depreciation and impairment, if any. Cost includes incidental expenditure incurred on the assets before they are ready for intended use.

7.2 The appreciation on account of revaluation is credited to Revaluation Reserve. Depreciation relating to revaluation is adjusted against the Revaluation Reserve.

7.3 Depreciation is provided over the useful life of the assets, pro rata for the period of use, on a straight-line method. The useful life estimates prescribed in Part C of Schedule II to the Companies Act, 2013 are generally adhered to, except in respect of asset classes where, based on technical evaluation, a different estimate of useful life is considered suitable. Pursuant to this policy, the useful life estimates in respect of the following assets are as follows:

(a) Computers at 3 years

(b) Application software and perpetual software licences at 5 years

(c) Printers, Scanners, Routers, Switch at 5 years

(d) ATMs at 7 years

(e) Network cabling, Electrical Installations, Furniture and Fixtures, Other Office Machinery at 10 years

(f) Vehicles at 5 years

(g) Buildings at 60 years

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs, etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

7.4 The carrying amount of fixed assets is reviewed at the Balance Sheet date to determine if there are any indications of impairment based on internal / external factors. In case of impaired assets, the impairment loss i.e. the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the Profit and Loss account to the extent the carrying amount of assets exceeds its estimated recoverable amount.

8. *Revenue Recognition*

8.1 Interest and discount income on performing assets is recognised on accrual basis. Interest and discount income on non-performing assets is recognised on realisation.

8.2 Interest on Government securities, debentures and other fixed income securities is recognised on a period proportion basis. Income on discounted instruments is recognised over the tenor of the instrument on a Constant Yield to Maturity method.

8.3 Dividend income is accounted on accrual basis when the right to receive dividend is established.

8.4 Commission (except for commission on Deferred Payment Guarantees which is recognised over the term on a straight line basis), Exchange and Brokerage are recognised on a transaction date and net of directly attributable expenses.

8.5 Fees are recognised on an accrual basis when binding obligation to recognise the fees has arisen as per agreement, except in cases where the Bank is uncertain of realisation.

8.6 Income from distribution of third party products is recognised on the basis of business booked.

9. Operating Leases

9.1 Lease rental obligations in respect of assets taken on operating lease are charged to the Profit and Loss account on a straight-line basis over the lease term.

9.2 Assets given under leases in respect of which all the risks and benefits of ownership are effectively retained by the Bank are classified as operating leases. Lease rentals received under operating leases are recognised in the Profit and Loss account as per the terms of the contracts.

10. Employee Benefits

10.1 The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the year is recognised on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate policies from insurers.

10.2 Provident Fund contributions are made under trusts separately established for the purpose and the scheme administered by Regional Provident Fund Commissioner (RPFC), as applicable. The rate at which the annual interest is payable to the beneficiaries by the trusts is being administered by the government. The Bank has an obligation to make good the shortfall, if any, between the return from the investments of the trusts and the notified interest rates. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note on Valuation of Interest Rate Guarantees on Exempt Provident Funds under AS 15 (Revised) issued by the Institute of Actuaries of India, and such shortfall, if any, is provided for.

10.3 Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.

10.4 Intrinsic value method is applied to account for the compensation cost of ESOP granted to the employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying shares on the grant date exceeds the exercise price of the options. Accordingly, such compensation cost is amortized over the vesting period.

11. Segment Reporting

11.1 In accordance with the guidelines issued by RBI, the Bank has adopted Segment Reporting as under:

(a) Treasury includes all investment portfolios, Profit / Loss on sale of Investments, Profit / Loss on foreign exchange transactions, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation / amortisation of premium on Held to Maturity category investments.

(b) Corporate / Wholesale Banking includes lending to and deposits from corporate customers and identified earnings and expenses of the segment.

(c) Retail Banking includes lending to and deposits from retail customers and identified earnings and expenses of the segment.

(d) Other Banking Operations includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and Reserves, Employee Stock Options (Grants) Outstanding and other unallocable assets, liabilities, income and expenses.

12. Debit and Credit Card reward points liability

12.1 The liability towards Credit Card reward points is computed based on an actuarial valuation and the liability towards Debit Card reward points is computed on the basis of management estimates considering past trends.

13. Bullion

13.1 The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are on a back-to-back basis and are priced to the customer based on the prevailing price quoted by the supplier and the local levies related to the consignment like customs duty, etc. The profit earned is included in commission income.

13.2 The Bank sells gold coins to its customers. The difference between the sale price to customers and purchase price is reflected under commission income.

14. Income-tax

14.1 Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized; where there are unabsorbed depreciation and / or carry forward of losses under tax laws, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realized against future taxable income. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

15. Earnings per share

15.1 Earnings per share is calculated by dividing the Net Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the year.

16. Provisions, contingent liabilities and contingent assets

16.1 A provision is recognised when there is an obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

16.2 A disclosure of contingent liability is made when there is:

(a) A possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the bank; or

(b) A present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

16.3 When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

16.4 Contingent assets are not recognised or disclosed 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 assets and related income are recognised in the period in which the change occurs.

17. Cash and Cash equivalents

17.1 Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice.

Schedule 18 Notes forming part of the Financial Statements

1. *Capital*

1.1 Capital Issue

During the year ended March 31, 2018, 20,74,482 equity shares (Previous year 31,62,370 equity shares) aggregating to ₹ 101.97 crores (Previous year ₹ 96.62 crores) were allotted on various dates to the employees who exercised their stock options.

1.2 Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI.

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 10.875% (Previous year 10.25%) including Capital Conversion Buffer (CCB) at 1.875% (Previous year 1.25%), of the total risk weighted assets (RWA). Out of the MTC, at least 7.375% (Previous year 6.75%), including 1.875% (Previous year 1.25%) towards CCB, shall be from Common Equity Tier 1 (CET1) capital and at least 7.00% (Previous year 7.00%) from Tier 1 capital. The capital adequacy ratio of the Bank is set out below:

(₹ in crores)

No.	Particulars	March 31, 2018	March 31, 2017
1	Common Equity Tier 1 capital ratio	13.42%	14.02%
2	Tier 1 capital ratio	14.58%	14.72%
3	Tier 2 capital ratio	0.45%	0.59%
4	Total Capital ratio (CRAR)	15.03%	15.31%
5	Amount of equity capital raised	101.97	96.62
6	Amount of Additional Tier 1 capital raised;	1,000.00	1,000.00
	of which		
	Perpetual Non-Cumulative Preference Shares (PNCPS)	-	-
	Perpetual Debt Instruments (PDI)	1,000.00	1,000.00
7	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)]	-	-

2. *Investments*

2.1 *Details of Investments*

(₹ in crores)

No.	Particulars			March 31, 2018	March 31, 2017
1	Value of Investments				
	(i)	Gross value of Investments		50,285.31	36,789.86
		(a)	In India	50,285.31	36,789.86
		(b)	Outside India	-	-
	(ii)	Provisions for Depreciation		208.59	87.72
		(a)	In India	208.59	87.72
		(b)	Outside India	-	-
	(iii)	Net value of Investments		50,076.72	36,702.14
		(a)	In India	50,076.72	36,702.14
		(b)	Outside India	-	-
2	Movement of provisions held towards depreciation on Investments				
	(i)	Opening balance		87.72	56.36
	(ii)	Add: Provision made during the year		120.87	31.36
	(iii)	Less: Write-off / (write-back) of excess provisions during the year		-	-
	(iv)	Closing balance		208.59	87.72

2.2 *Category-wise details of Investments (Net of provision for depreciation)*

(₹ in crores)

No.	Particulars	As at March 31, 2018			As at March 31, 2017		
		HTM	AFS	HFT	HTM	AFS	HFT
(i)	Government securities	30,438.85	9,927.14	-	26,259.13	5,193.21	-
(ii)	Other approved securities	-	-	-	-	-	-
(iii)	Shares	4.75	287.19	-	4.75	156.50	-
(iv)	Debentures and bonds	-	4,476.42	-	-	2,524.57	-
(v)	Subsidiaries and / or Joint Ventures	-	-	-	-	-	-
(vi)	Others - Security Receipts, Pass Through Certificates, investment in units of Mutual Funds, Commercial Paper, Venture Capital, etc.	99.42	4,842.95	-	67.50	2,496.48	-
	Total	**30,543.02**	**19,533.70**	**-**	**26,331.38**	**10,370.76**	**-**

2.3 *Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions (in face value terms)*

(₹ in crores)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Balance as at the year end
Year ended March 31, 2018				
Securities sold under repo				
(i) Government Securities	11.17	1,159.00	18.35	-
(ii) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo				
(i) Government Securities	150.00	13,300.00	2,046.83	-
(ii) Corporate Debt Securities	-	-	-	-
Year ended March 31, 2017				
Securities sold under repo				
(i) Government Securities	5.72	5,934.94	2,488.52	-
(ii) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo				
(i) Government Securities	100.00	16,900.00	1,754.75	6,300.00
(ii) Corporate Debt Securities	-	-	-	-

2.4 *Issuer composition of Non-SLR investments as at March 31, 2018*

(₹ in crores)

No.	Issuer	Amount(1)	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities(2)	Extent of 'unlisted' securities(3)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
1	Public Sector Undertakings	338.16	338.16	-	-	-
2	Financial Institutions	883.43	883.43	-	-	-
3	Banks	2,803.28	2,803.28	-	-	-
4	Private corporates	4,563.09	4,555.84	-	-	7.25
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	1,331.36	1,331.36	-	-	-
7	Provision held towards depreciation	(208.59)				
	Total	**9,710.73**	**9,912.07**	**-**	**-**	**7.25**

Issuer composition of Non-SLR investments as at March 31, 2017

(₹ in crores)

No.	Issuer	Amount[(1)]	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities[(2)]	Extent of 'unlisted' securities[(3)]
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
1	Public Sector Undertakings	250.89	250.89	-	-	-
2	Financial Institutions	-	-	-	-	-
3	Banks	1,445.98	1,445.98	-	-	-
4	Private corporates	3,067.61	3,060.36	-	-	7.25
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	573.05	573.05	-	-	-
7	Provision held towards depreciation	(87.72)				
	Total	**5,249.81**	**5,330.28**	**-**	**-**	**7.25**

Notes:

(1) Does not include amount of securities pledged with Central Counter Parties, viz., Clearing Corporation of India Limited, National Securities Clearing Corporation of India Limited and Multi Commodity Exchange of India Limited.

(2) Excludes investment in equity shares.

(3) Excludes investment in commercial papers, Certificates of Deposit and preference shares acquired by way of conversion of debts.

(4) Amounts reported under columns 4, 5, 6 and 7 are not mutually exclusive.

2.5 Non-performing Non-SLR investments

(₹ in crores)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Opening balance	2.26	2.26
Additions during the year	27.05	11.20
Reductions / Redemption during the year	0.33	11.20
Closing balance	28.98	2.26
Total provisions held	**24.32**	**2.26**

2.6 Sale / transfer from HTM category

During the year ended March 31, 2018 and year ended March 31, 2017, the value of sales and transfer of securities to / from HTM category, excluding one-time transfer of securities from HTM and sale on account of Open Market Operation (OMO), has not exceeded 5% of the book value of investments held in HTM category at the beginning of the year. As such, in line with RBI guidelines, specific disclosures on book value, market value, and provisions if any, relating to such sale and transfers are not required to be made.

3. *Derivatives*

3.1 *Interest Rate Swaps, Forward Rate Agreements and Cross Currency Swaps*

(₹ in crores)

Particulars		As at March 31, 2018	As at March 31, 2017
(i)	Notional principal of swap agreements	230,162.23	127,836.91
(ii)	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	1,754.93	1,845.19
(iii)	Collateral required by the Bank upon entering into swaps	-	-
(iv)	Concentration of credit risk arising from the swaps – With banks	71.06%	62.90%
(v)	Net Fair value of the swap book	372.23	250.86

The nature and terms of Interest Rate Swaps (IRS) outstanding as on March 31, 2018 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	705	51,058.89	MIBOR	Fixed Payable vs Floating Receivable
Trading	688	48,885.45	MIBOR	Fixed Receivable vs Floating Payable
Trading	402	28,850.00	MIFOR	Fixed Payable vs Floating Receivable
Trading	505	31,780.00	MIFOR	Fixed Receivable vs Floating Payable
Trading	7	511.76	EURIBOR	Fixed Payable vs Floating Receivable
Trading	21	493.77	EURIBOR	Fixed Receivable vs Floating Payable
Trading	32	30.14	EURIBOR	Floating Payable vs Fixed Receivable
Trading	161	19,233.39	LIBOR	Fixed Payable vs Floating Receivable
Trading	366	16,491.10	LIBOR	Fixed Receivable vs Floating Payable

The nature and terms of IRSs outstanding as on March 31, 2017 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	163	9,715.50	MIBOR	Fixed Payable vs Floating Receivable
Trading	131	7,679.47	MIBOR	Fixed Receivable vs Floating Payable
Trading	301	25,922.00	MIFOR	Fixed Payable vs Floating Receivable
Trading	352	24,935.00	MIFOR	Fixed Receivable vs Floating Payable
Trading	1	48.49	EURIBOR	Fixed Payable vs Floating Receivable
Trading	34	80.01	EURIBOR	Fixed Receivable vs Floating Payable
Trading	113	14,345.93	LIBOR	Fixed Payable vs Floating Receivable
Trading	356	12,784.24	LIBOR	Fixed Receivable vs Floating Payable
Trading	1	226.98	LIBOR	Floating Payable vs Floating Receivable

The nature and terms of Cross Currency Swaps (CCSs) outstanding as on March 31, 2018 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	1	9.70	EURIBOR	Fixed Payable vs Floating Receivable (Cross Currency Swap)
Trading	51	8,976.20	LIBOR	Fixed Payable vs Floating Receivable (Cross Currency Swap)
Trading	3	2,854.63	LIBOR	Floating Payable vs Fixed Receivable (Coupon only Swap)
Trading	178	7,846.01	LIBOR	Floating Payable vs Fixed Receivable (Cross Currency Swap)
Trading	1	153.76	LIBOR	Floating Payable vs Fixed Receivable (Principal Only Swap)
Trading	3	65.66	MIBOR	Floating Payable vs Fixed Receivable (Cross Currency Swap)
Trading	4	595.40	NA	Fixed Payable vs Fixed Receivable (Coupon Only Swap)
Trading	130	4,212.64	NA	Fixed Payable vs Fixed Receivable (Cross Currency Swap)
Trading	20	908.26	NA	Fixed Payable vs Fixed Receivable (Principal Only Swap)
Trading	3	104.99	NA	Fixed Payable vs Floating Receivable (Principal Only Swap)
Trading	3	63.90	LIBOR / LIBOR	Floating Payable vs Floating Receivable (Cross Currency Swap)
Trading	1	28.82	LIBOR / MIBOR	Floating Payable vs Floating Receivable (Cross Currency Swap)
Trading	6	1,099.32	LIBOR / MIFOR	Floating Payable vs Floating Receivable (Cross Currency Swap)
Trading	15	4,008.26	MIBOR / LIBOR	Floating Payable vs Floating Receivable (Cross Currency Swap)
Merchant and Cover	1	32.81	LIBOR	Fixed Payable vs Floating Receivable (Cross Currency Swap)
Merchant and Cover	1	25.00	LIBOR	Floating Payable vs Fixed Receivable (Cross Currency Swap)
Merchant and Cover	4	980.15	NA	Fixed Payable vs Fixed Receivable (Cross Currency Swap)
Trading	2	244.80	EURIBOR / LIBOR	Floating Payable vs Floating Receivable (Cross Currency Swap)
Trading	1	14.48	LIBOR	Fixed Payable vs Fixed Receivable (Cross Currency Swap)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	1	85.91	LIBOR	Floating Payable vs Floating Receivable (Cross Currency Swap)
Trading	1	252.97	LIBOR / SOR	Floating Payable vs Floating Receivable (Cross Currency Swap)
Trading	1	264.06	SOR / LIBOR	Floating Payable vs Floating Receivable (Cross Currency Swap)

The nature and terms of CCSs outstanding as on March 31, 2017 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Merchant and Cover	2	25.91	LIBOR	Floating Payable vs Fixed Receivable (Cross Currency Swap)
Merchant and Cover	2	33.84	LIBOR	Fixed Payable vs Floating Receivable (Cross Currency Swap)
Merchant and Cover	6	1,301.48	NA	Fixed Payable vs Fixed Receivable (Cross Currency Swap)
Merchant and Cover	4	239.06	NA	Fixed Payable vs Fixed Receivable (Principal Only Swap)
Trading	242	9,746.70	LIBOR	Floating Payable vs Fixed Receivable (Cross Currency Swap)
Trading	53	8,207.36	LIBOR	Fixed Payable vs Floating Receivable (Cross Currency Swap)
Trading	3	563.83	LIBOR	Floating Payable vs Fixed Receivable (Principal Only Swap)
Trading	2	1,567.22	LIBOR	Floating Payable vs Fixed Receivable (Coupon only Swap)
Trading	107	2,537.85	NA	Fixed Payable vs Fixed Receivable (Cross Currency Swap)
Trading	3	520.15	NA	Fixed Payable vs Fixed Receivable (Coupon only Swap)
Trading	38	2,997.09	NA	Fixed Payable vs Fixed Receivable (Principal Only Swap)
Trading	2	61.37	LIBOR / LIBOR	Floating Payable vs Floating Receivable (Cross Currency Swap)
Trading	1	40.45	LIBOR / LIBOR	Floating Payable vs Floating Receivable (Coupon only Swap)
Trading	14	3,157.66	LIBOR / MIBOR	Floating Payable vs Floating Receivable (Cross Currency Swap)
Trading	6	1,099.32	LIBOR / MIFOR	Floating Payable vs Floating Receivable (Cross Currency Swap)

3.2 Exchange Traded Interest Rate Derivatives

The details of Exchange Traded Interest Rate Derivatives undertaken during the year ended March 31, 2018 are as below:

(₹ in crores)

Sr. No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
	a) Future Bond/697GS2026/27/07/2017	0.04
	b) Future Bond/697GS2026/31/08/2017	18.30
	c) Future Bond/697GS2026/28/09/2017	4.04
	d) Future Bond/679GS2027/28/09/2017	56.74
	e) Future Bond/679GS2027/26/10/2017	4.00
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2018 (instrument-wise)	-
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	-
(iv)	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	-

The details of Exchange Traded Interest Rate Derivatives undertaken during the year ended March 31, 2017 are as below:

(₹ in crores)

Sr. No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
	a) Future Bond/759GS2026/23/02/2017 - Feb 2017	0.04
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2017 (instrument-wise)	-
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	-
(iv)	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	-

3.3 Risk Exposure in Derivatives

Derivatives Policy approved by the Board of Directors defines the framework for carrying out derivatives business and lays down policies and processes to measure, monitor and report risk arising from derivative transactions. The policy provides for (a) appropriate risk limits for different derivative products and (b) authority levels for review of limit breaches and to take appropriate actions in such events. As part of the Derivatives Policy, the Bank has a Product Suitability and Customer Appropriateness Policy, which is used to classify customers on the basis of their need for various derivative products and their competence in understanding such products and the attendant risks involved.

Risk Management Department of the Bank is responsible for measuring, reporting and monitoring risk arising from derivatives transactions. It functions independent of Treasury business and undertakes the following activities:

- Monitors derivatives operations against prescribed policies and limits on a daily basis;
- Daily review of product-wise profitability and activity reports for derivatives operations;
- Daily submission of MIS and details of exceptions to the Top Management,
- Monitoring effectiveness of derivative deals identified as hedges against the terms of the hedging instruments and underlying hedged risk; and
- Collaterals are generally kept as cash or cash equivalent for securing derivative transactions.

The Risk Management function applies a host of quantitative tools and methods such as Value at Risk, PV01, stop-loss limits, counterparty limits, deal size limits and overnight position limits. The Bank undertakes derivative transactions for hedging customers' exposure, hedging the Bank's own exposure, as well as for trading purposes, wherever permitted by RBI. The customers use these derivative products to hedge their forex and interest rate exposures.

The following table presents quantitative disclosures relating to Derivatives:

(₹ in crores)

Sr. No.	Particulars	March 31, 2018		March 31, 2017	
		Currency derivatives	**Interest rate derivatives**	**Currency derivatives**	**Interest rate derivatives**
1	Derivatives (Notional Principal Amount) (Note 1)	399,637.00	197,334.49	257,304.17	95,737.62
	a) For hedging	-	-	-	-
	b) For trading	399,637.00	197,334.49	257,304.17	95,737.62
2	Marked to Market Positions (Note 2)				
	a) Asset (+)	3,260.91	1,082.20	4,568.95	692.94
	b) Liability (-)	(2,687.97)	(728.06)	(4,020.87)	(534.81)
3	Credit Exposure (Note 3)	14,400.55	3,057.53	13,908.57	1,801.55
4	Likely impact of one percentage change in interest rate (100*PV01) (Note 4)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	101.56	85.13	24.74	20.71
5	Maximum and Minimum of 100*PV01 observed during the year (Note 5)				
	a) on hedging	-	-	-	-
	b) on trading				
	Maximum	102.71	88.28	63.55	73.21
	Minimum	4.82	0.36	2.06	0.09

Note 1: Outstanding Notional principal amount of exchange traded currency future trades was ₹ 85.76 crores as at March 31, 2018 (Previous year Nil).

Note 2: Marked to Market positions include interest accrued on the swaps.

Note 3: Credit exposure is computed based on the current exposure method.

Note 4: Based on the absolute value of PV01 of the derivatives outstanding as at the year end.

Note 5: Based on the PV01 of the outstanding derivatives.

Note 6: PV01 for Currency Derivatives and Interest Rate Derivatives are presented in absolute terms. However, total net PV01 shall remain smaller as Currency Derivatives and Interest Rate Derivatives positions net off each other.

4. *Asset Quality*

4.1 Non-Performing Assets

The details of movement of gross non-performing assets (NPAs), net NPAs and provisions during the year ended March 31, 2018 and the year ended March 31, 2017 are given below:

(₹ in crores)

Sr. No.	Particulars	March 31, 2018	March 31, 2017
(i)	Net NPAs to Net Advances (%)	0.51%	0.39%
(ii)	Movement of Gross NPAs		
	a) Opening balance	1,054.87	776.82
	b) Additions during the year	3,324.55	1,429.27
	c) Reductions during the year		
	(i) Upgradations	292.25	196.59
	(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,599.48	489.10
	(iii) Technical / Prudential write-offs	-	-
	(iv) Write-offs other than those under (iii) above	782.78	465.53
	Sub-total	2,674.51	1,151.22
	d) Closing balance	1,704.91	1,054.87
(iii)	Movement of Net NPAs		
	a) Opening balance	438.91	321.75
	b) Additions during the year	2,003.70	693.66
	c) Reductions during the year	1,696.94	576.50
	d) Closing balance	745.67	438.91
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance	615.96	455.07
	b) Provisions made during the year	1,320.85	735.61
	c) Write-off / write back of excess provisions	977.57	574.72
	d) Closing balance	959.24	615.96

Notes:

1) Recoveries include sale to SC / RC.

2) In terms of RBI circular DBOD.BP.BC.No.98/21.04.132/2013-14 dated February 26, 2014, in respect of assets sold to SC/RCs, during the year ended March 31, 2015, the loss on sale arrived at by deducting sale consideration and provisions held as on the date of sale from the outstanding amount, was amortized over a period of two years. Accordingly, the Bank had charged to the Profit and Loss account the remaining amount of ₹ 96.26 crores during the year ended March 31, 2017.

3) Amounts for the year ended March 31, 2018 includes impact of NPAs and provisions as assessed by RBI in their Supervisory Programme for Assessment of Risk and Capital for the year ended March 31, 2017 as mentioned under note no 4.4.

4.2 Provision coverage ratio

Provision coverage ratio as at March 31, 2018 is 56.26% (Previous year 58.39%).

4.3 Details of technical write-offs and recoveries made thereon

(₹ in crores)

Items	March 31, 2018	March 31, 2017
Opening balance of technical / prudential written off accounts	-	-
Add: Technical / prudential write-offs during the year	-	-
Sub-total	-	-
Less : Recoveries made from previously technical / prudential written-off accounts during the year	-	-
Closing balance of technical / prudential written-off accounts	-	-

4.4 Divergence in Asset Classification and Provisioning for NPAs

Advances are classified into standard, sub-standard, doubtful and loss assets in conformity with RBI guidelines, and specific provisions for non-performing advances are made accordingly. NPAs as assessed by RBI in their Supervisory Programme for Assessment of Risk and Capital for the year ended March 31, 2017 was higher than that reported by the Bank, as shown in the summary below:

(₹ in crores)

Sr. No.	Particulars	Amount
1	Gross NPAs as on March 31, 2017 as reported by the Bank	1,054.87
2	Gross NPAs as on March 31, 2017 as assessed by RBI	2,405.07
3	Divergence in Gross NPAs (2-1) (Refer Note 1 and 2 below)	1,350.20
4	Net NPAs as on March 31, 2017 as reported by the Bank	438.91
5	Net NPAs as on March 31, 2017 as assessed by RBI	1,440.03
6	Divergence in Net NPAs (5-4)	1,001.12
7	Provisions for NPAs as on March 31, 2017 as reported by the Bank	615.96
8	Provisions for NPAs as on March 31, 2017 as assessed by RBI	965.04
9	Divergence in provisioning (8-7)	349.08
10	Reported Net Profit after Tax (PAT) for the year ended March 31, 2017	2,867.89
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2017 after taking into account the divergence in provisioning	2,639.62

Note:

1) Out of ₹ 1,350.20 crores identified by RBI as non-performing advances, four accounts amounting to ₹ 809.50 crores were fully realised during the year ended March 31, 2018. This includes one large cement company account with an exposure of ₹ 551.70 crores that was resolved as per the resolution plan arrived at the Joint Lenders Forum. Borrower accounts with an exposure of ₹ 118.80 crores were resolved by way of sale to Asset Reconstruction Companies.

2) The remaining borrower accounts were classified as non-performing advances during the year ended March 31, 2018 and provided for accordingly.

Details relating to divergence between the non-performing advances reported by the Bank, and as assessed by RBI in their Supervisory Programme for Assessment of Risk and Capital for the year ended March 31, 2016 are as below:

(₹ in crores)

Sr. No.	Particulars	Amount
1	Gross NPAs as on March 31, 2016 as reported by the Bank	776.82
2	Gross NPAs as on March 31, 2016 as assessed by RBI (Refer Note 1 below)	1,337.03
3	Divergence in Gross NPAs (2-1)	560.21
4	Net NPAs as on March 31, 2016 as reported by the Bank	321.75
5	Net NPAs as on March 31, 2016 as assessed by RBI	637.55
6	Divergence in Net NPAs (5-4)	315.80
7	Provisions for NPAs as on March 31, 2016 as reported by the Bank	455.07
8	Provisions for NPAs as on March 31, 2016 as assessed by RBI	699.48
9	Divergence in provisioning (8-7)	244.41
10	Reported Net Profit after Tax (PAT) for the year ended March 31, 2016	2,286.45
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2016 after taking into account the divergence in provisioning (Refer Note 2 below)	2,137.32

Note:

1) The above includes one account that had an outstanding balance of ₹ 356.00 crores as of March 31, 2016, which was fully repaid before March 31, 2017. The provision amount computed by RBI on this account amounted to ₹ 142.40 crores.

2) Sr. No. 11 does not include the impact of additional provision of ₹ 73.05 crores, towards a standard asset. The impact on net profit after tax due to this provision amounts to ₹ 47.77 crores.

3) Above divergences pointed out by the RBI have been provided for or repaid in the year ended March 31, 2017.

4.5 Sector-wise advances

(₹ in crores)

Sr. No.	Sector	March 31, 2018			March 31, 2017		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activities	13,011.07	174.09	1.34%	10,260.55	78.99	0.77%
2	Advances to industries sector eligible as priority sector lending	5,049.12	-	-	4,091.50	0.86	0.02%
	Of which (refer note below):						
a)	Gems and Jewellery	1,001.99	-	-	1,194.12	-	-
b)	Construction (Other than Infrastructure)	21.58	-	-	3.94	-	-
c)	Infrastructure	19.64	-	-	9.11	-	-
d)	Basic Metal and Metal Products	-	-	-	343.08	-	-
3	Services	27,212.84	284.79	1.05%	20,451.95	187.45	0.92%
4	Personal loans	233.95	8.72	3.73%	150.68	6.87	4.56%
	Sub-total (A)	**45,506.98**	**467.60**	**1.03%**	**34,954.68**	**274.17**	**0.78%**
B	**Non Priority Sector**						
1	Agriculture and allied activities	-	-	-	-	-	-
2	Industry	33,654.24	494.66	1.47%	22,984.01	225.45	0.98%
	Of which (refer note below):						
a)	Gems and Jewellery	5,885.54	102.33	1.74%	5,761.73	6.98	0.12%
b)	Construction (Other than Infrastructure)	3,583.03	92.18	2.57%	2,871.67	129.23	4.50%
c)	Infrastructure	6,561.89	219. 05	3.34%	3,333.59	-	-
d)	Basic Metal and Metal Products	-	-	-	2,689.03	2.98	0.11%
3	Services	59,524.12	575.48	0.97%	51,226.69	447.48	0.87%
4	Personal loans	7,227.56	167.17	2.31%	4,531.09	107.77	2.38%
	Sub-total (B)	**1,00,405.92**	**1,237.31**	**1.23%**	**78,741.79**	**780.70**	**0.99%**
	Total (A+B)	**1,45,912.90**	**1,704.91**	**1.17%**	**113,696.47**	**1,054.87**	**0.93%**

Note:

Segments contributing in excess of 10% of the Sector is individually listed; Basic Metal and Metal Products constituted less than 10% on March 31, 2018.

4.6 *Details of Loan Assets subjected to Restructuring as on March 31, 2018*

(₹ in crores)

S. No.	Type of Restructuring →		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details ↓		Stan Dard	Sub-Stan Dard	Doubtful	Loss	Total	Stan dard	Sub-Stan Dard	Doubtful	Loss	Total	Stan Dard	Sub-Stan Dard	Doubtful	Loss	Total	Stan Dard	Sub-Stan dard	Doubtful	Loss	Total
1	Restructured Accounts as on 01/04/2017	No. of borrowers	4	-	1	-	**5**	3	-	-	-	**3**	2	-	-	-	**2**	9	-	1	-	**10**
		Amount outstanding	230.57	-	31.98	-	**262.55**	14.40	-	-	-	**14.40**	205.06	-	-	-	**205.06**	450.03	-	31.98	-	**482.01**
		Provision thereon	21.25	-	31.98	-	**53.23**	4.25	-	-	-	**4.25**	10.00	-	-	-	**10.00**	35.50	-	31.98	-	**67.48**
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	3.60	-	-	-	**3.60**	0.02	-	-	-	**0.02**	-	-	13.98	-	**13.98**	3.62	-	13.98	-	**17.60**
		Provision thereon	-	-	-	-	**-**	0.02	-	-	-	**0.02**	-	-	-	-	**-**	0.02	-	-	-	**0.02**
3	Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				**-**	-				**-**	-				**-**	**-**				**-**
		Amount outstanding	-				**-**	-				**-**	-				**-**	**-**				**-**
		Provision thereon	-				**-**	-				**-**	-				**-**	**-**				**-**
5	Downgradations of restructured accounts during the FY	No. of borrowers	-1	-	1	-	**-**	-1	-	1	-	**-**	-2	-	2	-	**-**	-4	-	4	-	**-**
		Amount outstanding	-129.06	-	129.06	-	**-**	-14.24	-	14.24	-	**-**	-205.06	-	205.06	-	**-**	-348.36	-	348.36	-	**-**
		Provision thereon	-9.50	-	9.50	-	**-**	-4.09	-	4.09	-	**-**	-10.00	-	92.35	-	**82.35**	-23.59	-	105.94	-	**82.35**
6	Write-offs of restructured accounts during the FY 2017-18	No. of borrowers	-	-	-2	-	**-2**	-	-	-1	-	**-1**	-	-	-	-	**-**	-	-	-3	-	**-3**
		Amount outstanding	-22.60	-	-161.04	-	**-183.64**	-0.01	-	-14.24	-	**-14.25**	-	-	-	-	**-**	-22.61	-	-175.28	-	**-197.89**
		Provision thereon	-4.86	-	-41.48	-	**-46.34**	-0.01	-	-4.09	-	**-4.10**	-	-	-	-	**-**	-4.87	-	-45.57	-	**-50.44**
7	Restructured Accounts as on 31/03/2018 (closing figure)	No. of borrowers	3	-	-	-	**3**	2	-	-	-	**2**	-	-	2	-	**2**	5	-	2	-	**7**
		Amount outstanding	82.51	-	-	-	**82.51**	0.17	-	-	-	**0.17**	-	-	219.04	-	**219.04**	82.68	-	219.04	-	**301.72**
		Provision thereon	6.89	-	-	-	**6.89**	0.17	-	-	-	**0.17**	-	-	92.35	-	**92.35**	7.06	-	92.35	-	**99.41**

1. Provision includes diminution / FITL / NPA provision, wherever applicable.
2. Sr. No. 2 includes additions to existing restructured accounts of ₹ 17.60 crores (provision ₹ 0.02 crores).
3. Sr. No. 6 includes reductions in existing restructured accounts of ₹ 197.89 crores (provision ₹ 50.44 crores) due to repayment / CDR exit / OTS / sold to ARC / restructuring failures.

$ In case of NPAs, outstanding reported is net of unrealised interest.

4.6 Details of Loan Assets subjected to Restructuring as on March 31, 2017

(₹ in crores)

S. No.	Type of Restructuring →		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details ↓		Stan Dard	Sub-Stan Dard	Doubtful	Loss	Total	Stan dard	Sub-Stan Dard	Doubtful	Loss	Total	Stan Dard	Sub-Stan Dard	Doubtful	Loss	Total	Stan Dard	Sub-Stan dard	Doubtful	Loss	Total
1	Restructured Accounts as on 01/04/2016	No. of borrowers	8	-	-	-	**8**	2	-	-	-	**2**	2	-	-	-	**2**	12	-	-	-	**12**
		Amount outstanding	334.99	-	-	-	**334.99**	26.78	-	-	-	**26.78**	173.55	-	-	-	**173.55**	535.32	-	-	-	**535.32**
		Provision thereon	50.89	-	-	-	**50.89**	4.28	-	-	-	**4.28**	10.00	-	-	-	**10.00**	65.17	-	-	-	**65.17**
2	Fresh restructuring during the year	No. of borrowers	1	-	-	-	**1**	2	-	-	-	**2**	-	-	-	-	**-**	3	-	-	-	**3**
		Amount outstanding	35.78	-	-	-	**35.78**	0.52	-	-	-	**0.52**	31.51	-	-	-	**31.51**	67.81	-	-	-	**67.81**
		Provision thereon	3.08	-	-	-	**3.08**	0.19	-	-	-	**0.19**	-	-	-	-	**-**	3.27	-	-	-	**3.27**
3	Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				**-**	-				**-**	-				**-**	-				**-**
		Amount outstanding	-				**-**	-				**-**	-				**-**	-				**-**
		Provision thereon	-				**-**	-				**-**	-				**-**	-				**-**
5	Downgradations of restructured accounts during the FY	No. of borrowers	-5	2	3	-	**-**	-1	1	-	-	**-**	-	-	-	-	**-**	-6	3	3	-	**-**
		Amount outstanding	-133.52	30.63	100.43	-	**-2.46**	-8.47	8.47	-	-	**-**	-	-	-	-	**-**	-141.99	39.10	100.43	-	**-2.46**
		Provision thereon	-30.43	5.62	48.50	-	**23.69**	-	-	-	-	**-**	-	-	-	-	**-**	-30.43	5.62	48.50	-	**23.65**
6	Write-offs of restructured accounts during the FY 2016-17	No. of borrowers	-	-2	-2	-	**-4**	-	-1	-	-	**-1**	-	-	-	-	**-**	-	-3	-2	-	**-5**
		Amount outstanding	-6.68	-30.63	-68.45	-	**-105.76**	-4.43	-8.47	-	-	**-12.90**	-	-	-	-	**-**	-11.11	-39.10	-68.45	-	**-118.66**
		Provision thereon	-2.29	-5.62	-16.52	-	**-24.43**	-0.22	-	-	-	**-0.22**	-	-	-	-	**-**	-2.51	-5.62	-16.52	-	**-24.65**
7	Restructured Accounts as on 31/03/2017 (closing figure)	No. of borrowers	4	-	1	-	**5**	3	-	-	-	**3**	2	-	-	-	**2**	9	-	1	-	**10**
		Amount outstanding	230.57	-	31.98	-	**262.55**	14.40	-	-	-	**14.40**	205.06	-	-	-	**205.06**	450.03	-	31.98	-	**482.01**
		Provision thereon	21.25	-	31.98	-	**53.23**	4.25	-	-	-	**4.25**	10.00	-	-	-	**10.00**	35.50	-	31.98	-	**67.48**

1. Provision includes FITL / NPA provision in case of NPA accounts, wherever applicable, in addition to diminution in fair value provision held.
2. Sr. No. 2 includes additions to existing restructured accounts of ₹ 54.47 crores (provision ₹ 0.16 crores).
3. Sr. No. 6 includes reductions in existing restructured accounts of ₹ 118.66 crores (provision ₹ 24.65 crores). This also includes accounts which have exited CDR / Bank has done OTS with / sold to ARC / Restructuring Failures.

$ In case of NPAs, outstanding reported is net of unrealised interest.

4.7 In accordance with the Revised Framework on Resolution of Stressed Assets issued by RBI vide a circular dated February 12, 2018, the extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (S4A) have been withdrawn. The Joint Lenders' Forum as an institutional mechanism for resolution of stressed accounts was also discontinued. However, accounts where the schemes have been implemented by then were allowed to continue, and the following details pertain to such accounts where the respective schemes have been implemented before the said circular became effective.

a) Details of cases where scheme for Sustainable Structuring of Stressed Assets (S4A) is implemented

(₹ in crores)

No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
As at March 31, 2018				
Classified as Standard	35.47	20.73	14.74	7.09
Classified as NPA	-	-	-	-
As at March 31, 2017				
Classified as Standard	-	-	-	-
Classified as NPA	-	-	-	-

b) Details of cases under Flexible Structuring of Existing Loans

(₹ in crores)

Year ended	No. of borrowers taken up for flexibly structuring	Amount of loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring (years)	
		Classified as Standard	Classified as NPA	Before applying flexible structuring	After applying flexible structuring
March 31, 2018	1	51.85	-	6.25	7.83
March 31, 2017	-	-	-	-	-

c) Details of cases under Strategic Debt Restructuring Scheme (SDR) (accounts which are currently under the stand-still period)

As at March 31, 2018:

(₹ in crores)

No. of accounts where SDR has been invoked	Amount outstanding as at March 31, 2018		Amount outstanding as at March 31, 2018 with respect to accounts where conversion of debt to equity is pending		Amount outstanding as at March 31, 2018 with respect to accounts where conversion of debt to equity has taken place	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
-	-	-	-	-	-	-

As at March 31, 2017:

(₹ in crores)

No. of accounts where SDR has been invoked	Amount outstanding as at March 31, 2017**		Amount outstanding as at March 31, 2017 with respect to accounts where conversion of debt to equity is pending		Amount outstanding as at March 31, 2017 with respect to accounts where conversion of debt to equity has taken place**	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
4	267.80	-	-	-	267.80	-

** Includes ₹ 129.06 crores that is also reported under restructured standard advances (refer Schedule 18 – Note 4.6).

d) Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period): Nil (Previous year Nil).

e) Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period): Nil (Previous year Nil).

4.8 a) Details of financial assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for asset reconstruction

(₹ in crores)

No.	Items	March 31, 2018	March 31, 2017
1	No. of accounts	2,892	1,633
2	Aggregate value (net of provisions) of accounts sold to SC / RC	466.56	330.37
3	Aggregate consideration	484.80	268.50
4	Additional consideration realized in respect of accounts transferred in earlier years	0.30	-
5	Aggregate gain / (loss) over net book value	18.54	(61.87)

b) Details of book value of investment in security receipts (SRs)

(₹ in crores)

Particulars	March 31, 2018	March 31, 2017
Backed by NPAs sold by the Bank as underlying	569.54	353.87
Backed by NPAs sold by the other Banks / Financial Institutions / Non-Banking Financial Companies as underlying	19.12	-
Total	**588.66**	**353.87**

c) ***Details of Investment in Security Receipts (SRs)***

(₹ in crores)

Particulars		As at March 31, 2018			As at March 31, 2017		
		SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	504.55	64.99	-	353.87	-	-
	Provision held against (i)	112.86	29.50	-	55.90	-	-
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	19.12	-	-	-	-	-
	Provision held against (ii)	-	-	-	-	-	-
	Total (i) + (ii)	**523.67**	**64.99**	**-**	**353.87**	**-**	**-**

(a) This does not include SRs issued by Trusts that were closed and the outstanding SRs were cancelled and written off in the books of the Bank.

(b) During current year, no SRs issued by Trusts more than 8 years ago, were written off in the books of the Bank and held in physical form with Nil value (Previous year ₹ 11.00 crores).

4.9 During the year, there has been no individual purchase / sale of non-performing financial assets from / to other banks (Previous year Nil).

4.10 During the year, there was no sale of assets through securitisation except sale of assets to SC / RC (Previous year Nil).

