IMPORTANT NOTICE

THIS OFFERING CIRCULAR IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) UNDER RULE 144A (AS DEFINED BELOW) OR (2) ADDRESSEES OUTSIDE OF THE UNITED STATES (U.S.)

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES

Important: You must read the following before continuing. The following applies to the Offering Circular following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE U.S. OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. 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. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of the Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers (**QIBs**) (within the meaning of Rule 144A under the Securities Act (**Rule 144A**)) or (2) located outside of the U.S. By accepting the electronic mail and accessing this Offering Circular, you shall be deemed to have represented to us (1) that either (a) you and any customers you represent are QIBs or (b) the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in the U.S. and (2) that you consent to delivery of the 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 Notes under the Programme to which this Offering Circular relates 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 such offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced 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 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 Dealers (as defined in this Offering Circular) or any person who controls any or any director, officer, employee or agent of either of them 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 any of the Dealers.

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OFFERING CIRCULAR

AXIS BANK LIMITED

(Incorporated with limited liability in the Republic of India under the Indian Companies Act, 1956 with Registration No. 04-20769)

U.S.$5,000,000,000
Global Medium Term Note Programme

On 19 June 2006, Axis Bank Limited (formerly known as UTI Bank Limited) (the ***Issuer*** *or the* ***Bank****), acting through its Singapore Branch, or other foreign branch, as the case may be, established a €1,000,000,000 Medium Term Note Programme (the* ***Programme,*** *as amended, supplemented or restated) and prepared an offering circular dated 19 June 2006, as supplemented by a supplemental offering circular dated 21 September 2006. A further offering circular was issued on 31 May 2007 pursuant to an update of the Programme and an increase in the size of the Programme from €1,000,000,000 to €2,000,000,000 in accordance with the terms of the Programme. The Programme was updated on 3 July 2008 and 28 July 2009 pursuant to which the Issuer issued an offering circular dated 3 July 2008 and 28 July 2009, respectively. The Programme was updated on 30 June 2010 and further supplemented on 26 October 2010 pursuant to which the Issuer issued a supplemental offering circular dated 26 October 2010. The Programme was updated on 18 May 2011 and further supplemented on 30 December 2011 pursuant to which the Issuer issued a supplemental offering circular dated 30 December 2011. The Programme was updated on 13 August 2012 pursuant to which the Issuer issued an offering circular dated 13 August 2012. A further offering circular was issued on 17 September 2013 pursuant to a update of the Programme and the size of the Programme was increased from €2,000,000,000 to €3,000,000,000 in accordance with the terms of the Programme. The Programme was further updated pursuant to an offering circular dated 19 September 2014 and thereafter on 16 September 2015. The offering circular dated 16 September 2015 increased the size of the Programme from €3,000,000,000 to U.S.$5,000,000,000 and thereafter the Programme was further updated pursuant to offering circulars dated 17 May 2016 and 28 July 2017. This offering circular (the* ***Offering Circular****) is issued pursuant to a further update of the Programme and supersedes any previous offering circular describing the Programme. Any Notes (as defined below) issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes issued before the date of this Offering Circular.*

Under this U.S.$5,000,000,000 Programme, the Issuer, acting through its Singapore Branch, Hong Kong Branch, Dubai International Financial Centre (**DIFC** Branch), GIFT City Branch or other foreign branch, as the case may be, may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The Bank issues Notes under the Programme through a foreign branch for certain legal, administrative and regulatory reasons, including (without limitation) to facilitate timely access to funding markets. Investors should be aware that a branch is not a subsidiary and does not comprise a separate legal entity. The obligations under the Notes issued by the Bank acting through a foreign branch are of the Bank only, and investors' claims under such Notes are only against the Bank.

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.$5,000,000,000 (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 Issuer (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 to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's International Securities Market (**ISM**). **The ISM is not a regulated market for the purposes of Directive 2014/65/EU. The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the UK Listing Authority (UKLA). The London Stock Exchange has not approved or verified the contents of this Offering Circular.**

Additionally, 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 **Singapore 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 Singapore 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, 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. The Issuer may also issue unlisted Notes.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, 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 "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Each Tranche (as defined in "*Form of the Notes*") of Bearer Notes of each series (a **Series**) 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, 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 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 of each Tranche sold in an "offshore transaction" within the meaning of Regulation S (**Regulation S**) under the United States Securities Act of 1933, as amended (the **Securities Act**) outside the United States (**U.S.**) will initially be represented by a global note in registered form, without receipts or coupons, (a **Regulation S Global Note**), which will be delivered on or prior to the original issue date of the Tranche to the Common Depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of the Common Depositary.

Registered Notes of each Tranche may only be offered and sold in the U.S. to QIBs (as defined in "*Form of the Notes*") in transactions exempt from registration in reliance on Rule 144A under the Securities Act (**Rule 144A**) or any other applicable exemption. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form, without receipts or interest coupons (a **Rule 144A Global Note** and, together with a Regulation S Global Note, the **Registered Global Notes,** and each a **Registered Global Note**), which will be deposited with a custodian for, and registered in the name of, The Depository Trust Company (**DTC**) or a nominee of DTC.

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and may not be offered or sold in the United States unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See "*Form* of the Notes" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Transfer Restrictions*".

Arrangers

Citigroup **HSBC** **Axis Bank Limited, Singapore Branch** **Standard Chartered Bank**

Dealers

Citigroup **HSBC** **Axis Bank Limited, Singapore Branch** **Standard Chartered Bank**

The date of this Offering Circular is 1 October 2018.

The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Issuer accepts responsibility for the information contained in this Offering Circular. 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. The Issuer accepts responsibility accordingly.

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 Arrangers (as defined herein), the Dealers, the Trustee or the Agents (as defined in "*Terms and Conditions of the Notes*").

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Arrangers, the Dealers, the Trustee, the Agents or any of them as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme. Neither the Arrangers, the Dealers, the Trustee nor the Agents accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Programme.

Copies of each Pricing Supplement will be available from the corporate office of the Issuer and the specified office of the Principal Paying Agent (as defined herein).

Certain information under the heading "*Book-entry Clearance Systems*" has been extracted from information provided by the clearing systems referred to therein. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant clearing systems, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

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 Arrangers, the Dealers, the Trustee or the Agents 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 Arrangers, the Dealers, the Trustee or the Agents 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 of any time subsequent to the date indicated in the document containing the same. The Arrangers, the Dealers, the Trustee and the Agents 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.

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 Arrangers, 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 Arrangers or the Dealers, 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 and the Netherlands), India, Singapore, Japan, Hong Kong, the United Arab Emirates (UAE) and the DIFC.

None of the Issuer, the Arrangers, the Dealers, the Trustee and the Agents 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.

MIFID II product governance / target market – The Pricing Supplement in respect of any Notes may 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 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 (**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 Securities and Futures Act (Chapter 289) of Singapore (the **SFA**) – Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) 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*".

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.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

U.S. INFORMATION

This Offering Circular is being submitted on a confidential basis in the United States to a limited number of QIBs (each as defined under "*Form of the Notes*") for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Programme. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

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 and the Treasury regulations promulgated thereunder.

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act in reliance on Rule 144A or any other applicable exemption. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together **Legended Notes**) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Transfer Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken in the Trust Deed (as defined under "*Terms and Conditions of the Notes*") to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the **Exchange Act**) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a corporation organised under the laws of India. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside India upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside India predicated upon civil liabilities of the Issuer or such directors and officers under laws other than Indian law, including any judgment predicated upon United States federal securities laws.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The financial information related to 2018 and 2017 in this Offering Circular relating to the Issuer has been derived from (i) the audited consolidated financial statements of the Issuer for the financial years ended 31 March 2018 and 31 March 2017 and (ii) the audited standalone financial statements of the Issuer for the financial years ended 31 March 2018 and 31 March 2017. Unless otherwise stated, the financial information related to 2016 in this Offering Circular relating to the Issuer has been derived from (iii) the comparatives presented in the audited standalone and consolidated financial statements of the Issuer for the financial year ended 31 March 2017, and (iv) the reviewed standalone financial statements of the Issuer for the three months ended 30 June 2018 (together, the **Financial Statements**). The Issuer's financial year ends on 31 March and references to any specific year are to the 12-month period ended on 31 March of such year. Previous year figures have been regrouped and reclassified, where necessary, to conform to the presentation of fiscal 2018 financials.

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

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 the "Terms and Conditions of the Notes" or any other section of this Offering Circular.

Unless otherwise specified, all references to **India** are to the Republic of India and all references to the **Government** are to the Government of India and to the **State Government** are to the relevant State Government entity of India. All references to **fiscal** or **fiscal year** are to the year ended 31 March.

All references in this document to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, to **S$** refer to Singapore dollars and to **Rupee, Rupees** and ₹ refer to Indian Rupees. In addition, references to **Sterling** and **£** refer to pounds sterling, to **U.S. dollars, U.S.$** and **$** refer to United States dollars and to **RMB** and **Renminbi** refer to the lawful currency of the People's Republic of China (the **PRC**).

For convenience only, certain Rupee amounts in this Offering Circular have been translated into U.S. dollars. Unless otherwise specified, all such conversions were made at the exchange rate published by the U.S. Federal Reserve as at 31 March 2018, which was U.S.$1.00 = ₹65.11 and as at

30 June 2018 was ₹68.46. Other Rupee amounts in this Offering Circular where translated into U.S. dollars have been converted at the market rates prevailing at the relevant dates. No representation is made that the Rupee or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Rupee, as the case may be, at any particular rate, or at all. References to **Group** refer to the Bank and its subsidiaries.

Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

References to **crores** and **lakhs** in the Issuer's financial statements are to the following:

One lakh	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**) or the Director General of Commercial Intelligence and Statistics. Certain other information regarding market position, growth rates and other industry data pertaining to the Bank's business contained in this Offering Circular consists of estimates by the Bank based on data reports compiled by professional organisations and analysts, on data from other external sources and on the Bank'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 Bank relies on internally developed estimates. While the Bank has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, neither the Bank, the Arrangers, the Dealers, the Trustee nor the Agents makes any representation regarding the accuracy of such data. Similarly, while the Bank believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither the Bank, the Arrangers, the Dealers, the Trustee nor the Agents can assure potential investors as to their accuracy.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes statements which contain words or phrases such as "will", "would", "aim", "aimed", "will likely result", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "estimating", "intend", "plan", "contemplate", "seek to", "seeking to", "trying to", target", "propose to", "future", "objective", "goal", "project", "should", "can", "could", "may", "will pursue", "in management's judgement" 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 management's expectations with respect to, but not limited to, the actual growth in demand for banking and other financial products and services, the management's ability to successfully implement its strategy, future levels of impaired loans, the Bank's growth and expansion, the adequacy of the Bank's allowance for credit and investment losses, technological changes, investment income, the Bank's ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings the Bank is or may become a party to, the future impact of new accounting standards, management's ability to implement its dividend policy, the impact of Indian banking regulations on it, the Bank's ability to roll over its short-term funding sources, the Bank's exposure to market risks and the market acceptance of and demand for Internet banking services. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could materially differ from those that have been estimated.

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 United States or elsewhere or any other acts of terrorism worldwide, any anti-terrorist or other attacks by the United States, a United States-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 "*Risk Factors*" contained in this Offering Circular.

Any forward looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Offering Circular any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the trading price of the Notes of the Series (as defined below) of which such Tranche forms a part at a level higher than that which might otherwise prevail for a limited period after the date of the relevant Tranche of Notes. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilising, if commenced, may be discontinued at any time after a limited period. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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:

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 standalone financial results (if any) of the Issuer, (see "*General Information*" for a description of the financial statements currently published by the Issuer) published from time to time after the date hereof shall be deemed to be incorporated in, and form part of, this Offering Circular.

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.

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the Issuer and from the specified office of the Paying Agents for the time being in London and will be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

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 corporate office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the specified office of the Principal Paying Agent in London (which for the time being is The Bank of New York Mellon, London Branch (the **Principal Paying Agent**) for the Notes listed on the SGX-ST).

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, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer 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 Notes on the SGX-ST or the ISM 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.$5,000,000,000 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, or, as the case may be, the Principal Paying Agent as at the date on which agreement is reached for the issue of Notes;

(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 amount of 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 nominal amount of those Notes.

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	Axis Bank Limited, acting through its Singapore Branch, Hong Kong Branch, DIFC Branch, GIFT City Branch or other foreign branches (as specified in the relevant Pricing Supplement).
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below. 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 "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description	Global Medium Term Note Programme.
Arrangers	Axis Bank Limited, Singapore Branch Citigroup Global Markets Singapore Pte. Ltd. The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank
Dealers	Axis Bank Limited, Singapore Branch Citigroup Global Markets Singapore Pte. Ltd. The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank 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 "*Transfer Restrictions" and "Subscription and Sale*") including the following restrictions applicable at the date of this Offering Circular. **Notes having a maturity of less than one year** 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 unless they are issued to a

	limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see "*Transfer Restrictions*" and "*Subscription and Sale*").
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch in respect of Notes cleared through Euroclear and Clearstream, Luxembourg. The Bank of New York Mellon in respect of Notes cleared through DTC.
Programme Size	U.S.$5,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") in 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.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Notes may be denominated in any agreed currency and with any agreed maturity, subject to any applicable legal or regulatory restrictions and any requirements of the relevant central bank (or equivalent body).
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 (in the case of Notes other than Subordinated Notes and Hybrid Tier I Notes) a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as set out in the applicable Pricing Supplement. 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 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.

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); or (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. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. Floating Rate 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.
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 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 may agree.
Notes redeemable in instalments	The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.
Other provisions in 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.
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 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, (ii) for taxation reasons (in the case of Subordinated Notes and Hybrid Tier I Notes, only with the prior approval of the RBI or other relevant authority and, in the case of Hybrid Tier I Notes, the conditions for redemption set out in Condition 6.12 having been satisfied), (iii) in the case of Hybrid Tier I Notes, for certain regulatory reasons (with the prior approval of the RBI or such other relevant authority and the conditions for redemption set out in Condition 6.12 having been satisfied) or (iv) (in the case of Senior Notes) following an Event of Default (as defined in Condition 9.1)) or that such Notes will be redeemable at the option of the Issuer (in the case of Subordinated Notes and Hybrid Tier I Notes, only with the prior approval of the RBI subject to the fulfilment of applicable conditions) and/or (except in the case of Subordinated Notes and Hybrid Tier I Notes) 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 as may be agreed between the Issuer and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year are/may be subject to restrictions on their denomination and distribution (see "– *Certain Restrictions – Notes having a maturity of less than one year*" 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 – Notes having maturity of less than one year*" 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 7.2), subject as provided in Condition 7. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge	The terms of the Notes (other than Subordinated Notes and Hybrid Tier I Notes) will contain a negative pledge provision as further described in Condition 3.
Cross Default	The terms of the Notes (other than Subordinated Notes and Hybrid Tier I Notes) will contain a cross default provision as further described in Condition 9.
Status of the Senior Notes	The Senior Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 3, 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 unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Status, Events of Default and other Terms of or relating to the Subordinated Notes	Subordinated Notes will be Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes, as indicated in the applicable Pricing Supplement. The status of the Subordinated Notes and events of default applicable to the Subordinated Notes are set out in Conditions 2.2 and 9.2, respectively. Subordinated Notes do not have the benefit of a negative pledge or cross default provision.
Status, Events of Default and other Terms of or relating to Hybrid Tier I Notes	The status of the Hybrid Tier I Notes and events of default applicable to the Hybrid Tier I Notes are set out in Conditions 2.3 and 9.2, respectively. Hybrid Tier I Notes do not have the benefit of a negative pledge or cross default provision.
Limited Right of Acceleration in respect of Subordinated Notes and Hybrid Tier I Notes	If a default is made in the payment of any principal or interest due on the Subordinated Notes or the Hybrid Tier I Notes or any of them on the due date and, in the case of interest, such default continues for a period of fourteen days, the Trustee may institute proceedings against the Issuer, including winding up proceedings, but may take no other action in respect of such default.

	The Trustee may only accelerate the Subordinated Notes or the Hybrid Tier I Notes in the circumstances set out in Condition 9.2(b).
	Neither the Terms and Conditions of the Subordinated Notes and/or the Hybrid Tier I Notes nor the Trust Deed (as defined under "*Terms and Conditions of the Notes*") will contain any provision whereby the Subordinated Notes and/ or the Hybrid Tier I Notes will become due and payable upon a default in the payment of principal of or interest on the Subordinated Notes and/or the Hybrid Tier I Notes or on the non-performance of any covenant of the Issuer or upon the happening of any event other than the events set forth in Condition 9.2(b); principally, the winding up or liquidation of the Issuer.
Listing	Application has also been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's ISM. The ISM is not a regulated market for the purposes of Directive 2014/65/EU.
	Additionally, 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 Singapore Official List. 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 in relation to each Series. If the application to the SGX-ST to list a particular series of Notes is approved, such Notes listed on the SGX-ST will be traded on the SGX-ST in a minimum board lot size of at least S$200,000 (or equivalent).
	Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer in relation to the relevant 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).
Use of Proceeds	The net proceeds from each issue of Notes shall be utilised by the Issuer for its overseas operations or such other activities as are permitted under applicable laws in India. 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.
Rating	The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Pricing Supplement.

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 except that Clause 2(G) of the Trust Deed, in the case of Subordinated Notes, Condition 2.2 and, in the case of Hybrid Tier I Notes, Condition 2.3 will be governed by Indian law.
Clearing System	Euroclear, Clearstream, Luxembourg, DTC and/or any other clearing system, as specified in the applicable Pricing Supplement (see "*Form of the Notes*").
Terms and Conditions	Pricing Supplements will be prepared in respect of each Tranche of the Notes. The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of the Notes" as supplemented, modified or replaced by the Pricing Supplement.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the Sweden, Norway, Denmark, United Kingdom and the Netherlands), Japan, India, Hong Kong, Singapore, UAE and DIFC 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 and Rule 144A, TEFRA C or D (or any successor U.S. Treasury regulation section, including without limitation, successor regulations issued in accordance with IRS Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010)/TEFRA not applicable as specified in the applicable Pricing Supplement.
Legal Entity Identifier Code	549300HVNWMJPOFVNI41.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons (**Coupons**) attached, or registered form, without Coupons attached. Bearer Notes will be issued outside the U.S. in reliance on Regulation S, and Registered Notes will be issued both outside the U.S. in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or otherwise in a private transaction that is exempt from the registration requirements of the Securities Act.

Bearer Notes

Each Tranche of Bearer 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, 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 S.A./N.V. (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Whilst 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 Bearer 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 the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person or to a person within the United States, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

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 or (ii) definitive Notes of the same Series with, where applicable, receipts, Coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive 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. While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal and interest due before the Exchange Date will be made (i) only outside the United States, and (ii) only if the certification of beneficial ownership described above has been received.

The option for an issue of Bearer Notes to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Bearer Notes should not be expressed to be applicable in the applicable Final Terms if the Bearer Notes are issued with a minimum Specified Denomination such as

€100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency).

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 Notes with, where applicable, receipts, Coupons and talons attached upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 9.1) has occurred and is continuing, or (ii) the Issuer has been notified 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 and, in any case, no successor or alternative clearing system satisfactory to the Trustee is available, or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect from an authorised officer of the Issuer has been given to the Trustee. The Issuer will promptly give notice to the Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the Common Depositary on their behalf (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer 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."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Bearer Notes, receipts or Coupons.

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 offered and sold in reliance on Regulation S, which will be sold outside the United States, will initially be represented by a global note in registered form (a **Regulation S Global Note**).