4.11 Provision on Standard Assets

In accordance with RBI guidelines, general provision on standard assets is made at the following rates:

(a) At 1% on standard advances to Commercial Real Estate Sector;

(b) At 0.25% on standard direct advances to SME and Agriculture; and

(c) At 0.40% of the balance outstanding in other standard assets.

Standard assets provision also includes additional provision made pursuant to RBI instructions including provisions towards restructured standard assets.

The provision on standard assets is included in 'Other Liabilities and Provisions – Others' in Schedule 5, and is not netted off from Advances. The amount of provision held on standard assets is as below:

(₹ in crores)

Items	March 31, 2018	March 31, 2017
Cumulative Provision held for Standard Assets [Including ₹ 52.00 crores towards Unhedged Foreign Currency Exposure of clients (Previous year ₹ 45.69 crores)]	738.65	801.52

4.12 Unhedged Foreign Currency Exposure (UFCE) of Clients

Foreign exchange risk is the risk of loss arising out of adverse movements in foreign exchange rates affecting both on-balance sheet and off-balance sheet exposures. The forex positions that are not effectively hedged either by way of natural hedge or through derivatives / forward contracts expose a client to the risk of loss due to volatility in the forex rates. The Bank assesses the risk arising out of such UFCE of the clients at the time of credit appraisal and monitors the same at regular intervals. The provision for standard assets as of March 31, 2018, included an amount of ₹ 52.00 crores (Previous year ₹ 45.69 crores) towards UFCE. Further, capital held under Basel III Capital Regulations, as of March 31, 2018, includes an amount of ₹ 185.09 crores (Previous year ₹ 128.57 crores) on account of UFCE, computed at the applicable risk weights.

4.13 Floating provision

(₹ in crores)

Items	March 31, 2018	March 31, 2017
Opening balance	-	-
Provisions made during the year	70.00	-
Draw-down made during the year	-	-
Closing balance	70.00	-

_4.14_ As on March 31, 2018, no resolution plan in respect of accounts wherein aggregate exposure of the lenders amounted to ₹ 2,000 crores or above, has been implemented in accordance with the Revised Framework on Resolution of Stressed Assets issued by RBI *vide* a circular dated February 12, 2018.

5. Business ratios

No.	Ratio	March 31, 2018	March 31, 2017
(i)	Interest income as a percentage to working funds	9.10%	9.35%
(ii)	Non-interest income as a percentage to working funds	2.50%	2.71%
(iii)	Operating profit as a percentage to working funds	3.50%	3.54%
(iv)	Return on assets	1.90%	1.86%
(v)	Business (deposits plus gross advances) per employee (₹ in lakhs)	1,154.37	916.29
(vi)	Profit per employee (₹ in lakhs)	14.26	11.33

Notes:

(1) Working funds are reckoned as the average of total assets as per the monthly returns in Form X filed with RBI during the year.

(2) Returns on Assets are computed with reference to average working funds.

(3) Business per employee (deposits plus gross advances) is computed after excluding Inter-bank deposits.

6. *Asset Liability Management*

6.1 *Maturity Pattern of certain items of Assets and Liabilities*

As at March 31, 2018:

(₹ in crores)

Particulars	Deposits	Loans & Advances*	Investments	Borrowings	Foreign currency assets	Foreign currency liabilities
Day 1	822.35	689.17	-	0.39	1,447.10	310.95
2 to 7 Days	3,765.32	5,475.17	35.56	8,244.25	1,111.70	942.55
8 to 14 Days	5,245.91	5,510.78	1.10	-	541.80	51.52
15 to 30 Days	3,547.53	5,214.22	4.98	814.69	977.27	999.83
31 days to 2 months	9,822.62	5,495.79	282.81	814.69	1,964.65	913.71
Over 2 months to 3 months	10,345.54	6,870.29	2,379.11	-	2,962.65	97.35
Over 3 months to 6 months	9,229.09	11,999.72	2,299.77	3,032.59	1,802.97	519.02
Over 6 months to 1 year	33,352.50	19,651.62	4,716.85	3,387.75	1,245.41	3,488.70
Over 1 year to 3 years	21,765.34	49,134.46	6,652.40	15,601.25	1,492.10	9,164.52
Over 3 years to 5 years	16,017.03	15,675.57	3,665.57	1,878.08	1,962.44	1,867.55
Over 5 years to 7 years	7,838.82	6,677.20	3,958.18	942.08	263.49	998.16
Over 7 years to 10 years	11,409.27	6,674.85	7,327.46	3,573.31	366.15	159.96
Over 10 years to 15 years	11,136.65	2,977.04	9,735.89	-	-	81.54
Above 15 years	7,341.20	5,007.78	9,017.04	-	-	56.07
Total	**1,51,639.17**	**1,47,053.66**	**50,076.72**	**38,289.08**	**16,137.73**	**19,651.43**

* Loans & Advances include Bill Re-discounting Scheme of ₹ 2,100.00 crores.

As at March 31, 2017: (₹ in crores)

Particulars	Deposits	Loans & Advances*	Investments	Borrowings	Foreign currency assets	Foreign currency liabilities
Day 1	503.31	594.29	-	0.04	858.98	440.64
2 to 7 Days	3,745.60	7,243.48	96.54	603.52	1,578.23	792.10
8 to 14 Days	4,308.00	2,415.45	-	-	501.30	40.25
15 to 30 Days	4,435.01	1,883.22	-	-	762.89	290.17
31 days to 2 months	10,305.05	4,459.32	28.05	1,828.77	1,912.16	1,927.33
Over 2 months to 3 months	7,619.62	8,823.40	520.50	1,290.52	3,648.80	1,336.95
Over 3 months to 6 months	13,072.92	8,883.82	356.48	4,662.32	2,478.61	677.86
Over 6 months to 1 year	25,042.52	15,517.98	1,822.96	3,993.05	1,798.37	1,852.68
Over 1 year to 3 years	18,055.05	38,799.90	5,130.84	2,772.97	2,275.45	4,136.26
Over 3 years to 5 years	12,877.69	11,028.32	2,827.03	4,302.50	1,359.48	1,585.95
Over 5 years to 7 years	5,955.23	4,705.13	3,522.57	500.00	400.57	85.60
Over 7 years to 10 years	7,211.51	4,334.27	7,858.22	2,500.00	45.45	103.94
Over 10 years to 15 years	7,142.17	4,990.65	9,634.62	-	-	103.94
Above 15 years	6,298.54	501.28	4,904.33	-	-	91.71
Total	**1,26,572.22**	**1,14,180.51**	**36,702.14**	**22,453.69**	**17,620.29**	**13,465.38**

* Loans & Advances include Bill Re-discounting Scheme of ₹ 1,100.00 crores.

6.2 Liquidity Coverage Ratio (LCR)

Liquidity Coverage Ratio (LCR) aims in ensuring the Bank to maintain an adequate level of unencumbered High Quality Liquid Assets (HQLAs) to meet its liquidity needs convertible into cash under significantly severe liquidity stress scenario lasting for 30 days horizon period. LCR measures the Bank's potential to stand under combined idiosyncratic and market-wide liquidity stress condition, where the Bank experiences accelerated withdrawal of deposits from retail as well wholesale depositors, partial loss of secured funding, increase in collateral requirements and unscheduled draw down of unused credit lines.

LCR is the ratio of unencumbered HQLAs to Net Cash Outflows over the next 30 calendar days. From Jan 1, 2017 onwards, RBI guidelines mandate computation of LCR on daily average basis, which hitherto were measured on month-ends. The following table presents the minimum LCR to be maintained, in terms of RBI guidelines.

Effective from	**Jan 1, 2017**	**Jan 1, 2018**	**Jan 1, 2019**
Minimum LCR	80%	90%	100%

The Bank maintains HQLA in terms of Cash, unencumbered excess SLR, proportion of statutory SLR as allowed by RBI, excess statutory cash reserve and high rated corporate bonds issued by entities other than financial institutions. For the purposes of LCR computation, the Bank has considered all inflows and outflows that may have a quantifiable impact under the liquidity stress scenario.

Quantitative disclosure:

Following is the quantitative disclosures relating to LCR for the year ended March 31, 2018:

(₹ in crores)

No.	Particulars	June 2017		September 2017		December 2017		March 2018	
		Total Unweighted Value (average)	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**
	High Quality Liquid Assets								
1	Total High Quality Liquid Assets (HQLA)		29,282.27		31,189.34		27,192.33		29,805.10
	Cash Outflows								
2	Retail deposits and deposits from small business customers, of which:								
(i)	Stable deposits	4,166.26	208.31	4,234.96	211.75	4,326.15	216.31	4,410.11	220.51
(ii)	Less stable deposits	30,112.98	3,011.30	32,576.68	3,257.67	33,467.16	3,346.72	33,726.48	3,372.65
3	Unsecured wholesale funding, of which:								
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	53,626.39	30,651.01	61,506.95	33,386.14	61,228.49	31,676.92	65,395.37	34,259.98
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which								
(i)	Outflows related to derivative exposures and other collateral requirements	19,977.34	19,977.34	12,437.81	12,437.81	24,618.94	24,618.94	36,291.31	36,291.31
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	1,382.25	1,382.25	1,862.65	1,862.65	766.52	766.52	1,924.36	1,924.36
7	Other contingent funding obligations	44,749.53	1,583.00	41,342.61	1,415.73	46,683.83	1,641.55	51,553.36	1,797.53
8	**Total Cash Outflows**		**56,813.21**		**52,571.75**		**62,266.96**		**77,866.34**

No.	Particulars	June 2017		September 2017		December 2017		March 2018	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	Cash Inflows								
9	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	26,813.60	24,574.69	27,146.48	22,900.39	37,998.32	33,609.25	55,913.65	50,616.83
11	Other cash inflows	530.52	265.26	427.47	213.73	75.74	37.87	-	-
12	**Total Cash Inflows**		**24,839.95**		**23,114.12**		**33,647.12**		**50,616.83**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13	**Total HQLA**		**29,282.27**		**31,189.34**		**27,192.33**		**29,805.10**
14	**Total Net Cash Outflows**		**31,973.26**		**29,457.63**		**28,619.84**		**27,249.51**
15	**Liquidity Coverage Ratio (%)**		**91.58%**		**105.88%**		**95.01%**		**109.38%**

Following is the quantitative disclosures relating to LCR for the year ended March 31, 2017:

(₹ in crores)

No.	Particulars	June 2016		September 2016		December 2016		March 2017	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	High Quality Liquid Assets								
1	Total High Quality Liquid Assets (HQLA)		13,732.54		16,426.54		22,131.53		28,214.84
	Cash Outflows								
2	Retail deposits and deposits from small business customers, of which:								
(i)	Stable deposits	3,115.48	155.77	3,258.47	162.92	4,140.96	207.05	4,312.41	215.62
(ii)	Less stable deposits	23,867.40	2,386.74	25,216.56	2,521.66	26,835.48	2,683.55	28,103.93	2,810.39
3	Unsecured wholesale funding, of which:								
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	30,520.64	19,387.71	37,450.56	22,063.37	40,132.60	25,539.21	51,225.42	31,202.45
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which								
(i)	Outflows related to derivative exposures and other collateral requirements	10,871.20	10,871.20	15,565.24	15,565.24	18,482.37	18,482.37	21,566.92	21,566.92
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	3,026.33	3,026.33	2,512.15	2,512.15	1,659.84	1,659.84	1,305.80	1,305.80
7	Other contingent funding obligations	32,200.56	1,076.21	36,458.43	1,201.80	39,858.28	1,341.53	48,280.62	1,598.80
8	**Total Cash Outflows**		**36,903.96**		**44,027.14**		**49,913.55**		**58,699.98**

No.	Particulars	June 2016		September 2016		December 2016		March 2017	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	Cash Inflows								
9	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	24,169.14	19,397.14	27,174.48	23,771.98	28,777.62	25,668.71	31,912.59	28,793.60
11	Other cash inflows	-	-	-	-	-	-	166.39	83.19
12	**Total Cash Inflows**		**19,397.14**		**23,771.98**		**25,668.71**		**28,876.79**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13	**Total HQLA**		**13,732.54**		**16,426.54**		**22,131.53**		**28,214.84**
14	**Total Net Cash Outflows**		**17,506.82**		**20,255.16**		**24,244.84**		**29,823.19**
15	**Liquidity Coverage Ratio (%)**		**78.44%**		**81.10%**		**91.28%**		**94.61%**

Note: LCR data for the quarter ended March 31, 2017, has been computed based on simple average of daily observations. For the quarters ended June 30, 2016, September 30, 2016 and December 31, 2016 the same has been computed as the simple average of monthly observations over the quarter.

7. Exposures

7.1 Exposure to Real Estate Sector:

(₹ in crores)

No.	Particulars	March 31, 2018	March 31, 2017
(a)	**Direct exposure**		
(i)	Residential Mortgages -of which housing loans eligible for inclusion in priority sector advance ₹ 155.85 crores (Previous year ₹ 71.22 crores)	9,367.74	7,735.55
(ii)	Commercial Real Estate	12,376.32	11,008.45
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures:		
	Residential	-	-
	Commercial Real Estate	-	-
(b)	**Indirect exposure**		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	3,187.56	3,167.29
	Total Exposure to Real Estate Sector	**24,931.62**	**21,911.29**

As per RBI circular FIDD.CO.Plan.BC.54/04.09.01/2014-15 dated April 23, 2015, FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 limit for housing loan under priority sector has been changed from ₹ 25 lakhs to ₹ 28 lakhs.

7.2 Exposure to Capital Market:

(₹ in crores)

No.	Particulars	March 31, 2018	March 31, 2017
(i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	340.87	382.93
(ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	-	-
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	203.07	154.53
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds, i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	5,092.19	3,681.92
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	1,716.24	1,789.29

No.	Particulars	March 31, 2018	March 31, 2017
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	-
(vii)	Bridge loans to companies against expected equity flows/issues	-	-
(viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
(ix)	Financing to stockbrokers for margin trading	-	-
(x)	All exposures to Venture Capital Funds (both registered and unregistered)	99.42	67.50
(xi)	Irrevocable payment commitments issued by custodian banks in favour of stock exchanges	-	-
	Total Exposure to Capital Market	**7,451.79**	**6,076.17**

During the year ended March 31, 2018, no debt has been converted to equity as a part of strategic debt restructuring which is exempt from CME limit (Previous year ₹ 51.29 crores).

7.3 Risk Category-wise exposure to country risk

(₹ in crores)

Risk category	March 31, 2018		March 31, 2017	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	3,121.26	6.35	1,482.96	-
Low	5,054.25	-	3,529.42	-
Moderate	208.61	-	111.34	-
High	248.86	-	350.13	-
Very High	376.03	-	289.94	-
Restricted	112.26	-	37.00	-
Off Credit	72.37	-	45.40	-
Total	**9,193.64**	**6.35**	**5,846.19**	**-**

7.4 Single borrower limit and Group Borrower Limit

During the year ended March 31, 2018, the Bank's credit exposures to single borrowers and group borrowers were within the prudential limits prescribed by RBI.

During the year ended March 31, 2017, the Bank's credit exposures to single borrowers and group borrowers were within the prudential limits prescribed by RBI except in case of Vodafone Mobile Services Limited / Vodafone India Limited, where the single borrower limit was exceeded. This exposure has been approved by the Board of Directors of the Bank as it was within the prudential limit.

7.5 Unsecured advances

The Bank has not extended any project advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations, etc. (Previous year Nil). The Unsecured Advances of ₹ 29,396.20 crores (Previous year ₹ 14,291.58 crores) as disclosed in Schedule 9B (iii) are without any collateral or security.

7.6 Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2018 is ₹ 46.59 crores (Previous year Nil).

8. *Concentration of Deposits, Advances, Exposures and NPAs*

8.1 *Concentration of Deposits*

(₹ in crores)

Particulars	As at March 31, 2018	As at March 31, 2017
Total Deposits of twenty largest depositors	36,058.36	31,611.66
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	23.78%	24.98%

8.2 *Concentration of Advances*

(₹ in crores)

Particulars	As at March 31, 2018	As at March 31, 2017
Total Advances to twenty largest borrowers	37,343.05	31,127.56
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	15.32%	15.26%

Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

8.3 *Concentration of Exposures*

(₹ in crores)

Particulars	As at March 31, 2018	As at March 31, 2017
Total Exposure to twenty largest borrowers / customers	37,343.05	32,538.76
Percentage of Exposure of twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	14.79%	15.58%

Exposures are computed as per the definition in Master Circular on Exposure Norms DBR. No. Dir. BC.12/13.03.00/2015-16 dated July 1, 2015 and includes credit, derivatives and investment exposure.

8.4 *Concentration of NPAs*

(₹ in crores)

Particulars	As at March 31, 2018	As at March 31, 2017
Total Exposure to top four NPA accounts	417.54	171.25

Note: Exposure includes Funded Exposure (net of unrealised interest).

8.5 *Intra-Group Exposure*

(₹ in crores)

Particulars	As at March 31, 2018	As at March 31, 2017
Total amount of intra-group exposure	-	-
Total amount of top-20 intra-group exposure	-	-
Percentage of Intra Group Exposure to Total Exposure of the Bank on borrower/ Customer	-	-
Details of Breach of Limit on Intra Group exposure and Regulatory action thereon, if any	-	-

8.6 *Priority Sector Lending Certificates (PSLC):*

(₹ in crores)

No.	Particulars	March 31, 2018		March 31, 2017	
		PSLC Sold	PSLC Purchase	PSLC Sold	PSLC Purchase
1	PSLC Agriculture	-	-	-	-
2	PSLC Small Farmers / Marginal Farmers	-	-	-	-
3	PSLC Micro Enterprises	83.00	-	-	-
4	PSLC General	900.00	1,000.00	600.25	-

9. *Miscellaneous*

9.1 *Amount of Provisions for taxation during the year*

(₹ in crores)

Particulars	March 31, 2018	March 31, 2017
Provision for Income Tax	1,900.02	1,681.33
Deferred tax credit	(25.33)	(189.54)
Total	**1,874.69**	**1,491.79**

9.2 *Penalties imposed by RBI*

During the year ended March 31, 2018, RBI imposed a penalty of ₹ 3.00 crores for non-adherence to Income Recognition and Asset Classification norms and regulatory restriction pertaining to non-fund based facilities in exercise of powers vested under Section 47(A)(1)(c) read with section 46(4) of the Banking Regulation Act, 1949. This penalty was duly paid by the Bank.

During the year ended March 31, 2017, RBI imposed a penalty of ₹ 2.00 crores for violation of regulatory directions / instructions / guidelines, among other things on KYC norms, in exercise of powers vested under Section 47(A)(1)(c) read with section 46(4) of the Banking Regulation Act, 1949. This penalty was duly paid by the Bank.

9.3 *Fixed Assets*

9.3.1 Cost of premises includes ₹ 4.09 crores (Previous year ₹ 4.09 crores) in respect of properties for which execution of documents and registration formalities are in progress. Of these properties, the Bank has not obtained full possession of one property having written down value of ₹ 1.51 crores (Previous year ₹ 1.56 crores) and has filed a suit for the same.

9.3.2 Computer software

The movement in fixed assets capitalized as computer software is given below:

(₹ in crores)

Particulars	31 March, 2018	31 March, 2017
At cost at the beginning of the year	338.52	280.48
Addition during the year	51.19	61.10
Deduction during the year	-	3.06
Accumulated depreciation as at the end of the year	260.50	207.26
Closing balance as at the end of the year	129.21	131.26
Depreciation charge for the year	53.24	47.20

9.4 Contingent Liabilities

The Bank's pending litigations include claims against the Bank by clients and counterparties and proceedings pending with tax authorities. The Bank has reviewed its pending litigations and proceedings and has adequately provided for where provisions are required, and disclosed as contingent liabilities where applicable, in its financial statements. Claims against the Bank not acknowledged as debts comprise of tax demands of ₹ 176.28 crores (Previous year ₹ 165.18 crores) in respect of which the Bank is in appeal, and legal cases *sub judice* of ₹ 300.24 crores (Previous year ₹ 357.50 crores). The Bank carries a provision of ₹ 4.52 crores (Previous year ₹ 4.48 crores) against cases *sub judice*. The amount of contingent liabilities is based on management's estimate, and no significant liability is expected to arise out of the same.

9.5 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 ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of account.

9.6 Overseas Asset, NPAs and Revenue

During the year, the Bank earned a revenue of ₹ 116.78 crores through overseas assets (Previous year ₹ 82.01 crores). The overseas assets as at March 31, 2018 amounted to ₹ 4,396.30 crores (Previous year ₹ 1,717.17 crores) and there were no NPA (Previous year Nil). Assets for this purpose is defined to include client advances.

9.7 The Bank does not have any Off-Balance Sheet SPVs (which are required to be consolidated as per accounting standards) (Previous year Nil).

9.8 Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in crores)

Particulars	March 31, 2018	March 31, 2017
Opening balance of amounts transferred to DEAF	18.95	15.59
Add: Amounts transferred to DEAF during the year	5.10	3.71
Less: Amounts reimbursed by DEAF towards claims	0.42	0.35
Closing balance of amounts transferred to DEAF	**23.63**	**18.95**

9.9 There is no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank (Previous year Nil).

9.10 Corporate Social Responsibility (CSR)

The Bank has spent an amount of ₹ 20.47 crores (Previous year ₹ 33.81 crores) towards CSR initiatives through various projects in the areas of Rural Development and Inclusiveness, Environment Sustainability, Preventive Healthcare, Education and Sports. Of the total CSR spends, an amount of ₹ 0.13 crores (Previous year ₹ 21.16 crores) was incurred towards capital expenditure.

9.11 Drawdown from Reserves

During the year ended March 31, 2018 and year ended March 31, 2017, the Bank did not draw down from the reserves.

9.12 Credit Default Swaps

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2018 (Previous year Nil).

9.13 In March 2017, the Bank made an announcement of entering into an agreement with Infrastructure Leasing and Financial Services Ltd., (IL&FS) the Promoter shareholders of IL&FS Securities Services Ltd., (ISSL) to acquire 100% of ISSL. RBI has granted approval for the proposed acquisition. This transaction is conditional on definitive agreements and other regulatory approvals, and thus, does not have any bearing on the current financial results or the financial position of the Bank as at March 31, 2018.

9.14 On October 14, 2017, the Board of Directors of the Bank and Bharat Financial Inclusion Limited (BFIL), at their respective meetings, approved a merger of BFIL with the Bank in an all-stock transaction through a Composite Scheme of Arrangement. The Competition Commission of India has approved the proposed Scheme and RBI has accorded their "No Objection" for the merger. The incorporation of the wholly owned subsidiary of the Bank is subject to the approval of the RBI, which is pending. The Scheme is pending approval from the Securities and Exchange Board of India (SEBI) / stock exchanges, the respective shareholders and creditors of the Bank and BFIL, the National Company Law Tribunal (NCLT), and is subject to compliance with the conditions specified by RBI. As such, the proposed transaction does not have any impact on the current financial results or the financial position of the Bank as at March 31, 2018.

9.15 Movement in depreciation of Fixed Assets

(₹ in crores)

Depreciation	2017-18	2016-17
Premises		
At the beginning of the year	74.96	66.72
Transferred from Revaluation Reserve	6.13	6.18
Charge for the year	2.05	2.06
Deduction during the year	0.99	-
Depreciation to date	82.15	74.96
Other Fixed Assets		
At the beginning of the year	940.21	771.09
Charge for the year	209.59	188.64
Deduction during the year	24.52	19.52
Depreciation to date	1,125.28	940.21

9.16 Bancasurrance business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

(₹ in crores)

Particulars	March 2018	March 2017
For selling life insurance policies	93.60	70.56
For selling non-life insurance policies	96.10	58.86
For selling mutual fund products	155.28	82.50
Others	-	-
Total	**344.98**	**211.92**

10. Employee Stock Option Scheme (ESOS)

10.1 The shareholders of the Bank approved Employee Stock Option Scheme (ESOS 2007) on September 18, 2007. ESOS enables the Board and the Compensation Committee to grant such number of stock options of the Bank not exceeding 7% of the aggregate number of issued and paid up equity shares of the Bank, in line with the guidelines issued by the SEBI. The options vest within a maximum period of five years from the date of grant of option. The exercise price for each grant is decided by the Compensation Committee, which is normally based on the latest available closing price. Upon vesting, the options have to be exercised within a maximum period of five years. The stock options are equity settled where the employees will receive one equity share per stock option.

Pursuant to the ESOS 2007 scheme, the Compensation Committee of the Bank has granted 4,16,33,300 options as set out below:

Sr. No.	Date of grant	No of options	Range of exercise price (₹)
1	18-Jul-08	1,21,65,000	48.00 - 50.60
2	17-Dec-08	34,56,000	38.95
3	05-May-09	8,15,500	44.00
4	31-Aug-09	3,18,500	100.05
5	28-Jan-10	7,47,000	48.00 - 140.15
6	28-Jun-10	13,57,450	196.50
7	14-Sep-10	73,500	236.20
8	26-Oct-10	1,43,500	274.80
9	17-Jan-11	25,00,000	228.70
10	07-Feb-11	20,49,000	95.45 - 220.45
11	24-Jun-11	21,54,750	253.60
12	16-Aug-11	89,500	254.90
13	30-Sep-11	2,61,000	262.25
14	21-Dec-11	9,20,000	231.95
15	29-Feb-12	1,95,000	304.05
16	19-Apr-12	1,40,500	345.60
17	25-May-12	1,34,500	304.55
18	10-Jul-12	2,67,000	343.25

Sr. No.	Date of grant	No of options	Range of exercise price (₹)
19	29-Aug-12	1,14,000	319.05
20	10-Oct-12	23,500	365.75
21	09-Jan-13	30,000	433.75
22	18-Apr-13	12,500	419.60
23	20-Jun-13	1,75,000	478.45
24	18-Jul-13	18,35,000	453.90
25	23-Sep-13	75,000	411.50
26	29-Oct-13	22,000	412.25
27	29-Jan-14	7,67,500	300.00 - 389.85
28	25-Mar-14	1,76,500	490.30
29	15-May-14	65,500	537.05
30	02-Jun-14	32,69,500	533.95
31	09-Jul-14	33,000	551.10
32	13-Oct-14	74,500	623.25
33	17-Jan-15	47,500	831.85
34	23-Feb-15	48,000	876.80
35	30-Mar-15	11,000	880.75
36	22-May-15	52,600	848.20
37	24-Jul-15	16,30,000	949.80
38	21-Sep-15	1,93,000	918.65
39	04-Nov-15	93,500	911.85
40	12-Jan-16	10,33,500	886.75 – 936.75
41	12-May-16	13,500	1,053.75
42	11-Jul-16	25,000	1,126.70
43	23-Aug-16	2,76,000	1,186.75
44	10-Oct-16	18,51,000	1,220.85
45	16-Nov-16	33,500	1,093.10
46	27-Jan-17	21,500	1,265.40
47	24-Mar-17	49,000	1,383.90
48	19-Apr-17	16,000	1,431.75
49	09-May-17	69,000	1,424.85
50	19-Jun-17	38,500	1,498.90
51	11-Jul-17	35,000	1,560.35
52	12-Oct-17	69,000	1,717.25
53	11-Jan-18	43,000	1,734.10
54	27-Mar-18	15,23,000	1,759.75

10.2 *Recognition of expense*

The Bank follows the intrinsic value method to recognize employee costs relating to ESOS, in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by the ICAI. Excess of fair market price over the exercise price of an option at the grant date, is recognised as a deferred compensation cost and amortized on a straight-line basis over the vesting period of such options. The compensation so recognised in respect of which exercise of options is outstanding, is shown as Employee Stock Options Outstanding on the face of the Balance Sheet.

The fair market price is the latest available closing price on the stock exchange on which the shares of the Bank are listed, prior to the date of the meeting of the Compensation Committee in which stock options are granted. Since shares are listed on more than one stock exchange, the exchange where the Bank's shares have been traded highest on the said date is considered for this purpose.

10.3 *Stock option activity under the scheme during the year*

Particulars	No. of options	Weighted average exercise price (₹)
Outstanding at the beginning of the year	1,17,32,111	657.14
Granted during the year	17,93,500	1,732.20
Forfeited / surrendered during the year	1,31,275	985.11
Exercised during the year	20,74,482	491.52
Expired during the year	2,980	253.41
Outstanding at the end of the year	1,13,16,874	854.18
Options exercisable at the end of the year	71,11,745	548.15

The weighted average price of options exercised during the year is ₹ 1,626.08.

Following table summarizes the information about stock options outstanding as at March 31, 2018:

Sr. No.	Date of grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
1	28-Jan-10 A	48.00	4,00,000	0.84
2	28-Jun-10	196.50	18,662	0.24
3	17-Jan-11	228.70	8,40,000	0.82
4	07-Feb-11 A	220.45	1,07,500	0.86
5	24-Jun-11	253.60	61,333	0.88
6	21-Dec-11	231.95	4,03,000	1.36
7	29-Feb-12	304.05	67,000	1.43
8	19-Apr-12	345.60	39,500	1.70
9	25-May-12	304.55	5,675	1.16
10	10-Jul-12	343.25	1,47,400	1.79
11	10-Oct-12	365.75	3,750	1.88
12	20-Jun-13	478.45	28,500	3.12
13	18-Jul-13	453.90	2,50,630	2.60
14	23-Sep-13	411.50	10,000	2.49
15	29-Oct-13	412.25	3,560	3.58
16	29-Jan-14	389.85	9,100	3.40

Sr. No.	Date of grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
17	29-Jan-14 A	300.00	7,00,000	2.84
18	25-Mar-14	490.30	1,25,510	3.00
19	15-May-14	537.05	8,765	3.58
20	02-Jun-14	533.95	18,08,320	3.30
21	09-Jul-14	551.10	1,700	4.28
22	13-Oct-14	623.25	23,865	3.72
23	17-Jan-15	831.85	38,150	3.84
24	23-Feb-15	876.80	1,040	4.56
25	30-Mar-15	880.75	9,000	4.01
26	22-May-15	848.20	41,114	4.27
27	24-Jul-15	949.80	10,97,095	4.50
28	21-Sep-15	918.65	70,760	5.27
29	04-Nov-15	911.85	61,040	4.68
30	12-Jan-16	936.75	3,500	4.80
31	12-Jan-16	886.75	10,00,000	4.80
32	12-May-16	1,053.75	8,510	5.25
33	11-Jul-16	1,126.70	22,420	5.41
34	23-Aug-16	1,186.75	2,04,340	5.65
35	10-Oct-16	1,220.85	18,17,340	5.56
36	16-Nov-16	1,093.10	23,270	6.09
37	27-Jan-17	1,265.40	19,025	5.97
38	24-Mar-17	1,383.90	49,000	6.00
39	19-Apr-17	1,431.75	16,000	6.07
40	09-May-17	1,424.85	69,000	6.12
41	19-Jun-17	1,498.90	38,500	6.23
42	11-Jul-17	1,560.35	35,000	6.29
43	12-Oct-17	1,717.25	69,000	6.55
44	11-Jan-18	1,734.10	43,000	6.80
45	27-Mar-18	1,759.75	15,17,000	7.00

10.4 Fair value methodology:

The fair value of options granted during the year has been estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Particulars	2017-18
Average dividend yield	0.30 – 0.38%
Expected volatility	25.60 – 28.94%
Risk free interest rates	6.54 – 7.23%
Expected life of options (in years)	4.52

Expected volatility is a measure of the amount by which the equity share price is expected to fluctuate during a period. The measure of volatility used in Black-Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the share over a period of time. Expected volatility has been computed by considering the historical data on daily volatility in the closing equity share price on the National Stock Exchange of India Limited (NSE), over a prior period equivalent to the expected life of the options, till the date of the grant.

The stock-based compensation cost calculated as per the intrinsic value method for the year ended March 31, 2018 is ₹ 1.21 crores (Previous year ₹ 3.29 crores). Had the Bank adopted the Black-Scholes model based fair valuation, compensation cost for the year ended March 31, 2018, would have increased by ₹ 68.81 crores (Previous year ₹ 70.05 crores) and the proforma profit after tax would have been lower by ₹ 44.99 crores (Previous year ₹ 45.80 crores). On a proforma basis, the basic and diluted earnings per share would have been as follows:

Particulars	March 31, 2018	March 31,2017
Proforma basis		
Basic earnings per share ₹	59.44	47.29
Diluted earnings per share ₹	58.82	46.80

The weighted average fair value of options granted during the year 2017-18 is ₹ 593.37 (Previous year ₹ 441.07).

11. Disclosures – Accounting Standards

11.1 Employee Benefits (AS-15)

Gratuity:

Gratuity is a defined benefit plan. The Bank has obtained qualifying insurance policies from IRDA approved insurance companies. The following table presents a summary of the components of net expenses recognised in the Profit and Loss account and funded status and amounts recognised in the Balance Sheet, on the basis of actuarial valuation.

(₹ in crores)

Sr. No.	Particulars	March 31, 2018	March 31, 2017
	Changes in the present value of the obligation		
1	Opening balance of Present Value of Obligation	75.31	61.67
2	Interest Cost	5.05	4.30
3	Current Service Cost	16.44	12.71
4	Benefits Paid	(6.40)	(7.44)
5	Actuarial loss / (gain) on Obligation	(0.92)	4.07
6	Closing balance of Present Value of Obligation	89.48	75.31
	Reconciliation of opening and closing balance of the fair value of the Plan Assets		
1	Opening balance of Fair value of Plan Assets	81.53	65.34
2	Adjustment to Opening Balance	0.66	0.57
3	Expected Return on Plan assets	6.54	5.10
4	Expenses	-	(0.33)
5	Contributions	15.51	17.07
6	Benefits Paid	(6.40)	(7.44)
7	Actuarial gain / (loss) on Plan Assets	(4.32)	1.22
8	Closing balance of Fair Value of Plan Assets	93.52	81.53

Sr. No.	Particulars	March 31, 2018	March 31, 2017
	Profit and Loss – Expenses		
1	Current Service Cost	16.44	12.71
2	Interest Cost	5.05	4.30
3	Expected Return on Plan assets	(6.54)	(5.10)
4	Expenses	-	0.33
5	Net Actuarial loss recognised in the year	3.40	2.86
6	Expenses recognised in the Profit and Loss account	18.35	15.10
	Funded status	**100 % insurance managed funds**	**100 % insurance managed funds**
	Actuarial Assumptions		
1	Discount Rate	7.55%	7.00%
2	Expected Rate of Return on Plan Assets	6.50%	7.60%
3	Expected Rate of Salary Increase	5.00%	5.00%
4	Employee Attrition Rate		
	- Past Service 0 to 5 years	30.00%	30.00%
	- Past Service above 5 years	0.50%	0.50%

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

Experience Adjustment

(₹ in crores)

Particulars	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Defined Benefit Obligations	89.48	75.31	61.67	46.38	34.36
Plan Assets	93.52	81.53	65.34	49.58	34.36
Surplus / (Deficit)	4.04	6.21	3.67	3.20	-
Experience Adjustments on Plan Liabilities	0.92	(4.07)	(7.60)	(4.25)	1.63
Experience Adjustments on Plan Assets	(4.32)	1.22	(0.80)	(0.35)	(1.72)

Contributions expected to be paid to the plan during the annual period beginning after the Balance Sheet date is ₹ 28 crores (Previous year ₹ 24 crores).

Provident Fund

The guidance on implementing AS 15 Employee Benefits (revised 2005) issued by the Accounting Standards Board of the Institute of Chartered Accountants of India states that employer established provident funds which require interest shortfalls to be recompensed are to be considered as defined benefit plans.

The details of the fund and plan assets position as at March 31, 2018, are as follows:

(₹ in crores)

Assets / Liabilities	**March 31, 2018**	**March 31, 2017**
Present value of Interest Rate guarantee on Provident Fund	0.99	1.20
Present value of Total Obligation	165.01	143.41
Fair value of Plan Assets	164.86	143.08
Net liability recognised in the Balance Sheet	(0.15)	(0.33)
Assumptions		
Normal Retirement age	60 years	60 years
Expected guaranteed interest on PF in future	8.55%	8.65%
Discount rate	7.55%	7.00%
Expected average remaining working lives of employees (years)	7.02-8.60	6.04-8.07
Benefit on normal retirement	Accumulated account balance with interest rate equal to or more than EPFO Rate	Accumulated account balance with interest rate equal to or more than EPFO Rate
Benefit on early retirement / withdrawal / resignation	Same as normal retirement benefit	Same as normal retirement benefit
Benefit on death in service	Same as normal retirement benefit	Same as normal retirement benefit

11.2 Segment Reporting (AS - 17)

The Bank operates in four business segments, viz. Treasury, Corporate / Wholesale Banking, Retail Banking and Other Banking Operations. There are no significant residual operations carried by the Bank.

Business Segments:

(₹ in crores)

Business Segment	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operation		Total	
Particulars	**31/03/18**	**31/03/17**	**31/03/18**	**31/03/17**	**31/03/18**	**31/03/17**	**31/03/18**	**31/03/17**	**31/03/18**	**31/03/17**
Revenue	4,095.20	3,490.63	7,036.38	6,311.25	11,779.15	9,608.76	72.75	40.81	22,983.48	19,451.45
Inter Segment Revenue									(952.63)	(874.29)
Total Income									22,030.85	18,577.16
Result	605.79	707.61	2,124.05	1,778.17	4,112.51	3,142.58	25.40	13.35	6,867.75	5,641.71
Unallocated Expenses									(211.64)	(190.70)
Operating Profit									6,656.11	5,451.01
Provisions and Contingencies										
(other than tax)									(1,175.43)	(1,091.33)
Tax Expenses									(1,874.69)	(1,491.79)
Extraordinary profit/ loss									-	-
Net Profit									3,605.99	2,867.89
Other Information:										
Segment Assets	56,969.78	45,131.28	68,167.50	54,185.90	86,296.31	71,820.77	-	-	2,11,433.59	1,71,137.95
Unallocated Assets									10,192.57	7,510.46
Total Assets									2,21,626.16	1,78,648.41
Segment Liabilities	38,717.43	23,001.05	67,234.30	61,913.39	85,833.83	65,901.83	-	-	1,91,785.56	1,50,816.27
Unallocated Liabilities									29,840.60	27,832.14
Total Liabilities									2,21,626.16	1,78,648.41

Note:

Fixed Assets, tax paid in advance and tax deducted at source (net of provisions), stationery and stamps, non-banking assets acquired in satisfaction of claims, and others which cannot be allocated to any segments, have been classified as unallocated assets; Depreciation on Fixed Assets has been classified as unallocated expenses. The unallocated liabilities include share capital, employee stock option outstanding, reserves and surplus, proposed dividend and others.

Geographic Segments:

The business operations of the Bank are largely concentrated in India. Activities outside India are restricted to resource mobilization in the international markets and lending to a few overseas entities through the IFSC Banking Unit at the GIFT City Gujarat. Since the Bank does not have material earnings emanating from foreign operations, the Bank is considered to operate only in domestic segment.

11.3 Related party transactions (AS - 18)

The following is the information on transactions with related parties:

Key Management Personnel

Mr. Romesh Sobti, Managing Director

Associates

IndusInd Marketing and Financial Services Private Limited

Subsidiaries

The Bank does not have any subsidiary. ALF Insurance Services Private Limited was an erstwhile subsidiary that went into a voluntary winding up. On February 24, 2016 the liquidator had repaid the entire share capital, and vide an order issued by the High Court of Madras on June 14, 2016 it has been liquidated pursuant to the voluntary winding up and the name has been struck off the Companies Register.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided as there is only one related party in each of the above categories.

11.4 Operating Leases (AS - 19)

The Bank has taken a number of premises on operating lease for branches, offices, ATMs and residential premises for staff. The Bank has not given any assets on operating lease. The details of maturity profile of future operating lease payments are given below:

(₹ in crores)

Particulars	March 31, 2018	March 31, 2017
Future lease rentals payable as at the end of the year:		
- Not later than one year	325.04	277.25
- Later than one year but not later than five years	928.41	950.16
- Later than five years	326.12	349.00
Total of minimum lease payments recognised in the Profit and Loss Account for the year	280.11	243.84
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-lease	-	-
Sub-lease payments recognised in the Profit and Loss account for the year	-	-

The Bank has not sub-leased any of the properties taken on lease. There are no provisions relating to contingent rent.

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

11.5 Earnings per share (AS - 20)

Details pertaining to earnings per share as per AS 20 are as under:

Particulars	For the Year ended	
	March 31, 2018	March 31, 2017
Net Profit after tax (₹ in crores)	3,605.99	2,867.89
Basic weighted average number of equity shares	59,90,63,006	59,66,99,170
Diluted weighted average number of equity shares	60,53,75,114	60,29,85,746
Nominal value of Equity Shares (₹)	10	10
Basic Earnings per Share (₹)	60.19	48.06
Diluted Earnings per Share (₹)	59.57	47.56

11.6 Deferred Tax (AS - 22)

The major components of deferred tax assets / liabilities are as under:

(₹ in crores)

Particulars	March 31, 2018 Deferred Tax		March 31, 2017 Deferred Tax	
Timing difference on account of	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Difference between depreciation as per the books of account and depreciation under the Income Tax Act, 1961	-	16.68	-	33.35
Difference between Provisions for doubtful debts and advances and amount allowable under Section 36(1)(viia) of the Income Tax Act, 1961	597.72	-	530.93	-
Difference between income as per the books of account and income offered under the Income Tax Act, 1961	-	252.84	-	177.93
Others	49.60	-	32.82	-
Sub-total	**647.32**	**269.52**	**563.75**	**211.28**
Net closing balance carried to the Balance Sheet (included in Sch. 11 – Others)	**377.80**		**352.47**	

12. Additional Disclosures

12.1 Provisions and Contingencies charged to the Profit and Loss account for the year consist of:

(₹ in crores)

Particulars	March 31, 2018	March 31, 2017
Depreciation on Investments	120.87	31.36
Provision for non-performing assets including bad debts written off (net of write backs)	900.90	704.76
Income Tax / Deferred Tax (Refer Note 9.1)	1,874.69	1,491.79
Other Provision and Contingencies (includes floating provision, provision towards standard assets and others)	153.66	355.22
Total	**3,050.12**	**2,583.13**

12.2 Movement in provisions

a) Movement in provision for credit card and debit card reward points

(₹ in crores)

Particulars	2017-18	2016-17
Opening provision for Reward Points	22.80	16.07
Provision for Reward Points made during the year	34.52	25.40
Utilisation / write back of provision for Reward Points	(26.35)	(18.67)
Effect of change in rate for accrual of Reward Points	-	-
Closing provision for Reward Points	**30.97**	**22.80**

b) Provision pertaining to fraud accounts:

(₹ in crores)

Particulars	2017-18	2016-17
Number of frauds reported	32	24
Amount involved in frauds	118.19	2.90
Provisions made during the year	101.42	1.69
Amount of unamortised provision debited from "other reserves" as at the end of the year	71.52	-

In respect of two borrower accounts where fraud was detected, in accordance with the RBI circular DBR.No.BP.BC.92/21.04.048/2015-16 dated April 18, 2016, the Bank opted to make the provision over four quarters. Accordingly, an amount of ₹ 71.52 crores remaining un-provided at the end of the year has been debited to Balance in Profit and Loss Account on March 31, 2018.

12.3 Disclosure relating to Complaints

A. (i) Customer complaints (other than complaints relating to ATM transactions):

No.	Particulars	2017-18	2016-17
(a)	No. of complaints pending at the beginning of the year	2,009	448
(b)	No. of complaints received during the year	46,223	36,079
(c)	No. of complaints redressed during the year	47,498	34,518
(d)	No. of complaints pending at the end of the year	734	2,009

(ii) Customer complaints relating to transactions on the Bank's ATMs:

No.	Particulars	2017-18	2016-17
(a)	No. of complaints pending at the beginning of the year	20	7
(b)	No. of complaints received during the year	1,491	546
(c)	No. of complaints redressed during the year	1,497	533
(d)	No. of complaints pending at the end of the year	14	20

(iii) Customer complaints relating to transactions on other banks' ATMs:

No.	Particulars	2017-18	2016-17
(a)	No. of complaints pending at the beginning of the year	55	-
(b)	No. of complaints received during the year	414	353
(c)	No. of complaints redressed during the year	465	298
(d)	No. of complaints pending at the end of the year	4	55

(iv) Customer complaints [Total of (i)+(ii)+(iii)]:

No.	Particulars	2017-18	2016-17
(a)	No. of complaints pending at the beginning of the year	2,084	455
(b)	No. of complaints received during the year	48,128	36,978
(c)	No. of complaints redressed during the year	49,460	35,349
(d)	No. of complaints pending at the end of the year	752	2084

B. Awards passed by the Banking Ombudsman:

No.	Particulars	2017-18	2016-17
(a)	No. of unimplemented Awards at the beginning of the year	-	-
(b)	No. of Awards passed by the Banking Ombudsman during the year	-	-
(c)	No. of Awards implemented during the year	-	-
(d)	No. of unimplemented Awards at the end of the year	-	-

(Compiled by management and relied upon by auditors)

12.4 Proposed Dividend

The Board of Directors, in their meeting held on April 19, 2018, have proposed a final dividend of ₹ 7.50 per equity share amounting to ₹ 542.70 crores, inclusive of corporate dividend tax. The proposal is subject to the approval of shareholders at the Annual General Meeting. This proposed dividend is not recognised as a liability on March 31, 2018 and accordingly, the said amount of ₹ 542.70 crores has not been considered as an appropriation from the Profit and Loss Account for the year ended March 31, 2018.

Dividend for the year ended March 31, 2017, paid during the year pursuant to the approval of the shareholders at the 23rd Annual General Meeting, at the rate of ₹ 6 per equity share amounting to ₹ 432.24 crores (including corporate dividend tax), has been considered as an appropriation from the Profit and Loss Account.

12.5 Letters of Comfort

The Bank has not issued any letters of comfort during the year ended March 31, 2018 (Previous year Nil).

12.6 Disclosure on Remuneration

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) presently comprises four members, three of whom are Independent Directors. On aspects relating to remuneration, the mandate of the Nomination and Remuneration Committee is to establish, implement and maintain remuneration policies, procedures and practices that help to achieve effective alignment between remuneration and risks. The Committee is also mandated to oversee framing, implementation and review of the Bank's Compensation Policy as per RBI guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk Takers and Control function staff. The Committee is also required to ensure that the cost to income ratio of the Bank supports the remuneration expense of the Bank consistent with the objective of maintaining sound capital adequacy ratio. The Nomination and Remuneration Committee also reviews compensation policies of the Bank with a view to attract, retain and motivate employees.

Compensation Policy

The Compensation Policy is formulated by the Board in alignment with the RBI guidelines and covers all components of compensation including fixed pay, variable pay, perquisites, retirement benefits as Provident Fund and Gratuity, Long term incentive plans and Employee Stock Options.

The key objectives of the policy are:

(i) Benchmark employee compensation for various job positions and skills with that of the market.

(ii) Maintain an optimal balance between fixed and variable pay.

(iii) Pay for 'Position, Performance and Person'.

(iv) Build employee ownership and long term association through long term incentive plans (ESOPs).

Some of the important features of the Compensation Policy are as follows:

(i) The Bank has identified "Risk Takers and Risk Controllers" separately. Risk Takers includes all employees in Grades Senior Vice President 3 (SVP3) and above belonging to the business line functions of Corporate & Commercial Banking Group, Global Markets Group, Transaction Banking Group, Gems and Jewellery business, Consumer Banking and Consumer Finance Division, whose functioning and decisioning impacts the Bank materially on tangible financial performance aspects of revenues, costs, and profits. Risk Controllers are employees in Grades SVP3 and above belonging to the business support functions of Operations, Finance & Accounts, Information Technology, Secretarial, Credit, Risk, Financial Restructuring & Reconstruction Group, Credit Quality Loan Assurance Review, Human Resources, Inspection and Audit, Investor Relations, Marketing, Client Experience and Quality etc., who support the business line functions through back office processes and activities and their functioning does not have a revenue impact through business generation on the Bank's financial performance.

(ii) The Nomination and Remuneration Committee will oversee the framing, implementation and review of the Compensation Policy.

(iii) In respect of WTDs / CEO / Risk Takers / Control function staff of the Bank, the Compensation policy provides for a reasonable annual increase in fixed pay in line with the market benchmarks. Their individual increments are linked to their annual performance rating and increment percentages at various performance rating levels, are decided on the basis of the financial performance of the Bank. Exceptions are restricted to a select few high performers to reward performance, motivate and retain critical employees.

(iv) The quantum of overall variable pay to be disbursed in a year for all eligible employees including the Risk Takers and Risk Controllers as defined above would vary from year to year on the basis of the financial performance of the Bank measured through various parameters such as Net Interest Margin, Net Interest Income, Return on Assets, Profit After Tax and Return on Equity.

(v) Employee Compensation is linked to performance. Increments and variable pay are linked to their annual performance rating. Annual Performance Rating for an employee is arrived on the basis of tangible performance against pre–set Key Results Areas (KRAs) / measurable objectives set at the beginning of the financial year.

(vi) The individual variable pay is linked to the annual performance rating, and based on variable pay grids that outline variable pay as a percentage of Annual Guaranteed cash at various rating levels for a grade band. Exceptional increments and variable pay may be paid to select high performers, but in no case they would violate the stipulated RBI guidelines. The Bank also makes a distinction between Risk Takers and Risk Controllers and incorporates separate parameters on variable pay for these segments in its Compensation Policy.

(vii) The individual variable pay would not exceed 70% of the fixed pay. Wherever variable pay exceeds a substantial portion of fixed pay as defined by the Bank, (currently set at 65% of fixed pay), the variable pay will be deferred over a period of 3 years in a ratio to be decided by the management in accordance with the RBI guidelines.

(viii) The Bank will implement *malus* / claw-back arrangements with the concerned employees in case of deferred variable pay as defined above. The criteria would be negative contributions to the bank and/or relevant line of business in any year. As applicable, *malus* arrangement would lay down policies to adjust deferred remuneration before vesting and claw-back arrangement would lay down policies to adjust deferred remuneration after vesting.

(ix) The Compensation Policy does not provide for guaranteed bonus or sign on bonus in cash. However, in case of select critical hires, sign on bonus can be granted in form of pre-hiring ESOPs (a one-time grant made at the time of joining). The Compensation Policy does not provide for severance pay for any employee of the Bank, irrespective of the reasons for severance.

(x) Retirement benefits in the form of Provident Fund and Gratuity are as per the Bank's HR policies which are in line with the statutory norms.

(xi) Perquisites are laid down in HR Policies of the Bank.

(xii) At present, the Bank uses cash based form of variable compensation. Cash based form of variable compensation is easy to administer and leads to an instant reward to the concerned employees.

(xiii) ESOPs do not form a part of the variable pay and are kept outside the computation of total compensation of an employee. They are very selectively granted to attract and retain talent. ESOPs are not granted with a defined periodicity. ESOP grant criteria include grade of the employee, criticality of the position in terms of business contribution, market value of the position, and performance and behavioural track record of the employee.

Other Disclosures

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Number of meetings held by NRC during the financial year and remuneration paid to its members	During the year, five meetings of the Nomination and Remuneration Committee were held. The members of the Nomination and Remuneration Committee were paid aggregate sitting fees of ₹ 4,60,000 for the five meetings.	During the year, one meeting of the HR and Remuneration Committee and two meetings of the Nomination and Remuneration Committee were held. The members of the HR and Remuneration Committee were paid aggregate sitting fees of ₹ 60,000 for one meeting. The members of the Nomination and Remuneration Committee were paid aggregate sitting fees of ₹ 1,80,000 for the two meetings.
Number of employees having received a variable remuneration award during the financial year	102 employees belonging to the category of WTD / CEO / Risk Takers/ Other Control function staff had received a variable remuneration award	87 employees belonging to the category of WTD / CEO / Risk Takers/ Other Control function staff had received a variable remuneration award.
Number and total amount of 'sign on' awards made during the financial year	-	-
Details of guaranteed bonus if any paid as sign on bonus	-	-
Details of severance pay in addition to the accrued benefits	-	-
Total amount of outstanding deferred remuneration split into cash, shares and share linked instruments and other forms	The outstanding deferred remuneration is ₹ 1.86 crores to be paid as cash in FY 2018-19 and FY 2019-20	The outstanding deferred remuneration is ₹ 1.57 crores to be paid as cash in FY 2017-18 and FY 2018-19
Total amount of deferred remuneration paid out in the financial year	The deferred remuneration paid in FY18 was ₹ 1.47 crores	The deferred remuneration paid in FY17 was ₹ 1.29 crores
Breakdown of amount of remuneration awards for the financial year	Breakup of remuneration awards for the 111 employees defined as WTD / CEO / Risk Takers/ Other control function staff (a) Fixed pay - ₹ 140.20 crores (b) Variable pay - ₹ 55.49 crores for FY 2016–17 (c) Deferred remuneration - ₹ 1.86 crores (d) Non-deferred remuneration - ₹ 53.63 crores	Breakup of remuneration awards for the 92 employees defined as WTD / CEO / Risk Takers/ Other control function staff (a) Fixed pay - ₹ 112.78 crores (b) Variable pay - ₹ 43.64 crores for FY 2015–16 (c) Deferred remuneration - ₹ 1.57 crores (d) Non-deferred remuneration - ₹ 42.07 crores

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and implicit adjustments.	-	-
Total amount of reductions during the FY due to ex – post explicit adjustments	-	-
Total amount of reductions during the FY due to ex – post implicit adjustments	-	-

Disclosure on remuneration to Non-Executive Directors:

The Non-Executive Directors are paid Sitting Fees for attending meetings of the Board and its Committees at the rate of ₹ 1,00,000/- per Board meeting, at the rate of ₹ 50,000/- per meeting of the Audit Committee of the Board, and at the rate of ₹ 20,000/- per meeting in respect of all the other Committees. An amount of ₹ 1.28 crores was paid as sitting fees to the Non-Executive Directors during the year ended March 31, 2018 (Previous year ₹ 1.11 crores). In accordance with RBI guidelines and the approval accorded at the 22nd Annual General Meeting, an amount of ₹ 0.93 crores (Previous year ₹ 0.84) has been paid as remuneration to Non-Executive Directors during the year ended March 31, 2018.

13. The Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, provides for certain disclosures in respect of Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or interest payments due to delays in such payments.

14. In terms of the clarification received from the Reserve Bank of India, the disclosure of details relating to Specified Bank Notes (SBNs) as per Notification No. G.S.R. 308(E) dated March 30, 2017 issued by the Ministry of Corporate Affairs (MCA) is not applicable to the banking companies.

15. Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report of even date.

For INDUSIND BANK LTD.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration No : 012754N / N500016

Russell I Parera
Partner
Membership No : 042190

Place : Mumbai
Date : April 19, 2018

R. Seshasayee
Chairman

Romesh Sobti
Managing Director

T. Anantha Narayanan
Director

Kanchan Chitale
Director

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Independent Auditors' Report

To the Members of IndusInd Bank Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of IndusInd Bank Limited (the "Bank"), which comprise the Balance Sheet as at March 31, 2017, and the Profit and Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Board of Directors of the Bank are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 with respect to preparation of these standalone financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the 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 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time as applicable to banks. 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 design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

4. We have taken into account the provisions of the Act and the Rules made thereunder, including the accounting standards, provisions of Section 29 of the Banking Regulation Act, 1949, circulars and guidelines issued by RBI as applicable to Banks and matters which are required to be included in the audit report.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal controls relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors of the Bank, as well as evaluating the overall presentation of the standalone financial statements.

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

Opinion

8. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying standalone financial statements together with the notes thereon give the information required by provisions of Section 29 of the Banking Regulation Act, 1949 as well as the Act and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Bank as at March 31, 2017 and its profit and its cash flow for the year then ended.

Report on Other Legal and Regulatory Requirements

9. In our opinion, the Balance Sheet, Profit and Loss Account, and Cash Flow Statement dealt with by this report have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with applicable provisions of Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.

10. As required by Section 143(3) of the Act and Section 30 of the Banking Regulation Act, 1949 we report that:

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

    b) The transactions of the Bank, which have come to our notice during the course of our audit, have been within the powers of the Bank;

    c) During the course of our audit we have visited 34 branches to examine the books of account and other records maintained at the branch and performed other relevant audit procedures. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out at Mumbai and Chennai as all the necessary records and data required for the purposes of our audit are available therein;

    d) 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;

    e) 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;

    f) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;

    g) On the basis of written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164(2) of the Act;

    h) 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 A".

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

        i. The Bank has disclosed the impact, if any, of pending litigations as at March 31, 2017 on its financial position in its standalone financial statements – Refer Schedule 12 and Note 9.4 in Schedule 18;

        ii. The Bank has made provision as at March 31, 2017, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 9.5 in Schedule 18;

        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank during the year ended March 31, 2017;

        iv. The disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March 2017 is not applicable to the Bank – Refer Note 14 in Schedule 18.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number : 012754N/N500016
Chartered Accountants

Russell I Parera
Partner
Membership Number : 042190

Place : Mumbai
Date : April 19, 2017

Annexure A to Independent Auditors' Report

Referred to in paragraph 10(h) of the Independent Auditors' Report of even date to the members of IndusInd Bank Limited on the standalone financial statements for the year ended March 31, 2017

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of IndusInd Bank Limited ("the Bank") as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Bank's Board of Directors 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 (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 (Act).

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

6. A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that,

in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, 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 Price Waterhouse Chartered Accountants LLP
Firm Registration Number : 012754N/N500016
Chartered Accountants

Russell I Parera
Partner
Membership Number : 042190

Place : Mumbai
Date : April 19, 2017

Balance Sheet as at March 31, 2017

	SCHEDULE	As at 31.03.2017	₹ in '000s As at 31.03.2016
CAPITAL AND LIABILITIES			
Capital	1	598,14,87	594,98,63
Employee Stock Options Outstanding	18(Note 10.2)	15,20,07	13,76,64
Reserves and Surplus	2	20032,77,15	17087,22,27
Deposits	3	126572,22,28	93000,34,61
Borrowings	4	22453,69,43	24995,86,48
Other Liabilities and Provisions	5	8976,37,58	7204,80,65
TOTAL		**178648,41,38**	**142896,99,28**
ASSETS			
Cash and Balances with Reserve Bank of India	6	7748,74,71	4521,04,05
Balances with Banks and Money at Call and Short Notice	7	10879,50,71	5590,83,10
Investments	8	36702,13,82	34054,31,47
Advances	9	113080,50,76	88419,34,19
Fixed Assets	10	1335,23,28	1255,32,39
Other Assets	11	8902,28,10	9056,14,08
TOTAL		**178648,41,38**	**142896,99,28**
Contingent Liabilities	12	406387,19,15	285101,32,08
Bills for Collection		19006,90,91	13760,84,54
Significant Accounting Policies	17		
Notes to the financial statements	18		

The schedules referred to above form an integral part of the Balance Sheet.

The Balance Sheet has been prepared in conformity with Form A of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For INDUSIND BANK LTD.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration No : 012754N / N500016

R. Seshasayee
Chairman

T. Anantha Narayanan
Director

Russell I Parera
Partner
Membership No : 042190

Romesh Sobti
Managing Director

Place : Mumbai
Date : April 19, 2017

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Profit and Loss Account for the year ended March 31, 2017

₹ in '000s

			SCHEDULE	Year ended 31.03.2017	Year ended 31.03.2016
I.	**INCOME**				
	Interest Earned		13	14405,67,03	11871,74,37
	Other Income		14	4171,49,22	3296,94,62
		TOTAL		**18577,16,25**	**15168,68,99**
II.	**EXPENDITURE**				
	Interest Expended		15	8343,06,61	7355,17,13
	Operating Expenses		16	4783,07,58	3672,10,09
	Provisions and Contingencies		18(Note 12.1)	2583,12,79	1854,96,76
		TOTAL		**15709,26,98**	**12882,23,98**
III.	**PROFIT**				
	Net Profit for the year			2867,89,27	2286,45,01
	Profit brought forward			5013,45,32	3664,01,65
		TOTAL		**7881,34,59**	**5950,46,66**
IV.	**APPROPRIATIONS**				
	Transfer to				
	a) Statutory Reserve			716,97,32	571,61,25
	b) Capital Reserve			45,53,66	13,21,00
	c) Investment Reserve Account			-	-
	d) Proposed Dividend (includes tax on dividend) [Refer Schedule 18 (Note 12.4)]			45,54	352,19,09
				762,96,52	937,01,34
	Balance carried over to the Balance Sheet			7118,38,07	5013,45,32
		TOTAL		**7881,34,59**	**5950,46,66**
V.	**EARNINGS PER EQUITY SHARE**				
	(Face value of ₹10/- per share)				
	Basic (₹)		18(Note 11.5)	48.06	39.68
	Diluted (₹)		18(Note 11.5)	47.56	39.26
	Significant Accounting Policies		17		
	Notes to the financial statements		18		

The schedules referred to above form an integral part of the Profit and Loss Account.

The Profit and Loss Account has been prepared in conformity with Form B of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For INDUSIND BANK LTD.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration No : 012754N / N500016

R. Seshasayee
Chairman

T. Anantha Narayanan
Director

Russell I Parera
Partner
Membership No : 042190

Romesh Sobti
Managing Director

Place : Mumbai
Date : April 19, 2017

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Cash Flow Statement for the year ended March 31, 2017

		Year ended 31.03.2017	₹ in '000s Year ended 31.03.2016
A.	**Cash Flow from Operating Activities**		
	Net Profit before taxation	**4359,68,85**	**3469,26,11**
	Adjustments for :		
	Depreciation on Fixed Assets	190,69,88	156,51,93
	(Appreciation) / Depreciation on Investments	31,36,39	29,51,23
	Employees Stock Option Expenses	3,28,93	2,22,46
	Loan Loss and Other Provisions	1059,96,81	642,64,44
	Amortisation of premium on HTM investments	78,50,86	36,33,24
	(Profit) / Loss on sale of Fixed Assets	(3,14,57)	(6,98,95)
	Operating Profit before Working Capital changes	**5720,37,15**	**4329,50,46**
	Adjustments for :		
	(Increase) / Decrease in Advances	(25721,13,37)	(20273,78,73)
	(Increase) / Decrease in Investments	(2757,69,60)	(4540,82,15)
	(Increase) / Decrease in Other Assets	546,84,11	(705,99,49)
	Increase / (Decrease) in Deposits	33571,87,67	18865,98,19
	Increase / (Decrease) in Other Liabilities	2093,81,94	747,03,26
	Cash generated from / (used in) Operations	**13454,07,90**	**(1578,08,46)**
	Direct Taxes paid (net of refunds)	(1884,77,71)	(1348,84,10)
	Net Cash generated from / (used in) Operating Activities	**11569,30,19**	**(2926,92,56)**
B.	**Cash Flow from Investing Activities**		
	Purchase of Fixed Assets (including WIP)	(287,18,59)	(269,02,26)
	Proceeds from sale of Fixed Assets	13,54,86	11,50,78
	Net Cash used in Investing Activities	**(273,63,73)**	**(257,51,48)**
C.	**Cash Flow from Financing Activities**		
	Proceeds from issue of equity shares (net of issue expenses)	96,62,24	5125,19,57
	Proceeds from issue of Long Term Infrastructure Bonds	1500,00,00	-
	Dividends paid	(322,70,55)	(284,83,42)
	Proceeds from Perpetual Debt instruments	1000,00,00	-
	Redemption of Sub-ordinated Tier II capital	(308,90,00)	(535,00,00)
	Increase / (Decrease) in Borrowings	(4733,27,06)	(1788,19,15)
	Net Cash generated from / (used in) Financing Activities	**(2768,25,37)**	**2517,17,00**
	Effect of exchange fluctuation translation reserve	**(11,02,82)**	**-**
	Net Increase / (Decrease) in Cash and Cash Equivalents	**8516,38,27**	**(667,27,04)**
	Cash and Cash Equivalents at the beginning of the year	**10111,87,15**	**10779,14,19**
	Cash and Cash Equivalents at the end of the year	**18628,25,42**	**10111,87,15**

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements.
2. Figures in bracket indicate cash outflow.
3. Cash and cash equivalents comprises of Cash in Hand and Balances with RBI (Schedule 6) and Balances with Banks and Money at Call and Short Notice (Schedule 7).

As per our report of even date.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration No : 012754N / N500016

Russell I Parera
Partner
Membership No : 042190

Place : Mumbai
Date : April 19, 2017

For INDUSIND BANK LTD.

R. Seshasayee
Chairman

T. Anantha Narayanan
Director

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Schedules

	As at 31.03.2017	₹ in '000s As at 31.03.2016
SCHEDULE - 1 CAPITAL		
Authorised Capital		
70,00,00,000 (previous year 70,00,00,000) equity shares of ₹ 10 each	**700,00,00**	**700,00,00**
Issued, Subscribed and Called up Capital		
59,81,48,705 (previous year 59,49,86,335) equity shares of ₹ 10 each	**598,14,87**	**594,98,63**
Paid up Capital		
59,81,48,705 (previous year 59,49,86,335) equity shares of ₹ 10 each	598,14,87	594,98,63
[Refer Schedule 18 (Note 1.1)]		
TOTAL	**598,14,87**	**594,98,63**
SCHEDULE - 2 RESERVES AND SURPLUS		
I **Statutory Reserve**		
Opening balance	2205,79,68	1634,18,43
Additions during the year	716,97,32	571,61,25
	2922,77,00	**2205,79,68**
II **Share Premium Account**		
Opening balance	9274,10,55	4211,93,46
Additions during the year	95,31,50	5112,84,48
Less: Share issue expenses	-	(50,67,39)
	9369,42,05	**9274,10,55**
III **General Reserve**		
Balance as at the end of the year	1,35,57	1,35,57
	1,35,57	**1,35,57**
IV **Capital Reserve**		
Opening balance	170,21,21	157,00,21
Additions during the year	45,53,66	13,21,00
	215,74,87	**170,21,21**
V **Investment Allowance Reserve**		
Balance as at the end of the year	1,00,00	1,00,00
	1,00,00	**1,00,00**
VI **Investment Reserve Account**		
Balance as at the end of the year	40,52,98	40,52,98
	40,52,98	**40,52,98**

Schedules (Contd.)

				₹ in '000s
			As at 31.03.2017	**As at 31.03.2016**
VII	**Revaluation Reserve**			
	Opening balance		380,76,96	391,00,81
	Deductions during the year		(6,17,53)	(10,23,85)
			374,59,43	**380,76,96**
VIII	**Foreign Currency Translation Reserve**			
	Opening balance		-	-
	Debits during the year		(11,02,82)	-
			(11,02,82)	**-**
IX	**Balance in the Profit and Loss Account**		**7118,38,07**	**5013,45,32**
		TOTAL	**20032,77,15**	**17087,22,27**

SCHEDULE - 3 DEPOSITS

A	**I**	**Demand Deposits**			
		i) From Banks		991,32,40	567,66,73
		ii) From Others		18617,48,76	14910,35,03
	II	**Savings Bank Deposits**		27037,23,23	17246,24,53
	III	**Term Deposits**			
		i) From Banks		7328,65,30	5001,20,36
		ii) From Others		72597,52,59	55274,87,96
			TOTAL	**126572,22,28**	**93000,34,61**
B		**Deposits of Branches**			
	I	In India		126572,22,28	93000,34,61
	II	Outside India		-	-
			TOTAL	**126572,22,28**	**93000,34,61**

SCHEDULE - 4 BORROWINGS

I	**Borrowings in India**			
	i) Reserve Bank of India		-	2840,00,00
	ii) Other Banks		2367,48,93	4769,68,99
	iii) Other Institutions and Agencies		13500,00,00	14622,75,24
	iv) Unsecured Non-Convertible Redeemable Non-Cumulative Bonds (Subordinated Upper Tier-2 Bonds)		-	308,90,00
	v) Long Term Infrastructure Bonds		2000,00,00	500,00,00
	vi) Unsecured Non-Convertible Perpetual Non-Cumulative Bonds (Subordinated Debt qualifying as Additional Tier 1 Capital)		1000,00,00	-
II	**Borrowings outside India**		3586,20,50	1954,52,25
		TOTAL	**22453,69,43**	**24995,86,48**
	Secured borrowings included in I & II above		-	-

Schedules (Contd.)

		As at 31.03.2017	As at 31.03.2016
			₹ in ’000s
SCHEDULE - 5 OTHER LIABILITIES AND PROVISIONS			
I	Inter-office Adjustments (Net)	242,39,32	126,86,21
II	Bills Payable	600,34,85	520,03,19
III	Interest Accrued	947,61,27	789,19,18
IV	Proposed Dividend [Refer Schedule 18 (Note 12.4)]	-	322,25,01
V	Others [Refer Schedule 18 (Note 4.11) for Standard Assets Provisions]	7186,02,14	5446,47,06
	TOTAL	**8976,37,58**	**7204,80,65**
SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I	Cash in hand (including foreign currency notes)	1135,52,11	739,52,90
II	Balances with Reserve Bank of India		
	i) In Current Account	6613,22,60	3781,51,15
	ii) In Other Accounts	-	-
	TOTAL	**7748,74,71**	**4521,04,05**
SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I	**In India**		
	i) Balances with Banks		
	a) In Current Accounts	323,86,22	454,27,01
	b) In Other Deposit Accounts	2333,96,50	3059,52,75
	ii) Money at Call and Short Notice - With Other Institutions	6300,00,00	-
	TOTAL	**8957,82,72**	**3513,79,76**
II	**Outside India**		
	i) In Current Accounts	467,74,28	751,93,34
	ii) In Other Deposit Accounts	805,43,70	-
	iii) Money at Call and Short Notice	648,50,01	1325,10,00
	TOTAL	**1921,67,99**	**2077,03,34**
	GRAND TOTAL	**10879,50,71**	**5590,83,10**
SCHEDULE - 8 INVESTMENTS			
I	**In India**		
	Gross Value	36789,86,48	34110,67,74
	Less : Aggregate of provision / depreciation	87,72,66	56,36,27
	Net value of Investments in India	**36702,13,82**	**34054,31,47**

Schedules (Contd.)

			As at 31.03.2017	₹ in '000s As at 31.03.2016
	Comprising :			
	i)	Government securities*	31452,34,18	28108,03,95
	ii)	Other approved securities	-	-
	iii)	Shares	161,24,61	41,32,83
	iv)	Debentures and bonds	2524,57,26	1812,88,69
	v)	Subsidiaries and / or Joint Ventures	-	-
	vi)	Others - Security Receipts, Pass Through Certificates, Units of schemes of Mutual Funds, Venture Capital Funds and Others	2563,97,77	4092,06,00
II	**Outside India**		-	-
		TOTAL	**36702,13,82**	**34054,31,47**

*Includes securities of ₹ 275.02 crores (previous year ₹ 403.18 crores) pledged for clearing facility and margin requirements.

SCHEDULE - 9 ADVANCES

				As at 31.03.2017	As at 31.03.2016
A	i)	Bills Purchased and Discounted		4031,26,82	869,52,78
	ii)	Cash Credits, Overdrafts and Loans Repayable on Demand		33010,05,62	23144,94,88
	iii)	Term Loans		76039,18,32	64404,86,53
		TOTAL		**113080,50,76**	**88419,34,19**
B	i)	Secured by Tangible Assets (includes advances against book debts)		96573,78,66	76778,24,12
	ii)	Covered by Bank / Government Guarantees (includes advances against L/Cs issued by Banks)		2215,14,18	1125,55,91
	iii)	Unsecured		14291,57,92	10515,54,16
		TOTAL		**113080,50,76**	**88419,34,19**
C	I)	Advances in India			
		i)	Priority Sector	34821,02,43	28066,51,54
		ii)	Public Sector	1655,03,58	808,25,51
		iii)	Banks	48,08	29,69
		iv)	Others	74886,79,76	59544,27,45
		TOTAL		**111363,33,85**	**88419,34,19**
	II)	Advances Outside India		1717,16,91	-
		TOTAL		**113080,50,76**	**88419,34,19**

Schedules (Contd.)

			₹ in '000s
		As at 31.03.2017	**As at 31.03.2016**
SCHEDULE - 10 FIXED ASSETS			
I	**Premises**		
	i) At cost, as at the beginning of the year	590,01,82	595,92,11
	ii) Additions during the year	-	-
		590,01,82	595,92,11
	iii) Less : Deductions during the year	3,43,11	5,90,29
	iv) Less : Depreciation to date [Refer Schedule No. 18(9.14)]	74,95,41	66,72,06
	TOTAL	**511,63,30**	**523,29,76**
II	**Other Fixed Assets (including furniture and fixtures)**		
	i) At cost, as at the beginning of the year	1465,63,13	1232,41,88
	ii) Additions during the year	296,22,64	269,56,04
		1761,85,77	1501,97,92
	iii) Less : Deductions during the year	26,48,75	36,34,79
	iv) Less : Depreciation to date [Refer Schedule 18 (Note 9.14)]	940,20,75	771,08,26
	TOTAL	**795,16,27**	**694,54,87**
III	**Capital Work in Progress**	28,43,71	37,47,76
	GRAND TOTAL	**1335,23,28**	**1255,32,39**
SCHEDULE - 11 OTHER ASSETS			
I	Interest Accrued	917,41,89	962,60,98
II	Tax paid in advance / Tax deducted at source (net of provision)	686,69,35	456,98,06
III	Stationery and Stamps	1,54,43	40,35
IV	Non-banking assets acquired in satisfaction of claims	29,68,73	45,52,82
V	Others [Deferred Tax Assets (Refer Schedule 18 (Note 11.6))]	7266,93,70	7590,61,87
	TOTAL	**8902,28,10**	**9056,14,08**
SCHEDULE - 12 CONTINGENT LIABILITIES			
I	Claims against the Bank not acknowledged as debts	522,68,84	648,59,09
II	Liability on account of outstanding Forward Exchange Contracts	215013,20,26	143761,31,22
III	Liability on account of outstanding Derivative Contracts	138028,58,33	99741,53,69
IV	Guarantees given on behalf of constituents		
	- In India	38903,46,44	32722,19,60
	- Outside India	60,82,61	-
V	Acceptances, Endorsements and Other Obligations	12739,47,55	6512,09,48
VI	Other Items for which the Bank is contingently liable	1118,95,12	1715,59,00
	TOTAL	**406387,19,15**	**285101,32,08**

Schedules (Contd.)

		Year ended 31.03.2017	₹ in '000s Year ended 31.03.2016
SCHEDULE - 13 INTEREST EARNED			
I	Interest / Discount on Advances / Bills	11479,10,87	9244,55,57
II	Income on Investments	2466,88,91	2067,02,24
III	Interest on Balances with RBI and Other Inter-Bank Funds	330,83,18	413,19,79
IV	Others	128,84,07	146,96,77
	TOTAL	**14405,67,03**	**11871,74,37**
SCHEDULE - 14 OTHER INCOME			
I	Commission, Exchange and Brokerage	2895,34,09	2231,47,71
II	Profit / (Loss) on Sale of Investments (Net)	276,91,92	145,25,65
III	Profit / (Loss) on Sale of Land, Buildings and Other Assets (Net)	3,14,57	6,98,95
IV	Profit on exchange transactions / Derivatives (Net)	919,51,71	836,99,93
V	Income earned by way of dividend from companies in India	30,80	3,39,65
VI	Miscellaneous Income	76,26,13	72,82,73
	TOTAL	**4171,49,22**	**3296,94,62**
SCHEDULE - 15 INTEREST EXPENDED			
I	Interest on Deposits	6931,27,54	5708,78,69
II	Interest on Reserve Bank of India / Inter-Bank Borrowings	341,28,83	563,49,00
III	Other Interest	1070,50,24	1082,89,44
	TOTAL	**8343,06,61**	**7355,17,13**
SCHEDULE - 16 OPERATING EXPENSES			
I	Payments to and Provisions for Employees	1521,02,16	1236,08,80
II	Rent, Taxes and Lighting (includes operating lease rentals)	326,56,01	271,32,58
III	Printing and Stationery	63,06,99	49,45,74
IV	Advertisement and Publicity	50,33,60	21,01,43
V	Depreciation on Bank's Property	190,69,88	156,51,93
VI	Directors' Fees, Allowances and Expenses	2,71,53	1,30,95
VII	Auditors' Fees and Expenses	2,08,63	1,42,24
VIII	Law Charges	42,42,54	44,76,42
IX	Postage, Telegrams, Telephones, etc.	134,78,55	111,00,91
X	Repairs and Maintenance	255,14,69	201,67,45
XI	Insurance	137,57,00	103,35,29
XII	Service Provider Fees	381,26,30	334,39,88
XIII	Other Expenditure	1675,39,70	1139,76,47
	TOTAL	**4783,07,58**	**3672,10,09**

Schedule 17
Significant Accounting Policies

1. *General*

1.1 IndusInd Bank Limited ("the Bank") was incorporated in 1994 under the Companies Act, 1956 and is licensed by the Reserve Bank of India (RBI) to operate as a commercial bank under the Banking Regulation Act, 1949. The Bank is publicly held and provides a wide range of banking products and financial services to corporate and retail clients besides undertaking treasury operations. The Bank operates in India including at the International Financial Service Centres in India, and does not have a branch in any foreign country.

1.2 The accompanying financial statements have been prepared under the historical cost convention except where otherwise stated, and in accordance with statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by RBI from time to time (RBI guidelines), accounting standards referred to in Section 133 of the Companies Act, 2013 (the Act) and practices prevailing within the banking industry in India.

1.3 The preparation of the financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities on the date of the financial statements. Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent and reasonable. Any revision to accounting estimates is recognised prospectively in current and future periods.

2. *Transactions involving Foreign Exchange*

2.1 Monetary assets and liabilities of domestic and integral foreign operations denominated in foreign currency are translated at the Balance Sheet date at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resulting gains or losses are recognised in the Profit and Loss account.

2.2 Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

2.3 Both monetary and non-monetary assets and liabilities of non-integral foreign operations are translated at the Balance Sheet date at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resulting gains or losses are accumulated in the foreign currency translation reserve until disposal of the net investment in the non-integral foreign operation.

2.4 All foreign exchange contracts outstanding at the Balance Sheet date are re-valued on present value basis and the resulting gains or losses are recognised in the Profit and Loss account.

2.5 Swap Cost arising on account of foreign currency swap contracts to convert foreign currency funded liabilities and assets into rupee liabilities and assets is amortised to the Profit and Loss account under the head 'Interest – Others' over the underlying swap period.

2.6 Income and expenditure of domestic and integral foreign operations denominated in a foreign currency is translated at the rates of exchange prevailing on the date of the transaction. Income and expenditure of non-integral foreign operations is translated at quarterly average closing rates.

2.7 Contingent liabilities at the Balance Sheet date on account of outstanding forward foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in a foreign currency are stated at the closing rates of exchange notified by the FEDAI.

3. *Investments*

Significant accounting policies in accordance with RBI guidelines are as follows:

3.1 Categorisation of Investments:

The Bank classifies its investment at the time of purchase into one of the following three categories:

(i) **Held to Maturity (HTM)** – Securities acquired with the intention to hold till maturity.

(ii) **Held for Trading (HFT)** – Securities acquired with the intention to trade.

(iii) **Available for Sale (AFS)** – Securities which do not fall within the above two categories.

Subsequent shifting amongst the categories is done in accordance with RBI guidelines.

3.2 Classification of Investments:

For the purpose of disclosure in the Balance Sheet, investments are classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures, and (vi) Other Investments.

3.3 Acquisition cost:

(i) Broken period interest on debt instruments is treated as a revenue item.

(ii) Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss account.

(iii) Cost of investments is computed based on the weighted average cost method.

3.4 Valuation of Investments:

(i) **Held to Maturity** – Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortised over the balance period to maturity. The amortized amount is classified under Interest earned – Income on investments (Item II of Schedule 13). The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, is determined and provided for each investment individually.

(ii) **Held for Trading** – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.

(iii) **Available for Sale** – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for.

(iv) Market value of government securities (excluding treasury bills) is determined on the basis of the prices / YTM declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA).

(v) Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.

(vi) Fair value of other debt securities is determined based on the yield curve and spreads provided by FIMMDA.

(vii) Quoted equity shares are valued at lower of cost and the closing price on a recognised stock exchange. Unquoted equity shares are valued at their break-up value or at ₹ 1/- per company where the latest Balance Sheet is not available.

(viii) Units of the schemes of mutual funds are valued at the lower of cost and Net Asset Value (NAV) provided by the respective schemes of mutual funds.

(ix) Investments in equity shares held as long-term investments by erstwhile IndusInd Enterprises & Finance Limited and Ashok Leyland Finance Limited (since merged with the Bank) are valued at cost and classified as part of HTM category. Provision towards diminution in the value of such long-term investments is made only if the diminution in value is not temporary in the opinion of management.

(x) Security Receipts (SR) are valued at the lower of redemption value and NAV obtained from the Securitisation Company (SC) / Reconstruction Company (RC).

(xi) Purchase and sale transaction in securities are recorded under Settlement Date method of accounting, except in the case of the equity shares where Trade Date method of accounting is followed.

(xii) Provision for non-performing investments is made in conformity with RBI guidelines.

(xiii) Repurchase (Repo) and Reverse Repurchase (Reverse Repo) transactions (including transactions under Liquidity Adjustment Facility (LAF) with RBI) are accounted for as collateralised borrowing and lending respectively. On completion of the second leg of the Repo or Reverse Repo transaction, the difference between the consideration amounts is reckoned as Interest Expenditure or Income, as the case may be. Amounts outstanding in Repo and Reverse Repo account as at the Balance Sheet date is shown as part of Borrowings and Money at Call and at Short Notice respectively, and the accrued expenditure and income till the Balance Sheet date is recognised in the Profit and Loss account.

(xiv) In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under ‘Other Liabilities’. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognised. Profit / loss on settlement of the short position is recognised in the Profit and Loss account.

(xv) Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account.

(xvi) In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA).

The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.

3.5 Investments in unquoted units of Venture Capital Funds (VCF) are categorised under HTM category for initial period of three years and valued at cost as per RBI guidelines. Units of VCF held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1/- per VCF.

4. Derivatives

Derivative contracts are designated as hedging or trading and accounted for as follows:

4.1 The hedging contracts comprise of Forward Rate Agreements, Interest Rate Swaps, and Currency Swaps undertaken to hedge interest rate and currency risk on certain assets and liabilities. The net interest receivable / payable is accounted on an accrual basis over the life of the swaps. However, where the hedge is designated with an asset or liability that is carried at market value or lower of cost and market value, then the hedging instrument is also marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated assets or liabilities.

4.2 The trading contracts comprise of trading in Interest Rate Swaps, Interest Rate Futures and Currency Futures. The gain / loss arising on unwinding or termination of the contracts, is accounted for in the Profit and Loss account. Trading contracts outstanding as at the Balance Sheet date are re-valued at their fair value and resulting gains / losses are recognised in the Profit and Loss account.