The Registered Notes of each Tranche offered and sold in the United States may only be offered and sold in private transactions to "qualified institutional buyers" within the meaning of Rule 144A (**QIBs**). The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a **Rule 144A Global Note** and, together with a Regulation S Global Note, the **Registered Global Notes,** and each a **Registered Global Note**).

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (**DTC**), or (ii) be deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of 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.

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 defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent, the Trustee or the Registrar 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 Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 5.4) 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, Coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no successor or alternative clearing system satisfactory to the Trustee is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) in the case of Notes registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified 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 and, in any such case, no successor or alternative clearing system satisfactory to the Trustee is available, or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form and a certificate to that effect from an authorised officer of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in

(iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 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 DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Transfer Restrictions*".

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued 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 a common code and ISIN and, where applicable, a CUSIP and CINS number 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 (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC 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 otherwise approved by the Issuer, the Trustee and the Principal Paying Agent.

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

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new Offering Circular or a supplement to the Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

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 Conditions 1, 4, 5, 6 (except Condition 6.2), 10, 11, 12, 13 (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 16, 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.

FORM OF 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*]

Axis Bank Limited
acting through its [Singapore/Hong Kong/Dubai International Financial Centre/GIFT City/*specify other foreign branch*] Branch

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the U.S.$5,000,000,000 Medium Global Term Note Programme

PART A – CONTRACTUAL TERMS

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Any offer of these Notes will not be listed on the London Stock Exchange's regulated market for purposes of Directive 2004/39/EC.

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 1 October 2018 [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.

[*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*] which are incorporated by reference in the Offering Circular dated [*original date*] [and the Supplement dated [*date*] and are attached hereto. This Pricing Supplement constitutes the final terms of the Notes and must be read in conjunction with the Offering Circular dated [*current date*].]

MiFID II product governance / target market – [appropriate target market legend to be included]

[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 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 [Securities and Futures Act (Chapter 289) of Singapore (**the **SFA) –** [*To insert notice if classification of the Notes is not "prescribed capital markets products", pursuant to Section 309B of the SFA or 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)*]".][1]

[*Include whichever of the following apply or specify as "Not Applicable". 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:	Axis Bank Limited, acting through its [Singapore/ Hong Kong/Dubai International Financial Centre/ GIFT City/*specify other foreign branch*] Branch
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)*
3.	Specified Currency or Currencies:	[ ]
4.	Aggregate Nominal Amount:	
	(a) Series:	[ ]
	(b) Tranche:	[ ]
	(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]
5.	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6.	(a) Specified Denominations: *(in the case of Registered Notes this means the minimum integral amount in which transfers can be made)*	[ ] *(N.B. Notes must have a minimum denomination of €100,000 or equivalent)*

[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. If there is a change as to product classification for the relevant drawdown, from the upfront classification embedded in the programme documentation, then the legend is to be completed and used (if no change as to product classification, then the legend may be deleted in its entirety).

(Note – where Bearer Notes with multiple denominations above [€100,000] or equivalent are being used 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].")
(N.B. If an issue of Notes is (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 the €100,000 minimum denomination is not required.) (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. N.B. 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] [Change of Control Put] *(N.B. Investor Put is not possible for Subordinated Notes or Hybrid Tier I Notes)* [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)]
13.	Status of the Notes:	[Senior/Subordinated/Hybrid Tier I]* *(If "Subordinated", specify either "Upper Tier II Subordinated" or "Lower Tier II Subordinated")*
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:	[SGX-ST/ISM/*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]

* *N.B. The Programme has not been updated to include terms and conditions for non-equity Tier I capital (**Additional Tier I capital**) instruments and Tier II capital instruments compliant with the RBI's Master Circular – Basel III Capital Regulations DBR.No.BP.BC.1/21.06.201/2015-16 dated 1 July 2015 (**Master Circular – Basel III Capital Regulations**). Programme documentation should be updated to conform to these regulations prior to any issuance of Additional Tier I or Tier II capital instruments.*

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] *(If payable other than annually, consider amending Condition 4)*
	(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 Conditions:*	[ ] per Calculation Amount
	(d) Broken Amount(s) *for Notes in definitive form (and in relation to Notes in Global form, see 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*) (*N.B. Hybrid Tier I Notes and Subordinated Notes with a floating rate of interest will be required to be referenced to a market determined benchmarked rate, under the guidelines issued by the RBI*)
	(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 Principal Paying Agent):	[ ]
(f)	Screen Rate Determination:	Reference Rate: [ ] month
	(i) 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)
	(ii) 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)
	(iii) 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:	
	(i) Floating Rate Option:	[ ]
	(ii) Designated Maturity:	[ ]
	(iii) Reset Date:	[ ] *(in the case of a LIBOR or EURIBOR-based option, the first day of the Interest Period)*
(h)	Margin(s):	[+/-] [ ] per cent. per annum
(i)	Minimum Rate of Interest:	[ ] per cent. per annum
(j)	Maximum Rate of Interest:	[ ] per cent. per annum
(k)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360, 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)] [*Other*]
(l)	Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]

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 and late payment:	[Conditions 6.6(b) and 6.11 apply/*specify other*] *(Consider applicable day count fraction if not U.S. dollar-denominated)*
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 Principal Paying 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 Principal Paying 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.	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):	[ ] [ ] *(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 5 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 Principal Paying Agent or the Trustee)*
23.	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):	[ ] [ ] *(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 Principal Paying Agent or the Trustee)*

24.	Final Redemption Amount:	[[ ] per Calculation Amount/*specify other*/see Appendix]
25.	Early Redemption Amount payable on redemption for taxation or (where applicable) regulatory reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6.6):	[[ ] 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.) (N.B. If Hybrid Tier I, to specify (i) Calculation Agent if the Principal Paying Agent is not the Calculation Agent and (ii) Day Count Fraction for the purpose of the Make Whole Amount)*
26.	Regulatory Redemption Amount:	[Applicable/Not Applicable] *(Applicable only for Hybrid Tier I Notes) (if not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Calculation Agent:	[ ]
	(b) Day Count Fraction (for Make Whole Amount):	[ ]
	(c) Applicable Spread:	[[ ] per cent. per annum/Not Applicable]

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 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 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 option for an issue of Notes to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes 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*]".] [Registered Notes: [Regulation S Global Note (U.S.$[ ] nominal amount) registered in the name of a nominee for [DTC/a Common Depositary for Euroclear and Clearstream, Luxembourg]] [Rule 144A Global Note (U.S.$[ ] nominal amount) registered in the name of a nominee for [DTC/a Common Depositary for Euroclear and Clearstream, Luxembourg]]
28.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*] *(Note that this item relates to the date of payment and not the end dates of Interest Periods for the purpose of calculating the amount of interest, to which items 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 Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues)*
31.	Details relating to Instalment Notes:	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs 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 (or any successor U.S. Treasury regulation section, including without limitation, successor regulations issued in accordance with IRS Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) applicable or TEFRA rules not applicable:	[TEFRA D (or any successor U.S. Treasury regulation section, including without limitation, successor regulations issued in accordance with IRS Notice 2012-20 / TEFRA C (or any successor U.S. Treasury regulation section, including without limitation, successor regulations issued in accordance with IRS Notice 2012-20) / TEFRA not applicable]
37.	U.S. Selling Restrictions:	[Regulation S [Category 1]]/[Rule 144A]
38.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]
39.	Additional selling restrictions:	[Not Applicable/*give details*]
40.	Additional U.S. federal income tax considerations:	[Not Applicable/*give details*] [The Notes are [not] Specified Notes for purposes of Section 871(m).] [Additional information regarding the application of Section 871(m) to the Notes will be available [provide appropriate contact details or location of such information].] [As at the date of this Pricing Supplement, the Issuer has not determined whether the Notes are Specified Notes for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986; however, indicatively it considers that they will [not] be Specified Notes for these purposes. This is indicative information only subject to change and if the Issuer's final determination is different then it will give notice of such determination. Further information regarding the application of Section 871(m) to the Notes will be available [provide appropriate contact details or location of such information].]

Operational Information

41.	Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
42.	Delivery:	Delivery [against/free of] payment
43.	Additional Paying Agent(s) (if any):	[ ]
44.	Address of the Issuer if the Issuer is an overseas branch of the Bank that is neither the Hong Kong Branch, the Singapore Branch, the GIFT City Branch nor the Dubai International Financial Centre Branch:	[ ]

Other

45.	Reasons for the Offer [Use of proceeds if other than for general corporate purposes]:	[ ]

Legal Entity Identifier Code:	549300HVNWMJPOFVNI41
ISIN:	[ ]
Common Code:	[ ]
Financial Instrument short name:	[ ]
Classification of Financial Instruments:	[ ]
(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.$5,000,000,000 Medium Term Note Programme of Axis Bank Limited, acting through its [Singapore/Hong Kong/Dubai International Financial Centre/GIFT City/*specify other foreign branch*] Branch.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. Signed on behalf of the Issuer:

By: ____________________________________

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	Listing and admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [ISM]/[SGX-ST] [other] with effect from [ ].]
(b)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[The Notes [have been][are expected to be] rated]: [Moody's: [ ]] [S&P: [ ]] [Not Applicable]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to [ ] (the **Dealer[s]**) no person involved in the issue of the Notes has an interest material to the offer. Dealer[s] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business.]

4. YIELD *(Fixed Rate Notes only)*

Indication of yield:	[ ] per cent.

5. OPERATIONAL INFORMATION

(a)	ISIN Code:	[ ]
(b)	Common Code:	[ ]
(c)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream, Banking, société anonyme and the VPS and the relevant identification number(s):	[ ] [Not Applicable]
(d)	Delivery:	Delivery [against/free of] payment
(e)	Names and addresses of additional Paying Agent(s) (if any):	[ ] [Not Applicable]

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 (as defined below) 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 Programme has not been updated to include terms and conditions for Additional Tier I and Tier II capital instruments compliant with the RBI's Master Circular – Basel III Capital Regulations DBR.No.BP.BC.1/21.06.201/2015-16 dated 1 July 2015 (as amended). Programme documentation, including the Pricing Supplement and the following Terms and Conditions, will be updated to conform to these regulations prior to any issuance of Additional Tier I or Tier II capital instruments under the Programme. 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 "Applicable Pricing Supplement" 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 Axis Bank Limited (the **Issuer**), acting through its Singapore Branch, Hong Kong Branch, Dubai International Financial Centre Branch, its GIFT City Branch or such other branch of the Issuer outside the Republic of India (**India**) as specified in the applicable Pricing Supplement, and constituted by an Amended and Restated Trust Deed dated 1 October 2018 (such Trust Deed as further modified and/or supplemented and/or restated from time to time, the **Trust Deed**) made between the Issuer and The Bank of New York Mellon, London Branch (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:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(b) any Global Note;

(c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form (**Bearer Global Notes**); and

(d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for Registered Global Notes).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement dated 1 October 2018 (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 Bank of New York Mellon, London Branch as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents,** which expression shall include any additional or successor paying agents), The Bank of New York Mellon as exchange agent (the **Exchange Agent**, which expression shall include any successor exchange agent) and The Bank of New York Mellon SA/NV, Luxembourg Branch and The Bank of New York Mellon, each as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

Interest-bearing definitive Bearer Notes 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. Global 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.

The Trustee acts for the benefit of the **Noteholders** (which expression shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the **Receiptholders**) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), 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 admission to trading) 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 during normal business hours at the registered office for the time being of the Trustee (being, at One Canada Square, London E14 5AL, United Kingdom) and at the specified office of the Principal Paying Agent and the other Paying Agents. Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of the Principal Paying Agent and the corporate office of the Issuer save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. 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, the Agency Agreement and the applicable Pricing Supplement 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 AND TRANSFERS OF NOTES

1.1 Form

The Notes may be in bearer form (**Bearer Notes**) and/or in registered form (**Registered Notes**) and, in the case of definitive Notes, will be serially numbered, in the currency (the **Specified Currency**) and the denomination (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 also 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.

This Note may also be a Senior Note, a Hybrid Tier I Note, a Lower Tier II Subordinated Note or a Upper Tier II Subordinated Note, as indicated in the applicable Pricing Supplement.

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

1.2 Title

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery, and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee and any Agent will (except as otherwise ordered by a court of competent jurisdiction or required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note 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 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 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 and the Paying Agents 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 Global Note shall be treated by the Issuer, the Trustee and any 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.

For so long as the DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Trust Deed and the Agency Agreement and the Notes except to the extent that, in accordance with DTC's published rules and procedures, any ownership rights may be exercised by its participants or beneficial owners through participants.

In determining whether a particular person is entitled to a particular nominal amount of Notes, as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

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, Clearstream, Luxembourg and DTC, as the case may be. References to Euroclear and/or Clearstream, Luxembourg and/or 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 Principal Paying Agent.

1.3 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear, Clearstream, Luxembourg or DTC, 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 interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for 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, Clearstream, Luxembourg or DTC, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

1.4 Transfers of Registered Notes in definitive form

Subject as provided in Conditions 1.7 and 1.9 below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form 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 Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of 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 relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of 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 uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

1.5 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 6, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

1.6 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

1.7 Transfers of interests in Regulation S Global Notes

Transfers by the holder of, or a beneficial interest in, a Regulation S Global Note to a transferee in the United States will only be made:

(a) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 3 to the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(b) otherwise pursuant to an effective registration statement under the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

The transferee may take delivery through a Legended Note in global or definitive form. After expiry of the Distribution Compliance Period, if applicable, (a) beneficial interests in Regulation S Global Notes may be held through DTC directly by a participant in DTC or indirectly through a participant in DTC, and (b) such certification requirements will no longer apply to such transfers.

1.8 Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

(a) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and, in the case of a Regulation S Global Note registered in the name of a nominee for DTC; or

(b) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

1.9 Exchanges of Registered Notes generally

Holders of Registered Notes in definitive form that were sold outside the United States in accordance with Regulation S may exchange such Notes for Regulation S Global Notes at any time and holders of Registered Notes in definitive form that were sold in accordance with Rule 144A may exchange such Notes for interests in a Rule 144A Global Note of the same type at any time.

1.10 Definitions

In this Condition, the following expressions shall have the following meanings:

Legended Note means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a **Legend**);

QIB means a **qualified institutional buyer** within the meaning of Rule 144A;

Regulation S means Regulation S under the Securities Act;

Regulation S Global Note means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

Rule 144A means Rule 144A under the Securities Act;

Rule 144A Global Note means a Registered Global Note representing Notes sold in the United States or to QIBs; and

Securities Act means the United States Securities Act of 1933, as amended.

2. STATUS

2.1 Status of the Senior Notes

Notes, the status of which are specified in the applicable Pricing Supplement as Senior (the **Senior Notes**) and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) 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 unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

2.2 Status of the Subordinated Notes

*This Condition 2.2 applies only to Notes specified in the applicable Pricing Supplement as Subordinated Notes and shall, to the extent applicable, be governed by Indian law. Subordinated Notes shall be either Upper Tier II Subordinated Notes (**Upper Tier II Subordinated Notes**) or Lower Tier II Subordinated Notes (**Lower Tier II Subordinated Notes**). Upper Tier II Subordinated Notes and Lower Tier II Subordinated Notes are together referred to in these Conditions as **Subordinated Notes**, which term, for the purposes of these Conditions and the Trust Deed, shall exclude Hybrid Tier I Notes. (N.B. This Condition 2.2 has not been updated to conform to the RBI's Master Circular – Basel III Capital Regulations.)*

(a) Subordination

Subordinated Notes and any relative Receipts and Coupons are unsecured obligations of the Issuer and, in the event of the winding-up of the Issuer, the claims of the holders of Subordinated

Notes and any relative Receipts and Coupons pursuant thereto will be subordinated in right of payment to the claims of all other creditors (other than claims of holders of Subordinated Indebtedness ranking equal to or lower than the claims of the holders of Subordinated Notes and any relative Receipts and Coupons, if any) of the Issuer in the manner and to the extent provided in the Trust Deed. For the avoidance of doubt, (i) the claims of holders of Subordinated Notes and any relative Receipts and Coupons shall be senior to the claims of holders of Tier I capital as defined in the Reserve Bank of India's Master Circular – Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF) DBR.No.BP.BC.4/21.06.001/2015-16 dated 1 July 2015 (as amended from time to time, the **RBI Guidelines**) of the Issuer, and (ii) the claims of holders of Lower Tier II Subordinated Notes and any relative Receipts and Coupons shall be senior to the claims of holders of Upper Tier II Subordinated Notes and any indebtedness classified as Upper Tier II capital by the RBI Guidelines.

Claims in respect of Subordinated Notes and any relative Receipts and Coupons may not be set-off, or be the subject of a counterclaim, by the holder against or in respect of any obligations of the holder to the Issuer or to any other persons and the holder of any Subordinated Note or relative Receipt or Coupon shall, by virtue of being the holder of such Subordinated Note or relative Receipt or Coupon, be deemed to have waived all such rights of set-off.

(b) Payment of Principal and Interest

If, and to the extent that, on the due date for payment of interest on the Notes, the Issuer is not, or would be caused by any payment of the principal of and interest on any Upper Tier II Subordinated Note not to be, in compliance with the then applicable Capital to Risk Assets Ratio Requirement, then the Issuer shall not pay any interest on such date and payment of such interest shall be deferred as provided in Condition 2.2(c)(iii) below.

Furthermore, on the due date for the payment of interest on the Notes, if the Issuer is not, or would be caused by any payment of the principal of and interest on any Upper Tier II Subordinated Note not to be, in compliance with the Net Loss Requirement (as defined below), then the Issuer shall not, without the prior approval of the RBI, make such payment of interest and payment of such interest shall be deferred as provided in Condition 2.2(c)(iii) below.

(c) Payment Deferrals on Upper Tier II Subordinated Notes

Unless otherwise provided in the applicable Pricing Supplement,

(i) If (A) the Issuer is not, or would be caused by any payment of the principal of and/or (as the case may be) interest on any Upper Tier II Subordinated Note not to be, in compliance with the Capital to Risk Assets Ratio Requirement (as defined below), but (B) the Issuer is in compliance with the Net Loss Requirement (as defined below), in each case on the due date for the relevant payment, the Issuer shall not be liable to pay such principal and/or interest (as the case may be and provided that interest cannot be paid in part) as provided in this Condition 2.2(c) until the date specified in (v) below and any such failure to pay will not constitute a default by the Issuer for any purpose; provided, however, that the Issuer shall not declare or pay any dividends on any share capital of the Issuer or make any payments in respect of liabilities of the Issuer (other than the liabilities under the Lower Tier II

Subordinated Notes and any other indebtedness classified as lower tier II subordinated capital by the RBI) that rank equally with or junior to the Upper Tier II Subordinated Notes unless and until any and all Payments in Arrears (as defined in (iv) below) and other accrued interest on the Upper Tier II Subordinated Notes, including Additional Payments (as defined in (iv) below), have been paid in full.

(ii) If the Issuer is not, or would be caused by any payment of principal and/or interest on any Upper Tier II Subordinated Note not to be, in compliance with (A) the Capital to Risk Assets Ratio Requirement and (B) the Net Loss Requirement, in each case on the due date for the relevant payment, the Issuer shall defer payment of such principal and/or interest as provided in this Condition 2.2(c) until the date specified in (v) below and any such failure to pay will not constitute a default by the Issuer for any purpose; provided, however, that the Issuer shall not declare or pay any dividends on any share capital of the Issuer or make any payments in respect of liabilities of the Issuer (other than the liabilities under the Lower Tier II Subordinated Notes and any other indebtedness classified as lower tier II subordinated capital by the RBI) that rank equally with or junior to the Upper Tier II Subordinated Notes unless and until any and all Payments in Arrears and other accrued interest on the Upper Tier II Subordinated Notes, including Additional Payments, have been paid in full.