4.3 Gains or losses on the termination of hedge swaps is deferred and recognised over the shorter of the remaining life of the hedge swap or the remaining life of the underlying asset / liability.

4.4 Premium paid and received on currency options is accounted when due in the Profit and Loss Account.

4.5 Fair value of derivative is determined with reference to bid / asks quoted market price or by using valuation models. Where the fair value is calculated using valuation models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to the present value. The valuation takes into consideration all relevant market factors (e.g. prices, interest rate, currency exchange rates, volatility, liquidity etc.). Most market parameters are either are directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

4.6 Provisioning of overdue customer receivable on derivative contracts is made as per RBI guidelines.

5. Advances

5.1 Advances are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.

5.2 Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines. In addition the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

5.3 A general provision on standard assets is made in accordance with RBI guidelines. Provision made against standard assets is included in 'Other Liabilities and Provisions'.

5.4 Advances are disclosed in the Balance Sheet, net of provisions and interest suspended for non-performing advances, and floating provisions.

5.5 Advances exclude derecognised securitised advances, inter-bank participation certificates issued and bills rediscounted.

5.6 Amounts recovered during the year against bad debts written off in earlier years are recognised in the Profit and Loss account.

5.7 Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.

5.8 For restructured / rescheduled assets, provision is made in accordance with the guidelines issued by RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. The restructured accounts are classified in accordance with RBI guidelines, including special dispensation wherever allowed.

6. *Securitisation transactions and direct assignments*

6.1 The Bank transfers its loan receivables both through Direct Assignment route as well as transfer to Special Purpose Vehicles ('SPV').

6.2 The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognised as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognised only if the Bank surrenders the rights to the benefits specified in the loan contracts.

6.3 In terms of RBI guidelines, profit / premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortized over the life of the securities issued by the Special Purpose Vehicles (SPV). Any loss arising on account of the sale is recognised in the Profit and Loss account in the period in which the sale occurs.

6.4 In case of sale of non-performing assets through securitization route to SC / RC by way of assignment of debt against issuance of SRs, the recognition of sale and accounting of profit and loss thereon is done in accordance with applicable RBI guidelines. Generally, the sale is recognised at the lower of redemption value of SR and the Net Book Value (NBV) of the financial asset sold, and the surplus is recognised in the Profit and Loss Account; shortfall if any, is charged to the Profit and Loss account subject to regulatory forbearance, if any, allowed from time to time. Profit or loss realized on ultimate redemption of the SR is recognised in the Profit and Loss Account.

7. *Property, Plant and Equipment*

7.1 Fixed assets are stated at cost (except in the case of premises which were re-valued based on values determined by approved valuers) less accumulated depreciation and impairment, if any. Cost includes incidental expenditure incurred on the assets before they are ready for intended use.

7.2 The appreciation on account of revaluation is credited to Revaluation Reserve. Depreciation relating to revaluation is adjusted against the Revaluation Reserve.

7.3 Depreciation is provided over the useful life of the assets, *pro rata* for the period of use, on a straight-line method. The useful life estimates prescribed in Part C of Schedule II to the Companies Act, 2013 are generally adhered to, except in respect of asset classes where, based on technical evaluation, a different estimate of useful life is considered suitable. Pursuant to this policy, the useful life estimates in respect of the following assets are as follows:

(a) Computers at 3 years.

(b) Application software and perpetual software licences at 5 years.

(c) Printers, Scanners, Routers, Switch at 5 years.

(d) ATMs at 7 years.

(e) Network cabling, Electrical Installations, Furniture and Fixtures, Other Office Machinery at 10 years.

(f) Vehicles at 5 years.

(g) Buildings at 60 years.

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs, etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

7.4 The carrying amount of fixed assets is reviewed at the Balance Sheet date to determine if there are any indications of impairment based on internal / external factors. In case of impaired assets, the impairment loss i.e. the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the Profit and Loss account to the extent the carrying amount of assets exceeds its estimated recoverable amount.

8. Revenue Recognition

8.1 Interest and discount income on performing assets is recognised on accrual basis. Interest and discount income on non-performing assets is recognised on realisation.

8.2 Interest on Government securities, debentures and other fixed income securities is recognised on a period proportion basis. Income on discounted instruments is recognised over the tenor of the instrument on a constant Yield to Maturity method.

8.3 Dividend income is accounted on accrual basis when the right to receive dividend is established.

8.4 Commission (except for commission on Deferred Payment Guarantees which is recognised over the term on a straight line basis), Exchange and Brokerage are recognised on a transaction date and net of directly attributable expenses.

8.5 Fees are recognised on an accrual basis when binding obligation to recognise the fees has arisen as per agreement, except in cases where the Bank is uncertain of realisation.

8.6 Income from distribution of third party products is recognised on the basis of business booked.

9. Operating Leases

9.1 Lease rental obligations in respect of assets taken on operating lease are charged to the Profit and Loss account on a straight-line basis over the lease term.

9.2 Assets given under leases in respect of which all the risks and benefits of ownership are effectively retained by the Bank are classified as operating leases. Lease rentals received under operating leases are recognised in the Profit and Loss account as per the terms of the contracts.

10. Employee Benefits

10.1 The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the year is recognised on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate policies from insurers.

10.2 Provident Fund contributions are made under trusts separately established for the purpose and the scheme administered by Regional Provident Fund Commissioner (RPFC), as applicable. The rate at which the annual interest is payable to the beneficiaries by the trusts is being administered by the government. The Bank has an obligation to make good the shortfall, if any, between the return from the investments of the trusts and the notified interest rates. Actuarial valuation of this Provident Fund Interest shortfall is done as per the guidance note on Valuation of Interest Rate Guarantees on Exempt Provident Funds under AS 15 (Revised) issued by the Institute of Actuaries of India, and such shortfall, if any, is provided for.

10.3 Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.

10.4 Intrinsic value method is applied to account for the compensation cost of ESOP granted to the employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying shares on the grant date exceeds the exercise price of the options. Accordingly, such compensation cost is amortized over the vesting period.

11. Segment Reporting

In accordance with the guidelines issued by RBI, the Bank has adopted Segment Reporting as under:

(a) Treasury includes all investment portfolios, Profit / Loss on sale of Investments, Profit / Loss on foreign exchange transactions, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation / amortisation of premium on Held to Maturity category investments.

(b) Corporate / Wholesale Banking includes lending to and deposits from corporate customers and identified earnings and expenses of the segment.

(c) Retail Banking includes lending to and deposits from retail customers and identified earnings and expenses of the segment.

(d) Other Banking Operations includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and Reserves, Employee Stock Options (Grants) Outstanding and other unallocable assets, liabilities, income and expenses.

12. Debit and Credit Card reward points liability

The liability towards Credit Card reward points is computed based on an actuarial valuation and the liability towards Debit Card reward points is computed on the basis of management estimates considering past trends.

13. Bullion

13.1 The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are on a back-to-back basis and are priced to the customer based on the prevailing price quoted by the supplier and the local levies related to the consignment like customs duty, etc. The profit earned is included in commission income.

13.2 The Bank sells gold coins to its customers. The difference between the sale price to customers and purchase price is reflected under commission income.

14. Income-tax

Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized; where there are unabsorbed depreciation and / or carry forward of losses under tax laws, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realized against future taxable income. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

15. Earnings per share

Earnings per share is calculated by dividing the Net Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the year.

16. Provisions, contingent liabilities and contingent assets

16.1 A provision is recognised when there is an obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

16.2 A disclosure of contingent liability is made when there is:

(a) A possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the bank; or

(b) A present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

16.3 When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

16.4 Contingent assets are not recognised or disclosed 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 assets and related income are recognised in the period in which the change occurs.

17. Cash and Cash equivalents

Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice.

Schedule 18
Notes forming part of the financial statements

1. Capital:

1.1 *Capital Issue:*

During the year ended March 31, 2017, 31,62,370 equity shares aggregating to ₹ 96.62 crores were allotted on various dates to the employees who exercised their stock options.

During the year ended March 31, 2016, through a Qualified Institutions Placement (QIP), 5,12,18,640 equity shares of ₹ 10/- each were allotted at a price of ₹ 845.00 per share aggregating to ₹ 4,327.98 crores. Further, the promoters of the Bank were allotted 87,81,360 equity shares of ₹ 10/- each at a price of ₹ 857.20 per share, aggregating to ₹ 752.74 crores through a Preferential Allotment. Besides, 55,36,126 equity shares aggregating to ₹ 95.14 crores were allotted on various dates to the employees who exercised their stock options.

1.2 *Capital Adequacy Ratio:*

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI, which became applicable to the Bank with effect from April 1, 2013.

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 10.25% (previous year 9.625%) including Capital Conversion Buffer (CCB) at 1.25% (previous year 0.625%), of the total risk weighted assets (RWA). Out of the MTC, at least 6.75% (previous year 6.125%), including 1.25% (previous year 0.625%) towards CCB, shall be from Common Equity Tier 1 (CET1) capital and at least 7.00% (previous year 7.00%) from Tier 1 capital. The capital adequacy ratio of the Bank is set out below:

(₹ in crores)

No.	Particulars	March 31, 2017	March 31, 2016
1.	Common Equity Tier 1 capital ratio	14.02%	14.92%
2.	Tier 1 capital ratio	14.72%	14.92%
3.	Tier 2 capital ratio	0.59%	0.58%
4.	Total Capital ratio (CRAR)	15.31%	15.50%
5.	Amount of equity capital raised	96.62	5,175.86
6.	Amount of Additional Tier 1 capital raised; of which	1,000.00	-
	Perpetual Non-Cumulative Preference Shares (PNCPS)	-	-
	Perpetual Debt Instruments (PDI)	1,000.00	-
7.	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)]	-	-

2. Investments:

2.1 Details of Investments:

(₹ in crores)

No.	Particulars	March 31, 2017	March 31, 2016
(1)	Value of Investments		
	(i) Gross value of Investments	36,789.86	34,110.67
	(a) In India	36,789.86	34,110.67
	(b) Outside India	-	-
	(ii) Provisions for Depreciation	87.72	56.36
	(a) In India	87.72	56.36
	(b) Outside India	-	-
	(iii) Net value of Investments	36,702.14	34,054.31
	(a) In India	36,702.14	34,054.31
	(b) Outside India	-	-
(2)	Movement in provisions held towards depreciation on Investments		
	(i) Opening balance	56.36	26.85
	(ii) Add: Provision made during the year	31.36	29.51
	(iii) Less: Write-off / (write-back) of excess provisions during the year	-	-
	(iv) Closing balance	87.72	56.36

2.2 Category wise details of Investments (Net of provision for depreciation):

(₹ in crores)

No.	Particulars	As at March 31, 2017			As at March 31, 2016		
		HTM	AFS	HFT	HTM	AFS	HFT
(i)	Government securities	26,259.13	5,193.21	-	20,138.32	7,969.71	-
(ii)	Other approved securities	-	-	-	-	-	-
(iii)	Shares	4.75	156.50	-	4.75	36.58	-
(iv)	Debentures and bonds	-	2,524.57	-	-	1,812.89	-
(v)	Subsidiaries and / or Joint Ventures	-	-	-	-	-	-
(vi)	Others - Security Receipts, Pass Through Certificates, investment in units of Mutual Funds, Commercial Paper, Venture Capital, etc.	67.50	2,496.48	-	20.00	4,072.06	-
	Total	**26,331.38**	**10,370.76**	-	**20,163.07**	**13,891.24**	**-**

2.3 *Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions (in face value terms):*

(₹ in crores)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Balance as at the year end
Year ended March 31, 2017				
Securities sold under repo				
(i) Government Securities	5.72	5,934.94	2,488.52	-
(ii) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo				
(i) Government Securities	100.00	16,900.00	1,754.75	6,300.00
(ii) Corporate Debt Securities	-	-	-	-
Year ended March 31, 2016				
Securities sold under repo				
(i) Government Securities	35.06	6,745.81	3,959.85	4,544.98
(ii) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo				
(i) Government Securities	75.00	1,863.40	129.83	-
(ii) Corporate Debt Securities	-	-	-	-

2.4 *Issuer composition of Non-SLR investments as at March 31, 2017:*

(₹ in crores)

No.	Issuer	Amount(1)	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities(2)	Extent of 'unlisted' securities(3)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
1.	Public Sector Undertakings	250.89	250.89	-	-	-
2.	Financial Institutions	-	-	-	-	-
3.	Banks	1,445.98	1,445.98	-	-	-
4.	Private corporates	3,067.61	3,060.36	-	-	7.25
5.	Subsidiaries / Joint Ventures	-	-	-	-	-
6.	Others	573.05	573.05	-	-	-
7.	Provision held towards depreciation	(87.72)	(82.89)	-	-	(0.96)
	Total	**5,249.81**	**5,247.39**	**-**	**-**	**6.29**

Issuer composition of Non-SLR investments as at March 31, 2016:

(₹ in crores)

No.	Issuer	Amount[1]	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities[2]	Extent of 'unlisted' securities[3]
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
1.	Public Sector Undertakings	25.00	25.00	-	-	-
2.	Financial Institutions	451.11	451.11	-	-	-
3.	Banks	2,600.70	2,600.70	-	-	-
4.	Private corporates	2,140.25	2,125.62	-	-	12.00
5.	Subsidiaries / Joint Ventures	-	-	-	-	-
6.	Others	785.58	785.58	-	-	-
7.	Provision held towards depreciation	(56.36)	(49.63)	-	-	(2.25)
	Total	**5,946.28**	**5,938.38**	**-**	**-**	**9.75**

Notes:

(1) Does not include amount of securities pledged with Central Counter Parties, viz., Clearing Corporation of India Limited, National Securities Clearing Corporation of India Limited and Multi Commodity Exchange of India Limited.

(2) Excludes investment in equity shares.

(3) Excludes investment in commercial papers, Certificates of Deposit and preference shares acquired by way of conversion of debts.

(4) Amounts reported under columns 4, 5, 6 and 7 are not mutually exclusive.

2.5 Non-performing Non-SLR investments:

(₹ in crores)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Opening balance	2.26	2.26
Additions during the year	11.20	-
Reductions during the year	11.20	-
Closing balance	2.26	2.26
Total provisions held	**2.26**	**2.26**

2.6 Sale / transfer from HTM category:

During the year and the previous year, the value of sales and transfer of securities to / from HTM category, excluding one-time transfer of securities from HTM and sale on account of Open Market Operation (OMO), has not exceeded 5% of the book value of investments held in HTM category at the beginning of the year. As such, in line with RBI guidelines, specific disclosures on book value, market value, and provisions if any, relating to such sale and transfers are not required to be made.

3. Derivatives:

3.1 *Interest Rate Swaps, Forward Rate Agreements and Cross Currency Swaps:*

(₹ in crores)

No.	Particulars	As at March 31, 2017	As at March 31, 2016
(i)	Notional principal of swap agreements	1,27,836.91	93,289.75
(ii)	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	1,845.19	1,998.83
(iii)	Collateral required by the Bank upon entering into swaps	-	-
(iv)	Concentration of credit risk arising from the swaps – With banks	62.90%	56.45%
(v)	Net Fair value of the swap book	250.86	197.70

The nature and terms of Interest Rate Swaps (IRS) outstanding as on March 31, 2017 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	163	9,715.50	MIBOR	Fixed Payable Vs Floating Receivable
Trading	131	7,679.47	MIBOR	Fixed Receivable Vs Floating Payable
Trading	301	25,922.00	MIFOR	Fixed Payable Vs Floating Receivable
Trading	352	24,935.00	MIFOR	Fixed Receivable Vs Floating Payable
Trading	1	48.49	EURIBOR	Fixed Payable Vs Floating Receivable
Trading	34	80.01	EURIBOR	Fixed Receivable Vs Floating Payable
Trading	112	14,313.50	LIBOR	Fixed Payable Vs Floating Receivable
Trading	354	12,730.38	LIBOR	Fixed Receivable Vs Floating Payable
Trading	1	226.98	LIBOR	Floating Payable Vs Floating Recievable
Trading-GIFT	1	32.43	LIBOR	Fixed Payable Vs Floating Receivable
Trading-GIFT	2	53.86	LIBOR	Fixed Receivable Vs Floating Payable

The nature and terms of IRSs outstanding as on March 31, 2016 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Merchant and Cover	1	4.26	EURIBOR	Fixed Payable Vs Floating Receivable
Merchant and Cover	1	4.26	EURIBOR	Fixed Receivable Vs Floating Payable
Merchant and Cover	1	3.06	LIBOR	Fixed Payable Vs Floating Receivable
Merchant and Cover	1	3.06	LIBOR	Fixed Receivable Vs Floating Payable
Trading	97	4,202.89	MIBOR	Fixed Payable Vs Floating Receivable
Trading	66	3,149.92	MIBOR	Fixed Receivable Vs Floating Payable
Trading	241	19,512.00	MIFOR	Fixed Payable Vs Floating Receivable
Trading	246	18,445.00	MIFOR	Fixed Receivable Vs Floating Payable
Trading	4	54.91	EURIBOR	Fixed Payable Vs Floating Receivable
Trading	22	87.48	EURIBOR	Fixed Receivable Vs Floating Payable
Trading	86	9,091.89	LIBOR	Fixed Payable Vs Floating Receivable
Trading	335	9,026.66	LIBOR	Fixed Receivable Vs Floating Payable
Trading	1	231.89	LIBOR	Floating Receivable Vs Floating Payable

The nature and terms of Cross Currency Swaps (CCSs) outstanding as on March 31, 2017 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Merchant and Cover	2	25.91	LIBOR	Floating Payable Vs Fixed Receivable (Cross Currency Swap)
Merchant and Cover	2	33.84	LIBOR	Fixed Payable Vs Floating Receivable (Cross Currency Swap)
Merchant and Cover	6	1,301.48	NA	Fixed Payable Vs Fixed Receivable (Cross Currency Swap)
Merchant and Cover	4	239.06	NA	Fixed Payable Vs Fixed Receivable (Principal Only Swap)
Trading	242	9,746.70	LIBOR	Floating Payable Vs Fixed Receivable (Cross Currency Swap)
Trading	53	8,207.36	LIBOR	Fixed Payable Vs Floating Receivable (Cross Currency Swap)
Trading	3	563.83	LIBOR	Floating Payable Vs Fixed Receivable (Principal Only Swap)
Trading	2	1,567.22	LIBOR	Floating Payable Vs Fixed Receivable (Coupon only Swap)
Trading	107	2,537.85	NA	Fixed Payable Vs Fixed Receivable (Cross Currency Swap)
Trading	3	520.15	NA	Fixed Payable Vs Fixed Receivable (Coupon only Swap)
Trading	38	2,997.09	NA	Fixed Payable Vs Fixed Receivable (Principal Only Swap)
Trading	2	61.37	LIBOR/ LIBOR	Floating Payable Vs Floating Receivable (Cross Currency Swap)
Trading	1	40.45	LIBOR/ LIBOR	Floating Payable Vs Floating Receivable (Coupon only Swap)
Trading	14	3,157.66	LIBOR/ MIBOR	Floating Payable Vs Floating Receivable (Cross Currency Swap)
Trading	6	1,099.32	LIBOR/ MIFOR	Floating Payable Vs Floating Receivable (Cross Currency Swap)

The nature and terms of CCSs outstanding as on March 31, 2016 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Merchant and Cover	8	752.73	LIBOR	Fixed Payable Vs Floating Receivable (Cross Currency Swap)
Merchant and Cover	8	1,042.39	LIBOR	Floating Payable Vs Fixed Receivable (Cross Currency Swap)
Merchant and Cover	16	1,053.59	NA	Fixed Receivable Vs Fixed Payable (Principal Only Swap)
Merchant and Cover	15	2,026.72	NA	Fixed Receivable Vs Fixed Payable (Cross Currency Swap)

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Merchant and Cover	2	468.57	NA	Fixed Receivable Vs Fixed Payable (Coupon only swap)
Trading	1	3.75	EURIBOR	Floating Payable Vs Fixed Receivable (Coupon only swap)
Trading	73	6,245.94	LIBOR	Fixed Payable Vs Floating Receivable (Cross Currency Swap)
Trading	226	10,243.35	LIBOR	Floating Payable Vs Fixed Receivable (Cross Currency Swap)
Trading	1	45.07	LIBOR	Floating Payable Vs Fixed Receivable (Principal Only Swap)
Trading	35	2,272.64	NA	Fixed Receivable Vs Fixed Payable (Principal Only Swap)
Trading	109	2,198.28	NA	Fixed Receivable Vs Fixed Payable (Cross Currency Swap)
Trading	3	499.47	NA	Fixed Receivable Vs Fixed Payable (Coupon only swap)
Trading	2	96.50	LIBOR/ LIBOR	Floating Receivable Vs Floating Payable (Cross Currency Swap)
Trading	3	666.15	LIBOR/ MIBOR	Floating Receivable Vs Floating Payable (Cross Currency Swap)
Trading	9	1,857.31	LIBOR/ MIFOR	Floating Receivable Vs Floating Payable (Cross Currency Swap)

3.2 *Exchange Traded Interest Rate Derivatives:*

The details of Exchange Traded Interest Rate Derivatives undertaken during the year ended March 31, 2017 are as below:

(₹ in crores)

No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
	(a) Future Bond/759GS2026/23/02/2017 - Feb 2017	0.04
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2017 (instrument-wise)	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not “highly effective” (instrument-wise)	Nil
(iv)	Marked-to-market value of exchange traded interest rate derivatives outstanding and not “highly effective” (instrument-wise)	Nil

The details of Exchange Traded Interest Rate Derivatives undertaken during the year ended March 31, 2016 are as below:

(₹ in crores)

No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
	(a) NSE840GS 24 Apr 2015	291.96
	(b) NSE840GS 24 May 2015	124.48
	(c) NSE840GS 24 Jun 2015	82.39
	(d) NSE840GS 24 July 2015	8.20
	(e) NSE772GS 25 July 2015	257.63
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2016 (instrument-wise)	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil
(iv)	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil

3.3 *Disclosures on Risk Exposure in Derivatives:*

Derivatives Policy approved by the Board of Directors defines the framework for carrying out derivatives business and lays down policies and processes to measure, monitor and report risk arising from derivative transactions. The policy provides for (a) appropriate risk limits for different derivative products and (b) authority levels for review of limit breaches and to take appropriate actions in such events. As part of the Derivatives Policy, the Bank has a Product Suitability and Customer Appropriateness Policy, which is used to classify customers on the basis of their need for various derivative products and their competence in understanding such products and the attendant risks involved.

Risk Management Department of the Bank is responsible for measuring, reporting and monitoring risk arising from derivatives transactions. It functions independent of Treasury business and undertakes the following activities:

- Monitors derivatives operations against prescribed policies and limits on a daily basis;
- Daily review of product-wise profitability and activity reports for derivatives operations;
- Daily submission of MIS and details of exceptions to the Top Management;
- Monitoring effectiveness of derivative deals identified as hedges against the terms of the hedging instruments and underlying hedged risk; and
- Collaterals are generally kept as cash or cash equivalent for securing derivative transactions.

The Risk Management function applies a host of quantitative tools and methods such as Value at Risk, PV01, stop-loss limits, counterparty limits, deal size limits and overnight position limits. The Bank undertakes derivative transactions for hedging customers' exposure, hedging the Bank's own exposure, as well as for trading purposes, wherever permitted by RBI. The customers use these derivative products to hedge their forex and interest rate exposures.

The following table presents quantitative disclosures relating to Derivatives:

(₹ in crores)

No.	Particulars	March 31, 2017		March 31, 2016	
		Currency derivatives	Interest rate derivatives	Currency derivatives	Interest rate derivatives
1.	Derivatives (Notional Principal Amount) (Note 1)	2,57,304.17	95,737.62	1,79,685.56	63,817.29
	(a) For hedging	-	-	-	-
	(b) For trading	2,57,304.17	95,737.62	1,79,685.56	63,817.29
2.	Marked to Market Positions (Note 2)				
	(a) Asset (+)	4,568.95	692.94	3,281.39	414.34
	(b) Liability (-)	(4,020.87)	(534.81)	(2,753.11)	(375.00)
3.	Credit Exposure (Note 3)	13,908.57	1,801.55	10,523.67	1,135.07
4.	Likely impact of one percentage change in interest rate (100*PV01) (Note 4)				
	(a) on hedging derivatives	-	-	-	-
	(b) on trading derivatives	24.74	20.71	58.77	51.33
5.	Maximum and Minimum of 100*PV01 observed during the year (Note 5)				
	(a) on hedging	Nil	Nil	Nil	Nil
	(b) on trading				
	Maximum	63.55	73.21	58.77	98.53
	Minimum	2.06	0.09	1.18	4.12

Note 1: There were no outstanding currency and interest rate futures as on March 31, 2017.

Note 2: Marked to Market positions include interest accrued on the swaps.

Note 3: Credit exposure is computed based on the current exposure method.

Note 4: Based on the absolute value of PV01 of the derivatives outstanding as at the year end.

Note 5: Based on the PV01 of the outstanding derivatives.

Note 6: PV01 for Currency Derivatives and Interest Rate Derivatives are presented in absolute terms. However, total net PV01 shall remain smaller as Currency Derivatives and Interest Rate Derivatives positions net off each other.

4. Asset Quality:

4.1 Non-Performing Assets:

(₹ in crores)

No.	Particulars	March 31, 2017	March 31, 2016
(i)	Net NPAs to Net Advances (%)	0.39%	0.36%
(ii)	Movement of Gross NPAs		
	(a) Opening balance	776.82	562.92
	(b) Additions during the year	1,429.27	848.65
	Sub-total (A)	2,206.09	1,411.57
	(c) Reductions during the year		
	(i) Upgradations	196.59	51.68
	(ii) Recoveries (excluding recoveries made from upgraded accounts)	489.10	302.42
	(iii) Technical / Prudential write-offs	-	-
	(iv) Write-offs other than those under (iii) above	465.53	280.65
	Sub-total (B)	1,151.22	634.75
	(d) Closing Balance (A-B)	1,054.87	776.82
(iii)	Movement of Net NPAs		
	(a) Opening Balance	321.75	210.48
	(b) Additions during the year	693.66	331.36
	(c) Reductions during the year	576.50	220.09
	(d) Closing balance	438.91	321.75
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening Balance	455.07	352.44
	(b) Provisions made during the year	735.61	517.29
	(c) Write-off / write back of excess provisions	574.72	414.66
	(d) Closing balance	615.96	455.07

Notes:

1) Recoveries include sale to SC / RC.

2) In terms of RBI circular DBOD.BP.BC.No.98/21.04.132/2013-14 dated February 26, 2014, in respect of assets sold to SC/RCs, during the last quarter of the year ended March 31, 2015, the loss on sale arrived at by deducting sale consideration and provisions held as on the date of sale from the outstanding amount, is being amortized over a period of two years. Accordingly, the Bank has charged to the Profit and Loss account an amount of ₹ 96.26 crores (previous year ₹ 128.36 crores) during the year ended March 31, 2017.

4.2 Provision coverage ratio:

Provision coverage ratio as at March 31, 2017 is 58.39% (previous year 58.58%).

4.3 Details of technical write-offs and recoveries made thereon:

(₹ in crores)

Particulars	March 31, 2017	March 31, 2016
Opening balance of Technical / Prudential written off accounts	Nil	Nil
Add: Technical / Prudential write-offs during the year	Nil	Nil
Sub-total	Nil	Nil
Less : Recoveries made from previously Technical / Prudential written-off accounts during the year	Nil	Nil
Closing balance of Technical / Prudential written-off accounts	Nil	Nil

4.4 Divergence in Asset Classification and Provisioning for NPAs:

Details relating to divergences pointed out by the RBI for the year ended March 31, 2016 are as below:

(₹ in crores)

No.	Particulars	Amount
1.	Gross NPAs as on March 31, 2016 as reported by the Bank	776.82
2.	Gross NPAs as on March 31, 2016 as assessed by RBI (Refer Note 1 below)	1,337.03
3.	Divergence in Gross NPAs (2 - 1)	560.21
4.	Net NPAs as on March 31, 2016 as reported by the Bank	321.75
5.	Net NPAs as on March 31, 2016 as assessed by RBI	637.55
6.	Divergence in Net NPAs (5 - 4)	315.80
7.	Provisions for NPAs as on March 31, 2016 as reported by the Bank	455.07
8.	Provisions for NPAs as on March 31, 2016 as assessed by RBI	699.48
9.	Divergence in provisioning (8 - 7)	244.41
10.	Reported Net Profit after Tax (PAT) for the year ended March 31, 2016	2,286.45
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2016 after taking into account the divergence in provisioning (Refer Note 2 below)	2,137.32

Notes:

1) The above includes one account that had an outstanding balance of ₹ 356.00 crores as of March 31, 2016, which was fully repaid before March 31, 2017. The provision amount computed by RBI on this account amounted to ₹ 142.40 crores.

2) Sl. No.11 does not include the impact of additional provision of ₹ 73.05 crores, towards a standard asset. The impact on net profit after tax due to this provision amounts to ₹ 47.77 crores.

3) Above divergences pointed out by the RBI have been provided for or repaid in the year ended March 31, 2017.

4.5 Sector-wise advances:

(₹ in crores)

No.	Sector	2016-17			2015-16		
		Outstanding Total Advances	**Gross NPAs**	**% of Gross NPAs to Total Advances in that sector**	**Outstanding Total Advances**	**Gross NPAs**	**% of Gross NPAs to Total Advances in that sector**
A	**Priority Sector**						
1.	Agriculture and allied activities	10,260.55	78.99	0.77%	9,296.77	67.93	0.73%
2.	Advances to industries sector eligible as priority sector lending	4,091.50	0.86	0.02%	1,559.51	1.03	0.07%
	Of which (refer note below):						
(a)	Gems and Jewellery	1,194.12	-	-	945.13	-	-
(b)	Construction (Other than Infrastructure)	3.94	-	-	0.37	-	-
(c)	Infrastructure	9.11	-	-	0.27	-	-
(d)	Basic Metal and Metal Products	343.08	-	-	14.02	-	-
3.	Services	20,451.95	187.45	0.92%	17,284.64	177.03	1.02%
4.	Personal loans	150.68	6.87	4.56%	42.85	5.32	12.42%
	Sub-total (A)	**34,954.68**	**274.17**	**0.78%**	**28,183.77**	**251.31**	**0.89%**
B	**Non Priority Sector**						
1.	Agriculture and allied activities	-	-	-	-	-	-
2.	Industry	22,984.01	225.45	0.98%	19,346.19	190.18	0.98%
	Of which (refer note below):						
(a)	Gems and Jewellery	5,761.73	6.98	0.12%	4,320.34	41.77	0.97%
(b)	Construction (Other than Infrastructure)	2,871.67	129.23	4.50%	1,129.20	44.64	3.95%
(c)	Infrastructure	3,333.59	-	-	4,921.34	-	-
(d)	Basic Metal and Metal Products	2,689.03	2.98	0.11%	1,240.14	-	-
3.	Services	51,226.69	447.48	0.87%	37,846.29	217.30	0.57%
4.	Personal loans	4,531.09	107.77	2.38%	3,498.16	118.03	3.37%
	Sub-total (B)	**78,741.79**	**780.70**	**0.99%**	**60,690.64**	**525.51**	**0.87%**
	Total (A+B)	**113,696.47**	**1,054.87**	**0.93%**	**88,874.41**	**776.82**	**0.87%**

Note:

Segments contributing in excess of 10% of the Sector is individually listed; Basic Metal and Metal Products constituted less than 10% on March 31, 2016.

4.6 *Details of Loan Assets subjected to Restructuring as on March 31, 2017:*

(₹ in crores)

No.	Type of Restructuring→		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification→ Details↓		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1.	Restructured Accounts as on 01/04/2016	No. of borrowers	8	-	-	-	8	2	-	-	-	2	2	-	-	-	2	12	-	-	-	12
		Amount outstanding	334.99	-	-	-	334.99	26.78	-	-	-	26.78	173.55	-	-	-	173.55	535.32	-	-	-	535.32
		Provision thereon	50.89	-	-	-	50.89	4.28	-	-	-	4.28	10.00	-	-	-	10.00	65.17	-	-	-	65.17
2.	Fresh restructuring during the year	No. of borrowers	1	-	-	-	1	2	-	-	-	2	-	-	-	-	-	3	-	-	-	3
		Amount outstanding	35.78	-	-	-	35.78	0.52	-	-	-	0.52	31.51	-	-	-	31.51	67.81	-	-	-	67.81
		Provision thereon	3.08	-	-	-	3.08	0.19	-	-	-	0.19	-	-	-	-	-	3.27	-	-	-	3.27
3.	Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5.	Downgradations of restructured accounts during the FY	No. of borrowers	-5	2	3	-	-	-1	1	-	-	-	-	-	-	-	-	-6	3	3	-	-
		Amount outstanding	-133.52	30.63	100.43	-	-2.46	-8.47	8.47	-	-	-	-	-	-	-	-	-141.99	39.10	100.43	-	-2.46
		Provision thereon	-30.43	5.62	48.50	-	23.69	-	-	-	-	-	-	-	-	-	-	-30.43	5.62	48.50	-	23.69
6.	Write-offs of restructured accounts during the FY 2016-17	No. of borrowers	-	-2	-2	-	-4	-	-1	-	-	-1	-	-	-	-	-	-	-3	-2	-	-5
		Amount outstanding	-6.68	-30.63	-68.45	-	-105.76	-4.43	-8.47	-	-	-12.9	-	-	-	-	-	-11.11	-39.10	-68.45	-	-118.66
		Provision thereon	-2.29	-5.62	-16.52	-	-24.43	-0.22	-	-	-	-0.22	-	-	-	-	-	-2.51	-5.62	-16.52	-	-24.65
7.	Restructured Accounts as on 31/03/2017 (closing figure)	No. of borrowers	4	-	1	-	5	3	-	-	-	3	2	-	-	-	2	9	-	1	-	10
		Amount outstanding	230.57	-	31.98	-	262.55	14.40	-	-	-	14.40	205.06	-	-	-	205.06	450.03	-	31.98	-	482.01
		Provision thereon	21.25	-	31.98	-	53.23	4.25	-	-	-	4.25	10.00	-	-	-	10.00	35.50	-	31.98	-	67.48

1. Provision includes FITL / NPA provision in case of NPA accounts, wherever applicable, in addition to dimunition in fair value provision held.
2. Sr. No. 2 includes additions to existing restructured accounts of ₹ 54.47 crores (provision ₹ 0.16 crores).
3. Sr. No. 6 includes reductions in existing restructured accounts of ₹ 118.66 crores (provision ₹ 24.65 crores). This also includes accounts which have exited CDR / Bank has done OTS with / sold to ARC / Restructuring Failures.

$ In case of NPAs, outstanding reported is net of unrealised interest.

4.6 *Details of Loan Assets subjected to Restructuring as on March 31, 2016:*

(₹ in crores)

No.	Type of Restructuring→		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification→ Details↓		Stan-dard	Sub-Stan-dard	Doubtful	Loss	Total	Stan-dard	Sub-Stan-dard	Doubtful	Loss	Total	Stan-dard	Sub-Stan-dard	Doubtful	Loss	Total	Stan-dard	Sub-Stan-dard	Doubtful	Loss	Total
1.	Restructured Accounts as on 01/04/2015	No. of borrowers	13	-	-	-	**13**	2	-	-	-	**2**	-	-	1	-	**1**	15	-	1	-	**16**
		Amount outstanding	405.42	-	-	-	**405.42**	32.33	-	-	-	**32.33**	-	-	0.24	-	**0.24**	437.75	-	0.24	-	**437.99**
		Provision thereon	68.34	-	-	-	**68.34**	2.49	-	-	-	**2.49**	-	-	0.10	-	**0.10**	70.83	-	0.10	-	**70.93**
2.	Fresh restructuring during the year	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**	2	-	-	-	**2**	2	-	-	-	**2**
		Amount outstanding	29.03	-	-	-	**29.03**	1.51	-	-	-	**1.51**	173.55	-	-	-	**173.55**	204.09	-	-	-	**204.09**
		Provision thereon	8.30	-	-	-	**8.30**	1.79	-	-	-	**1.79**	10.00	-	-	-	**10.00**	20.09	-	-	-	**20.09**
3.	Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
4.	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-1			-	**-1**	-	-		-	**-**					**-**	-1	-			**-1**
		Amount outstanding	-2.72			-	**-2.72**	-	-		-	**-**					**-**	-2.72	-			**-2.72**
		Provision thereon	-				**-**	-				**-**	-				**-**	-				**-**
5.	Downgradations of restructured accounts during the FY	No. of borrowers	-4	-	4	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-4	-	4	-	**-**
		Amount outstanding	-89.07	-	89.07	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-89.07	-	89.07	-	**-**
		Provision thereon	-21.90	-	21.90	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-21.90	-	21.90	-	**-**
6.	Write-offs of restructured accounts during the FY 2015-16	No. of borrowers	-	-	-4	-	**-4**	-	-	-	-	**-**	-	-	-1	-	**-1**	-	-	-5	-	**-5**
		Amount outstanding	-7.67	-	-89.07	-	**-96.74**	-7.06	-	-	-	**-7.06**	-	-	-0.24	-	**-0.24**	-14.73	-	-89.31	-	**-104.04**
		Provision thereon	-3.85	-	-21.90	-	**-25.75**	-	-	-	-	**-**	-	-	-0.10	-	**-0.10**	-3.85	-	-22.00	-	**-25.85**
7.	Restructured Accounts as on 31/03/2016 (closing figure)	No. of borrowers	8	-	-	-	**8**	2	-	-	-	**2**	2	-	-	-	**2**	12	-	-	-	**12**
		Amount outstanding	334.99	-	-	-	**334.99**	26.78	-	-	-	**26.78**	173.55	-	-	-	**173.55**	535.32	-	-	-	**535.32**
		Provision thereon	50.89	-	-	-	**50.89**	4.28	-	-	-	**4.28**	10.00	-	-	-	**10.00**	65.17	-	-	-	**65.17**

1. Provision also includes FITL / NPA provision, wherever applicable, in addition to provision for diminution in fair value.
2. Sr. No. 2 includes additions to existing restructured accounts of ₹ 30.54 crores (provision ₹ 10.09 crores).
3. Sr. No. 6 includes reductions in existing restructured accounts of ₹ 104.04 crores (provision ₹ 25.85 crores). This also includes accounts which have exited CDR / Bank has done OTS with / sold to ARC / Restructuring Failures.

$ Excluding Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of ₹ 12.46 crores.

4.7 a) Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A), as on March 31, 2017:

(₹ in crores)

No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as Standard	Nil	Nil	Nil	Nil
Classified as NPA	Nil	Nil	Nil	Nil

b) Disclosures on Flexible Structuring of Existing Loans:

(₹ in crores)

Period	No. of borrowers taken up for flexibly structuring	Amount of loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Standard	Classified as NPA	Before applying flexible structuring	After applying flexible structuring
During the year ended March 31, 2016	Nil	Nil	Nil	Nil	Nil
During the year ended March 31, 2017	Nil	Nil	Nil	Nil	Nil

c) Disclosures on Strategic Debt Restructuring Scheme (SDR) (accounts which are currently under the stand-still period):

(₹ in crores)

No. of accounts where SDR has been invoked	Amount outstanding as on March 31, 2017**		Amount outstanding as on March 31, 2017 with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on March 31, 2017 with respect to accounts where conversion of debt to equity has taken place**	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
4	267.80	Nil	Nil	Nil	267.80	Nil

** Includes ₹ 129.06 crores that is also reported under restructured standard advances (Refer Schedule 18 – Note 4.6).

d) ***Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period):***

(₹ in crores)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on March 31, 2017		Amount outstanding as on March 31, 2017 with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares is pending		Amount outstanding as on March 31, 2017 with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares has taken place		Amount outstanding as on March 31, 2017 with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

e) ***Disclosures on Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period):***

(₹ in crores)

No. of project loan accounts where banks have decided to effect change in ownership	Amount outstanding as on March 31, 2017		
	Classified as standard	Classified as standard restructured	Classified as NPA
Nil	Nil	Nil	Nil

4.8 a) Details of financial assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for asset reconstruction:

(₹ in crores)

No.	Particulars	2016-17	2015-16
1.	No. of accounts	1,633	1,895
2.	Aggregate value (net of provisions) of accounts sold to SC / RC	330.37	179.87
3.	Aggregate consideration	268.50	163.13
4.	Additional consideration realised in respect of accounts transferred in earlier years	-	-
5.	Aggregate gain / (loss) over net book value	(61.87)	(16.74)

b) ***Details of book value of investment in security receipts (SRs):***

(₹ in crores)

Particulars	2016-17	2015-16
Backed by NPAs sold by the Bank as underlying	353.87	213.51
Backed by NPAs sold by the other Banks / Financial Institutions / Non-Banking Financial Companies as underlying	-	-
Total	**353.87**	**213.51**

c) ***Disclosure of Investment in Security Receipts:***

(₹ in crores)

Particulars	As at March 31, 2017			As at March 31, 2016		
	SRs issued within past 5 years	**SRs issued more than 5 years ago but within past 8 years**	**SRs issued more than 8 years ago**	**SRs issued within past 5 years**	**SRs issued more than 5 years ago but within past 8 years**	**SRs issued more than 8 years ago**
(i) Book value of SRs backed by NPAs sold by the bank as underlying	353.87	-	-	202.52	10.99	-
Provision held against (i)	55.90	-	-	27.05	8.24	-
(ii) Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-	-	-	-
Provision held against (ii)	-	-	-	-	-	-
Total (i) + (ii)	**353.87**	**-**	**-**	**202.52**	**10.99**	**-**

(a) This does not include SRs issued by Trusts that were closed and the outstanding SRs were cancelled and written off in the books of the Bank.

(b) SRs amounting to ₹ 11.00 crores (previous year ₹ 0.01 crores) issued by Trusts more than 8 years ago, and written off in the books of the Bank are held in physical form with Nil value.

4.9 During the year, there has been no individual purchase / sale of non-performing financial assets from / to other banks (previous year Nil).

4.10 During the year, there was no sale of assets through securitization except sale of assets to SC / RC (previous year Nil).

4.11 Provision on Standard Assets:

In accordance with RBI guidelines, general provision on standard assets is made at the following rates:

(a) At 1% on standard advances to Commercial Real Estate Sector;

(b) At 0.25% on standard direct advances to SME and Agriculture; and

(c) At 0.40% of the balance outstanding in other standard assets.

Standard assets provision also includes additional provision made pursuant to RBI instructions including provisions towards restructured standard assets.

The provision on standard assets is included in ‘Other Liabilities and Provisions – Others’ in Schedule 5, and is not netted off from Advances. The amount of provision held on standard assets is as below:

(₹ in crores)

Particulars	March 31, 2017	March 31, 2016
Cumulative Provision held for Standard Assets [Including ₹ 45.69 crores towards Unhedged Foreign Currency Exposure of clients (previous year ₹ 27.24 crores)]	801.52	455.69

4.12 *Unhedged Foreign Currency Exposure (UFCE) of Clients:*

Foreign exchange risk is the risk of loss arising out of adverse movements in foreign exchange rates affecting both on-balance sheet and off-balance sheet exposures. The forex positions that are not effectively hedged either by way of natural hedge or through derivatives / forward contracts expose a client to the risk of loss due to volatility in the forex rates. The Bank assesses the risk arising out of such UFCE of the clients at the time of credit appraisal and monitors the same at regular intervals. The provision for standard assets as of March 31, 2017, included an amount of ₹ 45.69 crores (previous year ₹ 27.24 crores) towards UFCE. Further, capital held under Basel III Capital Regulations, as of March 31, 2017, includes an amount of ₹ 128.57 crores (previous year ₹ 52.47 crores) on account of UFCE, computed at the applicable risk weights.

4.13 *Floating provision:*

(₹ in crores)

Particulars	March 31, 2017	March 31, 2016
Opening Balance as at beginning of the year	Nil	Nil
Provisions made during the year	Nil	Nil
Draw-down made during the year	Nil	Nil
Closing Balance as at end of the year	Nil	Nil

5. Business ratios:

No.	Ratio	March 31, 2017	March 31, 2016
(i)	Interest income as a percentage to working funds	9.35%	9.92%
(ii)	Non-interest income as a percentage to working funds	2.71%	2.75%
(iii)	Operating profit as a percentage to working funds	3.54%	3.46%
(iv)	Return on assets	1.86%	1.91%
(v)	Business (deposits plus gross advances) per employee (₹ in lakhs)	916.29	764.55
(vi)	Profit per employee (₹ in lakhs)	11.33	9.92

Notes:

(1) Working funds are reckoned as the average of total assets as per the monthly returns in Form X filed with RBI during the year.

(2) Returns on Assets are computed with reference to average working funds.

(3) Business per employee (deposits plus gross advances) is computed after excluding Inter-bank deposits.

6. Asset Liability Management:

6.1 Maturity Pattern of certain items of Assets and Liabilities as at March 31, 2017:

(₹ in crores)

Particulars	Deposits	Loans & Advances*	Investments	Borrowings	Foreign currency assets	Foreign currency liabilities
Day 1	503.31	594.29	-	0.04	858.98	440.64
2 to 7 days	3,745.60	7,243.48	96.54	603.52	1,578.23	792.10
8 to 14 days	4,308.00	2,415.45	-	-	501.30	40.25
15 to 30 days	4,435.01	1,883.22	-	-	762.89	290.17
31 days to 2 months	10,305.05	4,459.32	28.05	1,828.77	1,912.16	1,927.33
Over 2 months to 3 months	7,619.62	8,823.40	520.50	1,290.52	3,648.80	1,336.95
Over 3 months to 6 months	13,072.92	8,883.82	356.48	4,662.32	2,478.61	677.86
Over 6 months to 1 year	25,042.52	15,517.98	1,822.96	3,993.05	1,798.37	1,852.68
Over 1 year to 3 years	18,055.05	38,799.90	5,130.84	2,772.97	2,275.45	4,136.26
Over 3 years to 5 years	12,877.69	11,028.32	2,827.03	4,302.50	1,359.48	1,585.95
Over 5 years to 7 years	5,955.23	4,705.13	3,522.57	500.00	400.57	85.60
Over 7 years to 10 years	7,211.51	4,334.27	7,858.22	2,500.00	45.45	103.94
Over 10 years to 15 years	7,142.17	4,990.65	9,634.62	-	-	103.94
Above 15 years	6,298.54	501.28	4,904.33	-	-	91.71
Total	**1,26,572.22**	**1,14,180.51**	**36,702.14**	**22,453.69**	**17,620.29**	**13,465.38**

* Loans & Advances include Bill Re-discounting Scheme of ₹ 1,100.00 crores.

Note: The bucketing structure has been revised based on the RBI guideline dated March 23, 2016.

Maturity Pattern of certain items of Assets and Liabilities as at March 31, 2016:

(₹ in crores)

Particulars	Deposits	Loans & Advances*	Investments	Borrowings	Foreign currency assets	Foreign currency liabilities
Day 1	377.19	728.45	-	0.30	988.02	519.31
2 to 7 days	2,903.38	7,975.86	31.20	9,205.89	1,487.92	835.55
8 to 14 days	2,669.00	1,909.57	50.03	165.64	715.36	200.10
15 to 30 days	4,683.67	2,814.44	-	662.55	714.67	680.73
31 days to 2 months	6,123.34	5,010.44	-	-	1,815.54	42.77
Over 2 months to 3 months	9,574.15	7,491.00	1,930.87	-	2,381.86	115.08
Over 3 months to 6 months	6,573.26	5,783.52	2,876.00	3,496.62	868.20	456.95
Over 6 months to 1 year	16,645.95	10,888.79	4,345.55	3,475.72	714.54	1,316.62
Over 1 year to 3 years	14,472.24	32,790.97	3,038.97	7,014.60	4,817.66	5,839.60
Over 3 years to 5 years	10,323.07	9,126.65	4,055.44	265.64	219.86	2,344.06
Over 5 years to 7 years	4,174.59	2,228.78	2,020.33	708.90	31.20	58.85
Over 7 years to 10 years	5,051.19	1,540.38	6,359.86	-	6.38	71.46
Over 10 years to 15 years	5,011.49	1,822.90	5,600.99	-	-	71.46
Above 15 years	4,417.83	7.59	3,745.07	-	-	63.06
Total	**93,000.35**	**90,119.34**	**34,054.31**	**24,995.86**	**14,761.21**	**12,615.60**

*Loans & Advances includes Bill Re-discounting Scheme of ₹ 1,700.00 crores.

6.2 Liquidity Coverage Ratio (LCR):

Liquidity Coverage Ratio (LCR) aims in ensuring the Bank to maintain an adequate level of unencumbered High Quality Liquid Assets (HQLAs) to meet its liquidity needs convertible into cash under significantly severe liquidity stress scenario lasting for 30 days horizon period. LCR measures the Bank's potential to stand under combined idiosyncratic and market-wide liquidity stress condition, where the Bank experiences accelerated withdrawal of deposits from retail as well wholesale depositors, partial loss of secured funding, increase in collateral requirements and unscheduled draw down of unused credit lines.

LCR is the ratio of unencumbered HQLAs to Net Cash Outflows over the next 30 calendar days. From Jan 1, 2017 onwards, RBI guidelines mandate computation of LCR on daily average basis, which hitherto were measured on month-ends. The following table presents the minimum LCR to be maintained, in terms of RBI guidelines.

Effective from	**Jan 1, 2017**	**Jan 1, 2018**	**Jan 1, 2019**
Minimum LCR	80%	90%	100%

The Bank maintains HQLA in terms of Cash, unencumbered excess SLR, proportion of statutory SLR as allowed by RBI, excess statutory cash reserve and high rated corporate bonds issued by entities other than financial institutions. For the purposes of LCR computation, the Bank has considered all inflows and outflows that may have a quantifiable impact under the liquidity stress scenario.

IndusInd Bank has computed LCR on a daily basis from Jan 01, 2017 onwards for domestic and overseas operations. The previous quarters reflect LCR computed based on average of month end values. Based on simple average calculated on daily observations in domestic currency, LCR of the Bank, at consolidated level, for the quarter ended March 31, 2017 worked out to 94.61%.

Quantitative disclosure:

Following is the quantitative disclosures relating to LCR for the Year Ending March 31, 2017:

(₹ in crores)

No.	Particulars	June 2016		September 2016		December 2016		March 2017	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	High Quality Liquid Assets								
1.	Total High Quality Liquid Assets (HQLA)		13,732.54		16,426.54		22,131.53		28,214.84
	Cash Outflows								
2.	Retail deposits and deposits from small business customers, of which:								
(i)	Stable deposits	3,115.48	155.77	3,258.47	162.92	4,140.96	207.05	4,312.41	215.62
(ii)	Less stable deposits	23,867.40	2,386.74	25,216.56	2,521.66	26,835.48	2,683.55	28,103.93	2,810.39
3.	Unsecured wholesale funding, of which:								
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	30,520.64	19,387.71	37,450.56	22,063.37	40,132.60	25,539.21	51,225.42	31,202.45
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4.	Secured wholesale funding		-		-		-		-
5.	Additional requirements, of which								
(i)	Outflows related to derivative exposures and other collateral requirements	10,871.20	10,871.20	15,565.24	15,565.24	18,482.37	18,482.37	21,566.92	21,566.92
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6.	Other contractual funding obligations	3,026.33	3,026.33	2,512.15	2,512.15	1,659.84	1,659.84	1,305.80	1,305.80
7.	Other contingent funding obligations	32,200.56	1,076.21	36,458.43	1,201.80	39,858.28	1,341.53	48,280.62	1,598.80
8.	**Total Cash Outflows**		**36,903.96**		**44,027.14**		**49,913.55**		**58,699.98**

(₹ in crores)

No.	Particulars	June 2016		September 2016		December 2016		March 2017	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	Cash Inflows								
9.	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10.	Inflows from fully performing exposures	24,169.14	19,397.14	27,174.48	23,771.98	28,777.62	25,668.71	31,912.59	28,793.60
11.	Other cash inflows	-	-	-	-	-	-	166.39	83.19
12.	**Total Cash Inflows**		**19,397.14**		**23,771.98**		**25,668.71**		**28,876.79**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13.	**Total HQLA**		**13,732.54**		**16,426.54**		**22,131.53**		**28,214.84**
14.	**Total Net Cash Outflows**		**17,506.82**		**20,255.16**		**24,244.84**		**29,823.19**
15.	**Liquidity Coverage Ratio (%)**		**78.44%**		**81.10%**		**91.28%**		**94.61%**

Note: LCR data for the quarters ended June 30, 2016, September 30, 2016 and December 31, 2016 have been computed as the simple average of monthly observations over the quarter. For the quarter ended March 31, 2017, the same has been computed based on simple average of daily observations.

Following is the quantitative disclosures relating to LCR for the Year Ending March 31, 2016:

(₹ in crores)

No.	Particulars	June 2015		September 2015		December 2015		March 2016	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	High Quality Liquid Assets								
1.	Total High Quality Liquid Assets (HQLA)		9,557.52		11,841.21		11,733.66		12,903.00
	Cash Outflows								
2.	Retail deposits and deposits from small business customers, of which:								
(i)	Stable deposits	2,766.37	138.32	2,864.87	143.24	2,960.13	148.01	3,032.24	151.61
(ii)	Less stable deposits	16,460.26	1,646.03	18,372.99	1,837.30	19,697.69	1,969.77	22,194.65	2,219.47
3.	Unsecured wholesale funding, of which:								
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	26,370.99	16,622.54	24,874.93	15,808.17	27,084.72	15,780.49	34,318.38	21,888.93
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4.	Secured wholesale funding		-		-		-		-
5.	Additional requirements, of which								
(i)	Outflows related to derivative exposures and other collateral requirements	7,903.68	7,903.68	9,429.77	9,429.77	7,609.27	7,609.27	12,168.11	12,168.11
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6.	Other contractual funding obligations	468.81	468.81	2,361.44	2,361.44	4,551.53	4,551.53	2,306.97	2,306.97
7.	Other contingent funding obligations	5,971.86	298.59	13,685.39	684.27	9,279.39	463.97	13,234.49	520.37
8.	**Total Cash Outflows**		**27,077.97**		**30,264.19**		**30,523.04**		**39,255.46**
	Cash Inflows								
9.	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10.	Inflows from fully performing exposures	12,610.68	11,673.64	15,424.80	14,307.59	14,025.44	12,841.11	23,436.16	20,994.41
11.	Other cash inflows	1,442.66	721.33	-	-	-	-	-	-
12.	**Total Cash Inflows**		**12,394.97**		**14,307.59**		**12,841.11**		**20,994.41**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13.	**Total HQLA**		**9,557.52**		**11,841.21**		**11,733.66**		**12,903.00**
14.	**Total Net Cash Outflows**		**14,683.00**		**15,956.60**		**17,681.93**		**18,261.05**
15.	**Liquidity Coverage Ratio (%)**		**65.09%**		**74.21%**		**66.36%**		**70.66%**

Note: LCR data for each of the quarters have been computed as the simple average of monthly observations over the quarter.

7. Exposures:

7.1 Exposure to Real Estate Sector:

(₹ in crores)

No.	Particulars	March 31, 2017	March 31, 2016
(a)	**Direct exposure**		
(i)	Residential Mortgages - of which housing loans eligible for inclusion in priority sector advance ₹ 71.22 crores (previous year ₹ 43.89 crores)	7,735.55	5,708.29
(ii)	Commercial Real Estate [1]	11,008.45	10,122.55
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures:		
	Residential	-	-
	Commercial Real Estate	-	-
(b)	**Indirect exposure**		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	3,167.29	2,725.26
	Total Real Estate Exposure	**21,911.29**	**18,556.10**

[1] Does not include corporate lending backed by mortgage of land and building.

7.2 Exposure to Capital Market:

(₹ in crores)

No.	Particulars	March 31, 2017	March 31, 2016
(i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	382.93	298.12
(ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	Nil	Nil
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	154.53	54.96
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds, i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	3,681.92	2,010.13
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	1,789.29	2,049.98
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	Nil	Nil

(₹ in crores)

No.	Particulars	March 31, 2017	March 31, 2016
(vii)	Bridge loans to companies against expected equity flows / issues	Nil	Nil
(viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	Nil	Nil
(ix)	Financing to stockbrokers for margin trading	Nil	Nil
(x)	All exposures to Venture Capital Funds (both registered and unregistered)	67.50	20.00
(xi)	Irrevocable payment commitments issued by custodian banks in favour of stock exchanges	Nil	Nil
	Total Exposure to Capital Market	**6,076.17**	**4,433.19**

During the year, Bank has converted debt of ₹ 51.29 crores to equity as a part of strategic debt restructuring which is exempt from CME limit (previous year ₹ 9.09 crores).

7.3 *Risk Category-wise exposure to country risk:*

(₹ in crores)

Risk category	Exposure (net) as at March 31, 2017	Provision held as at March 31, 2017	Exposure (net) as at March 31, 2016	Provision held as at March 31, 2016
Insignificant	1,482.96	-	587.53	-
Low	3,529.42	-	2,286.44	-
Moderate	111.34	-	88.61	-
High	350.13	-	762.38	-
Very High	289.94	-	69.31	-
Restricted	37.00	-	4.49	-
Off Credit	45.40	-	5.79	-
Total	**5,846.19**	**-**	**3,804.55**	**-**

7.4 *Single borrower limit and Group Borrower Limit:*

During the year ended March 31, 2017, the Bank's credit exposures to single borrowers and group borrowers were within the prudential limits prescribed by RBI except in case of Vodafone Mobile Services Limited / Vodafone India Limited, where the single borrower limit was exceeded. This exposure has been approved by the Board of Directors of the Bank as it was within the prudential limit.

During the year ended March 31, 2016, the Bank's credit exposures to single borrowers and group borrowers were within the prudential limits prescribed by RBI except in case of Vodafone Mobile Services Limited, where the single borrower limit was exceeded. This exposure has been approved by the Board of Directors of the Bank as it was within the prudential limit.

7.5 *Unsecured advances:*

The Bank has not extended any project advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations, etc. (previous year Nil). The Unsecured Advances of ₹ 14,291.58 crores (previous year ₹ 10,515.54 crores) as disclosed in Schedule 9B (iii) are without any collateral or security.

8. Concentration of Deposits, Advances, Exposures and NPAs:

8.1 Concentration of Deposits:

(₹ in crores)

Particulars	As on March 31, 2017	As on March 31, 2016
Total Deposits of twenty largest depositors	31,611.66	25,558.51
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	24.98%	27.48%

8.2 Concentration of Advances:

(₹ in crores)

Particulars	As on March 31, 2017	As on March 31, 2016
Total Advances to twenty largest borrowers	31,127.56	26,797.58
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	15.26%	16.17%

Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

8.3 Concentration of Exposures:

(₹ in crores)

Particulars	As on March 31, 2017	As on March 31, 2016
Total Exposure to twenty largest borrowers / customers	32,538.76	26,850.88
Percentage of Exposure of twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	15.58%	15.69%

Exposures are computed as per the definition in Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated July 1, 2015 and includes credit, derivatives and investment exposure.

8.4 Concentration of NPAs:

(₹ in crores)

Particulars	As on March 31, 2017	As on March 31, 2016
Total Exposure to top four NPA accounts	171.25	141.40

Note: Exposure represents outstanding advances.

8.5 *Intra-Group Exposure:*

(₹ in crores)

Particulars	As on March 31, 2017	As on March 31, 2016
Total amount of intra-group exposure	Nil	Nil
Total amount of top-20 intra-group exposure	Nil	Nil
Percentage of Intra Group Exposure to Total Exposure of the Bank on borrower / Customer	Nil	Nil
Details of Breach of Limit on Intra Group exposure and Regulatory action thereon, if any	Nil	Nil

8.6 *Priority Sector Lending Certificates (PSLC):*

(₹ in crores)

Particulars	Year Ending March 31, 2017	
	PSLC Sold	PSLC Purchase
1) PSLC Agriculture	Nil	Nil
2) PSLC Small Farmers / Marginal Farmers	Nil	Nil
3) PSLC Micro Enterprises	Nil	Nil
4) PSLC General	600.25	Nil

9. Miscellaneous:

9.1 *Amount of Provisions for taxation during the year:*

(₹ in crores)

Particulars	2016-17	2015-16
Provision for Income Tax	1,681.33	1,332.38
Deferred tax credit	(189.54)	(149.57)
Total	**1,491.79**	**1,182.81**

9.2 *Disclosure of penalties imposed by RBI:*

During the year, RBI imposed a penalty of ₹ 2.00 crores (previous year Nil) for violation of regulatory directions / instructions / guidelines, among other things on KYC norms, in exercise of powers vested under Section 47(A)(1)(c) read with Section 46(4) of the Banking Regulation Act, 1949. This penalty was duly paid by the Bank.

9.3 *Fixed Assets:*

9.3.1 Cost of premises includes ₹ 4.09 crores (previous year ₹ 4.09 crores) in respect of properties for which execution of documents and registration formalities are in progress. Of these properties, the Bank has not obtained full possession of one property having written down value of ₹ 1.56 crores (previous year ₹ 1.59 crores) and has filed a suit for the same.

9.3.2 *Computer software:*

The movement in fixed assets capitalized as computer software is given below:

(₹ in crores)

Particulars	March 31, 2017	March 31, 2016
At cost at the beginning of the year	280.48	209.36
Addition during the year	61.10	71.12
Deduction during the year	3.06	-
Accumulated Depreciation as at 31 March	207.26	160.31
Closing Balance as at 31 March	131.26	120.17
Depreciation charge for the year	47.20	32.35

9.4 Contingent Liabilities:

The Bank's pending litigations comprise of claims against the Bank by the clients and proceedings pending with Income Tax authorities. The Bank has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. Claims against the Bank not acknowledged as debts comprise of tax demands of ₹ 165.18 crores (previous year ₹ 159.24 crores) in respect of which the Bank is in appeal and the legal cases *sub judice* of ₹ 357.50 crores (previous year ₹ 489.35 crores). The Bank carries a provision of ₹ 4.48 crores (previous year ₹ 4.48 crores) against cases *sub judice*. The amount of contingent liabilities is based on management's estimate, and no significant liability is expected to arise out of the same.

9.5 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 ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of account.

9.6.1 Overseas Asset, NPAs and Revenue:

During the year, the Bank earned a revenue of ₹ 82.01 crores through overseas assets (previous year Nil). The overseas assets as at March 31, 2017 amounted to ₹ 1,717.17 crores (previous year Nil) and there were no NPA (previous year Nil). Assets for this purpose is defined to include client advances.

9.6.2 The Bank does not have any Off-Balance Sheet SPVs (which are required to be consolidated as per accounting standards) (previous year Nil).

9.7 Disclosure relating to Depositor Education and Awareness Fund (DEAF):

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Opening balance of amounts transferred to DEAF	15.59	12.53
Add: Amounts transferred during the year	3.71	3.17
Less: Amounts reimbursed by DEAF towards claims	0.35	0.11
Closing balance of amounts transferred to DEAF	**18.95**	**15.59**

9.8 There is no delay in transferring amounts to Investor Education and Protection Fund by the Bank (previous year Nil).

9.9 Corporate Social Responsibility (CSR):

The Bank has spent an amount of ₹ 33.81 crores (previous year ₹ 27.32 crores) towards CSR initiatives through various projects in the areas of Rural Development and Inclusiveness, Environment Sustainability, Preventive Healthcare, Education and Sports. Of the total CSR spends, an amount of ₹ 21.16 crores (previous year ₹ 22.30 crores) was incurred towards capital expenditure.

9.10 Drawdown from Reserves:

The Bank has not undertaken any drawdown from reserves during the year ended March 31, 2017. There has been no drawdown from the reserves during the year ended March 31, 2016, except towards share issue expenses incurred for the equity share capital raised through a Qualified Institutions Placement (QIP) and a Preferential Allotment, which have been adjusted against the share premium account in terms of Section 52 of the Companies Act, 2013.

9.11 Credit default swaps:

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year (previous year Nil).

9.12 Pursuant to RBI circular FMRD.DIRD. 10/14.03.002/2015-16 dated May 19, 2016, the Bank has, with effect from October 3, 2016, considered its repo and reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of RBI as collateralised borrowings and lending, as the case may be. Figures for the previous periods have been regrouped / reclassified to conform to current period's classification. The above regrouping / reclassification has no impact on the profit of the Bank for the year. As of March 31, 2017, Money at Call and Short Notice in Schedule 7(I)(ii) included an amount of ₹ 6,300 crores on account of reverse repo transactions under LAF. Consequent to the regrouping, an amount of ₹ 2,840 crores of repo transaction under LAF as of March 31, 2016 is reported as Borrowings in Schedule 4(I)(i). Further, for the year ended March 31, 2016 Income from Investments [Schedule 13(2)] has been reported higher by ₹ 286.39 crores and Interest on Balance with RBI and Other Inter-Bank Funds [Schedule 13(3)] by ₹ 4.69 crores, and correspondingly, the Interest on RBI / Inter-Bank Borowings [Schedule 15(2)] has been reported higher by ₹ 291.08 crores.

9.13 In March 2017, the Bank made an announcement of entering into an agreement with Infrastructure Leasing and Financial Services Ltd., (IL&FS) the Promoter Shareholders of IL&FS Securities Services Ltd., (ISSL) to acquire 100% of ISSL. The proposed transaction is conditional on definitive agreements and approvals including regulatory approvals, and as such, does not have any bearing on the current financial results or the financial position of the Bank as at March 31, 2017.

9.14 Movement in depreciation of Fixed Assets:

(₹ in crores)

Depreciation	2016-17	2015-16
Premises		
At the beginning of the year	66.72	58.99
Transferred from Revaluation Reserve	6.18	6.20
Charge for the year	2.06	2.07
Deduction during the year	-	0.54
Depreciation to date	74.96	66.72
Other Fixed Assets		
At the beginning of the year	771.09	649.79
Charge for the year	188.64	154.45
Deduction during the year	19.52	33.15
Depreciation to date	940.21	771.09

10. Employee Stock Option Scheme (ESOS):

10.1 The shareholders of the Bank approved Employee Stock Option Scheme (ESOS) on September 18, 2007. ESOS enables the Board and / or the HR and Remuneration Committee to grant such number of stock options of the Bank not exceeding 7% of the aggregate number of issued and paid up equity shares of the Bank, in line with the guidelines of the Securities & Exchange Board of India (SEBI). The options vest within a maximum period of five years from the date of grant of option. The exercise price for each grant is decided by the Compensation Committee, which is normally based on the latest available closing price. Upon vesting, the options have to be exercised within a maximum period of five years. The stock options are equity settled where the employees will receive one equity share per stock option.

Pursuant to the ESOS 2007 scheme, the HR and Remuneration Committee of the Bank has granted 3,98,39,800 options as set out below:

No.	Date of grant	No. of options	Range of exercise price (₹)
1.	18-Jul-08	1,21,65,000	48.00 - 50.60
2.	17-Dec-08	34,56,000	38.95
3.	05-May-09	8,15,500	44.00
4.	31-Aug-09	3,18,500	100.05
5.	28-Jan-10	7,47,000	48.00 - 140.15
6.	28-Jun-10	13,57,450	196.50
7.	14-Sep-10	73,500	236.20
8.	26-Oct-10	1,43,500	274.80
9.	17-Jan-11	25,00,000	228.70
10.	07-Feb-11	20,49,000	95.45 - 220.45
11.	24-Jun-11	21,54,750	253.60
12.	16-Aug-11	89,500	254.90
13.	30-Sep-11	2,61,000	262.25
14.	21-Dec-11	9,20,000	231.95
15.	29-Feb-12	1,95,000	304.05
16.	19-Apr-12	1,40,500	345.60
17.	25-May-12	1,34,500	304.55
18.	10-Jul-12	2,67,000	343.25
19.	29-Aug-12	1,14,000	319.05
20.	10-Oct-12	23,500	365.75
21.	09-Jan-13	30,000	433.75
22.	18-Apr-13	12,500	419.60
23.	20-Jun-13	1,75,000	478.45
24.	18-Jul-13	18,35,000	453.90
25.	23-Sep-13	75,000	411.50
26.	29-Oct-13	22,000	412.25
27.	29-Jan-14	7,67,500	300.00 - 389.85
28.	25-Mar-14	1,76,500	490.30
29.	15-May-14	65,500	537.05
30.	02-Jun-14	32,69,500	533.95

No.	Date of grant	No. of options	Range of exercise price (₹)
31.	09-Jul-14	33,000	551.10
32.	13-Oct-14	74,500	623.25
33.	17-Jan-15	47,500	831.85
34.	23-Feb-15	48,000	876.80
35.	30-Mar-15	11,000	880.75
36.	22-May-15	52,600	848.20
37.	24-Jul-15	16,30,000	949.80
38.	21-Sep-15	1,93,000	918.65
39.	04-Nov-15	93,500	911.85
40.	12-Jan-16	10,33,500	886.75 - 936.75
41.	12-May-16	13,500	1,053.75
42.	11-Jul-16	25,000	1,126.70
43.	23-Aug-16	2,76,000	1,186.75
44.	10-Oct-16	18,51,000	1,220.85
45.	16-Nov-16	33,500	1,093.10
46.	27-Jan-17	21,500	1,265.40
47.	24-Mar-17	49,000	1,383.90

10.2 Recognition of expense:

The Bank follows the intrinsic value method to recognize employee costs relating to ESOS, in accordance with the Guidance Note on “Accounting for Employee Share-based Payments” issued by the ICAI. Excess of fair market price over the exercise price of an option at the grant date, is recognised as a deferred compensation cost and amortized on a straight-line basis over the vesting period of such options. The compensation so recognised in respect of which exercise of options is outstanding is shown as Employee Stock Options Outstanding on the face of the Balance Sheet.

The fair market price is the latest available closing price on the stock exchange on which the shares of the Bank are listed, prior to the date of the meeting of the Compensation Committee in which stock options are granted. Since shares are listed on more than one stock exchange, the exchange where the Bank’s shares have been traded highest on the said date is considered for this purpose.

10.3 Stock option activity under the scheme during the year:

Particulars	No. of options	Weighted average exercise price (₹)
Outstanding at the beginning of the year	1,28,31,251	472.32
Granted during the year	22,69,500	1,216.73
Forfeited / surrendered during the year	2,06,270	707.72
Exercised during the year	31,62,370	305.54
Expired during the year	-	-
Outstanding at the end of the year	1,17,32,111	657.14
Options exercisable at the end of the year	65,35,784	403.13

The weighted average price of options exercised during the year is ₹ 1,129.96.

Following table summarizes the information about stock options outstanding as at March 31, 2017:

No.	Date of grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
1.	31-Aug-09	100.05	17,000	0.42
2.	28-Jan-10 A	48.00	6,00,000	0.80
3.	28-Jun-10	196.50	42,212	0.83
4.	17-Jan-11	228.70	11,70,000	1.24
5.	07-Feb-11 A	220.45	2,58,900	1.36
6.	24-Jun-11	253.60	1,22,387	1.58
7.	30-Sep-11	262.25	9,000	2.33
8.	21-Dec-11	231.95	4,03,000	2.36
9.	29-Feb-12	304.05	1,04,500	1.97
10.	19-Apr-12	345.60	59,000	2.34
11.	25-May-12	304.55	21,960	1.88
12.	10-Jul-12	343.25	1,48,100	2.79
13.	29-Aug-12	319.05	750	3.42
14.	10-Oct-12	365.75	5,000	2.54
15.	09-Jan-13	433.75	5,100	2.81
16.	20-Jun-13	478.45	41,500	3.84
17.	18-Jul-13	453.90	4,70,765	3.57
18.	23-Sep-13	411.50	19,520	3.98
19.	29-Oct-13	412.25	12,560	4.03
20.	29-Jan-14	389.85	23,330	4.59
21.	29-Jan-14 A	300.00	7,00,000	3.84
22.	25-Mar-14	490.30	1,42,510	4.12
23.	15-May-14	537.05	21,450	4.50
24.	02-Jun-14	533.95	21,84,015	4.35
25.	09-Jul-14	551.10	18,400	4.47
26.	13-Oct-14	623.25	37,140	4.75
27.	17-Jan-15	831.85	43,685	4.82
28.	23-Feb-15	876.80	36,570	5.02
29.	30-Mar-15	880.75	11,000	5.01
30.	22-May-15	848.20	45,327	5.22
31.	24-Jul-15	949.80	14,13,670	5.38
32.	21-Sep-15	918.65	1,77,120	5.50
33.	04-Nov-15	911.85	77,540	5.66
34.	12-Jan-16	936.75	23,600	6.22
35.	12-Jan-16	886.75	10,00,000	5.80

No.	Date of grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
36.	12-May-16	1,053.75	9,500	6.13
37.	11-Jul-16	1,126.70	25,000	6.29
38.	23-Aug-16	1,186.75	2,76,000	6.41
39.	10-Oct-16	1,220.85	18,51,000	6.54
40.	16-Nov-16	1,093.10	33,500	6.64
41.	27-Jan-17	1,265.40	21,500	6.84
42.	24-Mar -17	1,383.90	49,000	7.00

10.4 Fair value methodology:

The fair value of options granted during the year has been estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Particulars	2016-17
Average dividend yield	0.33 - 0.43%
Expected volatility	29.31 - 32.38%
Risk free interest rates	6.34 - 7.29%
Expected life of options (in years)	4.51 - 4.52

Expected volatility is a measure of the amount by which the equity share price is expected to fluctuate during a period. The measure of volatility used in Black-Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the share over a period of time. Expected volatility has been computed by considering the historical data on daily volatility in the closing equity share price on the National Stock Exchange of India Limited (NSE), over a prior period equivalent to the expected life of the options, till the date of the grant.

The stock-based compensation cost calculated as per the intrinsic value method for the year ended March 31, 2017 is ₹ 3.29 crores (previous year ₹ 2.22 crores). Had the Bank adopted the Black-Scholes model based fair valuation, compensation cost for the year ended March 31, 2017, would have increased by ₹ 70.05 crores (previous year ₹ 67.88 crores) and the proforma profit after tax would have been lower by ₹ 45.80 crores (previous year ₹ 44.39 crores). On a proforma basis, the basic and diluted earnings per share would have been as follows:

Particulars	March 31, 2017	March 31, 2016
Proforma basis -		
Basic earnings per share ₹	47.29	38.91
Diluted earnings per share ₹	46.80	38.49

The weighted average fair value of options granted during the year 2016-17 is ₹ 441.07 (previous year ₹ 382.98).

11. Disclosures – Accounting Standards:

11.1 Employee Benefits (AS-15)

Gratuity:

Gratuity is a defined benefits plan. The Bank has obtained qualifying insurance policies from two insurance companies. The following table summarises the components of net expenses recognised in the Profit and Loss account and funded status and amounts recognised in the Balance Sheet, on the basis of actuarial valuation.

(₹ in crores)

No.	Particulars	March 31, 2017	March 31, 2016
	Changes in the present value of the obligation		
1.	Opening balance of Present Value of Obligation	61.67	46.38
2.	Interest Cost	4.30	3.42
3.	Current Service Cost	12.71	10.75
4.	Benefits Paid	(7.44)	(6.48)
5.	Actuarial loss / (gain) on Obligation	4.07	7.60
6.	Closing balance of Present Value of Obligation	75.31	61.67
	Reconciliation of opening and closing balance of the fair value of the Plan Assets		
1.	Opening balance of Fair value of Plan Assets	65.34	49.58
2.	Adjustment to Opening Balance	0.57	0.62
3.	Expected Return on Plan assets	5.10	4.33
4.	Expenses	(0.33)	-
5.	Contributions	17.07	18.09
6.	Benefits Paid	(7.44)	(6.48)
7.	Actuarial loss Return on Plan Assets	1.22	(0.80)
8.	Closing balance of Fair Value of Plan Assets	81.53	65.34
	Profit and Loss – Expenses		
1.	Current Service Cost	12.71	10.75
2.	Interest Cost	4.30	3.42
3.	Expected Return on Plan assets	(5.10)	(4.33)
4.	Expenses	0.33	-
5.	Net Actuarial loss recognised in the year	2.86	8.40
6.	Expenses recognised in the Profit and Loss account	15.10	18.24
	Funded status	**100 % insurance managed funds**	**100 % insurance managed funds**
	Actuarial Assumptions		
1.	Discount Rate	7.00%	7.50%
2.	Expected Rate of Return on Plan Assets	7.60%	8.00%
3.	Expected Rate of Salary Increase	5.00%	5.00%
4.	Employee Attrition Rate		
	- Past Service 0 to 5 years	30%	30%
	- Past Service above 5 years	0.50%	0.50%

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

Experience Adjustment:

Particulars	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Defined Benefit Obligations	75.31	61.67	46.38	34.36	27.98
Plan Assets	81.53	65.34	49.58	34.36	28.67
Surplus / (Deficit)	6.21	3.67	3.20	-	0.69
Experience Adjustments on Plan Liabilities	(4.07)	(7.60)	(4.25)	1.63	1.23
Experience Adjustments on Plan Assets	1.22	(0.80)	(0.35)	(1.72)	0.19

Contributions expected to be paid to the plan during the annual period beginning after the Balance Sheet date is ₹ 24.00 crores.

Provident Fund:

The guidance note on implementing AS 15, Employee Benefits (revised 2005) states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefits plans.

The details of the fund and plan assets position as at March 31, 2017, are as follows:

(₹ in crores)

Assets / Liabilities	March 31, 2017	March 31, 2016
Present value of Interest Rate guarantee on Provident Fund	1.20	1.25
Present value of Total Obligation	143.41	128.89
Fair value of Plan Assets	143.08	127.72
Net liability recognised in the Balance Sheet	(0.33)	(1.17)
Assumptions		
Normal Retirement age	60 years	60 years
Expected guaranteed interest on PF in future	8.65%	8.80%
Discount rate	7.00%	7.50%
Expected average remaining working lives of employees (years)	6.04 - 8.07	6.36 - 13.23
Benefit on normal retirement	Accumulated account balance with interest rate equal to or more than EPFO Rate	Accumulated account balance
Benefit on early retirement / withdrawal / resignation	Accumulated account balance with interest rate equal to or more than EPFO Rate	Same as normal retirement benefit
Benefit on death in service	Accumulated account balance with interest rate equal to or more than EPFO Rate	Same as normal retirement benefit

11.2 Segment Reporting (AS 17):

The Bank operates in four business segments, viz. Treasury, Corporate / Wholesale Banking, Retail Banking and Other Banking Operations. There are no significant residual operations carried by the Bank.

Business Segments:

(₹ in crores)

Business Segment	Treasury		Corporate / Wholesale Banking		Retail Banking		Other Banking Operation		Total	
Particulars	**31/03/17**	**31/03/16**	**31/03/17**	**31/03/16**	**31/03/17**	**31/03/16**	**31/03/17**	**31/03/16**	**31/03/17**	**31/03/16**
Revenue	3,490.63	3,253.89	6,311.25	4,687.03	9,608.76	8,175.22	40.81	38.70	19,451.45	16,154.84
Inter Segment Revenue									(874.29)	(986.15)
Total Income									18,577.16	15,168.69
Result	707.61	557.42	1,778.17	1,161.85	3,142.58	2,566.52	13.35	12.15	5,641.71	4,297.94
Unallocated Expenses									(190.70)	(156.52)
Operating Profit									5,451.01	4,141.42
Provisions and Contingencies (other than tax)									(1,091.33)	(672.16)
Tax Expenses									(1,491.79)	(1,182.81)
Extraordinary profit / loss									-	-
Net Profit									2,867.89	2,286.45
Other Information:										
Segment Assets	45,131.28	39,964.17	54,185.90	32,562.01	71,820.77	63,110.40	-	-	1,71,137.95	1,35,636.58
Unallocated Assets									7,510.46	7,260.41
Total Assets									1,78,648.41	1,42,896.99
Segment Liabilities	23,001.05	25,216.74	61,913.39	44,550.15	65,901.83	49,665.41	-	-	1,50,816.27	1,19,432.30
Unallocated Liabilities									27,832.14	23,464.69
Total Liabilities									1,78,648.41	1,42,896.99

Note:

Fixed Assets, tax paid in advance / tax deducted at source (net of provisions), stationery and stamps, non-banking assets acquired in satisfaction of claims, and others which cannot be allocated to any segments, have been classified as unallocated assets; Depreciation on Fixed Assets has been classified as unallocated expenses. The unallocated liabilities include share capital, employee stock option outstanding, reserves and surplus, proposed dividend and others.

Geographic Segments:

The business operations of the Bank are largely concentrated in India. Activities outside India are restricted to resource mobilization in the international markets and lending to a few overseas entities through the IFSC Banking Unit at the GIFT City Gujarat. Since the Bank does not have material earnings emanating from foreign operations, the Bank is considered to operate only in domestic segment.

11.3 Related party transactions (AS-18):

The following is the information on transactions with related parties:

Key Management Personnel
Mr. Romesh Sobti, Managing Director

Associates
IndusInd Marketing and Financial Services Private Limited

Subsidiaries

ALF Insurance Services Private Limited (till February 24, 2016 on which date the liquidator had repaid the entire share capital; vide an order issued by the High Court of Madras on June 14, 2016 the subsidiary has been liquidated pursuant to a voluntary winding up and the name has been struck off the Companies Register).

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided as there is only one related party in each of the above categories.

11.4 Operating Leases (AS 19):

The Bank has taken a number of premises on operating lease for branches, offices, ATMs and residential premises for staff. The Bank has not given any assets on operating lease. The details of maturity profile of future operating lease payments are given below:

(₹ in crores)

Particulars	March 31, 2017	March 31, 2016
Future lease rentals payable as at the end of the year:		
- Not later than one year	277.25	216.49
- Later than one year but not later than five years	950.16	711.44
- Later than five years	349.00	293.85
Total of minimum lease payments recognised in the Profit and Loss Account for the year	243.84	206.49
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-lease	-	-
Sub-lease payments recognised in the Profit and Loss account for the year	-	-

The Bank has not sub-leased any of the properties taken on lease. There are no provisions relating to contingent rent.