(iii) If (A) the Issuer is not, or would be caused by any payment of interest on any Upper Tier II Subordinated Note not to be, in compliance with the Net Loss Requirement but (B) the Issuer is in compliance with the Capital to Risk Assets Ratio Requirement, in each case on the due date for the relevant payment, the Issuer shall not, without the prior approval of the RBI make such payment of interest, and payment of such interest shall be deferred as provided in this Condition 2.2(c) until the date specified in (v) below and any such failure to pay will not constitute a default by the Issuer for any purpose; provided, however, that the Issuer shall not declare or pay any dividends on any share capital of the Issuer or make any payments in respect of liabilities of the Issuer (other than the liabilities under the Lower Tier II Subordinated Notes and any other indebtedness classified as lower tier II subordinated capital by the Reserve Bank of India) that rank equally with or junior to the Upper Tier II Subordinated Notes unless and until any and all Payments in Arrears and other accrued interest on the Upper Tier II Subordinated Notes, including Additional Payments, have been paid in full.

(iv) Any principal or interest in respect of Upper Tier II Subordinated Notes not paid on the due date for payment thereof, together with any principal or interest in respect of Upper Tier II Subordinated Notes not paid on any other date, will, so long as the same remains unpaid, constitute **Payments in Arrears**. Unless otherwise provided in the applicable Pricing Supplement, until paid (whether before or after the Maturity Date), Payments in Arrears will be made with compound interest at a rate (the **Compound Rate**) which shall not exceed the interest rate payable on the relevant Upper Tier II Subordinated Note at that time (such additional interest amounts, **Additional Payments**). The Compound Rate in respect of each Tranche of Upper Tier II Subordinated Notes shall be set out in the applicable Pricing Supplement.

(v) Payments in Arrears and accrued interest, including Additional Payments, in respect of Upper Tier II Subordinated Notes will (subject to Condition 2.2(a)) become due in full on whichever is the earlier of (A) the next Compulsory Payment Date (as defined below) or (B) the occurrence of an event as specified in Condition 9.2. If notice is given by the Issuer of its intention to pay the whole or any part of Payments in Arrears and other accrued interest, including Additional Payments, the Issuer shall be obligated (subject to Condition 2.2(a)) to make such payment upon the expiration of such notice.

In respect of any Payments in Arrears arising pursuant to Condition 2.2(c)(i) to (iv), any such Payments in Arrears and accrued interest, including Additional Payments, thereon may, at the option of the Issuer, be paid (in whole but not in part) at any time upon the expiration of not less than 14 days' notice to such effect given to the Paying Agent and to the holders of the Notes, subject always to the provisions of Condition 2.2(c)(v).

For the avoidance of doubt, where any payment of principal and/or interest may only be made with the approval of the RBI, the Issuer will use its best endeavours to obtain such approval.

(vi) As used in this Condition 2.2 and in Condition 2.3:

Compulsory Payment Date means (A) in the case of principal, the first date (the **Compliance Date**) following deferral of the relevant payment of principal and/or interest on which the Issuer, is either (I) in compliance with the Capital to Risk Assets Ratio Requirement and the Net Loss Requirement or (II) in compliance with the Capital to Risk Assets Ratio Requirement, not in compliance with the Net Loss Requirement (or any such payment would cause the Issuer not to be in compliance with the Net Loss Requirement), and has approval from the RBI to make the relevant payment of principal, in each case, provided that any such payment will not cause the Issuer to be in breach of the Capital to Risk Assets Ratio Requirement or in the case of (I) the Net Loss Requirement, and (B) in the case of interest, the next Interest Payment Date (if any) following the Compliance Date or, if none, the Compliance Date.

Capital to Risk Assets Ratio Requirement means the requirement for the minimum capital to risk-weighted assets ratio (**CRAR**) of the Issuer, determined in accordance with the guidelines of the RBI, which currently is 9.00 per cent.

Net Loss means a negative balance in the balance of the profit and loss account contained within reserves and surplus on the Issuer's balance sheet as shown in the most recent quarterly or, as the case may be, annual financial statements of the Issuer.

Net Loss Requirement means the Issuer not having a Net Loss.

Reserve Bank of India means the Reserve Bank of India or any successor thereto.

Subordinated Indebtedness means all indebtedness of the Issuer which by its terms is subordinated, in the event of the winding-up of the Issuer, in right of payment to the claims of unsubordinated creditors of the Issuer and so that, for the purpose of this definition, indebtedness shall include all liabilities, whether actual or contingent, under guarantees or indemnities.

The definitions set forth in this Condition 2.2(c)(vi) are subject to such interpretations, amendments and clarifications as may be stipulated by the RBI from time to time. The Bank shall notify or procure notification of any such interpretations, amendments and clarifications of the RBI, to the Trustee, the Principal Paying Agent, the Registrar, the SGX-ST and the Noteholders (in accordance with Condition 13) no later than five days from the announcement or publication of such.

(vii) On the fifth Business Day (as defined in Condition 4.6) immediately preceding any date for payment of principal of and/or (as the case may be) interest on any of the Upper Tier II Subordinated Notes (the **Payment Deferral Determination Date**), the Issuer will determine, as at such Payment Deferral Determination Date, if it shall not be liable to make such payment of principal of and/or (as the case may be) interest on any of the Upper Tier II Subordinated Notes pursuant to any of paragraphs (i), (ii) or (iii) of this Condition 2.2(c). In the event that the Issuer determines that it shall or must defer such payment of principal of and/or (as the case may be) interest on any of the Upper Tier II Subordinated Notes as provided above, the Issuer shall (A) notify or procure notification, no later than the day immediately following the relevant Payment Deferral Determination Date, to the Trustee, the Principal Paying Agent, the Registrar, the SGX-ST and the Noteholders (in accordance with Condition 13), of that fact and of the amount to be deferred, and (B) deliver to the Registrar a certificate signed by two directors of the Issuer (the **Deferral Certificate**) stating such fact, the amount to be deferred in respect of such payment and the relevant paragraph of this Condition 2.2(c) whereby such right of deferral arose. PROVIDED THAT, in the event that the Issuer determines, on the relevant payment date, the circumstances giving rise to the right and/or (as the case may be) requirement to defer the relevant payment pursuant to paragraphs (i), (ii) or (iii) of this Condition 2.2(c) as set out in the Deferral Certificate no longer apply, the Issuer shall (I) notify or procure notification, no later than the day following the relevant payment date, to the Trustee, the Principal Paying Agent, the Registrar, the SGX-ST and the Noteholders (in accordance with Condition 13), of the fact, and (II) make payment of the relevant amount of principal of and/or interest on the Upper Tier II Subordinated Notes as soon as practicable and in any event no later than two Business Days immediately following the relevant payment date.

2.3 Status of the Hybrid Tier I Notes

This Condition 2.3 applies only to Notes specified in the applicable Pricing Supplement as ***Hybrid Tier I Notes*** *and shall, to the extent applicable, be governed by Indian law. (N.B. This Condition 2.3 has not been updated to conform to the RBI's Master Circular – Basel III Capital Regulations DBR.No.BP.BC.1/21.06.201/2015-16 dated 1 July 2015.)*

(a) Status

The Hybrid Tier I Notes are direct and unsecured obligations of the Issuer and are subordinated in the manner described in Condition 2.3(b).

The Hybrid Tier I Notes are not deposits of the Issuer and are not guaranteed or insured by the Issuer or any party related to the Issuer and they may not be used as collateral for any loan made by the Issuer or any of its subsidiaries or affiliates.

(b) Subordination

The Issuer, for itself, its successors and assignees, covenants and agrees, and each Noteholder by subscribing for or purchasing a Hybrid Tier I Note irrevocably acknowledges and agrees that:

(i) the indebtedness evidenced by the Hybrid Tier I Notes constitutes unsecured and subordinated obligations of the Issuer; and

(ii) the subordination is for the benefit of the holders of indebtedness that rank senior to the Hybrid Tier I Notes. Claims in respect of the Hybrid Tier I Notes will rank (A) *pari passu* and without preference among themselves, and (B) *pari passu* with claims of creditors of the Issuer which are subordinated so as to rank *pari passu* with claims in respect of the Hybrid Tier I Notes and the rights and claims of holders of preference shares (if any) and equity shares of the Issuer.

The principal of, and interest and any additional amounts payable on, the Hybrid Tier I Notes will be subordinated in right of payment upon occurrence of any Winding Up Proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Issuer (including liabilities of all offices and branches of the Issuer wherever located and any subordinated debt securities of the Issuer that rank senior to the Hybrid Tier I Notes), except in each case to those liabilities which by their terms rank equally in right of payment with or which are subordinated to the Hybrid Tier I Notes, in the manner and to the extent provided in the Trust Deed.

No Noteholder, Receiptholder or Couponholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Hybrid Tier I Notes and each Noteholder, Receiptholder and Couponholder shall by virtue of its subscription, purchase or holding of any Hybrid Tier I Note, be deemed to have waived all such rights of set-off to the fullest extent permitted by law.

The Issuer agrees that so long as any of the Hybrid Tier I Notes remains outstanding, it will not create, issue, assume or otherwise incur any loan, debt, guarantee, instrument or other obligation which shall be, or shall purport to be, subordinated debt of the Issuer and which shall, at the time it is created, issued, assumed or otherwise incurred or at any time thereafter, be considered to be, innovative Tier I capital of the Issuer under applicable regulations which would rank (as regards interest, dividends or distributions on liquidation, dissolution or winding-up) senior to the Hybrid Tier I Notes.

As a consequence of these subordination provisions, if a Winding Up Proceeding should occur, the Noteholders, Receiptholders and Couponholders may recover less rateably than the holders of deposit liabilities or the holders of other unsubordinated liabilities of the Issuer. Moreover, holders of Hybrid Tier I Notes would likely be required to pursue their claims on the Hybrid Tier I Notes in proceedings in India as further described in Condition 9.3.

Holders of the Hybrid Tier I Notes will not be entitled to receive notice of, or attend or vote at, any meeting of shareholders of the Issuer or participate in the management of the Issuer.

As at 31 March 2018, the Issuer had outstanding liabilities (excluding share capital and reserve and surplus) of an amount of ₹6,278.84 billion. Such liabilities rank senior to the Hybrid Tier I Notes. Except as provided above, the Hybrid Tier I Notes do not limit the amount of liabilities ranking senior or equal to the Hybrid Tier I Notes.

To the extent that holders of the Hybrid Tier I Notes are entitled to any recovery with respect to the Hybrid Tier I Notes in any Indian proceedings, such holders may not be entitled in such proceedings to a recovery in U.S. dollars and may be entitled to a recovery in Indian rupees as further described in Condition 9.3.

(c) Payment Limitation on Hybrid Tier I Notes

Unless otherwise provided in the applicable Pricing Supplement:

(i) If the Issuer is not, or would be caused by any payment of interest on any Hybrid Tier I Note not to be, in compliance with the Capital to Risk Assets Ratio Requirement, on the due date for the relevant payment, the Issuer shall not be liable to make payment of such interest as provided in this Condition 2.3(c) and any such failure to pay will not constitute a default by the Issuer for any purpose; provided, however, that the Issuer shall not declare or pay any dividends on any share capital of the Issuer or make any payments in respect of liabilities of the Issuer (other than the liabilities under the Subordinated Notes and any other indebtedness classified as tier II subordinated capital by the RBI) that rank equally with or junior to the Hybrid Tier I Notes (each such declaration or (as the case may be) payment being a **Subordinated Payment**) unless and until such time as all payments of interest under the Hybrid Tier I Notes are made by the Issuer, as and when such payments are due, for the Interest Period immediately preceding such Subordinated Payment.

(ii) If the Issuer is not, or would be caused by any payment of interest on any Hybrid Tier I Note not to be, in compliance with the Net Loss Requirement on the due date for the relevant payment, the Issuer shall not, without the prior approval of the RBI, make such payment of interest, and any such failure to pay will not constitute a default by the Issuer for any purpose; provided, however, (A) that the Issuer shall not make any Subordinated Payment unless and until such time as all payments of interest under the Hybrid Tier I Notes are made by the Issuer, as and when such payments are due, for the Interest Period immediately preceding such Subordinated Payment, and (B) that if the Issuer is in compliance with the Capital to Risk Assets Ratio Requirement, the Issuer shall apply to the RBI for approval to make such payment of interest. If the RBI grants such permission, notwithstanding any prior delivery of a Payment Limitation Certificate (as defined below), the Issuer shall, subject to compliance with such conditions as may be stipulated by the RBI while granting such approval, proceed to pay the interest due either (A) on the relevant Interest Payment Date, or (B) within five Business Days from receipt of the approval from the RBI (such approval to be notified to the Trustee in a certificate signed by two directors) if such approval is received after the date which is five Business Days prior to the relevant Interest Payment Date.

(iii) Interest on the Hybrid Tier I Notes will be non-cumulative. If interest is not paid on an Interest Payment Date pursuant to and in accordance with this Condition 2.3(c), the right of Noteholders, Receiptholders and Couponholders to receive interest in respect of the Interest Period ending on such Interest Payment Date will be lost and the Issuer will have no further obligation in respect of the interest for such Interest Period, whether or not any amount of interest is paid for any future Interest Period.

(iv) On the fifth Business Day (as defined in Condition 4.6) immediately preceding any date for payment of interest on any of the Notes (the **Payment Limitation Determination Date**), the Issuer will determine, as at such Payment Limitation Determination Date, if it shall not be liable to make such payment of interest on any of the Hybrid Tier I Notes pursuant to any of paragraphs (i) or (ii) of this Condition 2.3(c). In the event that the Issuer determines that it shall not make such payment of interest on any of the Hybrid Tier I Notes as provided above, the Issuer shall (A) notify or procure notification, no later than the day immediately following the relevant Payment Limitation Determination Date, to the Trustee, the Principal Paying Agent, the Registrar, the SGX-ST and the Noteholders (in accordance with Condition 13), of that fact and of the amount that shall not be paid, and (B) deliver to the Registrar a certificate signed by two directors of the Issuer (the **Payment Limitation Certificate**) stating such fact, the amount which shall not be paid in respect of such payment and the relevant paragraph of this Condition 2.3(c) whereby such right of non-payment arose. PROVIDED THAT, in the event that the Issuer determines, on the relevant payment date, the circumstances giving rise to the Issuer's right not to pay the relevant payment pursuant to paragraphs (i) or (ii) of this Condition 2.3(c) as set out in the Payment Limitation Certificate no longer apply, the Issuer shall (I) notify or procure notification, no later than the day following the relevant payment date, to the Trustee, the Principal Paying Agent, the Registrar, the SGX-ST and the Noteholders (in accordance with Condition 13), of the fact, and (II) make payment of the relevant amount of interest on the Hybrid Tier I Notes as soon as practicable and in any event no later than two Business Days following the relevant payment date.

3. NEGATIVE PLEDGE

So long as any of the Senior Notes remain outstanding (as defined in the Trust Deed), the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) upon, or with respect to, any part of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Senior Notes and the Trust Deed (in respect of the Senior Notes) are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (i) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the holders of the Senior Notes, or (ii) as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon) of the holders of the Senior Notes.

For the purposes of these Conditions, **Relevant Indebtedness** means (a) any present or future 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 which (i) by their terms 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 (i) are for the time being, or are intended to be, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (b) any guarantee or indemnity in respect of any such indebtedness.

4. INTEREST

4.1 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 at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

In the event that either the initial Interest Period or final Interest Period is for a period other than a Fixed Interest Period, payments of interest on the relevant 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.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated 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 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 is a multiple of the 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 4.1:

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

(i) 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 payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

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

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

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

(b) 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 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.

4.2 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 (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent 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 Principal Paying Agent. 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 Principal Paying Agent 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 (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(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 paragraph (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 paragraph (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 Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same. If required to be calculated by it, the Principal Paying Agent or, as the case may be, the Calculation Agent shall cause the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders and, if the Notes are listed on a stock exchange and the rules of such stock exchange or other relevant authority so require, such stock exchange or other relevant authority as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the 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 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 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 Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such 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 4.2:

(i) 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 (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

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

(iii) 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;

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

(v) 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:

$$\text{Day Count Fraction} = \frac{[360\times(Y_2-Y_1)+[30\times M_2-M_1]+(D_2-D_1)]}{360}$$

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 D1 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 D1 is greater than 29, in which case D2 will be 30;

(vi) 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times M_2 - M_1] + (D_2 - D_1)]}{360}$$

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 D1 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 D2 will be 30;

(vii) 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times M_2 - M_1] + (D_2 - D_1)]}{360}$$

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 (A) that day is the last day of February, or (B) 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 (A) that day is the last day of February but not the Maturity Date or (B) such number would be 31, in which case D_2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will 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, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter.

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 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 13. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(f) Determination or Calculation by Trustee

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

(g) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4, whether by the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal 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.

4.3 Interest on Dual Currency Interest Notes

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

4.4 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.

4.5 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 for 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.

4.6 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:

(a) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of

(a) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) 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 (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

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

(c) 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

(d) 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 TARGET2 System) specified in the applicable Pricing Supplement;

(b) if 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 TARGET2 System or any successor system is open.

5. PAYMENTS

5.1 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 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); 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.

5.2 Presentation of definitive 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 5.1 above 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 (including the States and the District of Columbia and its possessions)).

Payments of Instalment Amounts (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 5.1 above 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. Payment of the final instalment will be made in the manner provided in Condition 5.1 above 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. 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 surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7.2(b)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) 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 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 bearer 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 Bearer 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.

5.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of 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 or otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender of such 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 Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

5.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) 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 third 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. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). 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.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in 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 15th day (whether or not such 15th day is a business day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Trustee or the Principal Paying Agents 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.

5.5 General provisions applicable to payments

The holder of a Global Note 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 in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer in respect of such Global Note to, or to the order of, the holder of such Global Note.

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

5.6 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 9) 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 case of Notes in definitive form only, the relevant place of presentation; and

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

(b) if 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), or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

(d) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has not elected to receive any part of such payment in a Specified Currency other than U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

5.7 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 7 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 6.6); 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 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

5.8 Payments Subject to Fiscal and Other Laws

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7, (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto, and (iii) any withholding or deduction required pursuant to Section 871(m) of the Code (**871(m) withholding**). No commissions or expenses shall be charged to the Holders in respect of such payments. In addition, in determining the amount of 871(m) Withholding imposed with respect to any amounts to be paid on the Notes, the Issuer shall be entitled to withhold on any "dividend equivalent" (as defined for purposes of Section 871(m) of the Code) at the highest rate applicable to such payments regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law.

Payments on the Notes that reference U.S. securities or an index that includes U.S. securities may be calculated by reference to dividends on such U.S. securities that are reinvested at a rate of 70%. In such case, in calculating the relevant payment amount, the holder will be deemed to receive, and the Issuer will be deemed to withhold, 30% of any dividend equivalent payments (as defined in Section 871(m) of the Code) in respect of the relevant U.S. securities. The Issuer will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld.

6. REDEMPTION AND PURCHASE

For the avoidance of doubt, all payments made in respect of Upper Tier II Subordinated Notes and Hybrid Tier I Notes under this Condition 6 shall be subject to such further interpretations, amendments and clarifications as may be stipulated by the RBI from time to time.

6.1 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) save for any Hybrid Tier I 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, subject to compliance with the applicable regulatory requirements, including in the case of Upper Tier II Subordinated Notes, the prior approval of the RBI.