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

11.5 Earnings per share (AS 20):

Details pertaining to earnings per share as per AS-20 are as under:

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Net Profit after tax (₹ in crores)	2,867.89	2,286.45
Basic weighted average number of equity shares	59,66,99,170	57,62,52,656
Diluted weighted average number of equity shares	60,29,85,746	58,24,34,853
Nominal value of Equity Shares (₹)	10	10
Basic Earnings per Share (₹)	48.06	39.68
Diluted Earnings per Share (₹)	47.56	39.26

11.6 Deferred Tax (AS 22):

The major components of deferred tax assets / liabilities are as under:

(₹ in crores)

Particulars	March 31, 2017 Deferred Tax		March 31, 2016 Deferred Tax	
Timing difference on account of	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Difference between book depreciation and depreciation under the Income Tax Act, 1961	-	33.35	-	26.47
Difference between Provisions for doubtful debts and advances and amount allowable under Section 36(1)(viia) of the Income Tax Act, 1961	530.93	-	307.32	-
Difference between book income and income offered under the Income Tax Act, 1961	-	177.93	-	144.49
Others	32.82	-	26.57	-
Sub-total	**563.75**	**211.28**	**333.89**	**170.96**
Net closing balance carried to the Balance Sheet (included in Schedule 11 – Others)	**352.47**		**162.93**	

12. Additional Disclosures:

12.1 Provisions and Contingencies charged to the Profit and Loss account for the year consist of:

(₹ in crores)

Particulars	March 31, 2017	March 31, 2016
(Appreciation) / Depreciation on Investments	31.36	29.51
Provision for non-performing assets including bad debts written off (net of write backs)	704.76	501.50
Provision towards Standard Assets	345.83	112.60
Income Tax / Deferred Tax (Refer Note 9.1)	1,491.79	1,182.81
Others	9.39	28.55
Total	**2,583.13**	**1,854.97**

12.2 Movement in provisions:

a) Movement in provision for credit card and debit card reward points:

(₹ in crores)

Particulars	2016-17	2015-16
Opening provision	16.07	12.35
Provision for Reward Points made during the year	25.40	16.30
Utilisation / Write back of provision for Reward Points	(18.67)	(12.58)
Effect of change in rate for accrual of Reward Points	-	-
Closing provision for Reward Points	**22.80**	**16.07**

b) Movement in provision for frauds included under other liabilities:

(₹ in crores)

Particulars	2016-17	2015-16
Opening provision	9.54	8.22
Provision during the year	2.13	1.73
Utilisation / Write back of provision	(0.15)	(0.41)
Closing provision	**11.52**	**9.54**

12.3 Disclosure relating to Complaints:

A. Customer Complaints:

No.	Particulars	2016-17	2015-16
(a)	No. of complaints pending at the beginning of the year	455	340
(b)	No. of complaints received during the year	36978	25467
(c)	No. of complaints redressed during the year	35349	25352
(d)	No. of complaints pending at the end of the year	**2084**	**455**

B. Awards passed by the Banking Ombudsman:

No.	Particulars	2016-17	2015-16
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsman during the year	Nil	Nil
(c)	No. of Awards implemented during the year	Nil	Nil
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

(Compiled by management and relied upon by auditors)

12.4 Proposed Dividend:

The Board of Directors, in their meeting held on April 19, 2017, have proposed a final dividend of ₹ 6.00 per equity share amounting to ₹ 431.95 crores, inclusive of corporate dividend tax. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of Accounting Standard 4 – Contingencies and Events occurring after the Balance Sheet Date, this proposed dividend is not recognised as a liability on March 31, 2017 and accordingly, the said amount of ₹ 431.95 crores has not been considered as an appropriation from the Profit and Loss Account for the year ended March 31, 2017.

Appropriation towards proposed dividend during the year ended 31 March, 2017 amounting to ₹ 0.46 crores disclosed on the face of the Profit and Loss Account represents the dividend pertaining to shares allotted from April 1, 2016 till the record date for declaration of dividend for the year ended March 31, 2016.

12.5 Letters of Comfort:

The Bank has not issued any letters of comfort (previous year Nil).

12.6 *Disclosure on Remuneration:*

Nomination and Remuneration Committee:

The Board of Directors, in their meeting held on October 12, 2016, approved the merger of the 'Nomination Committee' and the 'HR and Remuneration Committee', to constitute the 'Nomination & Remuneration Committee' (NRC). The NRC presently comprises five members, four of whom are Independent Directors. The Chairman of the NRC is also the Chairman of the Risk Management Committee of the Board. On Remuneration aspects, the mandate of the Nomination and Remuneration Committee is to establish, implement and maintain remuneration policies, procedures and practices that help to achieve effective alignment between remuneration and risks. The Committee is also mandated to oversee framing, implementation and review of the Bank's Compensation Policy as per the RBI guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk Takers and Control function staff. The Committee is also required to ensure that the cost to income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio. The Nomination and Remuneration Committee reviews compensation policies of the Bank with a view to attract, retain and motivate employees.

Compensation Policy:

The Compensation Policy is formulated by the Board in alignment with the RBI guidelines and covers all components of compensation including fixed pay, variable pay, perquisites, retirement benefits as Provident Fund and Gratuity, Long term incentive plans and Employee Stock Options.

The key objectives of the policy are:

(i) Benchmark employee compensation for various job positions and skills with that of the market.

(ii) Maintain an optimal balance between fixed and variable pay.

(iii) Pay for 'Position, Performance and Person'.

(iv) Build employee ownership and long term association through long term incentive plans (ESOPs).

Some of the important features of the Compensation Policy are as follows:

(i) The Bank has identified "Risk Takers and Risk Controllers" separately. Risk Takers includes all employees in Grades Senior Vice President 3 (SVP3) and above belonging to the business line functions of Corporate & Commercial Banking Group, Global Markets Group, Transaction Banking Group, Consumer Banking and Consumer Finance Division, whose functioning and decisioning impacts the Bank materially on tangible financial performance aspects of revenues, costs, and profits. Risk Controllers are employees in Grades SVP3 and above belonging to the business support functions of Chief Operating Officer (Operations, Finance & Accounts, Information Technology, Secretarial, etc.), Chief Risk Officer (Credit, Risk, Financial Restructuring & Reconstruction Group, Credit Quality Loan Assurance Review), Human Resources, Inspection and Audit, Investor Relations, Marketing, etc., who support the business line functions through back office processes and activities and their functioning does not have a revenue impact through business generation on the Bank's financial performance.

(ii) The Nomination & Remuneration Committee will oversee the framing, implementation and review of the Compensation Policy.

(iii) In respect of WTDs / CEO / Risk Takers / Control function staff of the Bank, the Compensation policy provides for a reasonable annual increase in fixed pay in line with the market benchmarks. Their individual increments are linked to their annual performance rating and increment percentages at various performance rating levels, are decided on the basis of the financial performance of the Bank. Exceptions are restricted to a select few high performers to reward performance, motivate and retain critical employees.

(iv) The quantum of overall variable pay to be disbursed in a year for all eligible employees including the Risk Takers and Risk Controllers as defined above would vary from year to year on the basis of the financial performance of the Bank measured through various parameters such as Net Interest Margin, Net Interest Income, Return on Assets, Profit After Tax and Return on Equity.

(v) Employee Compensation is linked to performance. Increments and variable pay are linked to their annual performance rating. Annual Performance Rating for an employee is arrived on the basis of tangible performance against pre–set Key Results Areas (KRAs) / measurable objectives set at the beginning of the financial year.

(vi) The individual variable pay is linked to the annual performance rating, and based on variable pay grids that outline variable pay as a percentage of Annual Guaranteed cash at various rating levels for a grade band. Exceptional increments and variable pay may be paid to select high performers, but in no case they would violate the stipulated RBI guidelines. The Bank also makes a distinction between Risk Takers and Risk Controllers and incorporates separate parameters on variable pay for these segments in its Compensation policy.

(vii) The individual variable pay would not exceed 70% of the fixed pay. Wherever variable pay exceeds a substantial portion of fixed pay as defined by the Bank, (currently set at 65% of fixed pay), the variable pay will be deferred over a period of 3 years in a ratio to be decided by the management in accordance with the RBI guidelines.

(viii) The Bank will implement *malus* / claw-back arrangements with the concerned employees in case of deferred variable pay as defined above. The criteria would be negative contributions to the bank and / or relevant line of business in any year. As applicable, Malus arrangement would lay down policies to adjust deferred remuneration before vesting and claw-back arrangement would lay down policies to adjust deferred remuneration after vesting.

(ix) The Compensation Policy does not provide for guaranteed bonus or sign on bonus in cash. However, in case of select critical hires, sign on bonus can be granted in form of pre-hiring ESOPs (a one-time grant made at the time of joining). The Compensation Policy does not provide for severance pay for any employee of the Bank, irrespective of the reasons for severance.

(x) Retirement benefits in the form of Provident Fund and Gratuity are as per the Bank’s HR policies which are in line with the statutory norms.

(xi) Perquisites are laid down in HR Policies of the Bank.

(xii) At present, the Bank uses cash based form of variable compensation. Cash based form of variable compensation is easy to administer and leads to an instant reward to the concerned employees.

(xiii) ESOPs do not form a part of the variable pay and are kept outside the computation of total compensation of an employee. They are very selectively granted to attract and retain employees. ESOPs are not granted with a defined periodicity. ESOP grant criteria include grade of the employee, criticality of the position in terms of business contribution, market value of the position, and performance & behavioural track record of the employee.

Other Disclosures:

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Number of meetings held by RC during the financial year and remuneration paid to its members	During the year, one meeting of the HR and Remuneration Committee and two meetings of the Nomination and Remuneration Committee were held. The members of the HR and Remuneration Committee were paid aggregate sitting fees of ₹ 60,000 for one meeting. The members of the Nomination and Remuneration Committee were paid aggregate sitting fees of ₹ 1,80,000 for the two meetings.	During the year, two meetings of HR and Remuneration committee were held. The members were paid aggregate sitting fee of ₹ 1,40,000 for the two meetings.
Number of employees having received a variable remuneration award during the financial year	87 employees belonging to the category of WTD / CEO / Risk Takers / Other Control function staff had received a variable remuneration award.	66 employees belonging to the category of WTD / CEO / Risk Takers / Other Control function staff had received a variable remuneration award.
Number and total amount of 'sign on' awards made during the financial year	Nil	Nil
Details of guaranteed bonus if any paid as sign on bonus	Nil	Nil
Details of severance pay in addition to the accrued benefits	Nil	Nil
Total amount of outstanding deferred remuneration split into cash, shares and share linked instruments and other forms	The outstanding deferred remuneration is ₹ 1.57 crores to be paid as cash in FY 2017-18 and FY 2018-19.	The outstanding deferred remuneration is ₹ 1.36 crores to be paid as cash in FY 2016-17 and FY 2017-18.
Total amount of deferred remuneration paid out in the financial year	The deferred remuneration paid in FY17 was ₹ 1.29 crores.	The deferred remuneration paid in FY16 was ₹ 0.61 crores.
Breakdown of amount of remuneration awards for the financial year	Breakup of remuneration awards for the 92 employees defined as WTD / CEO / Risk Takers / Other control function staff. (a) Fixed pay - ₹ 112.78 crores (b) Variable pay - ₹ 43.64 crores for FY 2015 - 16 (c) Deferred remuneration - ₹ 1.57 crores (d) Non-deferred remuneration - ₹ 42.07 crores	Breakup of remuneration awards for the 72 employees defined as WTD / CEO / Risk Takers / Other control function staff. (a) Fixed pay - ₹ 89.30 crores (b) Variable pay - ₹ 34.64 crores for FY 2014 - 15 (c) Deferred remuneration - ₹ 1.36 crores (d) Non-deferred remuneration - ₹ 33.28 crores

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and implicit adjustments	Nil	Nil
Total amount of reductions during the FY due to ex - post explicit adjustments	Nil	Nil
Total amount of reductions during the FY due to ex - post implicit adjustments	Nil	Nil

Disclosure on remuneration to Non-Executive Directors:

The Non-Executive Directors are paid Sitting Fees for attending meetings of the Board and its Committees at the rate of ₹ 1,00,000/- per Board meeting, at the rate of ₹ 50,000/- per meeting of the Audit Committee of the Board, and at the rate of ₹ 20,000/- per meeting in respect of all the other Committees. An amount of ₹ 1.11 crores was paid as sitting fees to the Non-Executive Directors during the year ended March 31, 2017 (previous year ₹ 0.98 crores). In accordance with RBI guidelines and the approval accorded at the 22nd Annual General Meeting, an amount of ₹ 0.84 crores (previous year Nil) has been paid as remuneration to Non-Executive Directors during the year ended March 31, 2017.

13. The Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, provides for certain disclosures in respect of Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or interest payments due to delays in such payments.

14. In terms of the clarification received from the Reserve Bank of India, the disclosure of details relating to Specified Bank Notes (SBNs) as per Notification No. G.S.R. 308(E) dated March 30, 2017 issued by the Ministry of Corporate Affairs (MCA) is not applicable to the banking companies.

15. Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report of even date.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration No : 012754N / N500016

Russell I Parera
Partner
Membership No : 042190

Place : Mumbai
Date : April 19, 2017

For INDUSIND BANK LTD.

R. Seshasayee
Chairman

T. Anantha Narayanan
Director

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Independent Auditor's Report

To the Members of IndusInd Bank Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of IndusInd Bank Limited (''the Bank''), which comprise the Balance Sheet as at March 31, 2016 and the Profit and Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Board of Directors of the Bank are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 with respect to preparation of these standalone financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the 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 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time as applicable to banks. 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 design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

4. We have taken into account the provisions of the Act and the Rules made thereunder, including the accounting standards, provisions of section 29 of the Banking Regulation Act, 1949, circulars and guidelines issued by RBI as applicable to banks and matters which are required to be included in the audit report.

5. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors of the Bank, as well as evaluating the overall presentation of the standalone financial statements.

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

Opinion

8. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying standalone financial statements together with the notes thereon give the information required by provisions of section 29 of the Banking Regulation Act, 1949 as well as the Companies Act, 2013 and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Bank as at March 31, 2016 and its profit and its cash flow for the year then ended.

Other Matter

9. The standalone financial statements of the Bank as at March 31, 2015 and for the year then ended were audited by another firm of chartered accountants who, vide their report dated April 16, 2015, expressed an unmodified opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

10. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act,1949 read with applicable provisions of section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.

11. As required by section 143(3) of the Act and section 30 of the Banking Regulation Act,1949 we report that:

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

    b) The transactions of the Bank, which have come to our notice during the course of our audit, have been within the powers of the Bank;

    c) During the course of our audit we have visited 32 branches to examine the books of accounts and other records maintained at the branch and performed other relevant audit procedures. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is primarily carried out at Mumbai and Chennai as all the necessary records and data required for the purposes of our audit are available therein;

    d) 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;

    e) 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;

    f) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;

    g) on the basis of written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164(2) of the Act;

    h) 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 A".

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

        i. The Bank has disclosed the impact, if any, of pending litigations as at March 31, 2016 on its financial position in its standalone financial statements – Refer Schedule 12 and Note 9.4 in Schedule 18;

        ii. The Bank has made provision as at March 31, 2016, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts including derivative contracts – Refer Note 9.5 in Schedule 18;

        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank during the year ended March 31, 2016.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number:012754N/ N500016
Chartered Accountants

Russell I Parera
Partner
Membership Number 042190

Place : Mumbai
Date : April 21, 2016

Annexure A to Independent Auditors' Report

Referred to in paragraph 11 h of the Independent Auditors' Report of even date to the members of IndusInd Bank Limited on the standalone financial statements for the year ended March 31, 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

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

Management's Responsibility for Internal Financial Controls

2. The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 Act.

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

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

Opinion

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 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 Price Waterhouse Chartered Accountants LLP
Firm Registration Number:012754N/ N500016
Chartered Accountants

Russell I Parera
Partner
Membership Number 042190

Place : Mumbai
Date : April 21, 2016

Balance Sheet as at March 31, 2016

	SCHEDULE	As at 31.03.2016	₹ in '000s As at 31.03.2015
CAPITAL AND LIABILITIES			
Capital	1	594,98,63	529,45,02
Employee Stock Options Outstanding	18 (Note 10.2)	13,76,64	14,05,31
Reserves and Surplus	2	17087,22,27	10101,03,11
Deposits	3	93000,34,61	74134,36,42
Borrowings	4	22155,86,48	20618,05,62
Other Liabilities and Provisions	5	7204,80,65	6390,41,73
TOTAL		**140056,99,28**	**111787,37,21**
ASSETS			
Cash and Balances with Reserve Bank of India	6	4521,04,05	4035,14,27
Balances with Banks and Money at Call and Short Notice	7	5590,83,10	6743,99,92
Investments	8	31214,31,47	22878,33,79
Advances	9	88419,34,19	68788,19,90
Fixed Assets	10	1255,32,39	1157,57,74
Other Assets	11	9056,14,08	8184,11,59
TOTAL		**140056,99,28**	**111787,37,21**
Contingent Liabilities	12	285101,32,08	208973,10,21
Bills for Collection		13760,84,54	6728,91,77
Significant Accounting Policies	17		
Notes to the financial statements	18		

The schedules referred to above form an integral part of the Balance Sheet.

The Balance Sheet has been prepared in conformity with Form A of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For INDUSIND BANK LTD.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration No: 012754N / N500016

R. Seshasayee
Chairman

T. Anantha Narayanan
Director

Russell I Parera
Partner
Membership No: 042190

Romesh Sobti
Managing Director

Place : Mumbai
Date : April 21, 2016

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Profit and Loss Account for the year ended March 31, 2016

₹ in '000s

			SCHEDULE	Year ended 31.03.2016	Year ended 31.03.2015
I.	**INCOME**				
	Interest Earned		13	11580,65,89	9691,96,39
	Other Income		14	3296,94,62	2548,00,33
		TOTAL		**14877,60,51**	**12239,96,72**
II.	**EXPENDITURE**				
	Interest Expended		15	7064,08,65	6271,68,85
	Operating Expenses		16	3672,10,09	2870,06,25
	Provisions and Contingencies		18 (Note 12.1)	1854,96,76	1304,50,09
		TOTAL		**12591,15,50**	**10446,25,19**
III.	**PROFIT**				
	Net Profit for the year			2286,45,01	1793,71,53
	Profit brought forward			3664,01,65	2623,33,40
		TOTAL		**5950,46,66**	**4417,04,93**
IV.	**APPROPRIATIONS**				
	Transfer to				
	a) Statutory Reserve			571,61,25	448,42,88
	b) Capital Reserve			13,21,00	12,27,49
	c) Investment Reserve Account			-	37,16,33
	d) Proposed final dividend			292,62,03	212,01,29
	e) Corporate Dividend Tax			59,57,06	43,15,29
				937,01,34	753,03,28
	Balance carried over to the Balance Sheet			5013,45,32	3664,01,65
		TOTAL		**5950,46,66**	**4417,04,93**
V.	**EARNINGS PER EQUITY SHARE**				
	(Face value of ₹10/- per share)				
	Basic (₹)		18 (Note 11.5)	39.68	33.99
	Diluted (₹)		18 (Note 11.5)	39.26	33.41
	Significant Accounting Policies		17		
	Notes to the financial statements		18		

The schedules referred to above form an integral part of the Profit and Loss Account.

The Profit and Loss Account has been prepared in conformity with Form B of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For INDUSIND BANK LTD.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration No: 012754N / N500016

R. Seshasayee
Chairman

T. Anantha Narayanan
Director

Russell I Parera
Partner
Membership No: 042190

Romesh Sobti
Managing Director

Place : Mumbai
Date : April 21, 2016

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Cash Flow Statement for the year ended March 31, 2016

₹ in '000s

		Year ended 31.03.2016	Year ended 31.03.2015
A.	**Cash Flow from Operating Activities**		
	Net Profit before taxation	**3469,26,11**	**2709,17,02**
	Adjustments for :		
	Depreciation on Fixed assets	156,51,93	126,84,89
	(Appreciation) / Depreciation on Investments	29,51,23	(66,42,58)
	Employees Stock Option expenses	2,22,46	3,03,35
	Loan Loss and Other Provisions	642,64,44	455,47,19
	Amortisation of premium on HTM investments	36,33,24	31,57,55
	Loss / (Profit) on sale of fixed assets	(6,98,95)	1,91,46
	Operating Profit before Working Capital changes	**4329,50,46**	**3261,58,88**
	Adjustments for :		
	Increase in Advances	(20273,78,73)	(14141,83,50)
	Increase in Investments	(8401,82,15)	(2923,79,90)
	Increase in Other Assets	(705,99,49)	(3759,04,47)
	Increase in Deposits	18865,98,19	13632,07,88
	Increase in Other Liabilities	747,03,26	3631,95,91
	Cash generated from / (used in) Operations	**(5439,08,46)**	**(299,05,20)**
	Direct Taxes paid (net of refunds)	(1348,84,10)	(1122,00,88)
	Net Cash used in Operating Activities	**(6787,92,56)**	**(1421,06,08)**
B.	**Cash Flow from Investing Activities**		
	Purchase of Fixed Assets (including WIP)	(269,02,26)	(278,62,65)
	Proceeds from sale of Fixed Assets	11,50,78	2,47,03
	Net Cash used in Investing Activities	**(257,51,48)**	**(276,15,62)**
C.	**Cash Flow from Financing Activities**		
	Proceeds from issue of equity shares (net of issue expenses)	5125,19,57	66,25,15
	Proceeds from issue of Long Term Infrastructure Bonds	-	500,00,00
	Dividends paid	(284,83,42)	(215,43,35)
	Redemption of Sub-ordinated Tier-2 capital	(535,00,00)	(225,10,00)
	Increase in Borrowings	2072,80,85	5581,19,92
	Net Cash generated from Financing Activities	**6378,17,00**	**5706,91,72**
	Net Increase / (Decrease) in Cash and Cash Equivalents	**(667,27,04)**	**4009,70,02**
	Cash and Cash Equivalents at the beginning of the year	**10779,14,19**	**6769,44,17**
	Cash and Cash Equivalents at the end of the year	**10111,87,15**	**10779,14,19**

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements.
2. Figures in bracket indicate cash outflow.
3. Cash and cash equivalents comprises of Cash in Hand and Balances with RBI (Schedule 6) and Balances with Banks and Money at Call and Short Notice (Schedule 7).

As per our report of even date.

For INDUSIND BANK LTD.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration No: 012754N / N500016

R. Seshasayee
Chairman

T. Anantha Narayanan
Director

Russell I Parera
Partner
Membership No: 042190

Romesh Sobti
Managing Director

Place : Mumbai
Date : April 21, 2016

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

Schedules

₹ in '000s

	As at 31.03.2016	As at 31.03.2015
SCHEDULE - 1 CAPITAL		
Authorised Capital		
70,00,00,000 (Previous Year 55,00,00,000) equity shares of ₹ 10/- each [Refer Schedule 18 (Note 1.1)]	700,00,00	550,00,00
Issued, Subscribed and Called up Capital		
59,49,86,335 (Previous Year 52,94,50,209) equity shares of ₹ 10/- each	594,98,63	529,45,02
Paid up Capital		
59,49,86,335 (Previous Year 52,94,50,209) equity shares of ₹ 10/- each	594,98,63	529,45,02
Refer Schedule 18 (Note1.2)		
TOTAL	**594,98,63**	**529,45,02**
SCHEDULE - 2 RESERVES AND SURPLUS		
I **Statutory Reserve**		
Opening balance	1634,18,43	1185,75,55
Additions during the year	571,61,25	448,42,88
	2205,79,68	**1634,18,43**
II **Share Premium Account**		
Opening balance	4211,93,46	4150,35,92
Additions during the year	5112,84,48	61,57,54
Less: Share issue expenses	50,67,39	-
	9274,10,55	**4211,93,46**
III **General Reserve**		
Balance as at the end of the year	1,35,57	1,35,57
	1,35,57	**1,35,57**
IV **Capital Reserve**		
Opening balance	157,00,21	143,86,27
Additions during the year	13,21,00	13,13,94
	170,21,21	**157,00,21**
V **Investment Allowance Reserve**		
Balance as at the end of the year	1,00,00	1,00,00
	1,00,00	**1,00,00**
VI **Investment Reserve Account**		
Opening balance	40,52,98	3,36,65
Additions during the year	-	37,16,33
	40,52,98	**40,52,98**

Schedules (Contd.)

				As at 31.03.2016	₹ in '000s As at 31.03.2015
VII	**Revaluation Reserve**				
	Opening balance			391,00,81	397,27,06
	Less : Deductions during the year			10,23,85	6,26,25
				380,76,96	**391,00,81**
VIII	**Balance in the Profit and Loss Account**			**5013,45,32**	**3664,01,65**
			TOTAL	**17087,22,27**	**10101,03,11**

SCHEDULE - 3 DEPOSITS

A	I	**Demand Deposits**			
		i) From Banks		567,66,73	550,97,12
		ii) From Others		14910,35,03	11805,05,34
	II	**Savings Bank Deposits**		17246,24,53	12943,56,94
	III	**Term Deposits**			
		i) From Banks		5001,20,36	5200,09,92
		ii) From Others		55274,87,96	43634,67,10
			TOTAL	**93000,34,61**	**74134,36,42**
B	**Deposits of Branches**				
	I	In India		93000,34,61	74134,36,42
	II	Outside India		-	-
			TOTAL	**93000,34,61**	**74134,36,42**

SCHEDULE - 4 BORROWINGS

I	**Borrowings in India**				
	i)	Reserve Bank of India		-	-
	ii)	Other Banks		4769,68,99	8763,38,36
	iii)	Other Institutions and Agencies		14622,75,24	8979,52,26
	iv)	Unsecured Non-Convertible Redeemable Debentures / Bonds (Subordinated Tier-2 Bonds)		-	535,00,00
	v)	Unsecured Non-Convertible Redeemable Non-Cumulative Bonds (Subordinated Upper Tier-2 Bonds)		308,90,00	308,90,00
	vi)	Long Term Infrastructure Bonds		500,00,00	500,00,00
II	**Borrowings outside India**			1954,52,25	1531,25,00
			TOTAL	**22155,86,48**	**20618,05,62**
	Secured borrowings included in I & II above			-	-

Schedules (Contd.)

			As at 31.03.2016	As at 31.03.2015
				₹ in '000s
SCHEDULE - 5 OTHER LIABILITIES AND PROVISIONS				
I	Inter-office Adjustments (Net)		126,86,21	-
II	Bills Payable		520,03,19	355,17,62
III	Interest Accrued		789,19,18	658,40,08
IV	Proposed Dividend		322,25,01	254,89,34
V	Others [Mark to market gain or loss on forex and derivative transactions (Refer Schedule 18 (Note 9.12))] [Standard Asset Provisions (Refer Schedule 18 (Note 4.9))]		5446,47,06	5121,94,69
		TOTAL	**7204,80,65**	**6390,41,73**
SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA				
I	Cash in hand (including foreign currency notes)		739,52,90	671,19,82
II	Balances with Reserve Bank of India			
	i) In Current Account		3781,51,15	3363,94,45
	ii) In Other Accounts		-	-
		TOTAL	**4521,04,05**	**4035,14,27**
SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE				
I	**In India**			
	i) Balances with Banks			
	a) In Current Accounts		454,27,01	459,51,36
	b) In Other Deposit Accounts		3059,52,75	5296,80,22
	ii) Money at Call and Short Notice - With Other Institutions		-	-
		TOTAL	**3513,79,76**	**5756,31,58**
II	**Outside India**			
	i) In Current Accounts		751,93,34	362,68,34
	ii) In Other Deposit Accounts		-	-
	iii) Money at Call and Short Notice		1325,10,00	625,00,00
		TOTAL	**2077,03,34**	**987,68,34**
		GRAND TOTAL	**5590,83,10**	**6743,99,92**
SCHEDULE - 8 INVESTMENTS				
I	**In India**			
	Gross Value		31270,67,74	22905,18,83
	Less : Aggregate of provision / depreciation		56,36,27	26,85,04
	Net value of Investments in India		**31214,31,47**	**22878,33,79**

			₹ in '000s
		As at 31.03.2016	**As at 31.03.2015**
	Comprising :		
	i) Government securities*++	25268,03,95	17906,12,96
	ii) Other approved securities	-	-
	iii) Shares	41,32,83	27,96,85
	iv) Debentures and bonds	1812,88,69	1625,66,35
	v) Subsidiaries and / or Joint Ventures	-	50,00
	vi) Others - Security Receipts, Pass Through Certificates, Units of schemes of Mutual Funds, Venture Capital Funds and Others	4092,06,00	3318,07,63
II	**Outside India**	-	-
	TOTAL	**31214,31,47**	**22878,33,79**

"*Includes securities of ₹403.18 crores (Previous Year ₹ 387.57 crores) pledged for clearing facility and margin requirements.
++ Net of Repo Borrowings of ₹ 2,839.99 crores (Previous Year ₹ 6,701.00 crores) under the Liquidity Adjustment Facility in line with RBI requirements."

SCHEDULE - 9 ADVANCES

			As at 31.03.2016	As at 31.03.2015
A	i)	Bills Purchased and Discounted	869,52,78	1824,50,93
	ii)	Cash Credits, Overdrafts and Loans Repayable on Demand	23144,94,88	17734,99,18
	iii)	Term Loans	64404,86,53	49228,69,79
		TOTAL	**88419,34,19**	**68788,19,90**
B	i)	Secured by Tangible Assets (includes advances against book debts)	76778,24,12	58524,26,82
	ii)	Covered by Bank / Government Guarantees (includes advances against L/Cs issued by Banks)	1125,55,91	1445,83,41
	iii)	Unsecured	10515,54,16	8818,09,67
		TOTAL	**88419,34,19**	**68788,19,90**
C	I)	Advances in India		
		i) Priority Sector	28066,51,54	22907,20,38
		ii) Public Sector	808,25,51	1130,71,37
		iii) Banks	29,69	25,78
		iv) Others	59544,27,45	44750,02,37
		TOTAL	**88419,34,19**	**68788,19,90**
	II)	Advances Outside India	-	-
		TOTAL	**88419,34,19**	**68788,19,90**

Schedules (Contd.)

			₹ in '000s
		As at 31.03.2016	**As at 31.03.2015**
SCHEDULE - 10 FIXED ASSETS			
I	**PREMISES**		
	i) At cost, as at the beginning of the year	595,92,11	595,43,32
	ii) Additions during the year	-	48,79
		595,92,11	595,92,11
	iii) Less : Deductions during the year	5,90,29	-
	iv) Less : Depreciation to date [Refer Schedule 18 (Note 9.15)]	66,72,06	58,99,02
	TOTAL	**523,29,76**	**536,93,09**
II	**Other Fixed Assets (including furniture and fixtures)**		
	i) At cost, as at the beginning of the year	1232,41,88	1009,74,96
	ii) Additions during the year	269,56,04	265,00,18
		1501,97,92	1274,75,14
	iii) Less : Deductions during the year	36,34,79	42,33,26
	iv) Less : Depreciation to date [Refer Schedule 18 (Note 9.15)]	771,08,26	649,78,76
	TOTAL	**694,54,87**	**582,63,12**
III	**Capital Work in Progress**	37,47,76	38,01,53
	GRAND TOTAL	**1255,32,39**	**1157,57,74**
SCHEDULE - 11 OTHER ASSETS			
I	Inter-office Adjustments (Net)	-	13,64,99
II	Interest Accrued	962,60,98	937,21,60
III	Tax Paid in Advance / tax deducted at source (net of provision)	456,98,06	392,06,18
IV	Stationery and Stamps	40,35	1,64,47
V	Non-banking assets acquired in satisfaction of claims	45,52,82	41,19,82
VI	Others [Mark to market gain or loss on forex and derivative transactions (Refer Schedule 18 (Note 9.12))] [Deferred Tax Assets (Refer Schedule 18 (Note 11.6))]	7590,61,87	6798,34,53
	TOTAL	**9056,14,08**	**8184,11,59**
SCHEDULE - 12 CONTINGENT LIABILITIES			
I	Claims against the Bank not acknowledged as debts	648,59,09	547,73,97
II	Liability on account of outstanding Forward Exchange Contracts	143761,31,22	96187,31,18
III	Liability on account of outstanding Derivative Contracts	99741,53,69	79217,67,10
IV	Guarantees given on behalf of constituents		
	- In India	32722,19,60	27987,92,20
	- Outside India	-	-
V	Acceptances, Endorsements and Other Obligations	6512,09,48	5019,93,18
VI	Other Items for which the Bank is contingently liable	1715,59,00	12,52,58
	TOTAL	**285101,32,08**	**208973,10,21**

Schedules (Contd.)

		Year ended 31.03.2016	₹ in '000s Year ended 31.03.2015
SCHEDULE - 13 INTEREST EARNED			
I	Interest / Discount on Advances / Bills	9244,55,57	7716,90,85
II	Income on Investments	1780,63,24	1587,68,95
III	Interest on Balances with RBI and Other Inter-Bank Funds	408,50,31	277,29,99
IV	Others	146,96,77	110,06,60
	TOTAL	**11580,65,89**	**9691,96,39**
SCHEDULE - 14 OTHER INCOME			
I	Commission, Exchange and Brokerage	2231,47,71	1692,56,84
II	Profit / (Loss) on Sale of Investments (Net)	145,25,65	117,73,63
III	Profit / (Loss) on Sale of Land, Buildings and Other Assets (Net)	6,98,95	(1,91,46)
IV	Profit on exchange transactions / Derivatives (Net)	836,99,93	720,38,87
V	Income earned by way of dividend from companies in India	3,39,65	3,40,99
VI	Miscellaneous Income	72,82,73	15,81,46
	TOTAL	**3296,94,62**	**2548,00,33**
SCHEDULE - 15 INTEREST EXPENDED			
I	Interest on Deposits	5708,78,69	5172,06,02
II	Interest on Reserve Bank of India / Inter-Bank Borrowings	272,40,52	299,91,61
III	Others (including interest on Subordinated Debts and Upper Tier-2 bonds)	1082,89,44	799,71,22
	TOTAL	**7064,08,65**	**6271,68,85**
SCHEDULE - 16 OPERATING EXPENSES			
I	Payments to and Provisions for Employees	1236,08,80	980,47,90
II	Rent, Taxes and Lighting (includes operating lease rentals)	271,32,58	234,64,10
III	Printing and Stationery	49,45,74	43,06,37
IV	Advertisement and Publicity	21,01,43	42,88,71
V	Depreciation on Bank's Property	156,51,93	126,84,89
VI	Directors' Fees, Allowances and Expenses	1,30,95	1,11,80
VII	Auditors' Fees and Expenses	1,42,24	1,36,22
VIII	Law Charges	44,76,42	37,56,33
IX	Postage, Telegrams, Telephones, etc.	111,00,91	96,92,91
X	Repairs and Maintenance	201,67,45	164,77,37
XI	Insurance	103,35,29	75,97,44
XII	Service Provider Fees	334,39,88	224,19,97
XIII	Other Expenditure	1139,76,47	840,22,24
	TOTAL	**3672,10,09**	**2870,06,25**

Schedule 17
Significant accounting policies

1. General

1.1 IndusInd Bank Limited (''the Bank'') was incorporated in 1994 under the Companies Act, 1956 and is licensed by the Reserve Bank of India (RBI) to operate as a commercial bank under the Banking Regulation Act, 1949. The Bank is publicly held and provides a wide range of banking products and financial services to corporate and retail clients besides undertaking treasury operations. The Bank operates in India and does not have a branch in any foreign country.

1.2 The accompanying financial statements have been prepared under the historical cost convention except where otherwise stated, and in accordance with statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by RBI from time to time (RBI guidelines), accounting standards referred to in Section 133 of the Companies Act, 2013 (the Act) and practices prevailing within the banking industry in India.

1.3 The preparation of the financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities on the date of the financial statements. Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent and reasonable. Any revision to accounting estimates is recognised prospectively in current and future periods.

2. Transactions involving Foreign Exchange

2.1 Monetary assets and liabilities denominated in foreign currency are translated at the Balance Sheet date at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of India (FEDAI) and the resulting gains or losses are recognised in the Profit and Loss account.

2.2 Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

2.3 All foreign exchange contracts outstanding at the Balance Sheet date are re-valued on present value basis and the resulting gains or losses are recognised in the Profit and Loss account.

2.4 Swap Cost arising on account of foreign currency swap contracts to convert foreign currency funded liabilities and assets into rupee liabilities and assets is amortised to the Profit and Loss account under the head 'Interest – Others' over the underlying swap period.

2.5 Income and expenditure denominated in a foreign currency is translated at the rates of exchange prevailing on the date of the transaction.

2.6 Contingent liabilities at the Balance Sheet date on account of outstanding forward foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in a foreign currency are stated at the closing rates of exchange notified by the FEDAI.

3. Investments

Significant accounting policies in accordance with RBI guidelines are as follows:

3.1 Categorisation of Investments:

The Bank classifies its investment at the time of purchase into one of the following three categories:

(i) **Held to Maturity (HTM) –** Securities acquired with the intention to hold till maturity.

(ii) **Held for Trading (HFT) –** Securities acquired with the intention to trade.

(iii) **Available for Sale (AFS) –** Securities which do not fall within the above two categories.

Subsequent shifting amongst the categories is done in accordance with RBI guidelines.

3.2 Classification of Investments:

For the purpose of disclosure in the Balance Sheet, investments are classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures, and (vi) Other Investments.

3.3 Acquisition cost:

(i) Broken period interest on debt instruments is treated as a revenue item.

(ii) Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss account.

(iii) Cost of investments is computed based on the weighted average cost method.

3.4 Valuation of Investments:

(i) **Held to Maturity –** Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortised over the balance period to maturity. The amortized amount is classified under Interest earned – Income on investments (Item II of Schedule 13). The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, is determined and provided for each investment individually.

(ii) **Held for Trading –** Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.

(iii) **Available for Sale –** Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for.

(iv) Market value of government securities (excluding treasury bills) is determined on the basis of the prices / YTM declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA).

(v) Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.

(vi) Fair value of other debt securities is determined based on the yield curve and spreads provided by FIMMDA.

(vii) Quoted equity shares are valued at lower of cost and the closing price on a recognised stock exchange. Unquoted equity shares are valued at their break-up value or at ₹ 1/- per company where the latest Balance Sheet is not available.

(viii) Units of the schemes of mutual funds are valued at the lower of cost and Net Asset Value (NAV) provided by the respective schemes of mutual funds.

(ix) Investments in equity shares held as long-term investments by erstwhile IndusInd Enterprises & Finance Limited and Ashok Leyland Finance Limited (since merged with the Bank) are valued at cost and classified as part of HTM category. Provision towards diminution in the value of such long-term investments is made only if the diminution in value is not temporary in the opinion of management.

(x) Security Receipts (SR) are valued at the lower of redemption value and NAV obtained from the Securitisation Company (SC) / Reconstruction Company (RC).

(xi) Trade date method of accounting is followed for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI guidelines.

(xii) Provision for non-performing investments is made in conformity with RBI guidelines.

(xiii) Repurchase (Repo) / Reverse Repurchase (Reverse Repo) transactions (except transactions under Liquidity Adjustment Facility (LAF) with RBI) are accounted for as Borrowing / Lending respectively.

On completion of the second leg of the Repo / Reverse Repo transaction, the difference between the consideration amounts is reckoned as Interest Expenditure / Income. Amounts outstanding in Repo / Reverse Repo account as at the Balance Sheet date is shown as part of Borrowings / Money at Call and at Short Notice respectively, and the accrued expenditure / income till the Balance Sheet date is recognised in the Profit and Loss account.

In respect of repo transactions under LAF with RBI, monies borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse repo transactions under LAF, monies lent to RBI are debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted for as interest income.

(xiv) In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognized. Profit / loss on settlement of the short position is recognized in the Profit and Loss account.

(xv) Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account.

(xvi) In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA).

The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.

3.5 Investments in unquoted units of Venture Capital Funds (VCF) are categorised under HTM category for initial period of three years and valued at cost as per RBI guidelines. Units of VCF held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1/- per VCF.

4. Derivatives

Derivative contracts are designated as hedging or trading and accounted for as follows:

4.1 The hedging contracts comprise of Forward Rate Agreements, Interest Rate Swaps, and Currency Swaps undertaken to hedge interest rate and currency risk on certain assets and liabilities. The net interest receivable / payable is accounted on an accrual basis over the life of the swaps. However, where the hedge is designated with an asset or liability that is carried at market value or lower of cost and market value, then the hedging instrument is also marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated assets or liabilities.

4.2 The trading contracts comprise of trading in Interest Rate Swaps, Interest Rate Futures and Currency Futures. The gain / loss arising on unwinding or termination of the contracts, is accounted for in the Profit and Loss account. Trading contracts outstanding as at the Balance Sheet date are re-valued at their fair value and resulting gains / losses are recognised in the Profit and Loss account.

4.3 Gains or losses on the termination of hedge swaps is deferred and recognised over the shorter of the remaining life of the hedge swap or the remaining life of the underlying asset / liability.

4.4 Premium paid and received on currency options is accounted when due in the Profit and Loss Account.

4.5 Fair value of derivative is determined with reference to bid / asks quoted market price or by using valuation models. Where the fair value is calculated using valuation models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to the present value. The valuation takes into consideration all relevant market factors (e.g. prices, interest rate, currency exchange rates, volatility, liquidity, etc.). Most market parameters are either are directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

4.6 Provisioning of overdue customer receivable on derivative contracts is made as per RBI guidelines.

5. Advances

5.1 Advances are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.

5.2 Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines. In addition the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

5.3 A general provision on standard assets is made in accordance with RBI guidelines. Provision made against standard assets is included in 'Other Liabilities and Provisions'.

5.4 Advances are disclosed in the Balance Sheet, net of provisions and interest suspended for non-performing advances, and floating provisions.

5.5 Advances exclude derecognised securitised advances, inter-bank participation certificates issued and bills rediscounted.

5.6 Amounts recovered during the year against bad debts written off in earlier years are recognised in the Profit and Loss account.

5.7 Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.

5.8 For restructured / rescheduled assets, provision is made in accordance with the guidelines issued by RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. The restructured accounts are classified in accordance with RBI guidelines, including special dispensation wherever allowed.

6. Securitisation transactions and direct assignments

6.1 The Bank transfers its loan receivables both through Direct Assignment route as well as transfer to Special Purpose Vehicles (SPV).

6.2 The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Bank surrenders the rights to the benefits specified in the loan contracts.

6.3 In terms of RBI guidelines, profit / premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortized over the life of the securities issued by the Special Purpose Vehicles (SPV). Any loss arising on account of the sale is recognized in the Profit and Loss account in the period in which the sale occurs.

6.4 In case of sale of non-performing assets through securitization route to SC / RC by way of assignment of debt against issuance of SRs, the recognition of sale and accounting of profit and loss thereon is done in accordance with applicable RBI guidelines. Generally, the sale is recognized at the lower of redemption value of SR and the Net Book Value (NBV) of the financial asset sold, and the surplus is recognized in the Profit and Loss Account; shortfall if any, is charged to the Profit and Loss account subject to regulatory forbearance, if any, allowed from time to time.

Profit or loss realized on ultimate redemption of the SR is recognized in the Profit and Loss Account.

7. Property, Plant and Equipment

7.1 Fixed assets are stated at cost (except in the case of premises which were re-valued based on values determined by approved valuers) less accumulated depreciation and impairment, if any. Cost includes incidental expenditure incurred on the assets before they are ready for intended use.

7.2 The appreciation on account of revaluation is credited to Revaluation Reserve. Depreciation relating to revaluation is adjusted against the Revaluation Reserve.

7.3 Depreciation is provided over the useful life of the assets, *pro rata* for the period of use, on a straight-line method. The useful life estimates prescribed in Part C of Schedule II to the Companies Act, 2013 are generally adhered to, except in respect of asset classes where, based on technical evaluation, a different estimate of useful life is considered suitable. Pursuant to this policy, the useful life estimates in respect of the following assets are as follows:

(a) Computers at 3 years

(b) Application software and perpetual software licences at 5 years

(c) Printers, Scanners, Routers, Switch at 5 years

(d) ATMs at 7 years

(e) Network cabling, Electrical Installations, Furniture and Fixtures, Other Office Machinery at 10 years

(f) Vehicles at 5 years

(g) Buildings at 60 years

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs, etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

7.4 The carrying amount of fixed assets is reviewed at the Balance Sheet date to determine if there are any indications of impairment based on internal / external factors. In case of impaired assets, the impairment loss i.e. the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the Profit and Loss account to the extent the carrying amount of assets exceeds its estimated recoverable amount.

8. Revenue Recognition

8.1 Interest and discount income on performing assets is recognised on accrual basis. Interest and discount income on non-performing assets is recognised on realisation.

8.2 Interest on Government securities, debentures and other fixed income securities is recognised on a period proportion basis. Income on discounted instruments is recognised over the tenor of the instrument on a constant Yield to Maturity method.

8.3 Dividend income is accounted on accrual basis when the right to receive dividend is established.

8.4 Commission (except for commission on Deferred Payment Guarantees which is recognised over the term on a straight line basis), Exchange and Brokerage are recognised on a transaction date and net of directly attributable expenses.

8.5 Fees are recognised on an accrual basis when binding obligation to recognise the fees has arisen as per agreement, except in cases where the Bank is uncertain of realisation.

8.6 Income from distribution of third party products is recognised on the basis of business booked.

9. Operating Leases

9.1 Lease rental obligations in respect of assets taken on operating lease are charged to the Profit and Loss account on a straight-line basis over the lease term.

9.2 Assets given under leases in respect of which all the risks and benefits of ownership are effectively retained by the Bank are classified as operating leases. Lease rentals received under operating leases are recognized in the Profit and Loss account as per the terms of the contracts.

10. Employee Benefits

10.1 The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the year is recognized on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate policies from insurers.

10.2 Provident Fund contributions are made under trusts separately established for the purpose and the scheme administered by Regional Provident Fund Commissioner (RPFC), as applicable. The rate at which the annual interest is payable to the beneficiaries by the trusts is being administered by the government. The Bank has an obligation to make good the shortfall, if any, between the return from the investments of the trusts and the notified interest rates. Actuarial valuation of this Provident Fund Interest shortfall is done as per the guidance note on Valuation of Interest Rate Guarantees on Exempt Provident Funds under AS 15 (Revised) issued by the Institute of Actuaries of India, and such shortfall, if any, is provided for.

10.3 Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.

10.4 Intrinsic value method is applied to account for the compensation cost of ESOP granted to the employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying shares on the grant date exceeds the exercise price of the options. Accordingly, such compensation cost is amortized over the vesting period.

11. Segment Reporting

In accordance with the guidelines issued by RBI, the Bank has adopted Segment Reporting as under:

(a) **Treasury** includes all investment portfolios, Profit / Loss on sale of Investments, Profit / Loss on foreign exchange transactions, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation / amortisation of premium on Held to Maturity category investments.

(b) **Corporate / Wholesale Banking** includes lending to and deposits from corporate customers and identified earnings and expenses of the segment.

(c) **Retail Banking** includes lending to and deposits from retail customers and identified earnings and expenses of the segment.

(d) **Other Banking Operations** includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and Reserves, Employee Stock Options (Grants) Outstanding and other unallocable assets, liabilities, income and expenses.

12. Debit and Credit Card reward points liability

The liability towards Credit Card reward points is computed based on an actuarial valuation and the liability towards Debit Card reward points is computed on the basis of management estimates considering past trends.

13. Bullion

13.1 The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are on a back-to-back basis and are priced to the customer based on the prevailing price quoted by the supplier and the local levies related to the consignment like customs duty, etc. The profit earned is included in commission income.

13.2 The Bank sells gold coins to its customers. The difference between the sale price to customers and purchase price is reflected under commission income.

14. Income-tax

Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized; where there are unabsorbed depreciation and / or carry forward of losses under tax laws, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realized against future taxable income. Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

15. Earnings per share

Earnings per share is calculated by dividing the Net Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the year.

16. Provisions, contingent liabilities and contingent assets

16.1 A provision is recognized when there is an obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

16.2 A disclosure of contingent liability is made when there is:

(a) A possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the bank; or

(b) A present obligation arising from a past event which is not recognized as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

16.3 When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

16.4 Contingent assets are not recognized or disclosed 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 assets and related income are recognized in the period in which the change occurs.

17. Cash and Cash equivalents

Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice.

Schedule 18
Notes forming part of the Financial Statements

1. Capital:

1.1 *Authorised Capital:*

The Authorised Capital of the Bank was increased on June 8, 2015 to ₹ 600 crores consisting of 60,00,00,000 equity shares of ₹ 10/- each from ₹ 550 crores consisting of 55,00,00,000 equity shares of ₹ 10/- each based on a special resolution passed by the members through postal ballot, and further on August 17, 2015 to ₹ 700 crores consisting of 70,00,00,000 equity shares of ₹ 10/- each based on a special resolution passed by the members in the twenty first Annual General Meeting.

1.2 *Capital Issue:*

During the year ended March 31, 2016, through a Qualified Institutions Placement (QIP), 5,12,18,640 equity shares of ₹ 10/- each were allotted at a price of ₹ 845.00 per share aggregating to ₹ 4,327.98 crores. Further, the promoters of the Bank were allotted 87,81,360 equity shares of ₹ 10/- each at a price of ₹ 857.20 per share, aggregating to ₹ 752.74 crores through a Preferential Allotment. Besides, 55,36,126 equity shares aggregating to ₹ 95.14 crores were allotted on various dates to the employees who exercised their stock options.

During the year ended March 31, 2015, 40,03,725 equity shares aggregating to ₹ 66.25 crores were allotted on various dates to the employees who exercised their stock options.

1.3 *Capital Adequacy Ratio:*

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI, which became applicable to the Bank with effect from April 1, 2013.

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 9.625% (Previous Year 9.00%) including Capital Conversion Buffer (CCB) at 0.625% (Previous Year Nil), of the total risk weighted assets (RWA). Out of the MTC, at least 6.125% (Previous Year 5.50%), including 0.625% (Previous Year Nil) towards CCB, shall be from Common Equity Tier 1 (CET1) capital and at least 7.00% (Previous Year 7.00%) from Tier 1 capital. The capital adequacy ratio of the Bank is set out below:

(₹ in crores)

		March 31, 2016	March 31, 2015
1.	Common Equity Tier 1 capital ratio	14.92%	11.22%
2.	Tier 1 capital ratio	14.92%	11.22%
3.	Tier 2 capital ratio	0.58%	0.87%
4.	Total capital ratio (CRAR)	15.50%	12.09%
5.	Amount of equity capital raised	5,175.86	66.25
6.	Amount of Additional Tier 1 capital raised; of which		
	Perpetual Non-Cumulative Preference Shares (PNCPS)	-	-
	Perpetual Debt Instruments (PDI)	-	-
7.	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)]	-	-

2. Investments:

2.1 Details of Investments:

(₹ in crores)

		March 31, 2016	March 31, 2015
1.	Value of Investments		
	(i) Gross value of Investments	31,270.68	22,905.19
	(a) In India	31,270.68	22,905.19
	(b) Outside India	-	-
	(ii) Provisions for Depreciation	56.36	26.85
	(a) In India	56.36	26.85
	(b) Outside India	-	-
	(iii) Net value of Investments	31,214.32	22,878.34
	(a) In India	31,214.32	22,878.34
	(b) Outside India	-	-
2.	Movement in provisions held towards depreciation on Investments		
	(i) Opening balance	26.85	98.65
	(ii) Add: Provision made during the year	29.51	3.27
	(iii) Less: Write-off / (write-back) of excess provisions during the year	-	(75.07)
	(iv) Closing balance	56.36	26.85

2.2 Category wise details of Investments (Net of provision for depreciation):

(₹ in crores)

		As at March 31, 2016			As at March 31, 2015		
		HTM	**AFS**	**HFT**	**HTM**	**AFS**	**HFT**
(i)	Government securities	17,298.33	7,969.71	-	11,259.21	6,646.92	-
(ii)	Other approved securities	-	-	-	-	-	-
(iii)	Shares	4.75	36.58	-	4.75	23.22	-
(iv)	Debentures and bonds	-	1,812.89	-	-	1,625.66	-
(v)	Subsidiaries and / or Joint Ventures	-	-	-	0.50	-	-
(vi)	Others - Security Receipts, Pass Through Certificates, investment in units of Mutual Funds, Commercial Paper, Venture Capital, etc.	20.00	4,072.06	-	-	3,318.08	-
	Total	**17,323.08**	**13,891.24**	**-**	**11,264.46**	**11,613.88**	**-**

2.3 Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions (in face value terms):

(₹ in crores)

	Minimum outstanding during the year	**Maximum outstanding during the year**	**Daily average outstanding during the year**	**Balance as at the year end**
Year ended March 31, 2016				
Securities sold under repo				
(i) Government Securities	35.06	6,745.81	3,959.85	4,544.98
(ii) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo				
(i) Government Securities	75.00	1,863.40	129.83	-
(ii) Corporate Debt Securities	-	-	-	-
Year ended March 31, 2015				
Securities sold under repo				
(i) Government Securities	1.03	6,701.00	3,586.33	6,701.00
(ii) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repo				
(i) Government Securities	5.07	600.00	44.11	-
(ii) Corporate Debt Securities	-	-	-	-

2.4 a) Issuer composition of Non-SLR investments as at March 31, 2016:

(₹ in crores)

No.	**Issuer**	**Amount(1)**	**Extent of private placement**	**Extent of 'below investment grade' securities**	**Extent of 'unrated' securities(2)**	**Extent of 'unlisted' securities(3)**
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
1.	Public Sector Undertakings	25.00	25.00	-	-	-
2.	Financial Institutions	451.11	451.11	-	-	-
3.	Banks	2,600.70	2,600.70	-	-	-
4.	Private corporates	2,140.25	2,125.62	-	-	12.00
5.	Subsidiaries / Joint Ventures	-	-	-	-	-

(₹ in crores)

No.	Issuer	Amount(1)	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities(2)	Extent of 'unlisted' securities(3)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6.	Others	785.58	785.58	-	-	-
7.	Provision held towards depreciation	(56.36)	(49.63)	-	-	(2.25)
	Total	**5,946.28**	**5,938.38**	-	**-**	**9.75**

Issuer composition of Non-SLR investments as at March 31, 2015:

(₹ in crores)

No.	Issuer	Amount(1)	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities(2)	Extent of 'unlisted' securities(3)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Public Sector Undertakings	145.07	145.07	-	-	-
2.	Financial Institutions	485.84	485.84	-	-	-
3.	Banks	2,474.92	2,474.92	-	-	-
4.	Private corporates	1,242.70	1,225.16	-	-	7.00
5.	Subsidiaries / Joint Ventures	0.50	-	-	-	0.50
6.	Others	650.03	650.03	-	-	-
7.	Provision held towards depreciation	(26.85)	(24.55)	-	-	(2.25)
	Total	**4,972.21**	**4,956.47**	**-**	**-**	**5.25**

Notes:

(1) Does not include amount of securities pledged with Central Counter Parties, viz., Clearing Corporation of India Limited, National Securities Clearing Corporation of India Limited and Multi Commodity Exchange of India Limited.

(2) Excludes investment in equity shares.

(3) Excludes investment in commercial papers, certificates of deposit and preference shares acquired by way of conversion of debts.

(4) Amounts reported under columns 4, 5, 6 and 7 are not mutually exclusive.

2.4 b) Non-performing Non-SLR investments:

(₹ in crores)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Opening balance	2.26	7.14
Additions during the year	-	0.50
Reductions during the year	-	(5.38)
Closing balance	2.26	2.26
Total provisions held	2.26	2.26

2.5 During the year and the previous year, the value of sales and transfer of securities to / from HTM category, excluding one-time transfer of securities from HTM and sale on account of Open Market Operation (OMO), has not exceeded 5% of the book value of investments held in HTM category at the beginning of the year. As such, in line with RBI guidelines, specific disclosures on book value, market value, and provisions if any, relating to such sale and transfers are not required to be made.

3. Derivatives:

3.1 Interest Rate Swaps, Forward Rate Agreements and Cross Currency Swaps:

(₹ in crores)

	Particulars	As at March 31, 2016	As at March 31, 2015
(i)	Notional principal of swap agreements	93,289.75	75,786.84
(ii)	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	1,998.83	1,666.90
(iii)	Collateral required by the Bank upon entering into swaps	-	-
(iv)	Concentration of credit risk arising from the swaps – With banks	56.45%	59.75%
(v)	Net Fair value of the swap book	197.70	122.18

The nature and terms of Interest Rate Swaps (IRS) outstanding as on March 31, 2016 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Merchant and Cover	1	4.26	EURIBOR	Fixed Payable Vs Floating Receivable
Merchant and Cover	1	4.26	EURIBOR	Fixed Receivable Vs Floating Payable
Merchant and Cover	1	3.06	LIBOR	Fixed Payable Vs Floating Receivable
Merchant and Cover	1	3.06	LIBOR	Fixed Receivable Vs Floating Payable
Trading	97	4,202.89	MIBOR	Fixed Payable Vs Floating Receivable
Trading	66	3,149.92	MIBOR	Fixed Receivable Vs Floating Payable
Trading	241	19,512.00	MIFOR	Fixed Payable Vs Floating Receivable
Trading	246	18,445.00	MIFOR	Fixed Receivable Vs Floating Payable

Nature	No.	Notional Principal	Benchmark	Terms
Trading	4	54.91	EURIBOR	Fixed Payable Vs Floating Receivable
Trading	22	87.48	EURIBOR	Fixed Receivable Vs Floating Payable
Trading	86	9,091.89	LIBOR	Fixed Payable Vs Floating Receivable
Trading	335	9,026.66	LIBOR	Fixed Receivable Vs Floating Payable
Trading	1	231.89	LIBOR	Floating Receivable Vs Floating Payable

The nature and terms of IRSs outstanding as on March 31, 2015 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Merchant and Cover	1	100.00	MIBOR	Fixed Payable Vs Floating Receivable
Merchant and Cover	1	100.00	MIBOR	Fixed Receivable Vs Floating Payable
Trading	88	4,227.89	MIBOR	Fixed Payable Vs Floating Receivable
Trading	100	5,043.49	MIBOR	Fixed Receivable Vs Floating Payable
Trading	195	15,642.00	MIFOR	Fixed Payable Vs Floating Receivable
Trading	196	14,915.00	MIFOR	Fixed Receivable Vs Floating Payable
Merchant and Cover	1	11.25	EURIBOR	Fixed Payable Vs Floating Receivable
Merchant and Cover	1	11.25	EURIBOR	Fixed Receivable Vs Floating Payable
Trading	4	49.65	EURIBOR	Fixed Payable Vs Floating Receivable
Trading	13	70.95	EURIBOR	Fixed Receivable Vs Floating Payable
Merchant and Cover	3	17.58	LIBOR	Fixed Payable Vs Floating Receivable
Merchant and Cover	3	17.58	LIBOR	Fixed Receivable Vs Floating Payable
Trading	57	5,470.87	LIBOR	Fixed Payable Vs Floating Receivable
Trading	167	5,502.91	LIBOR	Fixed Receivable Vs Floating Payable

The nature and terms of Cross Currency Swaps (CCSs) outstanding as on March 31, 2016 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Merchant and Cover	8	752.73	LIBOR	Fixed Payable Vs Floating Receivable (Cross Currency Swap)
Merchant and Cover	8	1,042.39	LIBOR	Floating Payable Vs Fixed Receivable (Cross Currency Swap)
Merchant and Cover	16	1,053.59	NA	Fixed Receivable Vs Fixed Payable (Principal Only Swap)
Merchant and Cover	15	2,026.72	NA	Fixed Receivable Vs Fixed Payable (Cross Currency Swap)

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Merchant and Cover	2	468.57	NA	Fixed Receivable Vs Fixed Payable (Coupon only swap)
Trading	1	3.75	EURIBOR	Floating Payable Vs Fixed Receivable (Coupon only swap)
Trading	73	6,245.94	LIBOR	Fixed Payable Vs Floating Receivable (Cross Currency Swap)
Trading	226	10,243.35	LIBOR	Floating Payable Vs Fixed Receivable (Cross Currency Swap)
Trading	1	45.07	LIBOR	Floating Payable Vs Fixed Receivable (Principal Only Swap)
Trading	35	2,272.64	NA	Fixed Receivable Vs Fixed Payable (Principal Only Swap)
Trading	109	2,198.28	NA	Fixed Receivable Vs Fixed Payable (Cross Currency Swap)
Trading	3	499.47	NA	Fixed Receivable Vs Fixed Payable (Coupon only swap)
Trading	2	96.50	LIBOR/ LIBOR	Floating Receivable Vs Floating Payable (Cross Currency Swap)
Trading	3	666.15	LIBOR/ MIBOR	Floating Receivable Vs Floating Payable (Cross Currency Swap)
Trading	9	1,857.31	LIBOR/ MIFOR	Floating Receivable Vs Floating Payable (Cross Currency Swap)

The nature and terms of CCSs outstanding as on March 31, 2015 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Merchant and Cover	8	985.62	LIBOR	Fixed Receivable Vs Floating Payable (Cross Currency Swap)
Merchant and Cover	8	754.55	LIBOR	Fixed Payable Vs Floating Receivable (Cross Currency Swap)
Merchant and Cover	14	769.91	NA	Fixed Payable (Principal Only Swap)
Merchant and Cover	14	922.40	NA	Fixed Receivable (Principal Only Swap)
Merchant and Cover	15	1,974.51	NA	Fixed Vs Fixed (Cross Currency Swap)
Merchant and Cover	2	112.26	NA	Fixed Vs Fixed (Principal Only Swap)
Merchant and Cover	2	453.34	NA	Fixed Vs Fixed (Coupon Only Swap)
Trading	166	8,061.03	LIBOR	Fixed Receivable Vs Floating Payable (Cross Currency Swap)
Trading	39	4,972.80	LIBOR	Fixed Payable Vs Floating Receivable (Cross Currency Swap)

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	4	211.93	LIBOR	Floating Vs Floating (Cross Currency Swap)
Trading	9	398.05	NA	Fixed Payable (Principal Only Swap)
Trading	18	1,192.50	NA	Fixed Receivable (Principal Only Swap)
Trading	2	532.31	NA	Fixed Vs Fixed (Principal Only Swap)
Trading	16	1,027.59	NA	Fixed Vs Fixed (Cross Currency Swap)
Trading	3	476.78	NA	Fixed Vs Fixed (Coupon Only Swap)
Trading	8	1,757.49	LIBOR / MIFOR	Floating Vs Floating (Cross Currency Swap)
Trading	1	3.35	EURIBOR	Fixed Receivable Vs Floating Payable (Coupon Only Swap)

3.2 *Exchange Traded Interest Rate Derivatives:*

The details of Exchange Traded Interest Rate Derivatives undertaken during the year ended March 31, 2016 are as below:

(₹ in crores)

Sr. No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
	(a) NSE840GS24 Apr 2015	291.96
	(b) NSE840GS24 May 2015	124.48
	(c) NSE840GS24 Jun 2015	82.39
	(d) NSE840GS24 July 2015	8.20
	(e) NSE772GS25 July 2015	257.63
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2016 (instrument-wise)	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil
(iv)	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil

The details of Exchange Traded Interest Rate Derivatives undertaken during the year ended March 31, 2015 are as below:

(₹ in crores)

Sr. No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
	(a) NSE883GS Apr 14	1,105.30
	(b) NSE883GS May 14	2,117.03
	(c) NSE883GS Jun 14	139.06
	(d) NSE883GS Jul 14	852.83
	(e) NSE840GS Aug 14	1,496.30
	(f) NSE840GS Sep 14	476.97
	(g) NSE840GS Oct 14	20.63
	(h) NSE840GS Dec 14	514.50
	(i) NSE840GS Jan 15	644.58
	(j) NSE840GS Feb 15	732.98
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2015 (instrument-wise)	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil
(iv)	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil

3.3 Disclosures on Risk Exposure in Derivatives:

Derivatives Policy approved by the Board of Directors defines the framework for carrying out derivatives business and lays down policies and processes to measure, monitor and report risk arising from derivative transactions. The policy provides for (a) appropriate risk limits for different derivative products and (b) authority levels for review of limit breaches and to take appropriate actions in such events. As part of the Derivatives Policy, the Bank has a Product Suitability and Customer Appropriateness Policy, which is used to classify customers on the basis of their need for various derivative products and their competence in understanding such products and the attendant risks involved.

Risk Management Department of the Bank is responsible for measuring, reporting and monitoring risk arising from derivatives transactions. It functions independent of Treasury business and undertakes the following activities:

- Monitors derivatives operations against prescribed policies and limits on a daily basis;
- Daily review of product-wise profitability and activity reports for derivatives operations;
- Daily submission of MIS and details of exceptions to the Top Management; and
- Monitoring effectiveness of derivative deals identified as hedges against the terms of the hedging instruments and underlying hedged risk.
- Collaterals are generally kept as cash or cash equivalent for securing derivative transactions.

The Risk Management function applies a host of quantitative tools and methods such as Value at Risk, PV01, stop-loss limits, counterparty limits, deal size limits and overnight position limits.

The Bank undertakes derivative transactions for hedging customers' exposure, hedging the Bank's own exposure, as well as for trading purposes, wherever permitted by RBI. The customers use these derivative products to hedge their forex and interest rate exposures.

The following table presents quantitative disclosures relating to Derivatives:

(₹ in crores)

Sr. No.	Particulars	March 31, 2016		March 31, 2015	
		Currency derivatives	Interest rate derivatives	Currency derivatives	Interest rate derivatives
1.	Derivatives (Notional Principal Amount) (Note 1)	1,79,685.56	63,817.29	1,24,224.55	51,180.43
	(a) For hedging	-	-	-	-
	(b) For trading	1,79,685.56	63,817.29	1,24,224.55	51,180.43
2.	Marked to Market Positions (Note 2)				
	(a) Asset (+)	3,281.39	414.34	2,506.16	383.10
	(b) Liability (-)	(2,753.11)	(375.00)	(2,503.57)	(313.68)
3.	Credit Exposure (note 3)	10,523.67	1,135.07	8,215.89	916.95
4.	Likely impact of one percentage change in interest rate (100*PV01) (Note 4)				
	(a) on hedging derivatives	-	-	-	-
	(b) on trading derivatives	58.77	51.33	8.61	8.07
5.	Maximum and Minimum of 100*PV01 observed during the year (Note 5)				
	(a) on hedging	Nil	Nil	Nil	Nil
	(b) on trading				
	Maximum	58.77	98.53	28.94	35.24
	Minimum	1.18	4.12	0.01	0.42

Note 1: There were no outstanding currency and interest rate futures as on March 31, 2016.

Note 2: Marked to Market positions includes interest accrued on the swaps.

Note 3: Credit exposure is computed based on the current exposure method.

Note 4: Based on the absolute value of PV01 of the derivatives outstanding as at the year end.

Note 5: Based on the PV01 of the outstanding derivatives.

4. Asset Quality:

4.1 Non-Performing Assets:

(₹ in crores)

	Items	March 31, 2016	March 31, 2015
(i)	Net NPAs to Net Advances (%)	0.36%	0.31%
(ii)	Movement of Gross NPAs		
	(a) Opening balance	562.92	620.79
	(b) Additions during the year	848.65	887.29
	Sub-total (A)	1,411.57	1,508.08
	(c) Reductions during the year		
	(i) Upgradations	51.68	66.85
	(ii) Recoveries (excluding recoveries made from upgraded accounts)	302.42	275.86
	(iii) Technical / Prudential write-offs	-	-
	(iv) Write-offs other than those under (iii) above	280.65	602.45
	Sub-total (B)	634.75	945.16
	(d) Closing balance (A-B)	776.82	562.92
(iii)	Movement of Net NPAs		
	(a) Opening balance	210.48	184.05
	(b) Additions during the year	331.36	202.74
	(c) Reductions during the year	220.09	176.31
	(d) Closing balance	321.75	210.48
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	352.44	436.74
	(b) Provisions made during the year	517.29	684.55
	(c) Write-off / write-back of excess provisions	414.66	768.85
	(d) Closing balance	455.07	352.44

Notes:

1) Recoveries include sale to SC / RC.

2) In terms of RBI circular DBOD.BP.BC.No.98/21.04.132/2013-14 dated February 26, 2014, in respect of assets sold to SC / RCs, during the last quarter of the year ended March 31, 2015, the loss on sale arrived at by deducting sale consideration and provisions held as on the date of sale from the outstanding amount, is being amortized over a period of two years. Accordingly, the Bank has charged to the Profit and Loss account an amount of ₹ 128.36 crores (Previous Year ₹ 32.09 crores) during the year ended March 31, 2016.

4.2 Provision coverage ratio:

Provision coverage ratio as at March 31, 2016 is 58.58% (Previous Year 62.61%).

4.3 *Details of technical write-offs and recoveries made thereon:*

(₹ in crores)

Items	March 31, 2016	March 31, 2015
Opening balance of Technical / Prudential written off accounts	Nil	Nil
Add : Technical / Prudential write-offs during the year	Nil	Nil
Sub-total	Nil	Nil
Less : Recoveries made from previously Technical / Prudential written-off accounts during the year	Nil	Nil
Closing balance of Technical / Prudential written-off accounts	Nil	Nil

4.4 *Sector-wise advances:*

(₹ in crores)

Sr. No.	Sector	2015-16			2014-15		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances
A	**Priority Sector**						
1.	Agriculture and allied activities	9,296.77	67.93	0.73%	7,984.73	55.12	0.69%
2.	Advances to industries sector eligible as priority sector lending of which:	1,559.51	1.03	0.07%	1,082.40	0.55	0.05%
(a)	Gems and Jewellery	945.13	-	-	327.43	-	-
(b)	Construction (Other than Infrastructure)	0.37	-	-	1.95	-	-
(c)	Power	0.27	-	-	0.56	-	-
3.	Services	17,284.64	177.03	1.02%	13,899.55	167.77	1.21%
4.	Personal loans	42.85	5.32	12.42%	50.62	4.76	9.40%
	Sub-total (A)	**28,183.77**	**251.31**	**0.89%**	**23,017.30**	**228.20**	**0.99%**
B	**Non Priority Sector**						
1.	Agriculture and allied activities	-	-	-	-	-	-
2.	Industry of which:	19,346.19	190.18	0.98%	13,301.07	103.70	0.78%
(a)	Gems and Jewellery	4,320.34	41.77	0.97%	1,332.62	34.80	2.61%
(b)	Construction (Other than Infrastructure)	1,129.20	44.64	3.95%	1,532.60	11.55	0.75%
(c)	Power	4,921.34	-	-	2,438.97	-	-
3.	Services	37,846.29	178.01	0.47%	30,017.76	121.07	0.40%
4.	Personal loans	3,498.16	157.32	4.50%	2,804.51	109.95	3.92%
	Sub-total (B)	**60,690.64**	**525.51**	**0.87%**	**46,123.34**	**334.72**	**0.73%**
	Total (A+B)	**88,874.41**	**776.82**	**0.87%**	**69,140.64**	**562.92**	**0.81%**

4.5 Details of Loan Assets subjected to Restructuring as on March 31, 2016:

(₹ in crores)

SN	Type of Restructuring→		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification→ Details↓		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on 01/04/2015	No. of borrowers	13	-	-	-	**13**	2	-	-	-	**2**	-	-	1	-	**1**	15	-	1	-	**16**
		Amount outstanding	405.42	-	-	-	**405.42**	32.33	-	-	-	**32.33**	-	-	0.24	-	**0.24**	437.75	-	0.24	-	**437.99**
		Provision thereon	68.34	-	-	-	**68.34**	2.49	-	-	-	**2.49**	-	-	0.10	-	**0.10**	70.83	-	0.10	-	**70.93**
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**	2	-	-	-	**2**	2	-	-	-	**2**
		Amount outstanding	29.03	-	-	-	**29.03**	1.51	-	-	-	**1.51**	173.55	-	-	-	**173.55**	204.09	-	-	-	**204.09**
		Provision thereon	8.30	-	-	-	**8.30**	1.79	-	-	-	**1.79**	10.00	-	-	-	**10.00**	20.09	-	-	-	**20.09**
3	Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-1				**-1**	-				**-**	-				**-**	-1				**-1**
		Amount outstanding	-2.72				**-2.72**	-				**-**	-				**-**	-2.72				**-2.72**
		Provision thereon	-				**-**	-				**-**	-				**-**	-				-
5	Downgradations of restructured accounts during the FY	No. of borrowers	-4	-	4	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-4	-	4	-	**-**
		Amount outstanding	-89.07	-	89.07	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-89.07	-	89.07	-	**-**
		Provision thereon	-21.90	-	21.90	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-21.90	-	21.90	-	**-**
6	Write-offs of restructured accounts during the FY 2015-16	No. of borrowers	-	-	-4	-	**-4**	-	-	-	-	**-**	-	-	-1	-	**-1**	-	-	-5	-	**-5**
		Amount outstanding	-7.67	-	-89.07	-	**-96.74**	-7.06	-	-	-	**-7.06**	-	-	-0.24	-	**-0.24**	-14.73	-	-89.31	-	**-104.04**
		Provision thereon	-3.85	-	-21.90	-	**-25.75**	-	-	-	-	**-**	-	-	-0.10	-	**-0.10**	-3.85	-	-22.00	-	**-25.85**
7	Restructured Accounts as on 31/03/2016 (closing figure)	No. of borrowers	8	-	-	-	**8**	2	-	-	-	**2**	2	-	-	-	**2**	12	-	-	-	**12**
		Amount outstanding	334.99	-	-	-	**334.99**	26.78	-	-	-	**26.78**	173.55	-	-	-	**173.55**	535.32	-	-	-	**535.32**
		Provision thereon	50.89	-	-	-	**50.89**	4.28	-	-	-	**4.28**	10.00	-	-	-	**10.00**	65.17	-	-	-	**65.17**

1. Provision also includes FITL / NPA provision, wherever applicable, in addition to provision for diminution in fair value.
2. Sr. No. 2 includes additions to existing restructured accounts of ₹ 30.54 crores (provision ₹ 10.09 crores).
3. Sr. No. 6 includes reductions in existing restructured accounts of ₹ 104.04 crores (provision ₹ 25.85 crores). This also includes accounts which have exited CDR / Bank has done OTS with / sold to ARC / Restructuring Failures.

$ Excluding Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of ₹ 12.46 crores.

4.5 Details of Loan Assets subjected to Restructuring as on March 31, 2015:

(₹ in crores)

SN	Type of Restructuring→		Under CDR Mechanism $					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification→ Details↓		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on 01/04/2014	No. of borrowers	12	1	-	-	**13**	-	-	-	-	**-**	-	-	-	-	**-**	12	1	-	-	**13**
		Amount outstanding	229.66	1.28	-	-	**230.94**	-	-	-	-	**-**	-	-	-	-	**-**	229.66	1.28	-	-	**230.94**
		Provision thereon	45.26	1.28	-	-	**46.54**	-	-	-	-	**-**	-	-	-	-	**-**	45.26	1.28	-	-	**46.54**
2	Fresh restructuring during the year	No. of borrowers	7	-	-	-	**7**	3	-	-	-	**3**	-	1	1	-	**2**	10	1	1	-	**12**
		Amount outstanding	421.39	-	-	-	**421.39**	33.33	-	-	-	**33.33**	-	0.71	0.24	-	**0.95**	454.72	0.71	0.24	-	**455.67**
		Provision thereon	68.85	-	-	-	**68.85**	2.59	-	-	-	**2.59**	-	0.14	0.10	-	**0.24**	71.44	0.14	0.10	-	**71.68**
3	Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
		Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-3				**-3**	-				**-**	-				**-**	-3				**-3**
		Amount outstanding	-52.56				**-52.56**	-				**-**	-				**-**	-52.56				**-52.56**
		Provision thereon	-7.57				**-7.57**	-				**-**	-				**-**	-7.57				**-7.57**
5	Downgradations of restructured accounts during the FY	No. of borrowers	-3	2	1	-	**-**	-1	1	-	-	**-**	-	-	-	-	**-**	-4	3	1	-	**-**
		Amount outstanding	-144.94	143.66	1.28	-	**-**	-1.0	1.0	-	-	**-**	-	-	-	-	**-**	-145.94	144.66	1.28	-	**-**
		Provision thereon	-29.77	28.49	1.28	-	**-**	-0.10	0.10	-	-	**-**	-	-	-	-	**-**	-29.87	28.59	1.28	-	**-**
6	Write-offs of restructured accounts during the FY 2014-15	No. of borrowers	-	3	1	-	**4**	-	1	-	-	**1**	-	1	-	-	**1**	-	5	1	-	**6**
		Amount outstanding	48.13	144.94	1.28	-	**194.35**	-	1.0	-	-	**1.0**	-	0.71	-	-	**0.71**	48.13	146.65	1.28	-	**196.06**
		Provision thereon	8.43	29.77	1.28	-	**39.48**	-	0.10	-	-	**0.10**	-	0.14	-	-	**0.14**	8.43	30.01	1.28	-	**39.72**
7	Restructured Accounts as on 31/03/2015 (closing figure)	No. of borrowers	13	-	-	-	**13**	2	-	-	-	**2**	-	-	1	-	**1**	15	-	1	-	**16**
		Amount outstanding	405.42	-	-	-	**405.42**	32.33	-	-	-	**32.33**	-	-	0.24	-	**0.24**	437.75	-	0.24	-	**437.99**
		Provision thereon	68.34	-	-	-	**68.34**	2.49	-	-	-	**2.49**	-	-	0.10	-	**0.10**	70.83	-	0.10	-	**70.93**

1. Provision also includes FITL / NPA provision, wherever applicable, in addition to provision for diminution in fair value.
2. Sr. No. 2 includes ₹ 10.41 crores of additions to existing restructured accounts (number of accounts 5, provision thereon ₹ 5.54 crores).
3. Sr. No. 6 includes ₹ 48.13 crores (number of accounts 4, provision thereon ₹ 8.43 crores) of reduction from existing restructured accounts by way of sale / recovery / exit from CDR / OTS by the Bank.

$ Excluding Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of ₹14.79 crores.

4.6 a) Details of financial assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for asset reconstruction:

(₹ in crores)

	Items	2015-16	2014-15
1.	No. of accounts	1,895	1,068
2.	Aggregate value (net of provisions) of accounts sold to SC / RC	179.87	455.53
3.	Aggregate consideration	163.13	194.00
4.	Additional consideration realized in respect of accounts transferred in earlier years	-	0.72
5.	Aggregate gain / (loss) over net book value	**(16.74)**	**(260.81)**

b) Details of book value of investment in security receipts:

(₹ in crores)

Particulars	2015-16	2014-15
Backed by NPAs sold by the Bank as underlying	213.51	160.29
Backed by NPAs sold by the other Banks / Financial Institutions / Non-Banking Financial Companies as underlying	-	-
Total	**213.51**	**160.29**

4.7 During the year, there has been no individual purchase / sale of non-performing financial assets from / to other banks (Previous Year Nil).

4.8 During the year, there was no sale of assets through securitization except sale of assets to SC / RC (Previous Year Nil).

4.9 Provision on Standard Assets:

In accordance with RBI guidelines, general provision on standard assets is made at the following rates:

(a) At 1% on standard advances to Commercial Real Estate Sector;

(b) At 0.25% on standard direct advances to SME and Agriculture; and

(c) At 0.40% of the balance outstanding in other standard assets.

Standard assets provision as at March 31, 2016, also includes additional provision made on restructured standard assets in compliance with RBI guidelines.

The provision on standard assets is included in 'Other Liabilities and Provisions – Others' in Schedule 5, and is not netted off from Advances. The amount of provision held on standard assets is as below:

(₹ in crores)

Items	March 31, 2016	March 31, 2015
Cumulative Provision held for Standard Assets [Including ₹ 27.24 crores towards UFCE of clients (Previous Year ₹ 32.00 crores)]	455.69	343.09

4.10 Unhedged Foreign Currency Exposure (UFCE) of Clients:

Foreign exchange risk is the risk of loss arising out of adverse movements in foreign exchange rates affecting both on-balance sheet and off-balance sheet exposures. The forex positions that are not effectively hedged either by way of natural hedge or through derivatives / forward contracts expose a client to the risk of loss due to volatility in the forex rates. The Bank assesses the risk arising out of such UFCE of the clients at the time of credit appraisal and monitors the same at regular intervals. The provision for standard assets as of March 31, 2016, included an amount of ₹ 27.24 crores (Previous Year ₹ 32.00 crores) towards UFCE. Further, capital held under Basel III Capital Regulations, as of March 31, 2016, includes an amount of ₹ 52.47 crores (Previous Year ₹ 101.50 crores) on account of UFCE, computed at the applicable risk weights.

4.11 *Floating provision:*

(₹ in crores)

Items	March 31, 2016	March 31, 2015
Opening Balance as at beginning of the year	-	50.00
Provisions made during the year	-	-
Draw-down made during the year	-	50.00
Closing Balance as at end of the year	-	-

5. Business ratios:

	Ratio	March 31, 2016	March 31, 2015
(i)	Interest income as a percentage to working funds	9.67%	10.27%
(ii)	Non-interest income as a percentage to working funds	2.75%	2.70%
(iii)	Operating profit as a percentage to working funds	3.46%	3.28%
(iv)	Return on assets	1.91%	1.90%
(v)	Business (deposits plus gross advances) per employee (₹ in lakhs)	764.55	719.23
(vi)	Profit per employee (₹ in lakhs)	9.92	9.38

Notes:

(1) Working funds are reckoned as the average of total assets as per the monthly returns in Form X filed with RBI during the year.

(2) Returns on Assets are computed with reference to average working funds.

(3) Business per employee (deposits plus gross advances) is computed after excluding Inter-bank deposits.

6. Asset Liability Management:

6.1 *Maturity Pattern of certain items of Assets and Liabilities:*

a) As at March 31, 2016:

(₹ in crores)

	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	377.19	2,903.38	2,669.00	4,186.32	16,194.84	6,573.26	16,645.95	14,472.24	10,323.07	18,655.10	**93,000.35**
Loans & Advances $	728.45	7,975.86	1,909.57	2,448.64	12,867.24	5,783.52	10,888.79	32,790.97	9,126.65	5,599.65	**90,119.34**
Investments*	-	31.20	50.03	-	1,930.87	2,876.00	4,345.55	3,038.97	4,055.44	17,726.24	**34,054.30**
Borrowings	0.30	6,365.89	165.64	662.55	-	3,496.62	3,475.72	7,014.60	265.64	708.90	**22,155.86**
Foreign currency assets	988.02	1,487.92	715.36	659.63	4,252.44	868.20	714.54	4,817.66	219.86	37.58	**14,761.21**
Foreign currency liabilities	519.31	835.55	200.10	680.51	158.07	456.95	1,316.62	5,839.60	2,344.06	264.83	**12,615.60**

$ Loans & Advances includes BRDS of ₹ 1,700.00 crores.

* Investment is inclusive of Repo under LAF of ₹ 2,839.99 crores.

b) As at March 31, 2015:

(₹ in crores)

	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	408.81	3,240.39	2,253.60	2,215.14	15,027.87	6,635.78	9,213.56	9,004.60	3,573.69	22,560.92	**74,134.36**
Loans & Advances	817.59	2,922.61	2,751.50	843.61	3,748.76	4,023.05	6,134.01	35,284.31	6,890.32	5,372.44	**68,788.20**
Investments*	-	-	205.00	-	3,600.70	1,061.94	2,631.07	2,705.07	4,204.93	15,170.63	**29,579.34**
Borrowings	0.02	3,643.85	937.50	-	893.75	1,591.69	5,382.44	7,203.66	156.25	808.90	**20,618.06**
Foreign currency assets	250.41	1,116.79	394.51	174.26	468.82	481.77	292.85	6,464.82	250.73	156.07	**10,051.03**
Foreign currency liabilities	67.89	632.62	963.31	14.88	918.21	626.11	2,844.92	2,532.60	1,570.69	262.97	**10,434.20**

* Investment is inclusive of Repo under LAF of ₹ 6,701.00 crores.