The Hybrid Tier I Notes are perpetual with no scheduled maturity date and may only be redeemed in accordance with Conditions 6.2, 6.3 or 6.4 and subject to the conditions and limitations set forth therein.

6.2 Redemption for tax reasons

In the case of Senior Notes or Subordinated Notes, at any time prior to the applicable Maturity Date, or in the case of Hybrid Tier I Notes, at any time prior to the first Optional Redemption Date as specified in the applicable Pricing Supplement, 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 Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee 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 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) 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 (1) in the case of Subordinated Notes, the prior approval of the RBI or any such other relevant authority shall have been obtained, if necessary, (2) in the case of Hybrid Tier I Notes, the Conditions for Redemption set out in Condition 6.12 having been satisfied, and (3) 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 (1) a certificate signed by an authorised officer of the Issuer 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 (2) 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 as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

For the avoidance of doubt, this Condition 6.2 shall be without prejudice to Condition 6.3 below.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, (1) in the case of Subordinated Notes, having obtained the prior approval of the RBI or other relevant authority, if necessary, and, in the case of Upper Tier II Subordinated Notes and Hybrid Tier I Notes, only upon the expiry of ten years from the date of issuance, (2) in the case of Hybrid Tier I Notes, the Conditions for Redemption set out in Condition 6.12 having been satisfied, and (3) in the case of any Note having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and

(b) not less than seven days before the giving of the notice referred to in (a), notice to the Trustee and the Principal Paying Agent,

(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, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption, and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or, as the case may be, DTC. 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.

6.4 Redemption for Regulatory Reasons

Subject to the Conditions for Redemption in Condition 6.12 having been satisfied, the Hybrid Tier I Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time prior to the first Optional Redemption Date as specified in the applicable Pricing Supplement, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar, the SGX-ST or the ISM (as applicable) and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that for any reason, there is more than an insubstantial risk that for the purposes of the RBI's capital adequacy requirements under applicable regulations from time to time applicable to the Issuer, the Hybrid Tier I Notes, after having qualified as such, will no longer qualify as Tier I capital of the Issuer under applicable regulations (other than for the reason that the amount of Hybrid Tier I Notes exceeds any limitations prescribed by the RBI with respect to the amount that qualifies as Tier I capital) provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which it is determined that there is more than an insubstantial risk that for the purposes of the RBI's capital adequacy requirements under applicable regulations from time to time applicable to the Issuer the Hybrid Tier I Notes will no longer qualify as Tier I capital of the Issuer.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee or to the Principal Paying Agent to make available at its specified office to the Noteholders:

(a) a certificate signed by an authorised officer of the Issuer, stating that the circumstances referred to in this Condition 6.4 exist, and is prevailing (including the requirements of Condition 6.12) and setting out the details of such circumstances; and

(b) an opinion of independent legal advisers of recognised standing experienced in such matters to the effect that there is more than an insubstantial risk that for the purposes of the RBI's capital adequacy requirements under applicable regulations from time to time applicable to the Issuer, the Hybrid Tier I Notes, after having qualified as such, will no longer qualify as Tier I capital of the Issuer under applicable regulations (other than for the reason that the amount of Hybrid Tier I Notes exceeds any limitations prescribed by the RBI with respect to the amount that qualifies as Tier I capital), and the Trustee shall be entitled without further action or inquiry to accept the certificate as conclusive and sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders. Hybrid Tier I Notes redeemed pursuant to this Condition 6.4 will be redeemed at their Regulatory Redemption Amount.

For the purposes of this Condition 6.4:

Applicable Spread shall be as provided in the applicable Pricing Supplement;

Base Redemption Amount means the sum of (a) 100 per cent. of the aggregate principal amount of the Hybrid Tier I Notes being redeemed, and (b) an amount equal to unpaid interest, if any, thereon for the relevant Interest Period;

Make Whole Amount means an amount calculated by the Calculation Agent in consultation with the Issuer, as applied on any date of redemption of the Hybrid Tier I Notes pursuant to this Condition 6.4, equal to the sum of (a) the present value of the outstanding principal amount of the Hybrid Tier I Notes, assuming a repayment thereof on the first Optional Redemption Date as set out in the applicable

Pricing Supplement, and (b) the present value of the remaining payments of interest scheduled to be paid to and including such first Optional Redemption Date, in each case discounted to the redemption date on the basis of the Day Count Fraction set forth in the Pricing Supplement, at the applicable Treasury Yield plus the Applicable Spread;

Regulatory Redemption Amount means an amount equal to the greater of (a) the Make Whole Amount, and (b) the Base Redemption Amount; and

Treasury Yield shall be calculated by the Calculation Agent, in consultation with the Issuer, by the appointment of three or more other primary U.S. Government securities dealers in New York City (each a **Primary Treasury Dealer**) or their respective successors as reference dealers, provided, however, that if any such dealer ceases to be a Primary Treasury Dealer, the Calculation Agent will (in consultation with the Issuer) substitute such dealer with another Primary Treasury Dealer. The Calculation Agent will select a United States Treasury security having a maturity comparable to the time period between the redemption date and the first Optional Redemption Date as set out in the applicable Pricing Supplement (the **Make Whole End Date**), which would be used in accordance with customary financial practise to price new issues of corporate debt securities with a maturity comparable to the Make Whole End Date. The reference dealers will provide the Calculation Agent with the bid and ask prices provided by each reference dealer to obtain such reference dealer's quotation. The Calculation Agent will eliminate the highest and lowest quotations and then calculate the average of the remaining quotations; provided, however, that if the Calculation Agent obtains fewer than three quotations, it will calculate the average of all the quotations without eliminating any of them (the **comparable treasury price**). The applicable Treasury Yield will be determined by the Calculation Agent and will be the annual equivalent yield to maturity of a security whose price is equal to the comparable treasury price, in each case expressed as a percentage of its principal amount.

6.5 Redemption of the Senior 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 in the relevant Pricing Supplement with respect to Senior Notes only, upon the holder of any Senior Note giving to the Issuer in accordance with Condition 13 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 Senior 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. Registered Notes may be redeemed under this Condition 6.5 in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement.

(b) ***Put Option Exercise Procedures***

If this Senior Note is in definitive form, to exercise the right to require redemption of this Senior Note the holder of this Senior Note must deliver such Senior Note at the specified office of, in the case of Bearer Notes, any Paying Agent (together with all unmatured Receipts and Coupons and unexchanged Talons) or, in the case of Registered Notes, the Registrar at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition 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 1.4. If this Senior Note is in definitive bearer form, the Put Notice must be accompanied by this Senior Note or evidence satisfactory to the Paying Agent concerned that this Senior Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC given by a holder of any Note pursuant to this Condition 6.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 9.1 is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.5.

6.6 Early Redemption Amounts

For the purpose of Conditions 6.2 and 6.5 above and Condition 9:

(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 $(1+AY)^Y$

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.

6.7 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 6.6 above.

6.8 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.

6.9 Purchases

The Issuer or any Subsidiary (as defined in the Trust Deed) of the Issuer may at any time purchase (a) Senior Notes, and (b) (subject to obtaining the prior approval of the RBI or other relevant authority) Subordinated Notes and/or Hybrid Tier I Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer surrendered to any Paying Agent for cancellation.

6.10 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 6.9 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and may not be reissued or resold.

6.11 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 6.1, 6.2, 6.3 or 6.5 above or upon its becoming due and repayable as provided in Condition 9 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 6.6(b) above 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 Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

6.12 Conditions for Redemption of Hybrid Tier I Notes

The Issuer shall not redeem any of the Hybrid Tier I Notes or purchase and cancel the Hybrid Tier I Notes unless (a) the Issuer is solvent at the time of payment and immediately thereafter, and (b) the prior written consent of the RBI shall have been obtained (collectively, the **Conditions for Redemption**). Prior to any redemption of Hybrid Tier I Notes under this Condition 6, the Issuer shall deliver to the Trustee a certificate signed by an authorised officer of the Issuer confirming that the Issuer is entitled to effect the redemption and setting forth a statement of facts showing which Conditions have been satisfied and whether any consent of the RBI is required, and if so required in connection with any such redemption or a redemption under Condition 6.2 or 6.4, attaching thereto a copy of such consent as well as a certificate as to the solvency of the Issuer executed by an authorised signatory of the Issuer. Such certificates and attachments shall be made available for inspection by the Noteholders. The Trustee shall be entitled without further action or enquiry to accept the certificate and attachment as conclusive and sufficient evidence of the contents and matters set forth therein. The Trustee shall be entitled without further action or inquiry to accept the certificate and attachments as conclusive and sufficient evidence of the contents and matters set forth therein.

Noteholders should note that it is intended that the Hybrid Tier I Notes should constitute Tier I instruments of the Issuer and, accordingly, under statute and regulatory requirements prevailing at the date of issue of the Hybrid Tier I Notes relative to Tier I instruments, and by virtue of the above provisions, any redemption of such Notes is subject to the prior consent of the RBI at the relevant time.

7. TAXATION

7.1 Payment without Withholding

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction 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) where the holder is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his 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 below) 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 5.6); or

(c) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim; or

(d) with respect to any withholding or deduction (i) required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto or (ii) imposed pursuant to Section 871(m) of the Code.

7.2 Interpretation

As used herein:

(a) **Tax Jurisdiction** means:

(i) where the Issuer is acting through its Singapore Branch, (A) India or any political subdivision or any authority thereof or therein having power to tax, (B) Singapore or any political subdivision or any authority thereof or therein having power to tax or (C) any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it on the Notes, Receipts and Coupons;

(ii) where the Issuer is acting through a branch outside India (other than Singapore), (A) India or any political subdivision or any authority thereof or therein having power to tax, (B) the jurisdiction in which such branch is established or any political subdivision or any authority thereof or therein having power to tax or (C) any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it on the Notes, Receipts and Coupons; or

(iii) where the Issuer is acting through its GIFT City Branch, (A) India or any political subdivision or any authority thereof having power to tax, or (B) any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it on the Notes, Receipts and 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 Principal Paying Agent 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 13.

8. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7.2(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 or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

9. EVENTS OF DEFAULT AND ENFORCEMENT

9.1 Events of Default relating to Senior Notes

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Senior Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice in writing to the Issuer that each Senior Note is, and each Senior 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 14 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 (or such longer period as the Trustee may permit) 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 becomes capable of being declared due and payable prior to its stated maturity otherwise than at the option of the Issuer; 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 for any Indebtedness for Borrowed Money becomes enforceable; or (iv) the Issuer 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 Trustee is satisfied that the Issuer is contesting in good faith in appropriate proceedings the fact that any such amount is due or (B) the Issuer 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 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 is made for the winding up or liquidation of the Issuer, save for the purposes of reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or

(e) if the Issuer 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 the Trustee or by an Extraordinary Resolution, or the Issuer stops or threatens to stop or suspend 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 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) 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 meeting is convened to consider a proposal for an arrangement or composition with its creditors generally; 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

(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 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 without fair compensation, unless, and for so long as, the Trustee is satisfied that such compulsory purchase or expropriation is being contested in good faith and by appropriate proceedings; or

(j) if the Issuer is or becomes entitled or subject to, or is declared by law or otherwise to be protected by immunity (sovereign or otherwise) and Condition 18.4 is held to be invalid or unenforceable; or

(k) if (i) proceedings are initiated against the Issuer 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, 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 14 days; or

(l) if any event occurs, which, under the laws of India has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in subparagraphs (e) to (g) inclusive and (i).

For the purposes of this Condition, **Indebtedness for Borrowed Money** means (i) 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 (ii) any borrowed money, or (iii) any liability under or in respect of any acceptance or acceptance credit.

9.2 Events of Default relating to Subordinated Notes and Hybrid Tier I

(a) Subject to the provisions of Condition 2.2(c), if default is made in the payment of any principal or interest due on the Subordinated Notes or the Hybrid Tier I Notes or any of them on the due date and, in the case of interest, such default continues for a period of 14 days the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Subordinated Notes, the Hybrid Tier I Notes or the Trust Deed and may institute proceedings for the winding up of the Issuer provided that the Issuer shall not, by virtue of the institution of any such proceedings other than proceedings for the winding up of the Issuer, be obliged to pay any sums sooner than the same would otherwise have been payable by it.

(b) If any order is made for the winding up or liquidation of the Issuer, save for the purposes of reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution, the Trustee may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Subordinated Notes or (as the case may be) the Hybrid Tier I Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction) give notice to the Issuer that the Subordinated Notes or (as the case may be) the Hybrid Tier I Notes are, and they shall, subject to the prior approval of the RBI having been obtained, thereupon immediately become, due or repayable at the amount provided in, or calculated in accordance with, Condition 6.6, together with accrued interest as provided in the Trust Deed.

9.3 Enforcement

The Trustee may at any time, at its discretion and without notice, take 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 proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (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 one-fifth in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded 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.

10. 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 Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or 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 as the Issuer and the Principal Paying Agent may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled, after consultation with the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);

(c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent; and

(d) 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.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.5. Any variation, termination, appointment or change referred to in the preceding paragraph and/or any appointment referred to in this paragraph shall only take effect (other than in the case of insolvency, 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 13.

In acting under the Agency Agreement, the Principal Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

12. 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 Principal 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 8.

13. NOTICES

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 Bearer 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, in the opinion of the Trustee, 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. All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after 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.

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 and/or DTC, be substituted for such mailing and publication in such newspaper(s) or such delivery by mail of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC 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 and/or DTC.

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 Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, 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 13.

14. 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 sanctioning 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 Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in 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 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 two-thirds in 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 one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that: (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution; (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding; or (iii) 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 three-fourths in 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 will 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 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 so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

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, 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 7 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) 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 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.

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 or substitution shall be promptly notified to Noteholders by the Issuer in accordance with Condition 13.

The Issuer may at any time, without the consent of the Trustee, elect to substitute (the **Substitution)** the Head Office, the Singapore Branch, the Hong Kong Branch, the Dubai International Financial Centre Branch, the GIFT City Branch or other foreign branch (the **Substitute)** in place of the office, unit or branch through which the Issuer originally acted when the Notes were issued, provided that (a) the obligations of the Issuer under the Notes, the Conditions and the Trust Deed shall remain obligations of the Issuer and not merely the Substitute, (b) the Issuer shall comply with such requirements of law or regulation as may be imposed by any authority in any jurisdiction to which the Substitute is or becomes subject and the Issuer shall have obtained all relevant regulatory and other approvals in relation to the Substitution, and (c) the Substitution is not, in the opinion of the Issuer (based on the advice of such independent auditors, tax advisers and/or legal advisers of recognised standing as the Issuer shall determine), materially prejudicial to the interests of the Noteholders or prior to the Substitution, the Substitution is approved by an Extraordinary Resolution of the Noteholders.

The conditions set out in sub-clauses (a) to (c) above shall be deemed to be satisfied upon delivery to the Trustee of a certificate of two Directors of the Issuer detailing the proposed Substitution and certifying that the conditions set out in sub-clauses (a) to (c) above have been satisfied in relation to such Substitution (a **Substitution Certificate**). The Trustee may rely on a Substitution Certificate absolutely and shall not be required to take any action to independently verify the matters stated therein nor shall the Trustee be liable for any loss caused by any inaccuracy therein. Upon receipt by the Trustee of a Substitution Certificate, the Trustee shall enter into such documentation as may be necessary or desirable to give effect to the Substitution, provided that the Trustee shall not be required to enter into any documentation (a) which would have the effect of increasing the duties or obligations, or decreasing the protections or rights, of the Trustee and (b) unless it shall first have been indemnified and/or secured to its satisfaction. Not later than seven days prior to the Substitution, the Issuer shall give notice thereof to the Noteholders in the manner provided in Condition 13.

15. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

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 and/or secured and/or pre-funded to its satisfaction.

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 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.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to 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 the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. 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.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 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 except that, Clause 2 (G) of the Trust Deed, in the case of Subordinated Notes, Condition 2.2 and, in the case of Hybrid Tier I Notes, Condition 2.3 is governed by, and shall be construed in accordance with, Indian law.

18.2 Submission to jurisdiction

(a) Subject to Condition 18.2(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 the Coupons (a **Dispute)** and all Disputes will be submitted to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 18.2(c), the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) This Condition 18.2(c) 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.

18.3 Appointment of Process Agent

The Issuer has, in the Trust Deed, irrevocably and unconditionally appointed Axis Bank UK Limited at its specified office for the time being in London as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

18.4 Waiver of Immunity

The Issuer hereby irrevocably and unconditionally waives with respect to the Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

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 laws in India.

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 AND INDEBTEDNESS

The following table sets forth the capitalisation and indebtedness of the Bank on a standalone basis as at 30 June 2018 which has been extracted from the Bank's reviewed standalone Financial Statements prepared in accordance with Indian GAAP as applicable to banks.

This capitalisation table should be read together with *"Selected Financial and Operating Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Selected Statistical Information"* and the Bank's reviewed standalone financial statements as at 30 June 2018 and the schedules and notes presented elsewhere herein. There have been no material changes in the capitalisation and indebtedness of the Bank since 30 June 2018.

	As at 30 June 2018	
	(₹ in millions)	**(U.S.$ in millions)[1]**
Indebtedness[2]		
– Deposits[3]	4,470,793	65,305
– Borrowings[4]	1,522,271	22,236
Total Indebtedness	5,993,064	87,541
Shareholders' Funds		
– Share Capital[5]	5,136	75
– Reserves and Surplus	636,725	9,301
Total Shareholders' Funds	641,861	9,376
Total Capitalisation[6]	6,634,925	96,917
Capital Adequacy Ratio (Basel III) (percentage)[7]		
Tier I	13.08%	
Tier II	3.49%	
Total	16.57%	

(1) U.S. dollar translations have been made using the exchange rate of U.S.$1.00 = ₹68.46, based on the U.S. Federal Reserve's published exchange rate as at 30 June 2018.

(2) Include both short-term and long term.

(3) Deposits include both demand and time deposits.

(4) Borrowings include subordinated debt, perpetual debt and Upper Tier II instruments.

(5) As at 30 June 2018, there were 2,567,940,686 equity shares at ₹2 par value outstanding.

(6) Contingent liabilities (as per the Banking Regulation Act 1949 and Accounting Standard 29) as at 30 June 2018 amounted to ₹8,416,519 million.

(7) Capital adequacy ratio (excluding profits for the three-month period ended 30 June 2018) computed in accordance with Basel III guidelines issued by RBI.

RISK FACTORS

This Offering Circular contains forward-looking statements that involve risks and uncertainties. Investors should carefully consider the following risk factors as well as the other information contained in this Offering Circular 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 also impair the Bank's business operations.

Risks Relating to the Business of the Bank

The Bank's business is vulnerable to interest rate risk and volatility in interest rates could adversely affect the Bank's net interest margin, the value of its fixed income portfolio, its income from treasury operations, the quality of its loan portfolio and its financial performance.

Net interest income (comprising of interest earned minus interest expended) constituted 62.93 percent and 60.75 percent of the Bank's operating income for the financial year ended 31 March 2018 and 31 March 2017 respectively. Interest rates are sensitive to many factors beyond the Bank's control, including the RBI's monetary policy, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. An increase in interest rates applicable to the Bank's liabilities, without a corresponding increase in interest rates applicable to its assets, will result in a decline in net interest income. Furthermore, in the event of rising interest rates, the Bank's borrowers may not be willing to pay correspondingly higher interest rates on their borrowings and may choose to repay their loans with the Bank, particularly if they are able to switch to more competitively priced loans offered by other banks. Any inability of the Bank to retain customers as a result of rising interest rates may adversely impact the Bank's earnings in future periods. Similarly, in the event of falling interest rates, the Bank may face more challenges in retaining its customers if it is unable to offer competitive rates as compared with other banks in the market.

In addition, as a result of the RBI-mandated reserve requirements, the Bank is also more structurally exposed to interest rate risks than banks in many other countries. Under the RBI regulations, the Bank's liabilities are subject to the statutory liquidity ratio (**SLR**) requirement such that a minimum specified percentage, currently 19.50 per cent., of a bank's net demand and time liabilities (**NDTL**) be invested in Government securities and other approved securities. These securities generally carry fixed coupons and, in an environment of rising interest rates, the value of Government securities and other fixed income securities decline. Fixed rate bonds formed substantially all of the Bank's SLR portfolio as at 30 June 2018. The volatility in interest rates is reflected in the movement of the semi-annual yield on the ten-year Government bond, which was 6.69 per cent. on 31 March 2017, 7.40 per cent. on 31 March 2018 and 7.90 per cent. on 30 June 2018. The Bank's large portfolio of Government securities may limit its ability to deploy funds into higher yielding investments. Furthermore, a decline in the valuation of the Bank's trading book as a result of rising interest rates may adversely impact the Bank's future financial performance and the trading price of the Notes.

The Bank had a gross debenture and bond portfolio (including pass through certificates) of ₹338.70 billion as at 31 March 2018, of which substantially all of the bonds in the portfolio are fixed rate bonds. In the event of a rise in interest rates, the portfolio will be exposed to an adverse impact on the valuation of such bonds. Any rise in interest rates or fall in the market value of the securities in the Bank's proprietary portfolio may adversely affect the Bank's future performance and the trading price of the Notes.

For fiscals 2016, 2017 and 2018, the Bank recorded income from Treasury operations ((profit/loss) on sale of investments (net) and profit on exchange/derivative transactions (net)) of ₹22.94 billion, ₹42.54 billion and ₹27.54 billion respectively. The Bank's income from treasury operations is subject to substantial volatility due to, among other things, changes in interest rates and foreign currency exchange rates as well as other market fluctuations. For example, an increase in interest rates may have a substantial impact on the value of certain of the Bank's investments. Any significant or sustained decline in income generated from treasury operations resulting from market volatility may adversely impact the Bank's financial performance and the trading price of the Notes.

The Bank may not be successful in implementing its growth strategies or penetrating new markets.

One of the Bank's principal business strategies is to expand into new business and financial services product offerings. New customer acquisition continues to be driven by leveraging on strong relationships and better product offerings, including digital product offerings. This strategy exposes the Bank to a number of risks and challenges, including the possible failure to identify appropriate opportunities and offer attractive new products, the failure to comply with new market and regulatory standards, and the need to hire and retain skilled personnel, among others, each of which would have a potential adverse impact on the Bank's profitability. In the event that the Bank fails to develop and launch new products or services successfully, it may lose any or all of the investments that it has made in promoting them, and the Bank's reputation with its customers would be harmed. In addition, if the Bank's competitors are better able to anticipate the needs of those individuals in its target market, the Bank's market share could decrease and its business could be adversely affected.

In addition, the Bank's growth strategy in the future may involve strategic acquisitions and restructurings, partnerships, joint ventures and strategic business arrangements with other parties. Such arrangements may not necessarily contribute to business growth and the Bank's profitability or may be unsuccessful. The Bank may also face increased costs in connection with its expansion strategy. Furthermore, the Bank could experience difficulty in assimilating personnel and integrating operations and cultures, and may not realise the anticipated synergies or efficiencies from such transactions. These difficulties could disrupt the Bank's ongoing business, distract its management and employees, and increase its expenses.

The Bank's retail assets portfolio has experienced significant growth in recent years. If the Bank is unable to address credit risk in its retail asset portfolio the Bank's financial performance may be adversely affected.

The Bank's net retail advances grew 22.90 per cent. from ₹1,679.93 billion as at 31 March 2017 to ₹2,064.65 billion as at 31 March 2018. As part of the Bank's business and growth strategy, it will continue to focus on further growth in its retail banking business. The competition in the retail segment is intense and the Bank's ability to effectively compete in this segment will depend, in part, on its ability to offer a diverse product mix and expand its distribution capabilities. At present, availability of comprehensive credit history reports for new first-time borrowers is limited in India. If the Bank's screening process proves to be inadequate, it may experience an increase in impaired loans and it may be required to increase its provision for defaulted loans. There could be an increase in the Bank's NPAs as it continues to expand its retail loan operations. This may impact the Bank's future financial performance and the trading price of the Notes.

The Bank's failure to manage growth effectively may adversely impact the Bank's business.

In the past, the Bank has witnessed rapid growth in both its infrastructure and its business. The number of branches and extension counters of the Bank grew from 3,304 as at 31 March 2017 to 3,703 as at 31 March 2018. Over the same period, the Bank's saving customer accounts grew from 20.23 million to 22.50 million and the Bank's total assets have grown to ₹6,913.30 billion as at 31 March 2018. Such growth puts pressure on the Bank's ability to effectively manage and control historical and newly emerging risks. The Bank's ability to sustain growth depends primarily upon its ability to manage key issues such as selecting and retaining skilled manpower, maintaining an effective technology platform that can be continually upgraded, developing a knowledge base to implement the Bank's strategies, and ensuring a high standard of customer service. The inability of the Bank to effectively manage any of these issues may adversely affect the Bank's business growth and as a result, impact future financial performance and the trading price of the Notes.

In addition, given the increasing share of retail products and services and transaction banking services in the Bank's overall business, the importance of systems technology to the Bank's business has increased significantly. Any failure in the Bank's systems, particularly for retail products and services and transaction banking, could significantly affect the Bank's operations and the quality of its customer service and could result in business and financial losses and adversely affect the trading price of the Notes.

An increase in the Bank's portfolio of Non-performing Assets (NPAs) and the RBI-mandated provisioning requirements may adversely affect its business.

The Bank's gross NPAs represented 6.77 per cent. and 5.04 per cent. of gross customer assets (including gross advances and credit substitutes[1]) as at 31 March 2018 and 31 March 2017 respectively. The Bank's net NPAs, net of provisions, represented 3.40 per cent. and 2.11 per cent. of net customer assets as at 31 March 2018 and 31 March 2017 respectively. The RBI had issued revised guidelines on the Resolution of Stressed Assets. Under the revised guidelines, previous instructions on the resolution of stressed assets such as the Framework on Revitalising Stressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long Term Project Loans, SDR Scheme were withdrawn. This has resulted in higher NPA slippages due to accounts under there schemes losing their standstill benefit. As at 31 March 2018, the provisioning coverage ratio of the Bank was 65.05 per cent. pursuant to applicable RBI guidelines. If there is any deterioration in the quality of the Bank's security or further ageing of the assets after being classified as non-performing, an increase in provisions will be required. This increase in provisions may adversely impact the Bank's financial performance and the trading price of the Notes.

The RBI assesses compliance by banks with extant prudential norms on income recognition, asset classification and provisioning (**IRACP**) as part of its supervisory processes. As a part of such review, the RBI may identify divergences in the Bank's asset classification and provisioning as reported in its

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1 Credit substitutes include debentures and bonds, shares and other investments such as Certificate of Deposits / Commercial Papers, Pass through certificates (PTC) etc.

financial statements. The RBI further requires such divergences to be reported in the financial statements if the divergences exceed a specified threshold as per the RBI norms. The Bank is required to address the divergences and carryout the adjustments in the asset classification and provisioning, if any, arising out of the divergences, in the financial statements of subsequent financial year.

As a part of its supervisory review conducted in fiscal 2018 for the fiscal year 2017, the RBI identified divergences aggregating to ₹56,328 million in the Bank's asset classification. The Bank has recognised the impact of such divergences in the financial statements for the year ended 31 March 2018. Any such divergences identified by the RBI in its future review process, may lead to an increase in the level of NPAs and an increase in provisions of the Bank in the subsequent financial year, which may adversely impact the Bank's financial performance and the trading price of the Notes.

There can be no assurance that the percentage of NPAs that the Bank will be able to recover will be similar to the Bank's past experience of recoveries of NPAs. The Bank's retail loan portfolio has grown significantly in recent years, but there is limited data on historical loss ratios in retail loans, especially in the event of an economic slowdown. Furthermore, the recent global economic slowdown and the impact of global and Indian economic conditions on equity and debt markets may also lead to an increase in the level of NPAs in the Bank's corporate loan portfolio. Any deterioration or increase in the Bank's NPA portfolio would adversely affect the Bank's financial performance and the trading price of the Notes. See "Supervision *and Regulation – the RBI Regulations – Provisioning and Write-Offs"*.

The Bank is subject to capital adequacy requirements as stipulated by the RBI for domestic banks. The Bank's inability to maintain adequate capital due to changes in regulations, a lack of access to capital markets, or otherwise may impact its ability to grow and support its business.

The RBI has issued guidelines based on the Basel III reforms on capital regulation to the extent applicable to banks operating in India. These guidelines require among other things, higher levels of Tier I capital and common equity, capital conservation buffers, maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier I capital for investments in subsidiaries and changes in the structure of non-equity instruments eligible for inclusion in Tier I and Tier II capital. The Basel III Guidelines also set out elements of regulatory capital and scope of capital adequacy framework, including disclosure requirements of components of capital and risk coverage. The Basel III capital regulation has been implemented from 1 April 2013 in India in a phased manner and is to be fully implemented as at 31 March 2019. This will also align full implementation of Basel III in India closer to the internationally agreed date of 1 January 2019.

Effective from 1 April 2013, the Bank implemented the Basel III capital regulations. The RBI requires Indian banks to maintain a minimum capital to risk-weighted assets ratio (**CRAR**) of 10.875 per cent. (including a capital conservation buffer of 1.875 per cent.) as on 31 March 2018. The Bank's capital adequacy ratio under Basel III was 16.57 per cent. as on 31 March 2018.

There can be no assurance that the Bank will be able to raise adequate additional capital in the future at all or on terms favourable to it. Moreover, if the Basel Committee on Banking Supervision (the **Basel Committee**) releases additional or more stringent guidance on capital adequacy norms which are given the effect of law in India in the future, the Bank may be forced to raise or maintain additional capital in a manner which could materially adversely affect its business, financial condition and results of operations.

The Bank's inability to foreclose on collateral in the event of a default or a decrease in the value of the collateral may result in failure to recover the expected value of the collateral.

The Bank's loans to corporate customers for working capital credit facilities are typically secured by charges on inventories, receivables and other current assets. In certain cases, the Bank obtains security by way of a first or second charge on fixed assets, a pledge of marketable securities, bank guarantees, Government guarantees, corporate guarantees and personal guarantees. In addition, project loans or long-term loans to corporate customers are secured by a charge on fixed assets and other collateral security. Loans to retail customers are either unsecured or secured by the assets financed, largely property and vehicles. As at 31 March 2018, 70.37 per cent. of the Bank's loans were partially or fully secured by collateral. The Bank may not be able to realise the full value of the collateral, due to, among other things, stock market volatility, changes in economic policies of the Government, obstacles and delays in legal proceedings, borrowers and guarantors not being traceable, the Bank's records of borrowers' and guarantors' addresses being ambiguous or outdated and defects in the perfection of collateral and fraudulent transfers by borrowers. In the event that a specialised regulatory agency gains jurisdiction over the borrower, creditor actions can be further delayed. In addition, the value of collateral may be less than the Bank expects or may decline. For example, the global economic slowdown and other domestic factors led to a downturn in real estate prices in India. If the Bank is unable to foreclose on its collateral or realise adequate value, its losses will increase and its net profits will decline.

The Bank is exposed to large loan concentrations with a few borrowers and default by any one of them would adversely affect the Bank's business.

As at 31 March 2018, aggregate exposure to the Bank's ten largest borrowers (fund-based) amounted to ₹404.61 billion, representing 47.17 per cent. of the Bank's total capital of ₹857.75 billion comprising Tier I Capital of ₹674.76 billion and Tier II Capital of ₹182.99 billion. For the same period in the previous year the aggregate exposure to the Bank's ten largest borrowers was ₹300.71 billion. The Bank's single largest borrower (fund-based) on such date had an exposure of balance of ₹91.96 billion, representing 10.72 per cent. of the Bank's capital. Any deterioration in the credit quality of these assets could have a significant adverse effect on the Bank's future financial performance and the trading price of the Notes.

The Bank is exposed to various industry sectors. A deterioration in the performance of any of these industry sectors where the Bank has significant exposure may adversely impact the Bank's business.

The Bank's credit exposure (fund-based advances) to corporate borrowers is dispersed throughout various industry sectors, the most significant of which are infrastructure, power generation and distribution, financial companies, metal and metal products, and real estate, which represented 3.06 per cent., 3.88 per cent., 8.64 per cent., 4.80 per cent. and 3.60 per cent., respectively, of the Bank's outstanding fund-based advances as at 31 March 2018. The Bank therefore risks overexposure to particular industry sectors and any significant deterioration in the performance of a particular sector, driven by events not within the Bank's control, such as regulatory action or policy announcements by Government or State Government authorities, would adversely impact the ability of borrowers in that industry to service their debt obligations to the Bank. As a result, the Bank would experience increased delinquency risk which may adversely impact the Bank's financial performance and the trading price of the Notes.

A substantial portion of the Bank's loans have a tenor exceeding one year, exposing the Bank to risks associated with economic cycles. If the Bank fails to attract deposits, the Bank could face asset-liability maturity mismatches and in turn, its business may be adversely affected.

The Bank meets its funding requirements primarily through short- and long-term deposits from retail and large corporate depositors. However, a significant portion of the Bank's assets have long-term maturities resulting in maturity mismatches between assets and liabilities. If depositors do not renew their deposits or the Bank is unable to raise new deposits, the Bank may face a liquidity problem and may be required to pay higher rates of interest to attract deposits, which could adversely affect the Bank's business and operations.

As at 31 March 2018, loans with a tenor exceeding one year (based on the RBI's asset-liability management guidelines) constituted more than 79 per cent. of the Bank's total loans. The long tenor of these loans may expose the Bank to risks arising out of economic cycles. In addition, some of these loans are project finance loans. There can be no assurance that these projects will perform as anticipated or that such projects will be able to generate cash flows to service commitments under the loans. The Bank is also exposed to infrastructure projects which are still under development and are open to risks arising out of delay in execution, failure of borrowers to execute projects on time, delay in getting approvals from necessary authorities and breach of contractual obligations by counterparties, all of which may adversely impact the projected cash flows. There can be no assurance that these projects will perform as anticipated. Risks arising out of a recession in the economy or a delay in project implementation or commissioning could lead to a rise in delinquency rates and in turn, adversely impact the Bank's future financial performance and the trading price of the Notes. For further information, see *"Selected Statistical Information – Asset Liability Gap and Interest Sensitivity Data"*.

Consolidation in the banking sector in India may adversely affect the Bank.

Mergers among public sector banks may result in enhanced competitive strengths in pricing and delivery channels for merged entities. If there is liberalisation of the rules for foreign investment in private sector banks, this could result in consolidation in the banking sector. 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 and the trading price of the Notes.

If the Bank fails to maintain desired levels of customer deposits or loans, its business operations may be materially and adversely affected.

Customer deposits are the Bank's primary source of funding. However, many factors affect the growth of deposits, some of which are beyond the Bank's control, such as economic and political conditions, availability of investment alternatives and retail customers' changing perceptions toward savings. For example, the Bank experienced a slowdown in its deposit growth in the years following the financial crisis in 2008 due to a combination of factors, including a slowdown of capital flows and high inflation which adversely impacted domestic savings. Year-on-year deposit growth in 2011 to 2012 of 16.31 per cent. slowed to 14.77 per cent. from 2012 to 2013 and again to 11.22 per cent. from 2013 to 2014. Although the slowdown was temporary and the subsequent improved economic conditions resulted in an increase in the deposit growth rate between 2014 and 2015 to 14.77 per cent., with a subsequent slowdown between 2015 and 2016 to 11.02 per cent., an increase between 2016 and

2017 to 15.76 per cent. and thereafter an slowdown between 2017 and 2018 to 9.47 per cent., there can be no assurance that such a global slowdown will not occur again. Moreover, in a favourable economic environment, retail customers may reduce their deposits and increase their investment in securities for a higher return, while micro, small- and medium-enterprise **(SME)** and mid-corporate customers may reduce their deposits in order to fund projects in a favourable economic environment. If the Bank fails to maintain its desired level of deposits, the Bank's liquidity position, financial condition and results of operations may be materially and adversely affected. In such event, the Bank may need to seek more expensive sources of funding, and it is uncertain whether the Bank will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Bank's ability to raise additional funds may be impaired by factors over which it has little or no control, such as deteriorating market conditions or severe disruptions in the financial markets.

Regulations in India requiring the Bank to extend a minimum level of loans to certain sectors, including the agricultural sector, may subject the Bank to higher delinquency rates.

The lending norms of the RBI require every scheduled commercial bank to extend at least 40.00 per cent. of its adjusted net bank credit to certain eligible sectors, such as agriculture, small-scale industries and individual housing finance (up to ₹2.8 million) (which are categorised as "priority sectors"). As at 31 March 2018 the Bank's lending to priority sectors accounted for 38.90 per cent. of adjusted net bank credit, with 12.52 per cent. of net credit going to the agricultural sector, respectively. Economic difficulties, such as poor harvests in the agricultural sector due to drought, are likely to affect those borrowers in priority sectors more severely. The Bank believes there is presently limited ability to expand the Bank's direct agricultural loan portfolio through corporate borrowers due to the limited involvement of corporate entities in agricultural activities in India. As a result, the Bank targets individual farmers. There is inadequate historical data of delinquent loans to farmers, which increases the risk of such exposures. Additionally, the Bank plans to open more branches in the rural and semi-urban centres under its agricultural lending programmes and to progressively increase its exposure to agricultural lending. Moreover, if the Bank does not achieve its priority sector targets, the RBI can require compulsory investment in the Rural Infrastructure Development Fund established with the National Bank for Agriculture and Rural Development **(NABARD)** or funds with other financial institutions, which could provide lower yields to the Bank. Any change in the RBI's regulations may require the Bank to increase its lending to relatively riskier segments, which may result in an increase in NPAs in the directed lending portfolio. As the Bank increases its direct lending to certain sectors, the Bank increases its exposure to the risks inherent in such sectors, which could materially and adversely impact the Bank's business, financial performance and the trading price of the Notes. See *"Supervision and Regulation – the RBI Regulations – Directed Lending – Priority Sector Lending"*.

The Bank is exposed to fluctuations in foreign exchange rates.

As a financial intermediary, the Bank is exposed to exchange rate risk. The Bank complies with regulatory limits on its unhedged foreign currency exposure. As at 31 March 2018, contingent liabilities (calculated pursuant to the Banking Regulation Act. 1949 and Accounting Standard 29) on account of outstanding forward exchange contracts was ₹3,148.02 billion. However, the Bank is exposed to fluctuations in foreign currency rates for its unhedged exposure. Adverse movements in foreign exchange rates may also impact the Bank's borrowers negatively, which may in turn impact the quality of the Bank's exposure to these borrowers. Volatility in foreign exchange rates could adversely affect the Bank's future financial performance and the trading price of the Notes.

The Bank faces greater credit risks than banks in more developed countries.