6.2 Liquidity Coverage Ratio (LCR):

The Bank adheres to RBI guidelines relating to the Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015. LCR, as laid down in the guidelines, measures the Bank's ability to manage and survive under combined idiosyncratic and market-wide liquidity stress condition that would result in accelerated withdrawal of deposits from retail as well wholesale depositors, partial loss of secured funding, increase in collateral requirements, unscheduled draw down of unused credit lines, etc.

The Bank depends on balanced funding from retail as well as wholesale depositors. The Bank computes LCR in all significant currencies using the factors mentioned in RBI guidelines. High Quality Liquid Assets (HQLA) of the Bank consist of cash, unencumbered excess SLR, a portion of statutory SLR as allowed under the guidelines, cash balance with RBI in excess of statutory cash reserve requirements, and high rated corporate bonds issued by entities other than financial institutions. Major components of the Bank's Balance Sheet are in domestic currency, and it uses foreign currency sources to predominantly fund foreign currency advances.

Collaterals are generally kept as cash or cash equivalent for securing derivative transactions. The largest absolute net 30-day collateral flows realized during the preceding 24 months has been considered as potential outflow on account of change in valuation of derivative trades.

The Asset Liability Management Committee (ALCO) of the Bank is the governing body to decide on composition of funding sources and accordingly guide different business units. The Balance Sheet Management Group (BSMG), under the guidance of the ALCO, is responsible for operationalizing liquidity management within the Bank.

Quantitative disclosure:

Following is the quantitative disclosures relating to LCR:

(₹ in crores)

		June 2015		September 2015		December 2015		March 2016		2014-15	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	High Quality Liquid Assets										
1.	Total High Quality Liquid Assets (HQLA)		**9,557.52**		11,841.21		**11,733.66**		**12,903.00**		**7,559.71**
	Cash Outflows										
2.	Retail deposits and deposits from small business customers, of which:										
(i)	Stable deposits	2,766.37	138.32	2,864.87	143.24	2,960.13	148.01	3,032.24	151.61	8,038.57	401.93
(ii)	Less stable deposits	16,460.26	1,646.03	18,372.99	1,837.30	19,697.69	1,969.77	22,194.65	2,219.47	13,876.10	1,387.61
3.	Unsecured wholesale funding, of which:										
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-	6,925.64	1,714.42
(ii)	Non-operational deposits (all counterparties)	26,370.99	16,622.54	24,874.93	15,808.17	27,084.72	15,780.49	34,318.38	21,888.93	11,883.13	9,263.78
(iii)	Unsecured debt	-	-	-	-	-	-	-	-	-	-
4.	Secured wholesale funding		-		-		-		-		-
5.	Additional requirements, of which										
(i)	*Outflows related to derivative exposures and other collateral requirements*	7,903.68	7,903.68	9,429.77	9,429.77	7,609.27	7,609.27	12,168.11	12,168.11	7,780.53	7,780.53
(ii)	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-	-	-
(iii)	*Credit and liquidity facilities*	-	-	-	-	-	-	-	-	-	-
6.	Other contractual funding obligations	468.81	468.81	2,361.44	2,361.44	4,551.53	4,551.53	2,306.97	2,306.97	3,060.62	3,060.62

Quantitative disclosure: (Contd.)

		June 2015		September 2015		December 2015		March 2016		2014-15	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
7.	Other contingent funding obligations	5,971.86	298.59	13,685.39	684.27	9,279.39	463.97	13,234.49	520.37	3,844.25	192.21
8.	**Total Cash Outflows**		**27,077.97**		30,264.19		**30,523.04**		**39,255.46**		**23,801.10**
	Cash Inflows										
9.	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-	-	-
10.	Inflows from fully performing exposures	12,610.68	11,673.64	15,424.80	14,307.59	14,025.44	12,841.11	23,436.16	20,994.41	14,776.54	11,557.55
11.	Other cash inflows	1,442.66	721.33	-	-	-	-	-	-	-	-
12.	**Total Cash Inflows**		**12,394.97**		**14,307.59**		**12,841.11**		**20,994.41**		**11,557.55**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13.	**Total HQLA**		**9,557.52**		**11,841.21**		**11,733.66**		**12,903.00**		**7,559.71**
14.	**Total Net Cash Outflows**		**14,683.00**		**15,956.60**		**17,681.93**		**18,261.05**		**12,243.55**
15.	**Liquidity Coverage Ratio (%)**		**65.09%**		**74.21%**		**66.36%**		**70.66%**		**61.74%**

7. Exposures:

7.1 *Exposure to Real Estate Sector:*

(₹ in crores)

	Particulars	March 31, 2016	March 31, 2015
(a)	**Direct exposure**		
	(i) Residential Mortgages - of which housing loans eligible for inclusion in priority sector advance ₹ 43.89 crores (Previous Year ₹ 51.11 crores)[1]	5,708.29	3,844.71
	(ii) Commercial Real Estate[2]	10,122.55	7,758.87
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures:		
	Residential	-	-
	Commercial Real Estate	-	-
(b)	**Indirect exposure**	2,725.26	1,704.95
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)		
	Total Real Estate Exposure	**18,556.10**	**13,308.53**

(1) As per RBI circular FIDD.CO.Plan.BC.54/04.09.01/2014-15 dated April 23, 2015, limit for housing loan under priority sector has been changed from ₹ 25 lakhs to ₹ 28 lakhs.

(2) Does not include corporate lending backed by mortgage of land and building.

7.2 *Exposure to Capital Market:*

(₹ in crores)

	Particulars	March 31, 2016	March 31, 2015
(i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	47.96	16.77
(ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	Nil	Nil
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	54.96	5.45
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	2,260.29	528.87

	Particulars	March 31, 2016	March 31, 2015
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	2,049.98	2,124.28
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	Nil	Nil
(vii)	Bridge loans to companies against expected equity flows / issues	Nil	Nil
(viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	Nil	Nil
(ix)	Financing to stockbrokers for margin trading	Nil	Nil
(x)	All exposures to Venture Capital Funds (both registered and unregistered)	20.00	Nil
	Total Exposure to Capital Market	**4,433.19**	**2,675.37**

During the year, Bank has converted debt of ₹ 9.09 crores to equity as a part of strategic debt restructuring which is exempt from CME limit.

7.3 Risk Category-wise exposure to country risk:

(₹ in crores)

Risk category	Exposure (net) as at March 31, 2016	Provision held as at March 31, 2016	Exposure (net) as at March 31, 2015	Provision held as at March 31, 2015
Insignificant	587.53	-	326.98	-
Low	2,286.44	-	1,344.63	-
Moderate	88.61	-	55.06	-
High	762.38	-	511.09	-
Very High	69.31	-	5.67	-
Restricted	4.49	-	3.24	-
Off Credit	5.79	-	-	-
Total	**3,804.55**	**-**	**2,246.67**	**-**

7.4 Single borrower limit and Group Borrower Limit:

During the year ended March 31, 2016, the Bank's credit exposures to single borrowers and group borrowers were within the prudential limits prescribed by RBI except in case of Vodafone Mobile Services Limited, where the single borrower limit was exceeded. This exposure has been approved by the Board of Directors of the Bank as it was within the prudential limit. During the year ended March 31, 2015, the Bank's credit exposures to single borrowers and group borrowers were within the prudential limits prescribed by RBI.

7.5 Unsecured advances:

The Bank has not extended any project advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations etc. (Previous Year Nil). The Unsecured Advances of ₹ 10,515.54 crores (Previous Year ₹ 8,818.10 crores) as disclosed in Schedule 9B (iii) are without any collateral or security.

8. Concentration of Deposits, Advances, Exposures and NPAs:

8.1 Concentration of Deposits:

(₹ in crores)

	As on March 31, 2016	As on March 31, 2015
Total Deposits of twenty largest depositors	25,558.51	19,329.88
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	27.48%	26.07%

8.2 Concentration of Advances:

(₹ in crores)

	As on March 31, 2016	As on March 31, 2015
Total Advances to twenty largest borrowers	26,797.58	22,566.46
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	16.17%	17.50%

Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBR.No.Dir.BC. 12/13.03.00/2015-16 dated July 1, 2015.

8.3 Concentration of Exposures:

(₹ in crores)

	As on March 31, 2016	As on March 31, 2015
Total Exposure to twenty largest borrowers / customers	26,850.88	22,847.85
Percentage of Exposure of twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	15.69%	17.14%

Exposures are computed as per the definition in Master Circular on Exposure Norms DBR.No.Dir. BC.12/13.03.00/2015-16 dated July 1, 2015 and includes credit, derivatives and investment exposure.

8.4 Concentration of NPAs:

(₹ in crores)

	As on March 31, 2016	As on March 31, 2015
Total Exposure to top four NPA accounts	141.40	100.49

8.5 Intra-Group Exposure:

(₹ in crores)

	As on March 31, 2016	As on March 31, 2015
Total amount of intra-group exposure	Nil	Nil
Total amount of top-20 intra-group exposure	Nil	Nil
Percentage of Intra Group Exposure to Total Exposure of the Bank on borrower/ Customer	Nil	Nil
Details of Breach of Limit on Intra Group exposure and Regulatory action thereon, if any	Nil	Nil

9. Miscellaneous:

9.1 Amount of Provisions for taxation during the year:

(₹ in crores)

Particulars	2015-16	2014-15
Provision for Income Tax	1,332.38	836.95
Deferred tax credit	(149.57)	78.05
Provision for Wealth tax	-	0.45
Total	**1,182.81**	915.45

9.2 Disclosure of penalties imposed by RBI:

During the year, RBI has not imposed any penalty on the Bank under section 46(4) of the Banking Regulation Act, 1949 (Previous Year ₹ 0.10 crores).

9.3 Fixed Assets:

9.3.1 Cost of premises includes ₹ 4.09 crores (Previous Year ₹ 4.09 crores) in respect of properties for which execution of documents and registration formalities are in progress. Of these properties, the Bank has not obtained full possession of one property having written down value of ₹ 1.59 crores (Previous Year ₹ 1.63 crores) and has filed a suit for the same.

9.3.2 Computer software:

The movement in fixed assets capitalized as computer software is given below:

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
At cost at the beginning of the year	209.36	178.11
Addition during the year	71.12	31.25
Deduction during the year	-	-
Accumulated Depreciation as at 31 March	160.31	127.96
Closing Balance as at 31 March	120.17	81.40
Depreciation charge for the year	32.35	24.52

9.4 Contingent Liabilities:

The Bank's pending litigations comprise of claims against the Bank by the clients and proceedings pending with Income Tax authorities. The Bank has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. Claims against the Bank not acknowledged as debts comprise of tax demands of ₹ 159.24 crores (Previous Year ₹ 161.32 crores) in respect of which the Bank is in appeal and the legal cases *sub judice* of ₹ 489.35 crores (Previous Year ₹ 386.42 crores). The Bank carries a provision of ₹ 4.48 crores (Previous Year ₹ 3.97 crores) against cases *sub judice*. The amount of contingent liabilities is based on management's estimate, and no significant liability is expected to arise out of the same.

9.5 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 ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of account.

9.6.1 *Bancassurance business:*

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

(₹ in crores)

Nature of Income	2015-16	2014-15
For selling life insurance policies	40.17	47.20
For selling non-life insurance policies	48.07	39.73
For selling mutual fund products	59.68	78.77
Others	-	-
Total	**147.92**	**165.70**

9.6.2 The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable (Previous year Nil).

9.6.3 The Bank does not have any Off-Balance Sheet SPVs (which are required to be consolidated as per accounting standards) (Previous year Nil).

9.7 *Disclosure relating to Depositor Education and Awareness Fund (DEAF):*

(₹ in crores)

Particulars	2015-16	2014-15
Opening balance of amounts transferred to DEAF	12.53	Nil
Add: Amounts transferred during the year	3.17	12.72
Less: Amounts reimbursed by DEAF towards claims	0.11	0.19
Closing balance of amounts transferred to DEAF	**15.59**	**12.53**

9.8 There is no delay in transferring amounts to Investor Education and Protection Fund by the Bank (Previous Year Nil).

9.9 *Corporate Social Responsibility (CSR):*

The Bank has spent an amount of ₹ 27.32 crores (Previous Year ₹ 17.54 crores) towards CSR initiatives through various projects in the areas of Rural Development and Inclusiveness, Environment Sustainability, Preventive Healthcare and certain areas of special interest such as Environmental, Education, etc. Of the total CSR spends, an amount of ₹ 22.30 crores (Previous Year ₹ 14.58 crores) was incurred towards capital expenditure.

9.10 *Drawdown from Reserves:*

The Bank has not undertaken any drawdown from reserves during the year ended March 31, 2016, except towards share issue expenses incurred for the equity share capital raised through a Qualified Institutions Placement (QIP) and a Preferential Allotment, which have been adjusted against the share premium account in terms of Section 52 of the Companies Act, 2013. There has been no drawdown from the reserves during the year ended March 31, 2015.

9.11 *Credit default swaps:*

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year (Previous Year Nil).

9.12 Marked to market gain or loss on forex and derivative transactions is presented on gross basis. Had this been presented on net basis as hitherto, the amount of each of Other Liabilities and Provisions, Other Assets and the total of Balance Sheet would have been lower by ₹ 1,789.66 crores on March 31, 2016 and ₹ 2,671.45 crores on March 31, 2015. The above change in presentation has no impact on the profit of the Bank for the year ended March 31, 2016 or the previous period.

9.13 During the year, the Bank regrouped sourcing costs relating to small ticket retail loan origination and bank charges incurred by the Consumer Finance Division under "Operating Expenses" which were hitherto netted off from "Other income" in order to be aligned with practice followed by the industry. Figures for the previous periods have been regrouped / reclassified accordingly. This change in classification has no impact on the profit of the Bank for the year ended March 31, 2016 or the previous year.

9.14 During the year, the Bank acquired the Diamond and Jewellery financing business of Royal Bank of Scotland N.V., which inter alia included an advance portfolio of ₹ 4,130.40 crores, as a going concern on a slump sale basis. The business take-over was completed on July 24, 2015, and all the assets and mutually agreed liabilities of the said Diamond and Jewellery financing business became part of the Bank's Balance Sheet on that date. The price paid towards acquisition of the business was allocated to the assets and liabilities on the basis of their fair value on the acquisition date and accounted for accordingly. The incomes generated by the business on and from that date, and the assets and liabilities pertaining to the business have been duly considered in the Profit and Loss Account for the year ended and the Balance Sheet as at March 31, 2016, respectively.

9.15 Movement in depreciation of Fixed Assets:

(₹ in crores)

Depreciation	2015-16	2014-15
Premises		
At the beginning of the year	58.99	50.49
Transferred from Revaluation Reserve	6.20	6.26
Charge for the year	2.07	2.24
Deduction during the year	0.54	-
Depreciation to date	66.72	58.99
Other Fixed Assets		
At the beginning of the year	649.79	563.44
Charge for the year	154.45	124.61
Deduction during the year	33.15	38.26
Depreciation to date	771.09	649.79

10. Employee Stock Option Scheme (ESOS):

10.1 The shareholders of the Bank approved Employee Stock Option Scheme (ESOS) on September 18, 2007. ESOS enables the Board and / or the HR and Remuneration Committee to grant such number of stock options of the Bank not exceeding 7% of the aggregate number of issued and paid up equity shares of the Bank, in line with the guidelines of the Securities & Exchange Board of India (SEBI). The options vest within a maximum period of five years from the date of grant of option. The exercise price for each grant is decided by the Compensation Committee, which is normally based on the latest available closing price. Upon vesting, the options have to be exercised within a maximum period of five years. The stock options are equity settled where the employees will receive one equity share per stock option.

Pursuant to the ESOS 2007 scheme, the HR and Remuneration Committee of the Bank has granted 3,75,70,300 options as set out below:

Sr. No.	Date of grant	No of options	Range of exercise price (₹)
1.	18-Jul-08	1,21,65,000	48.00 - 50.60
2.	17-Dec-08	34,56,000	38.95
3.	05-May-09	8,15,500	44.00
4.	31-Aug-09	3,18,500	100.05

Sr. No.	Date of grant	No of options	Range of exercise price (₹)
5.	28-Jan-10	7,47,000	48.00 - 140.15
6.	28-Jun-10	13,57,450	196.50
7.	14-Sep-10	73,500	236.20
8.	26-Oct-10	1,43,500	274.80
9.	17-Jan-11	25,00,000	228.70
10.	07-Feb-11	20,49,000	95.45 - 220.45
11.	24-Jun-11	21,54,750	253.60
12.	16-Aug-11	89,500	254.90
13.	30-Sep-11	2,61,000	262.25
14.	21-Dec-11	9,20,000	231.95
15.	29-Feb-12	1,95,000	304.05
16.	19-Apr-12	1,40,500	345.60
17.	25-May-12	1,34,500	304.55
18.	10-Jul-12	2,67,000	343.25
19.	29-Aug-12	1,14,000	319.05
20.	10-Oct-12	23,500	365.75
21.	09-Jan-13	30,000	433.75
22.	18-Apr-13	12,500	419.60
23.	20-Jun-13	1,75,000	478.45
24.	18-Jul-13	18,35,000	453.90
25.	23-Sep-13	75,000	411.50
26.	29-Oct-13	22,000	412.25
27.	29-Jan-14	7,67,500	300.00 - 389.85
28.	25-Mar-14	1,76,500	490.30
29.	15-May-14	65,500	537.05
30.	02-Jun-14	32,69,500	533.95
31.	09-Jul-14	33,000	551.10
32.	13-Oct-14	74,500	623.25
33.	17-Jan-15	47,500	831.85
34.	23-Feb-15	48,000	876.80
35.	30-Mar-15	11,000	880.75
36.	22-May-15	52,600	848.20
37.	24-Jul-15	16,30,000	949.80
38.	21-Sep-15	1,93,000	918.65
39.	04-Nov-15	93,500	911.85
40.	12-Jan-16	10,33,500	886.75 – 936.75

10.2 *Recognition of expense:*

The Bank follows the intrinsic value method to recognize employee costs relating to ESOS, in accordance with the Guidance Note on “Accounting for Employee Share-based Payments” issued by the ICAI. Excess of fair market price over the exercise price of an option at the grant date, is recognized as a deferred compensation cost and amortized on a straight-line basis over the vesting period of such options. The compensation so recognised in respect of which exercise of options is outstanding is shown as Employee Stock Options Outstanding on the face of the Balance Sheet.

The fair market price is the latest available closing price on the stock exchange on which the shares of the Bank are listed, prior to the date of the meeting of the Compensation Committee in which stock options are granted. Since shares are listed on more than one stock exchange, the exchange where the Bank’s shares have been traded highest on the said date is considered for this purpose.

10.3 *Stock option activity under the scheme during the year:*

	No. of options	Weighted average exercise price (₹)
Outstanding at the beginning of the year	1,55,54,797	280.21
Granted during the year	30,02,600	923.69
Forfeited / surrendered during the year	1,90,020	631.41
Exercised during the year	55,36,126	171.88
Expired during the year	-	-
Outstanding at the end of the year	1,28,31,251	472.32
Options exercisable at the end of the year	68,09,156	261.46

The weighted average price of options exercised during the year is ₹ 877.86.

Following table summarizes the information about stock options outstanding as at March 31, 2016:

Date of grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
18-Jul-08	48.00	5,00,000	0.84
18-Jul-08	50.60	1,17,000	0.30
17-Dec-08	38.95	42,800	0.72
31-Aug-09	100.05	39,240	1.00
28-Jan-10 A	48.00	6,00,000	0.83
28-Jun-10	196.50	90,227	1.46
26-Oct-10	274.80	1,790	2.24
17-Jan-11	228.70	18,35,000	1.90
07-Feb-11 A	220.45	5,22,550	1.92
07-Feb-11	95.45	1,38,000	0.86
24-Jun-11	253.60	2,29,013	2.47
30-Sep-11	262.25	10,000	3.35
21-Dec-11	231.95	4,06,000	3.36
29-Feb-12	304.05	1,20,000	3.05
19-Apr-12	345.60	59,350	3.34
25-May-12	304.55	30,460	3.23
10-Jul-12	343.25	1,73,005	3.61
29-Aug-12	319.05	2,250	4.17

Date of grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
10-Oct-12	365.75	5,000	3.54
09-Jan-13	433.75	15,000	3.79
20-Jun-13	478.45	1,01,000	4.72
18-Jul-13	453.90	8,94,456	4.62
23-Sep-13	411.50	35,710	5.06
29-Oct-13	412.25	20,680	4.66
29-Jan-14	389.85	33,930	5.31
29-Jan-14A	300.00	7,00,000	4.84
25-Mar-14	490.30	1,59,505	5.10
15-May-14	537.05	40,730	5.38
02-Jun-14	533.95	27,96,725	5.30
09-Jul-14	551.10	21,700	5.44
13-Oct-14	623.25	43,040	5.64
17-Jan-15	831.85	44,000	5.81
23-Feb-15	876.80	44,490	5.82
30-Mar-15	880.75	11,000	6.01
22-May-15	848.20	49,600	6.16
24-Jul-15	949.80	15,94,000	6.33
21-Sep-15	918.65	1,83,000	6.49
04-Nov-15	911.85	87,500	6.61
12-Jan-16	936.75	33,500	6.80
12-Jan-16	886.76	10,00,000	6.80

10.4 *Fair value methodology:*

The fair value of options granted during the year has been estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2015-16
Average dividend yield	0.43%
Expected volatility	32.61-36.43%
Risk free interest rates	7.55-7.84%
Expected life of options (in years)	4.50 - 4.51

Expected volatility is a measure of the amount by which the equity share price is expected to fluctuate during a period. The measure of volatility used in Black-Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the share over a period of time. Expected volatility has been computed by considering the historical data on daily volatility in the closing equity share price on the National Stock Exchange of India Limited (NSE), over a prior period equivalent to the expected life of the options, till the date of the grant.

The stock-based compensation cost calculated as per the intrinsic value method for the year is ₹ 2.22 crores. Had the Bank adopted the Black-Scholes model based fair valuation, compensation cost for the year ended March 31, 2016, would have increased by ₹ 67.88 crores and the proforma profit after tax would have been lower by ₹ 44.39 crores. On a proforma basis, the basic and diluted earnings per share would have been ₹ 38.91 and ₹ 38.49 respectively.

The weighted average fair value of options granted during the year is ₹ 382.98.

11. Disclosures – Accounting Standards:

11.1 Employee Benefits (AS-15):

Gratuity:

Gratuity is a defined benefits plan. The Bank has obtained qualifying insurance policies from two insurance companies. The following table summarises the components of net expenses recognized in the Profit and Loss account and funded status and amounts recognized in the Balance Sheet, on the basis of actuarial valuation.

(₹ in crores)

		March 31, 2016	March 31, 2015
	Changes in the present value of the obligation		
1.	Opening balance of Present Value of Obligation	46.38	34.36
2.	Interest Cost	3.42	2.87
3.	Current Service Cost	10.75	9.95
4.	Benefits Paid	(6.48)	(5.05)
5.	Actuarial loss / (gain) on Obligation	7.60	4.25
6.	Closing balance of Present Value of Obligation	61.67	46.38
	Reconciliation of opening and closing balance of the fair value of the Plan Assets		
1.	Opening balance of Fair value of Plan Assets	49.58	34.36
2.	Adjustment to Opening Balance	0.62	1.03
3.	Expected Return on Plan assets	4.33	3.14
4.	Contributions	18.09	16.45
5.	Benefits Paid	(6.48)	(5.05)
6.	Actuarial loss Return on Plan Assets	(0.80)	(0.35)
7.	Closing balance of Fair Value of Plan Assets	65.34	49.58
	Profit and Loss – Expenses		
1.	Current Service Cost	10.75	9.95
2.	Interest Cost	3.42	2.87
3.	Expected Return on Plan assets	(4.33)	(3.14)
4.	Net Actuarial loss recognised in the year	8.40	4.60
5.	Expenses recognised in the Profit and Loss account	18.24	14.28
	Funded status	100 % insurance managed funds	100 % insurance managed funds
	Actuarial Assumptions		
1.	Discount Rate	7.50%	7.90%
2.	Expected Rate of Return on Plan Assets	8.00%	8.00%
3.	Expected Rate of Salary Increase	5.00%	5.00%
4.	Employee Attrition Rate		
	- Past Service 0 to 5 years	30%	30%
	- Past Service above 5 years	0.50%	0.50%

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

Experience Adjustment:

Particulars	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
Defined Benefit Obligations	61.67	46.38	34.36	27.98	22.63
Plan Assets	65.34	49.58	34.36	28.67	23.94
Surplus / (Deficit)	3.67	3.20	-	0.69	1.31
Experience Adjustments on Plan Liabilities	(7.60)	(4.25)	1.63	1.23	1.24
Experience Adjustments on Plan Assets	(0.80)	(0.35)	(1.72)	0.19	(1.13)

Contributions expected to be paid to the plan during the annual period beginning after the Balance Sheet date is ₹ 22.00 crores.

Provident Fund:

The guidance note on implementing AS 15, Employee Benefits (revised 2005) states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefits plans.

The details of the fund and plan assets position as at March 31, 2016, are as follows:

(₹ in crores)

Assets / Liabilities	March 31, 2016	March 31, 2015
Present value of Interest Rate guarantee on Provident Fund	1.25	1.45
Present value of Total Obligation	128.89	103.46
Fair value of Plan Assets	127.72	102.01
Net liability recognized in the Balance Sheet	(1.17)	(1.45)
Assumptions		
Normal Retirement age	60 years	60 years
Expected guaranteed interest on PF in future	8.80%	8.75%
Discount rate	7.50%	7.90%
Expected average remaining working lives of employees (years)	6.36-13.23	6.28 – 13.98
Benefit on normal retirement	Accumulated account balance	Accumulated account balance
Benefit on early retirement / withdrawal / resignation	Same as normal retirement benefit	Same as normal retirement benefit
Benefit on death in service	Same as normal retirement benefit	Same as normal retirement benefit

11.2 Segment Reporting (AS 17):

The Bank operates in four business segments, viz. Treasury, Corporate / Wholesale Banking, Retail Banking and Other Banking Operations. There are no significant residual operations carried by the Bank.

Business Segments:

(₹ in crores)

Business Segment	Treasury		Corporate / Wholesale Banking		Retail Banking		Other Banking Operation		Total	
Particulars	**31/03/16**	**31/03/15**	**31/03/16**	**31/03/15**	**31/03/16**	**31/03/15**	**31/03/16**	**31/03/15**	**31/03/16**	**31/03/15**
Revenue	2,962.81	2,753.04	4,687.03	4,025.50	8,175.22	6,592.44	38.70	25.33	15,863.76	13,396.31
Inter Segment Revenue									(986.15)	(1,156.34)
Total Income									14,877.61	12,239.97
Result	557.42	366.59	1,161.85	877.84	2,566.52	1,972.89	12.15	7.75	4,297.94	3,225.07
Unallocated Expenses									(156.52)	(126.85)
Operating Profit									4,141.42	3,098.22
Provisions and Contingencies (other than tax)									(672.16)	(389.05)
Tax Expenses									(1,182.81)	(915.45)
Extraordinary profit / loss									-	-
Net Profit									2,286.45	1,793.72
Other Information:										
Segment Assets	37,124.17	28,706.40	32,562.01	27,736.93	63,110.40	48,934.25	-	-	1,32,796.58	1,05,377.58
Unallocated Assets									7,260.41	6,409.79
Total Assets									1,40,056.99	1,11,787.37
Segment Liabilities	22,376.74	21,002.71	44,550.15	39,144.35	49,665.41	35,618.94	-	-	1,16,592.30	95,766.00
Unallocated Liabilities									23,464.69	16,021.37
Total Liabilities									1,40,056.99	1,11,787.37

Note:

Fixed Assets, tax paid in advance / tax deducted at source (net of provisions), stationery and stamps, non-banking assets acquired in satisfaction of claims, and others which cannot be allocated to any segments, have been classified as unallocated assets; Depreciation on Fixed Assets has been classified as unallocated expenses. The unallocated liabilities include share capital, employee stock option outstanding, reserves and surplus, proposed dividend and others.

Geographic Segments:

The business operations of the Bank are largely concentrated in India. Activities outside India are restricted to resource mobilization in the international markets. Since the Bank does not have material earnings emanating from foreign operations, the Bank is considered to operate only in domestic segment.

11.3 Related party transactions (AS-18):

The following is the information on transactions with related parties:

Key Management Personnel

Mr. Romesh Sobti, Managing Director

Associates

IndusInd Marketing and Financial Services Private Limited

Subsidiaries

ALF Insurance Services Private Limited (till February 24, 2016; the company is under liquidation and the liquidator has repaid the entire share capital on February 24, 2016; the final formalities for striking off the name from the Companies Register are in progress).

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided as there is only one related party in each of the above categories.

11.4 *Operating Leases (AS 19):*

The Bank has taken a number of premises on operating lease for branches, offices, ATMs and residential premises for staff. The Bank has not given any assets on operating lease. The details of maturity profile of future operating lease payments are given below:

(₹ in crores)

	March 31, 2016	March 31, 2015
Future lease rentals payable as at the end of the year:		
- Not later than one year	216.49	189.85
- Later than one year but not later than five years	711.44	641.83
- Later than five years	293.85	293.86
Total of minimum lease payments recognized in the Profit and Loss Account for the year	206.49	182.91
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-lease	-	-
Sub-lease payments recognized in the Profit and Loss account for the year	-	-

The Bank has not sub-leased any of the properties taken on lease. There are no provisions relating to contingent rent.

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

11.5 *Earnings per share (AS 20):*

Details pertaining to earnings per share as per AS-20 are as under:

	Year ended March 31, 2016	Year ended March 31, 2015
Net Profit after tax (₹ in crores)	2,286.45	1,793.72
Basic weighted average number of equity shares	57,62,52,656	52,77,22,078
Diluted weighted average number of equity shares	58,24,34,853	53,69,08,824
Nominal value of Equity Shares (₹)	10	10
Basic Earnings per Share (₹)	39.68	33.99
Diluted Earnings per Share (₹)	39.26	33.41

11.6 Deferred Tax (AS 22):

The major components of deferred tax assets / liabilities are as under:

(₹ in crores)

	March 31, 2016 Deferred Tax		March 31, 2015 Deferred Tax	
Timing difference on account of	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Difference between book depreciation and depreciation under the Income Tax Act, 1961	-	26.47	-	25.96
Difference between Provisions for doubtful debts and advances and amount allowable under Section 36(1)(viia) of the Income Tax Act, 1961	307.32	-	191.29	-
Difference between book income and income offered under the Income Tax Act, 1961	-	144.49	-	175.17
Others	26.57	-	23.20	-
Sub-total	**333.89**	**170.96**	**214.49**	**201.13**
Net closing balance carried to the Balance Sheet (included in Sch. 11 – Others)	**162.93**		**13.36**	

12. Additional Disclosures:

12.1 Provisions and Contingencies charged to the Profit and Loss account for the year consist of:

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
(Appreciation) / Depreciation on Investments	29.51	(66.43)
Provision for non-performing assets including bad debts written off (net of write backs)	501.50	338.91
Provision towards Standard Assets	112.60	104.00
Income Tax / Wealth Tax / Deferred Tax (Refer Note 9.1)	1,182.81	915.45
Others	28.55	12.57
Total	**1,854.97**	**1,304.50**

12.2 Movement in provisions:

a) Movement in provision for credit card and debit card reward points:

(₹ in crores)

Particulars	2015-16	2014-15
Opening provision	12.35	9.71
Provision for Reward Points made during the year	16.30	9.12
Utilisation / Write back of provision for Reward Points	(12.58)	(6.48)
Effect of change in rate for accrual of Reward Points	-	-
Closing provision for Reward Points	**16.07**	**12.35**

b) Movement in provision for frauds included under other liabilities:

(₹ in crores)

Particulars	2015-16	2014-15
Opening provision	5.11	6.51
Provision during the year	0.62	1.25
Utilisation / Write back of provision	(0.38)	(2.65)
Closing provision	**5.35**	**5.11**

12.3 Disclosure relating to Complaints:

A) Customer Complaints:

No.	Particulars	2015-16	2014-15
(a)	No. of complaints pending at the beginning of the year	340	310
(b)	No. of complaints received during the year	25467	22199
(c)	No. of complaints redressed during the year	25352	22169
(d)	No. of complaints pending at the end of the year	**455**	**340**

B) Awards passed by the Banking Ombudsman:

No.	Particulars	2015-16	2014-15
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsman during the year	Nil	Nil
(c)	No. of Awards implemented during the year	Nil	Nil
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

(Compiled by management and relied upon by auditors)

12.4 The Ministry of Corporate Affairs (MCA) has notified the Companies (Accounting Standards) Amendment Rules, 2016, vide its notification dated March 30, 2016. The said notification, read with Rule 3(2) of the Companies (Accounting Standards) Rules, 2006, is applicable to accounting period commencing on or after the date of notification i.e. April 01, 2016.

12.5 Letters of Comfort:

The Bank has not issued any letters of comfort (Previous Year Nil).

12.6 Disclosure on Remuneration:

HR and Remuneration Committee:

The HR and Remuneration Committee of the Bank comprises four members of the Board of Directors of the Bank, including one member from the Risk Management Committee of the Board. The mandate of the HR and Remuneration Committee is to establish, implement and maintain remuneration policies, procedures and practices that help to achieve effective alignment between remuneration and risks. The Committee is also mandated to oversee framing, implementation and review of the Bank's Compensation Policy as per the RBI guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk Takers and Control function staff. The Committee is also required to ensure that the cost to income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio. The HR and Remuneration Committee reviews compensation structure and the policies of the Bank with a view to attract, retain and motivate employees.

Compensation Policy:

The Compensation Policy is formulated by the Board in alignment with the RBI guidelines and covers all components of compensation including fixed pay, variable pay, perquisites, retirement benefits as Provident Fund and Gratuity, Long term incentive plans and Employee Stock Options.

The key objectives of the policy are:

(i) Benchmark employee compensation for various job positions and skills with that of the market.

(ii) Maintain an optimal balance between fixed and variable pay

(iii) Pay for 'Position, Performance and Person'.

(iv) Build employee ownership and long term association through long term incentive plans (ESOPs)

Some of the important features of the Compensation Policy are as follows:

(i) The Bank has identified "Risk Takers and Risk Controllers" separately. Risk Takers includes all employees in Grades Senior Vice President 3 (SVP3) and above belonging to business line functions of Corporate & Commercial Banking Group, Global Markets Group, Transaction Banking Group, Consumer Banking and Consumer Finance Division, whose functioning and decisioning impacts the Bank materially on tangible financial performance aspects of revenues, costs, and profits. Risk Controllers are employees in Grades SVP3 and above belonging to business support functions of Chief Operating Officer (Operations, Finance & Accounts, Information Technology, Secretarial, etc.), Chief Risk Officer (Credit, Risk, Financial Restructuring & Reconstruction Group, Credit Quality Loan Assurance Review), Human Resources, Inspection and Audit, Investor Relations, Marketing, etc., who support the business line functions through back office processes and activities and their functioning does not have a revenue impact through business generation on the Bank's financial performance.

(ii) The HR & Remuneration Committee will oversee the framing, implementation and review of the Compensation Policy.

(iii) In respect of WTDs / CEO / Risk Takers / Control function staff of the Bank, the Compensation policy provides for a reasonable annual increase in fixed pay in line with the market benchmarks. Their individual increments are linked to their annual performance rating and increment percentages at various performance rating levels, are decided on the basis of the financial performance of the Bank. Exceptions are restricted to a select few high performers to reward performance, motivate and retain critical employees.

(iv) The quantum of overall variable pay to be disbursed in a year for all eligible employees including Risk Takers and Risk Controllers as defined above would vary from year to year on the basis of the financial performance of the Bank measured through various parameters such as Net Interest Margin, Net Interest Income, Return on Assets, Profit After Tax and Return on Equity.

(v) Employee Compensation is linked to performance. Increments and variable pay are linked to their annual performance rating. Annual Performance Rating for an employee is arrived on the basis of tangible performance against pre–set Key Results Areas (KRAs) / measurable objectives set at the beginning of the financial year.

(vi) The individual variable pay is linked to the annual performance rating, and based on variable pay grids that outline variable pay as a percentage of Annual Guaranteed cash at various rating levels for a grade band. Exceptional increments and variable pay may be paid to select high performers, but in no case they would violate the stipulated RBI guidelines. The Bank also makes a distinction between Risk Takers and Risk Controllers and incorporates separate parameters on variable pay for these segments in its Compensation policy.

(vii) The individual variable pay would not exceed 70% of the fixed pay. Wherever variable pay exceeds a substantial portion of fixed pay as defined by the Bank, (currently set at 65% of fixed pay), the variable pay will be deferred over a period of 3 years in a ratio to be decided by the management in accordance with the RBI guidelines.

(viii) The Bank will implement *malus* / claw-back arrangements with the concerned employees in case of deferred variable pay as defined above. Malus arrangement lays down policies to adjust deferred remuneration before vesting and claw-back arrangement lays down policies to adjust deferred remuneration after vesting. The criteria would be negative contributions to the bank and / or relevant line of business in any year.

(ix) The Compensation Policy does not provide for guaranteed bonus or sign on bonus in cash. However, in case of select critical hires, sign on bonus can be granted in form of pre-hiring ESOPs (a one-time grant made at the time of joining). The Compensation Policy does not provide for severance pay for any employee of the Bank, irrespective of the reasons for severance.

(x) Retirement benefits in the form of Provident Fund and Gratuity are as per the Bank's HR policies which are in line with the statutory norms.

(xi) Perquisites are laid down in HR Policies of the Bank.

(xii) At present, the Bank uses cash based form of variable compensation. Cash based form of variable compensation is easy to administer and leads to an instant reward to the concerned employees.

(xiii) ESOPs do not form a part of the variable pay and are kept outside the computation of total compensation of an employee. They are very selectively granted to attract and retain employees. ESOPs are not granted with a defined periodicity. ESOP grant criteria include grade of the employee, criticality of the position in terms of business contribution, market value of the position, performance and behavioural track record of the employee.

Other Disclosures:

	Year ended March 31, 2016	**Year ended March 31, 2015**
Number of meetings held by RC during the financial year and remuneration paid to its members	During the year, two meetings of HR and Remuneration committee were held. The members were paid aggregate sitting fees of ₹ 1,40,000 for the two meetings.	During the year, two meetings of Remuneration committee were held. The members were paid aggregate sitting fee of ₹ 1,00,000 for the two meetings. During the year, two meetings of HR and Remuneration committee were held. The members were paid aggregate sitting fees of ₹ 1,40,000 for the two meetings.
Number of employees having received a variable remuneration award during the financial year	66 employees belonging to the category of WTD / CEO / Risk Takers / Other Control function staff had received a variable remuneration award.	64 employees belonging to the category of WTD / CEO / Risk Takers / Other Control function staff had received a variable remuneration award.

	Year ended March 31, 2016	Year ended March 31, 2015
Number and total amount of 'sign on' awards made during the financial year	Nil	Nil
Details of guaranteed bonus if any paid as sign on bonus	Nil	Nil
Details of severance pay in addition to the accrued benefits	Nil	Nil
Total amount of outstanding deferred remuneration split into cash, shares and share linked instruments and other forms	The outstanding deferred remuneration is ₹ 1.36 crores to be paid as cash in FY 2016-17 and FY 2017-18	The outstanding deferred remuneration is ₹ 1.22 crores to be paid as cash in FY 2015-16 and FY 2016-17
Total amount of deferred remuneration paid out in the financial year	The deferred remuneration paid in FY16 was ₹ 0.61 crores	Nil
Breakdown of amount of remuneration awards for the financial year	Breakup of remuneration awards for the 72 employees defined as WTD / CEO / Risk Takers / Other control function staff (a) Fixed pay - ₹ 89.30 crores (b) Variable pay - ₹ 34.64 crores for FY 2014-15 (c) Deferred remuneration - ₹ 1.36 crores (d) Non-deferred remuneration - ₹ 33.28 crores	Breakup of remuneration awards for the 66 employees defined as WTD / CEO / Risk Takers / Other control function staff (a) Fixed pay - ₹ 76.01 crores (b) Variable pay - ₹ 28.66 crores for FY 2013-14 (c) Deferred remuneration - ₹ 1.22 crores (d) Non-deferred remuneration - ₹ 27.44 crores
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and implicit adjustments.	Nil	Nil
Total amount of reductions during the FY due to ex-post explicit adjustments	Nil	Nil
Total amount of reductions during the FY due to ex-post implicit adjustments	Nil	Nil

13. The Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, provides for certain disclosures in respect of Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or interest payments due to delays in such payments.

14. Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report of even date attached.

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm Registration No: 012754N / N500016

Russell I Parera
Partner
Membership No: 042190

Place : Mumbai
Date : April 21, 2016

For **INDUSIND BANK LTD.**

R. Seshasayee
Chairman

T. Anantha Narayanan
Director

Romesh Sobti
Managing Director

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

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