Although India has a credit bureau industry, adequate information regarding loan servicing histories, particularly in respect of individuals and small businesses, is limited. As a result, the Bank's credit risk exposure is higher compared with banks operating in advanced markets. Because the Bank's lending operations to the aforesaid categories are limited to India, the Bank may be exposed to a greater potential for loss compared with banks with lending operations in more developed countries. The Bank is subject to credit risk that the borrowers may not pay the Bank in a timely fashion or at all.

The Bank operates in a very competitive environment and the Bank's ability to grow depends on its ability to compete effectively.

The Indian banking industry is very competitive. The Bank competes directly with public sector banks, private sector banks and foreign banks with branches in India. As at 31 March 2018, there were 149 scheduled commercial banks in India, including 21 public sector banks, 21 private sector banks (including the Bank) and 45 foreign banks with branches in India. The public sector banks, which generally have much larger customer and deposit bases, larger branch networks and Government support for capital augmentation pose strong competition to the Bank. The Bank also faces competition from private sector banks in India, some of which have larger customer bases and greater financial resources than the Bank. The Bank also faces competition from foreign banks that have established branches in India and have aggressively pursued a share of business in the market. Increased competitive pressure may have an adverse impact on the Bank's earnings, its future financial performance and the trading price of the Notes.

In addition, since the Bank raises funds from market sources and individual depositors, it faces increasing competition for mobilising such funds. For example, recent deregulation of interest rates on savings deposits has resulted in certain banks increasing such interest rates, leading to increased competition. The Bank's ability to raise fresh deposits and grow its deposit base also depends, in part, on its ability to expand its network of branches, which requires the approval of the RBI. The RBI also issued guidelines in November 2014 on the entry of "Small Finance Banks" and "Payments Banks" in 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. During fiscal 2016, the RBI issued new bank licenses to "Small Finance Banks" and "Payment Banks" in the private sector. As of 31 March 2018, there were six active "Payment Banks". Apart from providing an impetus to financial inclusion, this is expected to intensify competition in the banking sector in the medium term. There can be no assurance that the Bank will be able to obtain the RBI's authorisations to meet the Bank's requirements for branch expansion to achieve the desired growth in its deposit base. Due to competitive pressures, the Bank may be unable to successfully execute its growth strategy and offer products and services at reasonable returns and this may adversely affect its business and operations.

The Bank's risk management policies and procedures may leave the Bank exposed to unidentified or unanticipated risks, which could negatively affect its business or result in losses.

The Bank's hedging strategies and other risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risk are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, clients or other matters. This information may not in all cases be accurate, complete, up to date or properly evaluated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. Although the Bank has established these policies and procedures, they may not be fully effective. See *"Risk Management"*.

The Bank may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and harm its business or reputation.

The Bank is required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in India and in other jurisdictions where it has operations. These laws and regulations require the Bank, among other things, to adopt and enforce "know your customer" **(KYC)** policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. The Bank has adopted policies and procedures aimed at detecting and preventing the use of its banking networks for money laundering activities and by terrorists and terrorist-related organisations and individuals.

The Bank has in place internal controls, systems and procedures in conformity with the RBI directives and believes that its anti-money laundering and KYC compliance policies and procedures are generally adequate and in accordance with regulatory guidelines. However, to the extent the Bank fails to fully comply with applicable laws and regulations, the relevant Government agencies and the Regulator(s) have the power and authority to impose fines and other penalties.

The Bank's business depends on the continuity of its management team, skilled personnel and the Bank's ability to retain and attract talented personnel.

The Bank is highly dependent on the services of its management team and other key personnel. The Bank's ability to meet future business challenges depends, among other things, on their continued employment and the Bank's ability to attract and recruit talented and skilled personnel. There can be no assurance that the Bank will be able to retain such key personnel. Competition for skilled and professional personnel in the banking industry is intense. The loss of key personnel or an inability to manage attrition levels across the Bank may have a material adverse impact on the Bank's business, its ability to grow and its control over various business functions.

The business of the Bank is highly dependent on information technology; therefore, if the Bank is unable to adapt to rapid technological changes, its business could suffer.

The Bank's future success will depend in part on its ability to respond to technological advances and to emerging banking industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entail significant technical and business risks. There can be no assurance that the Bank will successfully implement new technologies effectively or adapt its transaction processing systems to meet customer requirements or emerging industry standards. If the Bank is unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, its financial performance and the trading prices of the Notes could be adversely affected.

Furthermore, 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.

Banking is a heavily regulated industry and material changes in the regulations that govern the Bank could cause its business to suffer.

Banks in India are subject to detailed regulation and supervision by the RBI. In addition, banks are generally subject to changes in Indian law as well as to changes in regulations, Government policies and accounting principles. The RBI also sets guidelines on the cash reserve ratio (**CRR**), SLR, priority sector lending, export credit, agricultural loans, loans to sectors deemed to be weak by the RBI, market risk, capital adequacy ratio and branch licencing, among others. The Bank is also subject to regular financial inspection by the RBI. In the event that the Bank is unable to meet or adhere to the guidance or requirements of the RBI, the RBI may impose strict enforcement of its observations on the Bank, which may have an adverse effect on its business, financial condition, cash flows or results of operations. The laws and regulations governing the banking sector, including those governing the products and services that the Bank provides or proposes to provide, such as its life insurance or asset management business, or derivatives and hedging products and services, could change in the future. Any such changes may adversely affect the Bank's business, future financial performance and the price of the Notes by, for example, requiring a restructuring of the Bank's activities or increasing its operating costs. See *"Supervision and Regulation"*.

Regulatory changes in India or other jurisdictions in which the Bank operates could adversely affect its business.

The laws and regulations or the regulatory or enforcement environment in any of those jurisdictions in which the Bank operates may change at any time and may have an adverse effect on the products or services the Bank offers, the value of its assets or its business in general.

The RBI enacts policy measures designed to curb inflation. For example, in fiscal 2011 and 2012, the RBI enacted gradual changes in the annualised interest rate it charges banks for the RBI loans (the **repo rate**) and the annualised rate it pays to banks that place deposits with it (the **reverse repo rate**) from 5.00 per cent. and 3.50 per cent., respectively, on 31 March 2010 to a peak of 8.50 per cent. and 7.50 per cent., respectively, with effect from 25 October 2011. The RBI also increased its policy rates five times in fiscal 2012. However, in fiscal 2013 and the beginning of fiscal 2014, the RBI consistently lowered the repo rate and reverse repo rate to 7.25 per cent. and 6.25 per cent., respectively, effective 3 May 2013. Similarly, the RBI gradually decreased the CRR, which indicates the amount of cash a bank must hold in its reserves, from 6.00 per cent. in April 2010 to 4.00 per cent., effective 9 February 2013, in order to increase a bank's ability to provide loans or make investments. However, the RBI had to depart from its charted course of monetary easing in September 2013 and increase the policy repo rate by 25 bps to restrain high inflation. The repo rate was later increased by 50 bps in two steps in the second half of fiscal 2014 and ended the year at 8.00 per cent. Since the second quarter of fiscal 2015, expectations of an easing monetary policy cycle started building and the RBI later cut the repo rate by 50 bps in two steps from 8.00 per cent. to 7.50 per cent. in January to March 2015 following falling inflation levels. As the inflation level remained within the RBI's projected trajectory, the RBI further reduced the policy repo rate by 25 bps from 7.50 per cent. to 7.25 per cent. in June 2015, followed by 50 bps reduction in repo rate in September 2015 to 6.75 per cent. and 25 bps reduction in April 2016 to 6.50 per cent. Statutory liquidity ratio was also reduced by 150 bps during fiscal 2015 from 23 per cent. to 21.50 per cent. of the net demand and timed liabilities in order to release liquidity so that banks can provide credit to productive sectors. In the fourth bi-monthly monetary policy statement of the RBI for fiscal 2016, the ceiling on securities eligible for SLR under the held to maturity (**HTM**) securities was aligned with the SLR and was accordingly brought down from 22 per cent. to 21.50 per cent. with effect from 9 January 2016. Further, it was decided that both SLR and HTM ceiling would be brought down by 25 bps every quarter until 31 March 2017. Accordingly, SLR was reduced to 21.25 per cent. effective 2 April 2016, 21.00 per cent. effective 9 July 2016, 20.75 per cent. effective 1 October 2016, and 20.50 per cent. effective 7 January 2017. The SLR was further reduced to 20.00 per cent. on 24 June 2017, and to 19.50 per cent. on 14 October 2017. In October 2017, the RBI announced its policy to reduce the HTM in a phased manner, to 19.5 per cent. by 31 March 2018.

On 8 November 2016, the legal tender status of existing ₹500 and ₹1,000 denominations of bank notes issued by the RBI was withdrawn with effect from 9 November 2016. As branches of various banks acted as the primary agents for exchanging the then existing ₹500 and ₹1,000 bank notes, the normal operational routines of such banks were adversely affected. To absorb the surplus liquidity conditions brought about by the demonetisation policy of the Bank, the RBI intermittently introduced an incremental CRR of 100 per cent. on the increase in NDTL for the period between 16 September 2016 and 11 November 2016, which was then replaced with the issuance of securities under the Government's market stabilisation scheme.

The RBI has implemented a revised framework for resolution of stressed assets in February 2018 in view of the enactment of the Insolvency and Bankruptcy Code, 2016 (**IBC**). Such framework replaced the previous guidelines previously issued by the RBI from time to time. The existing instructions on resolution of stressed assets such as the 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**) were withdrawn. Accordingly, the Joint Lenders' Forum (**JLF**) as an institutional mechanism for resolution of stressed accounts was also discontinued. All accounts, including such accounts where any of the schemes have been invoked but not yet implemented, shall be governed by the revised framework. Under this revised framework, lenders shall identify incipient stress in loan accounts, immediately on default, by classifying stressed assets as special mention accounts. As soon as there is a default in the borrower entity's account with any lender, all lenders – singly or jointly – shall initiate steps to cure the default. The resolution plan (the **RP**) may involve any actions, plans or reorganisation including, but not limited to, regularisation of the account by payment of all overdues by the borrower entity, sale of the exposures to other entities or investors, change in ownership, or restructuring. The RP is to be considered as implemented only on satisfaction of specific conditions laid out in the framework. RPs involving restructuring or change in ownership in respect of 'large' accounts (i.e., accounts where the aggregate exposure of lenders is ₹1 billion and above) shall require independent credit evaluation of the residual debt by credit rating agencies specifically authorised by the Reserve Bank for this purpose. The framework has also stipulated timelines for resolution of large accounts with exposure above ₹20 billion, on or after 1 March 2018. If a RP in respect of such large accounts is not implemented as per the timelines specified by the framework, lenders would have to file an insolvency application, singly or jointly, under the IBC within 15 days from the expiry of the said timelines. While the revised framework is intended to give a time-bound tool for resolution of large stressed assets, there can be no assurance as to the turnaround in profitability or viability of such assets. Therefore, the Bank's prospects of recovering the full value of its loan to a defaulting borrower under a RP is uncertain. If the Bank is unable to recover the full value of its defaulting loans, it would suffer losses which may have an adverse effect on the Bank's financial condition and results of operations.

Regulatory or legislative changes as a result of litigation involving the RBI and other Government bodies with respect to derivatives could affect the Bank's derivative business, as the Bank may be unable to continue to enter into certain types of income-earning transactions or may incur increased administrative costs. Future changes in the stance of the RBI could have an adverse impact on the Bank's capital adequacy and profitability. Any change by the RBI to the directed lending norms may result in the Bank being unable to meet the priority sector lending requirements, as well as requiring the Bank to increase its lending to relatively riskier segments which could result in an increase in NPAs in the Bank's directed lending portfolio. Consequently, the Bank's levels of yield-generating assets may be reduced or the Bank may be forced to recognise accounting losses, which could materially adversely affect its recognised profits, financial condition and results of operations. The RBI may also direct banks to increase the total provisioning coverage ratio on credit portfolio, which may adversely affect the Bank's financial condition and results of operations.

Actions of the Government, as the Bank's controlling shareholder through SUUTI and other Government-related entities, could conflict with the interests of other shareholders.

The Government, through the Administrator of the Specified Undertaking of Unit Trust of India (**SUUTI**), Life Insurance Corporation of India (**LIC**), General Insurance Corporation of India (**GIC**) and four public sector insurance companies; collectively held a significant portion of the Bank's equity shares. Under the Bank's memorandum and articles of association (the **Articles**), SUUTI and LIC each have the right to nominate one director. The Chairman is duly appointed by the board of directors of the Bank (the **Board** or the **Board of Directors**).

As at 31 March 2018, the Government indirectly held approximately 26.36 per cent. (SUUTI – 9.87 per cent., LIC – 13.62 per cent., GIC and four public sector insurance companies – 2.87 per cent.) of the Bank's equity shares. As long as the Government continues to hold a significant portion of the Bank's voting shares, the Government, through its membership on the Bank's Board of Directors, may influence the policies of the Bank in a manner that could conflict with the interests of other shareholders.

RBI guidelines relating to ownership of private banks and foreign ownership restrictions in private banks and its downstream companies could discourage or prevent a change of control or other business combination involving the Bank.

On 12 May 2016, the RBI issued the Master Direction – Ownership in Private Sector Banks, Directions, 2016 (**Master Directions**). The Master Directions prescribe limits on ownership for all shareholders in the long run based on categorisation of shareholders under two broad categories, namely (i) individuals and (ii) entities/institutions. Each of these groups has separate limits for their shareholdings as set out in the Master Directions.

Larger shareholdings resulting from capital infusion by domestic or foreign entities or institutions are possible if the RBI approves such transactions on a case-by-case basis.

If a transaction results in any person acquiring or agreeing to acquire, directly or indirectly, by itself or acting in concert with any other person, shares of a banking company or voting rights therein which, taken together with shares and voting rights, if any, held by such person or such person's relative or associate enterprise or person acting in concert with such person, results in such person(s) holding at least 5.0 per cent. of the paid-up share capital of a banking company or entitles such person(s) to exercise at least 5.0 per cent. of a banking company's voting rights, RBI's approval is required prior to such transaction.

The RBI, when considering whether to grant an approval, 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 fit and proper criteria. Currently, the RBI limits voting rights to 26.0 per cent.. There are also foreign ownership restrictions in a private bank and in downstream companies which may impact an acquirer's ability to acquire a majority of our shares or acquire control over the Bank. The implementation of such restrictions could discourage or prevent a change in control, merger, consolidation, takeover or other business combination involving us, which might be beneficial to our shareholders.

Any substantial stake in the Bank could discourage or prevent another entity from exploring the possibility of a combination with us. Any such obstacles to potentially synergistic business combinations could negatively impact the Bank's share price and have a material adverse effect on the Banks ability to compete effectively with other large banks and, consequently, the Bank's ability to maintain and improve its financial condition.

If ownership restrictions on private sector banks are relaxed, a single investor may acquire a controlling stake in the Bank.

If the current restrictions are further liberalised to allow not only increased investment by Indian entities but also greater foreign ownership, a single entity or group of investors acting in unison may acquire equity shares of the Bank to the extent that would allow it to control or strongly influence the Bank. Such an entity would, subject to restrictions in the Articles, be able to determine, or would have a disproportionate influence compared with other shareholders in, the election of the Board of Directors, management policies and the outcome of corporate transactions submitted to shareholders for approval. There can be no assurance that any future controlling shareholder will have the same interests as any minority shareholder or will pursue the same strategies as the current management.

Major fraud, lapses of control, system failures or calamities could adversely impact the Bank's business.

The Bank is vulnerable to risk arising from the failure of employees to adhere to approved procedures, system controls, fraud, system failures, information system disruptions, communication systems failure and data interception during transmission through external communication channels and networks. There can be no assurance that the Bank's use of encrypted password-based protections and firewalls are adequate to prevent fraud or the invasion or breach of the network by an intruder. Failure to protect against fraud or breaches in security may adversely affect the Bank's operations and future financial performance. The Bank's reputation could be adversely affected by significant fraud committed by its employees, agents, customers or third parties.

In December 2017, the Bank was directed by the Securities and Exchange Board of India (**SEBI**) to conduct an internal inquiry into the leakage of unpublished price sensitive information (**UPSI**) relating to its financial results for the quarter ended 30 June 2017 and to take appropriate action against those responsible for the same in accordance with the law. Such inquiry was to be completed within a period of three months from the date of the order (27 December 2017) and, within 7 days from the completion of the inquiry, the Bank was to file a report with SEBI. SEBI also directed the Bank to strengthen its processes, systems and controls to prevent leakage of UPSI in the future. In response to SEBI's directions, the Bank appointed an external auditing firm to review the effectiveness of the processes, controls and systems in place to prevent leakage of UPSI. The Bank also requested such firm to conduct an investigation and a forensic audit regarding the alleged leakage of the unaudited financial results for the quarter ended 30 June 2017, to recommend measures to prevent such recurrence and to submit a report to the Bank within the time frame prescribed by SEBI. The external auditing firm had since completed the inquiry and the Bank has submitted the report to SEBI in accordance with SEBI's directions. While the Bank aims to adhere to the highest norms of governance, and is committed to ensure adequacy of its process, systems and controls, including preventing unauthorised access to UPSI, there can be no assurance that similar incidents will not happen in the future.

Given the increasing share of retail products and services and transaction banking services in the Bank's overall business, the importance of systems technology to the Bank's business has increased significantly. The Bank's principal delivery channels include automated teller machines (**ATM**s), Internet banking, mobile banking and call centres (telephone banking). Any failure in the Bank's systems, particularly for retail products and services and transaction banking, could significantly affect the Bank's operations and the quality of its customer service and could result in business and financial losses and adversely affect the trading price of the Notes. For example, the Bank's customer service operations have been affected to some extent in the past during the migration of the Bank's core banking software to an updated version, as the application took time to stabilise.

The Bank maintains a disaster recovery centre in Bengaluru in the event that the Bank's main computer centre in Mumbai shuts down for any reason. The system in Bengaluru is configured to come into operation if the Mumbai system is no longer operational. See *"Description of the Bank – Information Technology"*. However, if for any reason the switch over to the backup system does not take place or if a calamity occurs in both Mumbai and Bengaluru such that the Bank's business is compromised in both centres, the Bank's operations would be adversely affected.

Significant security breaches could adversely impact the Bank's business.

The Bank seeks to protect its branch network infrastructure and computer systems from security breaches and other disruptive problems caused by the Bank's increased use of the Internet. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. There may be areas in the system that have not been properly protected from security breaches and other attacks. The Bank employs security systems, including firewalls and password encryption, designed to minimise the risk of security breaches. Although the Bank intends to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be adequate or successful. Failed security measures could have a material adverse effect on the Bank's business, its future financial performance and the trading price of the Notes.

The Bank is involved in a number of legal and regulatory proceedings that, if determined against it, could have a material adverse impact on its future financial performance, stockholders' equity and the price of the Notes.

The Bank and its subsidiaries and associates are often involved in certain litigation matters and subject to various regulatory investigations in the ordinary course of the Bank's business. These matters generally arise because the Bank seeks to recover from borrowers or because customers seek claims against the Bank or for other reasons. Although it is the Bank's policy to make provisions for probable loss, the Bank does not make provisions or disclosures in its financial statements where its assessment is that the risk is insignificant. The Bank cannot guarantee that the judgments in any of the litigation or regulatory proceedings in which the Bank is involved would be favourable to it and if its assessment of the risk changes, its view on provisions will also change. Increased provisioning for such potential losses could have a material adverse effect on the Bank's results of operations and financial condition. If the Bank's provisioning is inadequate relative to actual losses on final judgment, such additional losses could have an adverse impact on the Bank's business. Any adverse outcome of litigation or regulatory proceedings could have a material adverse effect on the Bank's business, its future financial performance and trading price of the Notes.

Risks Relating to India

Financial instability in other countries may cause increased volatility in Indian financial markets.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. 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 and countries where the Bank has established operations or any worldwide financial instability may cause volatility in Indian financial markets and adversely affect the Indian economy, directly or indirectly, such as through movements of exchange rates and interest rates in India. Financial disruptions may occur again and could harm the Bank's business, its future financial performance and the prices of the Notes.

The global credit and equity markets have experienced substantial dislocations, liquidity disruptions and market corrections. The dislocation of the sub-prime mortgage loan market in the United States since September 2008, the subsequent European sovereign debt crisis and the more recent economic slowdown in China have led to increased liquidity and credit concerns and volatility in the global credit and financial markets. On 29 March 2017, the United Kingdom government invoked article 50 of the Lisbon Treaty (**Brexit**). Under article 50, the Treaty of the European Union and the Treaty on the Functioning of the European Union would cease to apply in the relevant state from the date of the withdrawal agreement or, failing that, two years of the notification of the intention to withdraw, although this period may be extended in certain circumstances. There is significant uncertainty at this stage as to the impact of Brexit on general economic conditions in the United

Kingdom and the European Union and any consequential impact on global financial markets. For example, Brexit could give rise to increased volatility in foreign exchange rate movements and the value of equity and debt investments. More recently in 2018, Turkey faced an currency and debt crisis, the United States entered into a trade war with China and the currencies in the emerging markets faced a sell-off. These and other related events 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 and global credit and financial markets.

In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including India, implemented a number of policy measures designed to add stability to the financial markets. See "*Supervision and Regulation*". However, the overall long-term impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have had the intended stabilising effects. Any significant financial disruption in the future could have an adverse effect on the Bank's cost of funding, loan portfolio, business, future financial performance and the trading price of the Notes. Adverse economic developments overseas in countries where the Bank has operations could have a material adverse impact on the Bank and the trading price of the Notes.

A slowdown in economic growth in India could cause the Bank's business to suffer.

Any slowdown in economic growth in India could adversely affect the Bank's borrowers and contractual counterparties. Furthermore, in light of the increasing linkages of the Indian economy to other developed and emerging economies, the Indian economy is increasingly influenced by economic and market conditions in other countries and, as a result, a slowdown in the economic growth of the United States and other countries in the developed and emerging global economy could have an adverse impact on economic growth in India. The current uncertain economic situation, in India and globally, could result in a further slowdown in economic growth, investment and consumption. A further slowdown in the rate of growth in the Indian economy could result in lower demand for credit and other financial products and services and higher defaults among corporate, retail and rural borrowers. With the importance of retail loans to the Bank's business, any slowdown in the growth or negative growth of sectors such as housing and automobiles could adversely impact the Bank's performance. Any such slowdown could adversely affect the Bank's business, including its ability to grow, the quality of its assets, its financial performance and the trading price of the Notes. In addition, any impact of the continuing instability and volatility in the global financial markets could have a material adverse impact on the Bank's business.

Increased volatility or inflation of commodity prices in India could adversely affect the Bank's business.

In recent months, consumer and wholesale prices in India have exhibited falling inflationary trends, as the result of a decrease in crude oil prices and lower international commodity prices. The Consumer Price Index declined from 4.9 per cent. (average) in fiscal 2016 to 4.5 per cent. (average) in fiscal 2017 and to 3.6 per cent. (average) in fiscal 2018. However, any increased volatility in the rate of inflation domestically or in global commodity prices, in particular oil and steel prices, could adversely affect the Bank's borrowers and contractual counterparties. Although the RBI has enacted certain policy measures designed to curb inflation, these policies may not be successful. As the Bank's business consists of sizable contributions from the retail and agricultural segments, any slowdown in the growth of the housing, automobile or agricultural sectors could increase the cost of servicing its non-Rupee-denominated debt, including the Notes, and adversely impact the Bank's business, financial conditions and results of operations.

Trade deficits could have a negative effect on the Bank's business and the trading price of the Notes.

India's trade relationships with other countries can influence Indian economic conditions. In fiscal 2018, the merchandise trade deficit was U.S.$160 billion compared with U.S.$112 billion in fiscal 2017 and U.S.$130 billion in fiscal 2016. This large merchandise trade deficit neutralises the surpluses in India's trade derived from international trade in services, net income from financial assets, labour and property and cross-border transfers of mainly workers' remittances in the current account, resulting in a current account deficit. If India's trade deficits increase or become unmanageable, the Indian economy, and therefore the Bank's business, future financial performance and the trading price of the Notes could be adversely affected.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could have an adverse impact on the Bank. A rapid decrease in reserves would also create a risk of higher interest rates and a consequent slowdown in growth.

A decline in India's foreign exchange reserves could result in reduced liquidity and higher interest rates in the Indian economy as well as an adverse effect on the valuation of the Rupee. Flows to foreign exchange reserves in India have been volatile in the past and may continue to be volatile in the future. In fiscal 2016 the foreign exchange reserves increased by U.S.$14.18 billion from fiscal 2015 to U.S.$355.56 billion. In fiscal 2017, foreign exchange reserves increased by U.S.$14.4 billion from fiscal 2016 to U.S.$369.96 billion. In fiscal 2018, foreign exchange reserves increased by U.S.$54 billion to U.S.$424 billion. Declines in foreign exchange reserves, as well as other factors, could adversely affect the valuation of the Rupee and could result in reduced liquidity and higher interest rates that could adversely affect the future financial performance of the Bank and the trading price of the Notes.

A significant increase in the price of crude oil could adversely affect the Indian economy and the Bank's business.

India imports more than 87.6 per cent. of its requirements of crude oil, which comprised approximately 18.7 per cent. of total imports in fiscal 2018. The price of Brent crude oil rose from around U.S.$52.8 per barrel in March 2017 to approximately U.S.$70.3 per barrel in March 2018 after the OPEC oil producers agreed to downsize their output. These increases in the price of crude oil could adversely affect the Indian economy. Further, since 2004, there have been several periods of sharp increase in global crude oil prices due to increased demand and speculation and pressure on production and refinery capacity, and political and military tensions in key oil-producing regions, among other factors. The Government has also deregulated the prices of certain oil products resulting in greater pass-through of international crude prices to domestic oil prices. Increase or volatility in oil prices and the pass-through of such increases to Indian consumers could have a material adverse impact on the Indian economy and on the Indian banking and financial system in particular, including through a rise in inflation and market interest rates and a higher trade deficit. This could adversely affect the Bank's business, results of operations, financial condition and prospects.

A downgrade in ratings of India, the Indian banking sector or of the Bank may affect the trading price of the Notes.

As at the date of this Offering Circular, the Bank's credit rating outlook by Moody's stands at "Baa3" with a "stable" outlook, by S&P stands at "BBB minus" with a "stable" outlook, and by Fitch Ratings Ltd. (Fitch) stands at "BBB minus" with a "negative" outlook.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact the ability of Indian banks to raise additional financing and the interest rates and other commercial terms at which such financing is available. Any of these developments may materially and adversely affect the cost of funds of Indian banks (including the Bank) and the trading price of the Notes.

The Bank is subject to risks relating to macroeconomic conditions in India.

The RBI's financial stability report dated 29 December 2016 pointed at elevated levels of uncertainty in global financial markets amid a slowdown in trade, rising tendency of protectionism and slower growth in productivity. The report warned against a sharp rise in NPAs of banks as the banking stability indicator showed that risks to the banking sector remained elevated due to continuous deterioration in asset quality, low profitability and liquidity.

The Rupee was quite volatile during fiscal 2014 and 2015 when compared against the U.S. dollar. First, it depreciated by 26.7 per cent. from 54.28 per U.S.$1.00 as at 31 March 2013 to an all-time low of 68.82 per U.S.$1.00 as at 28 August 2013 and then appreciated by 12.9 per cent. to close the fiscal 2014 at 59.89 per U.S.$1.00. In fiscal 2015, the Rupee depreciated by 4.4 per cent. to close the year at 62.50 per U.S.$1.00. In fiscal 2016, the Rupee depreciated by 6.0 per cent., to close the year at 66.25 per U.S.$1.00. In fiscal 2017, the Rupee appreciated 2.1 per cent. to close the year at 64.85, and in fiscal 2018, the Rupee depreciated 0.5 per cent. to 65.18 per U.S.$1.00. Overall, the Rupee depreciated by 8.6 per cent. over the course of fiscal years 2014 through to 2018. Volatility in India's currency and the possibility of slower growth pose significant risks for the financial prospects of companies in India, as well as a greater default risk for Indian companies with foreign-denominated debt. The U.S. Federal Reserve ended its quantitative easing programme in October 2014 and began to raise rates from December 2015 signalling the start of a shift to normal liquidity and credit conditions in the global markets. The pace at which rates would be hiked and the market reaction and adjustment to the consequent withdrawal of liquidity may lead to a repricing of certain assets with consequent volatility.

Banking sector risks primarily include reduced liquidity, deteriorating asset quality and reducing profitability. The RBI's June 2018 financial stability report noted that stress in the banking sector continued as the gross non-performing advances (**GNPA**) ratio increased further. Profitability of SCBs declined, partly reflecting increased provisioning. This has added pressure on scheduled commercial banks' (the SCBs) regulatory capital ratios. Furthermore, the gross NPAs as a percentage of gross advances for SCBs increased from 10.2 per cent. to 11.6 per cent. between September and March 2018. The banking system's CRAR declined marginally to 13.8 per cent. from 13.9 per cent. between September 2017 and March 2018. The Tier I leverage ratio at the system level also decreased marginally during the same period. If macro-economic conditions in India deteriorate, the system level CRAR may decline significantly.

The Bank has little or no control over any of these risks or trends and may be unable to anticipate changes in economic conditions. Adverse effects on the Indian banking system could impact the Bank's funding, profitability, asset quality or NPAs and adversely affect the Bank's business growth and as a result, impact future financial performance and the market price of the Notes. In addition, any impact on the banking system as a result of the ongoing volatility in the financial markets, including the recent slowdown in the Chinese economy, could have a material adverse impact on the Bank's business.

Indian accounting principles differ from those which prospective investors may be familiar with in other countries. In addition, the effects of the planned convergence with, and adoption of, IFRS are uncertain.

The Bank's financial statements as of and for the years ended 31 March 2016, 2017 and 2018 are prepared in accordance with Indian GAAP, and no attempt has been made to reconcile any of the information given in this Offering Circular to any other principles or to base it on any other standards. Indian GAAP differs from accounting principles with which prospective investors may be familiar in other countries, including the United States and the United Kingdom. In addition, there may be less publicly available information about Indian public companies, such as the Bank, than is regularly made available by public companies in such other countries. See "Summary *of Significant Differences between Indian GAAP and U.S. GAAP"*. Public companies in India, including the Bank, have been required to prepare financial statements under IND-AS according to the implementation roadmap drawn up by the Indian Ministry of Corporate Affairs. The Bank may be adversely affected by this transition.

The Ministry of Corporate Affairs, in its press release dated 18 January 2016, issued a roadmap for implementation of IND-AS converged with IFRS for scheduled commercial banks, insurers, insurance companies and non-banking financial companies. This roadmap requires all financial institutions (including the Bank) to prepare IND-AS-based financial statements for the accounting periods beginning from 1 April 2018 onwards with comparatives for the periods ending 31 March 2018 and thereafter. The RBI, by its circular dated 11 February 2016, requires all scheduled commercial banks to comply with IND-AS for financial statements for the periods stated above. The RBI does not permit banks to adopt IND-AS earlier than the above timeline and the guidelines also state that the RBI shall issue necessary instruction, guidance, and clarification on the relevant aspects for implementation of the IND-AS as and when required. However, the RBI in its press release issued on 5 April 2018 (although not through any circular or notification) has deferred the applicability of IND-AS by one year for commercial banks. Banks, including the Bank, are now required to implement IND-AS with effect from 1 April 2019 and prepare the standalone and consolidated IND-AS financial statements for financial year 2019-20 with comparative figures of financial year 2018-19. The Bank has not determined with any degree of certainty the impact such adoption will have on its financial reporting. Further, the new accounting standards will change, among other things, the Bank's methodology for estimating allowances for probable loan losses and for classifying and valuing its investment portfolio and its revenue recognition policy can be no assurance that the Bank's financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IND-AS than under current Indian GAAP. In the Bank's transition to IND-AS reporting, the Bank may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. Furthermore, there is no significant body of established practice on which to draw in forming judgements regarding the new system's implementation and application. There is also increasing competition for the small number of experienced accounting personnel familiar with IND-AS accounting standards as more Indian companies begin to prepare IND-AS financial statements. There can be no assurance that the Bank's adoption of IND-AS will not adversely affect its reported results of operations or financial condition, and any failure to successfully adopt IND-AS could adversely affect the Bank's business, financial condition and results of operations.

The Bank's business may be adversely affected by changes in competition laws in India.

The Competition Act, 2002, as amended (the **Competition Act),** was enacted for the purpose of preventing practices having an adverse effect on competition in India, and has mandated the Competition Commission of India to regulate such practices. Under the Competition Act, such practices include any arrangement, understanding or action, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and may result in substantial penalties. Any agreement among competitors that directly or indirectly determines purchase or sale prices; directly or indirectly results in bid rigging or collusive bidding; limits or controls production, supply, markets, technical development, investment or the provision of services; or shares the market or source of production or provision of services by way of allocation of geographical area or types of goods or services or number of customers in the relevant market or any other similar way, is presumed to have an appreciable adverse effect on competition in the relevant market in India and shall be void. Furthermore, the Competition Act prohibits the abuse of dominant position by any enterprise. If it is proved that the contravention committed by a company took place with the consent or connivance or is attributable to any neglect on the part of, any director, manager, secretary or other officer of such company, that person shall be guilty of the contravention and may be punished. If the Bank or any of its employees is penalised under the Competition Act, the Bank's business may be adversely affected.

If the Bank is affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act or any enforcement proceedings initiated by the Competition Commission of India or any other relevant authority under the Competition Act or any claim by any party under the Competition Act or any adverse publicity that may be generated due to scrutiny or prosecution by the Competition Commission of India, the Bank's business and financial performance may be materially and adversely affected.

The recent implementation of the General Anti-Avoidance Rules could adversely affect the Bank's business, future financial performance, and the trading price of the Notes.

The General Anti-Avoidance Rules (**GAAR**) provisions became effective on 1 April 2017. GAAR codifies the principle of substance over form. Under the GAAR provisions, an arrangement the main purpose of which is to obtain a tax benefit and which lacks commercial substance will be considered as an "impermissible avoidance arrangement". In addition, the Bank has to establish that its transactions are not undertaken with the main objective of tax avoidance but are backed by commercial and economic substance.

As the provisions of GAAR are subjective in nature, its effect on the banking system cannot be determined as at the date of this Offering Circular and therefore, there can be no assurance that the implementation of GAAR would not adversely affect the Bank's business, future financial performance and the trading price of the Notes.

Financial difficulty and other problems in certain long-term lending institutions and investment institutions in India could have a negative impact on the Bank's business and the trading price of the Notes.

The Bank is exposed to the risks of the Indian financial system, which in turn may be affected by financial difficulties and other problems faced by certain Indian financial institutions. See *"The Indian Financial Sector"*. As an emerging market economy, the Indian financial system faces risks not typically faced in developed countries, including the risk of deposit runs, notwithstanding the existence of a national deposit insurance scheme. Certain Indian financial institutions have experienced difficulties during recent years. Some cooperative banks have also faced serious financial and liquidity crises. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions and banks. This in turn could adversely affect the Bank's business, future financial performance and the price of the Notes.

Investors may have difficulty enforcing foreign judgments in India against the Bank or its management.

The Bank was constituted under the Companies Act, 1956. Substantially all of the Bank's Directors and executive officers and some of the experts named herein are residents of India and a substantial portion of the assets of the Bank and such persons are located in India. As a result, it may not be possible for investors to effect service of process on the Bank or such persons in jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India predicated upon civil liabilities of the Bank or such directors and executive officers under laws other than Indian Law.

In addition, India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Code. Section 44A of the Code provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India that 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 Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards.

The United Kingdom has been declared by the Government to be a reciprocating territory for the purposes of section 44A, but the United States has not been so declared. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. A judgment of a court in a jurisdiction that is not a reciprocating territory may be enforced only by a new suit upon the judgment and not by proceedings in execution. Section 13 of the Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except: (i) where it has not been pronounced by a court of competent jurisdiction; (ii) where it has not been given on the merits of the case; (iii) where it 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 it has been obtained by fraud; or (vi) where it sustains a claim founded on a breach of any law in force in India. The suit must be brought in India within three years from 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 a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with Indian public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to execution. Any judgment in a foreign currency would be converted into Indian Rupees on the date of the judgment and not on the date of the payment.

The Bank cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

Natural calamities, power outages and other disruptions could have a negative impact on the Indian economy and could cause the Bank's business to suffer and the trading price of the Notes to decrease.

India has experienced natural calamities such as earthquakes, floods and drought in the recent past. The extent and severity of these natural disasters determine their impact on the Indian economy. For example, in fiscals 2015 and 2016, many parts of India received significantly less than normal rainfall. As a result, the agricultural sector recorded minimal growth, with growth rates of 0.8 per cent. in fiscal 2016 and a de-growth of 0.3 per cent. in fiscal 2015 as compared with a growth rate of 5.6 per cent. in fiscal 2014. In fiscal 2017, the agriculture sector grew at approximately 6.3 per cent. but growth slowed to 3.4 per cent. in fiscal 2018. An erratic monsoon season could also adversely affect sowing operations for certain crops and result in a decline in the growth rate of the agricultural sector. Prolonged spells of below-normal rainfall in the country or other natural calamities could have a negative impact on the Indian economy, adversely affecting the Bank's business and potentially causing the trading price of the Notes to decrease.

While electricity supply has improved in India over the past few years, many parts of India have experienced occasional localised blackouts due to equipment failures. There are also sporadic grid failures. In July 2012 three of India's inter-connected northern power grids collapsed for several hours, resulting in widespread power outages across the country. Furthermore in 2013, there were significant floods and landslides in the town of Kedarnath in Uttarakhand which led to destruction of bridges and roads. In August 2016, heavy rains triggered floods in many parts of Uttarakhand, Bihar, Uttar Pradesh, Rajasthan and Madhya Pradesh leading to the dislocation of the local population. Prolonged power outages or other disruptions could have a negative impact on the Indian economy, adversely affecting the Bank's business and potentially causing the trading price of the Notes to decrease.

Terrorist attacks, civil disturbances and regional conflicts in South Asia and elsewhere may have a material adverse effect on the Bank's business and on the market for securities in India.

India has from time to time experienced instances of social, religious and civil unrest and hostilities between neighbouring countries. Present relations between India and Pakistan continue to be fragile on the issues of terrorism, armaments and Kashmir. India has also experienced terrorist attacks in some parts of the country. In November 2008, several coordinated shooting and bombing attacks occurred across Mumbai, India's financial capital. In July 2011, a series of three coordinated bomb explosions occurred at different locations in Mumbai. Both attacks resulted in loss of life, property and business. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a greater perception that investments in Indian companies involve higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including the Notes.

An outbreak of a contagious disease, such as avian or swine influenza, may adversely affect the Indian economy and the Bank's business.

A number of countries in Asia, including India, as well as countries in other parts of the world, are susceptible to contagious diseases and, for example, have had confirmed cases of the highly pathogenic H7N9, H5N1 and H1N1 strains of influenza in birds and swine. Certain countries in Southeast Asia have reported cases of bird-to-human transmission of avian and swine influenza, resulting in numerous human deaths. The World Health Organisation and other agencies have issued warnings on a potential avian or swine influenza pandemic if there is sustained human-to-human transmission. Future outbreaks of avian or swine influenza or a similar contagious disease could adversely affect the Indian economy and economic activity in the region. As a result, any present or future outbreak of avian or swine influenza or other contagious disease could have a material adverse effect on the Bank's business and the trading price of the Notes.

Risks Relating to the Notes

The Notes are unsecured obligations, the repayment of which may be jeopardised in certain circumstances.

Because the Notes are unsecured obligations, their repayment may be compromised if:

- the Bank enters into bankruptcy, liquidation, reorganisation or other winding-up procedures;
- there is a default in payment under the Bank's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Bank's indebtedness.

If any of these events occurs, the Bank's assets may not be sufficient to pay amounts due on any of the Notes.

Payment of principal of the Notes may be accelerated only in certain events involving the Bank's bankruptcy, winding-up or dissolution or similar events, or if certain conditions have been satisfied. See "*Terms and Conditions of the Notes – Events of Default and Enforcement*".

The Notes that are Subordinated Notes are subordinated and have only limited rights of acceleration.

The relevant Pricing Supplement may specify that the Notes will be Subordinated Notes (as defined in Condition 2.2 of the Terms and Conditions of the Notes), which will be subordinated obligations of the Bank. Payments on the Subordinated Notes will be subordinate in right of payment upon the winding-up or liquidation of the Bank to the prior payment in full of all deposits and other liabilities of the Bank, except those liabilities which rank equally with or junior to the Subordinated Notes. As a consequence of these subordination provisions, in the event of a winding-up of the Bank's operations, the holders of the Subordinated Notes may recover proportionately less than the holders of the Bank's deposit liabilities or the holders of its other unsubordinated liabilities.

Only those events described herein regarding the Bank's winding-up or liquidation will permit a holder of a Subordinated Note to accelerate payment of such Subordinated Notes. In such event, the only action the holder may take in India against the Bank is certain actions to cause, or make a claim in, the Bank's liquidation or reorganisation. Furthermore, if the Bank's indebtedness were to be accelerated, its assets may be insufficient to repay in full borrowings under all such debt instruments, including the Notes.

The Notes may not qualify as Tier II capital.

In the event the Notes are designated as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes in the applicable Pricing Supplement, there is no guarantee that the Notes designated as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes will qualify as Tier II capital under the Capital Adequacy Guidelines published by the RBI. The Programme terms and conditions related to Subordinated Notes do not meet the Basel III Guidelines. The Basel III guidelines do not envisage, *inter alia,* separate Upper Tier II and Lower Tier II capital instruments. The Basel III Guidelines specifically provide that non-Basel III-compliant regulatory capital instruments should be phased out beginning 1 January 2013. Consequently, Subordinated Notes under the current Programme Terms and Conditions will not qualify as Tier II capital under the Basel III Guidelines. The Programme Terms and Conditions will be updated to conform to the Basel III Guidelines prior to any new issuance of Tier II capital instruments. See "*Supervision and Regulation – the RBI Regulations – Capital Adequacy Requirements*". The failure of the Notes to qualify as Tier II capital due to any reason (including changes in law, regulations or interpretations of the RBI or other Government authorities) would adversely affect the Bank's capital adequacy ratio.

The Notes may have limited liquidity.

The Notes constitute a new issue of securities for which there is no existing market. Application has been made to list the Notes on the SGX-ST and the International Securities Market (**ISM**) of the London Stock Exchange. The offer and sale of the Notes is not conditional upon obtaining a listing of the Notes on either the SGX-ST or the ISM or any other exchange.

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 results of operations 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.

Definitive Notes may not be available in certain denominations and investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Furthermore, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Interest Amounts on the Hybrid Tier I Notes are not cumulative and will not be required to be paid under certain circumstances.

Interest may not be paid in full, or at all, in certain situations described in Condition 2.3(c). Interest payments on the Hybrid Tier I Notes are not cumulative. Accordingly, if interest is not paid on any Interest Payment Date as a result of the foregoing, holders of the Hybrid Tier I Notes will not be entitled to receive such interest on any subsequent Interest Payment Date or any other date.

The Hybrid Tier I Notes have no fixed maturity date and investors have no right to call for redemption of the Hybrid Tier I Notes.

The Hybrid Tier I Notes are perpetual unless the Issuer elects to redeem the Hybrid Tier I Notes. Accordingly, the Hybrid Tier I Notes have no fixed final redemption date. In addition, holders of the Hybrid Tier I Notes have no right to call for the redemption of the Hybrid Tier I Notes. Although the Issuer may redeem the Hybrid Tier I Notes at its option on the Optional Redemption Date or at any time following the occurrence of certain tax and regulatory events, there are limitations on redemption of the Hybrid Tier I Notes, including obtaining the prior written approval of the RBI and satisfaction of any conditions that the RBI and other relevant Indian authorities may impose at the time of such approval.

Investors will have limited rights under the Hybrid Tier I Notes.

Investors will not be entitled to receive notice of, or attend or vote at, any meeting of shareholders of the Issuer or participate in the management of the Issuer, except in limited circumstances (including certain instances of failure by the Issuer to make payments of amounts due in relation to the Hybrid Tier I Notes).

In the event of a default in payment on the Hybrid Tier I Notes, investors will have no right to accelerate payments on the Hybrid Tier I Notes, except if a court order is made or an effective resolution is passed for the winding-up of the Issuer.

The Hybrid Tier I Notes are subordinated to most of the Issuer's liabilities and the terms of the Hybrid Tier I Notes contain no limitation on issuing debt or senior or pari passu securities.

The Hybrid Tier I Notes will constitute unsecured and subordinated obligations of the Issuer which rank *pari passu* and without preference among themselves. The Hybrid Tier I Notes are not deposits and are not insured by the Issuer or guaranteed or insured by any party related to the Issuer and they may not be used as collateral for any loan made by the Issuer. In the event of a winding-up of the Issuer's operations, the claims of the holders of the Hybrid Tier I Notes will be subordinated in right of payment to the prior payment in full of all of the Issuer's other liabilities (whether actual or contingent, present or future) including all deposit liabilities and other liabilities of the Issuer and all of the Issuer's offices and branches, except those liabilities that by their terms rank equal with or junior to the Hybrid Tier I Notes.

As a consequence of the subordination provision, in the event of a winding-up of the Issuer's operations, the holders of the Hybrid Tier I Notes may recover less rateably than the holders of deposit liabilities or the holders of the Issuer's other liabilities that rank senior to the Hybrid Tier I Notes. The Hybrid Tier I Notes, the Trust Deed and the Agency Agreement do not limit the amount of liabilities ranking senior to the Hybrid Tier I Notes that may be hereafter incurred or assumed by the Issuer except for certain Tier I instruments.

The Hybrid Tier I Notes may not qualify as Tier I capital.

There is no guarantee that the Hybrid Tier I Notes will qualify as Tier I capital. The Programme terms and conditions related to Hybrid Tier I Notes do not meet the Basel III Guidelines. The Basel III Guidelines specifically provide that non-Basel III-compliant regulatory capital instruments should be phased out beginning 1 January 2013. Consequently, Hybrid Tier I Notes under the current Programme Terms and Conditions would not qualify as additional Tier I capital under the Basel III Guidelines. The Programme Terms and Conditions will be updated to conform to the Basel III Guidelines prior to any new issuance of additional Tier I capital instruments. See *"Supervision and Regulation – the RBI Regulations – Capital Adequacy Requirements"* in the Offering Circular. The failure of the Hybrid Tier I Notes to qualify as Tier I capital due to any reason (including changes in laws, regulations or interpretations of the RBI or other governmental authorities) would adversely affect the Issuer's capital adequacy ratio.

Reliance on Euroclear, Clearstream, Luxembourg and DTC procedures.

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a Common Depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing systems and its participants to appoint appropriate proxies.

Hiring Incentives to Restore Employment Act withholding may affect payments on the Notes.

The U.S. Hiring Incentives to Restore Employment Act imposes a 30 per cent. withholding tax on amounts attributable to U.S. source dividends that are paid or "deemed paid" under certain financial instruments if certain conditions are met (such instruments, **Specified Notes**). 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. Additionally, the Issuer may withhold at a rate of 30 per cent. tax on any payment on the Notes in respect of any amount treated as a "dividend equivalent" arising with respect to such Notes regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law (including, for the avoidance of doubt, where a Noteholder is eligible for a reduced tax rate under an applicable tax treaty with the United States). A Noteholder may be able to claim a refund of any excess withholding provided that the required information is timely furnished to the U.S. Internal Revenue Service. Prospective investors should refer to the section "*Taxation – Hiring Incentives to Restore Employment Act.*"

For purposes of withholding under the U.S. Foreign Account Tax Compliance Act, commonly known as FATCA, Specified Notes are subject to a different grandfathering rule than other Notes. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act*".

Fungible Issue.

The Issuer may, without notice to, or the consent of, the holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID (as defined below under "*Taxation – United States Federal Income Tax Considerations")* even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

The implementation of Basel III guidelines may have an adverse effect on the position of the Noteholders.

On 17 December 2009, the Basel Committee proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled "Strengthening the Resilience of the Banking Sector" (**Basel III**). On 16 December 2010 and on 13 January 2011, the Basel Committee issued its final guidance on Basel III and minimum requirements, respectively. The Basel Committee proposed that the guidelines be implemented from 1 January 2013. On 2 May 2012, the RBI published its Basel III Guidelines. The Basel III Guidelines came into effect on 1 April 2013, and are subject to a series of transitional arrangements to be phased in over a period of time. The capital ratios specified in the Basel III Guidelines will be fully implemented on 31 March 2019. The RBI has indicated that the capital requirements for the implementation of the Basel III Guidelines may be lower during the initial period and higher in later years. The Basel III Guidelines require, among other things, higher levels of Tier I capital, including common equity, capital conservation buffers, deductions from common equity Tier I capital for investments in subsidiaries (with minority interest), changes in the structure of debt instruments eligible for inclusion in Tier I and Tier II capital and preference shares in Tier II 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 I and Tier II capital should have loss absorbency characteristics, which require them to be written down or converted into common equity upon the occurrence of a pre-specified trigger event.

In addition, the Basel Committee published a guidance report titled "Principles for Sound Liquidity Risk Management and Supervision" in September 2008 to address the deficiencies that were witnessed in liquidity risk management during the recent global financial crisis. This was followed by the publication of "Basel III: the net stable funding ratio" and "Group of Governors and Heads of Supervision endorses revised liquidity standard for banks" in October 2014 and January 2013, respectively which introduced two minimum global regulatory standards, namely the liquidity coverage ratio (**LCR**) and the net stable funding ratio (**NSFR**) and a set of monitoring tools. The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high-quality liquid assets to survive an acute stress scenario lasting for 30 days. The NSFR promotes resilience over longer-term time horizons by creating additional incentives for banks to fund their activities with more stable sources of funding on an on-going structural basis. The RBI in its draft guidelines dated 21 February 2012 titled "Liquidity Risk Management and Basel III Framework on Liquidity Standards – Draft Guidelines" has provided certain metrics for the calculation of LCR and NSFR and had made compliance with LCR binding for all regulated banks, including the Bank, from 1 January 2015 and encouraged compliance on a "best efforts" basis until then. In November 2012, the RBI released guidelines on liquidity risk management and the Basel III framework on liquidity standards that have been revised by the RBI and the final guidelines have been issued on 9 June 2014. In the circular the RBI has directed that LCR will be introduced in a phased manner starting with a minimum requirement of 60 per cent. from 1 January 2015 which will gradually increase to 100 per cent. by 1 January 2019. The RBI has proposed the monitoring and reporting of the LCR, which is designed to ensure that a bank maintains an adequate level of liquid assets to survive an acute liquidity stress scenario lasting one month. It has also proposed an NSFR designed to ensure a minimum amount of funding that is expected to be stable over a one-year period and issued final guidelines on net stable funding ratio, on 17 May 2018. As of the date of this Offering Circular, the NSFR is yet to be implemented.

The RBI and/or any other relevant authority, including the relevant regulatory authorities in the jurisdictions which the Bank's branches are located, may implement the package of reforms, including the terms that capital securities are required to have, in a manner that is different from that which is currently envisaged, or may impose more onerous requirements. Though the Bank has successfully managed the LCR requirements since 1 January 2015, there can be no assurance that the Bank will be able to meet liquidity risk management requirements by the required deadline.

The Notes that are Subordinated Notes may be subject to write-off or conversion on the occurrence of a Non-Viability Event or if the Issuer becomes subject to resolution.

The Basel Committee has proposed a number of fundamental reforms to the regulatory capital framework for internationally active banks that are designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before tax-payers are exposed to loss (the **Basel III Reforms**). The principal elements of the Basel III Reforms are set out in Basel Committee papers dated 16 December 2010 (as revised in June 2011) and in a press release dated 13 January 2011. The implementation of the Basel III Reforms in individual jurisdictions was scheduled to commence on 1 January 2013 (with the requirements being subject to a series of transitional arrangements and phased in over time), although in a number of jurisdictions it has been delayed. In India, the Basel III Guidelines came into effect on 1 April 2013, and are subject to a series of transitional arrangements to be phased in over a period of time. The capital ratios specified in the Basel III Guidelines will be fully implemented on 31 March 2019.

The Basel III Reforms include a requirement for all non-common Tier I instruments and Tier II instruments (such as the Subordinated Notes), at the option of the relevant authority, to either be written off or converted into ordinary shares upon the occurrence of a Non-Viability Event (the **PoNV rule**). The PoNV rule may be met contractually (by inclusion of appropriate provisions in the terms and conditions of the instrument) or by the existence of laws in a jurisdiction that give relevant authorities appropriate powers. In India, the PoNV rule has been implemented as a requirement for appropriate provisions to be included in the terms and conditions of the instrument. A **Non-Viability Event** under the Indian regulations means the earlier of: (a) a decision that a conversion or write-off, without which the relevant bank would become non-viable, is necessary, as determined by the RBI; and (b) the decision to make a public sector injection of capital, or equivalent support, without which the relevant bank would have become non-viable, as determined by the RBI.

The terms and conditions of the Subordinated Notes do not contain a provision that requires them to be written off or converted into equity (whether on the occurrence of a Non-Viability Event or otherwise). Such a provision will be included in the applicable Pricing Supplement for an issuance of Subordinated Notes.

It will be difficult to predict when, if at all, a principal write-off or conversion to equity will occur. Accordingly, trading behaviour in respect of the Subordinated Notes is not necessarily expected to follow the trading behaviour associated with other types of securities. Potential investors in the Subordinated Notes should consider the risk that a holder may lose all of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

Furthermore, there can be no assurance that the Basel Committee will not propose further amendments to the Basel Accord or that the relevant authorities in India will not impose requirements on banks that are more onerous than those contained in the Basel III Reforms. Further changes in law after the date hereof may affect the rights of holders of the Subordinated Notes as well as the market value of the Subordinated Notes.

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR.

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forward. This may cause LIBOR to perform differently than it did in the past and may have other consequences that cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fallback provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks".

Interest rates and indices which are deemed to be "benchmarks" (including LIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark". Regulation (EU) 2016/1011 (the **Benchmarks Regulation**) was published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks" (including LIBOR): (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark"; or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a "benchmark".

Risks Relating to Renminbi-Denominated Notes.

If in the event that any offering of Notes under the Programme is denominated in Renminbi, the official currency of the PRC, prospective investors should carefully take into account the following considerations, in addition to the other information contained in the Offering Circular, before investing in the Notes.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC that may adversely affect the liquidity of Renminbi Notes.

Renminbi is not freely convertible at present. The government of the PRC (the **PRC Government**) continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are being gradually developed.

There is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future that have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Bank to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Bank's ability to source Renminbi outside the PRC to service such Renminbi Notes.

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the People's Bank of China (**PBoC**) has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the **Renminbi Clearing Banks),** including but not limited to Hong Kong, and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the **Settlement Arrangements),** the current size of Renminbi-denominated financial assets outside the PRC is limited.

Although, starting from 1 October 2016, the Renminbi will be added to the Special Drawing Rights basket created by the International Monetary Fund, there are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Bank is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Bank will be able to source such Renminbi on satisfactory terms, if at all.

Investment in Renminbi Notes is subject to exchange rate risks.

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. In August 2015, the PBoC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. Dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. Dollar or another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

An investment in Renminbi Notes is subject to interest rate risks.

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in the terms and conditions of the relevant Notes.

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong. All Renminbi payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by Global Notes held with the common depositary for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures, or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than described in the Conditions, the Bank cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise holders or individual Holders may be subject to PRC enterprise income tax (**EIT**) or PRC individual income tax (**IIT**) if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise or individual Holder from the transfer of Renminbi Notes but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The PRC Individual Income Tax Law and its implementation rules (as amended from time to time) levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or individual Holder from the transfer of Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and their respective relevant implementing rules.

According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

If such gains are determined as income sourced in the PRC by the relevant PRC tax authorities, (a) the non-PRC resident enterprise Holders may be subject to EIT at the rate of 10 per cent. of the gains derived by such non-PRC resident enterprise Holders and (b) the non-PRC resident individual Holders may be subject to IIT at the rate of 20 per cent. of the gains derived by such non-PRC resident individual Holders.

Therefore, if non-PRC enterprise or individual resident Holders are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

Remittance of proceeds in Renminbi into or out of the PRC.

In the event that the Bank decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Bank does remit some or all of the proceeds into the PRC in Renminbi and the Bank subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

SELECTED FINANCIAL AND OPERATING DATA

The following tables set forth the Bank's selected financial and operating data and should be read together with the more detailed information contained in *"Management's Discussion and Analysis of Financial Condition and Results of Operations", "Selected Statistical Information"* and the standalone Financial Statements and related notes included elsewhere in this Offering Circular. The financial data, where applicable, has been derived from the Bank's audited standalone Financial Statements prepared in accordance with Indian GAAP as applicable to banks. The summary income statement data for fiscals 2017 and 2018 and the summary balance sheet data as at 31 March 2017 and 2018 are derived from the Bank's audited standalone Financial Statements as at and for the years ended 31 March 2017 and 2018. Unless otherwise stated, the summary income statement data for fiscal 2016 and the summary balance sheet as at 31 March 2016 are derived from the comparatives of the audited standalone financial statements for the financial year ended 31 March 2017. The Financial Statements reflect applicable statutory requirements, regulatory guidelines and accounting practices in India; these requirements, guidelines and practices change from time to time. In accordance with Indian GAAP, adjustments to reflect such changes are made on a prospective basis, and financial statements for earlier periods are not restated. Indian GAAP differs in certain significant respects from U.S. GAAP. For a narrative description of the significant differences between Indian GAAP and U.S. GAAP relevant to the Bank, see "*Summary of Significant Differences between Indian GAAP and U.S. GAAP"*. For the convenience of the reader, the selected financial and operating data as at and for the year ended 31 March 2018 have been translated into U.S. dollars at the U.S. Federal Reserve's published exchange rate of U.S.$1.00 = ₹65.11 on 31 March 2018. Footnotes appear at the end of the related tables.

In the year ended 31 March 2017, pursuant to a guidance note issued by the Indian Chartered Accountants Institute of India on "Accounting for Derivative Contracts" and RBI circular no. FMRD.DIRD 10/14.03.002/2015-16 dated 19 May 2016, certain changes were made to the accounting polices of the Issuer. See "*Management's Discussion and Analysis of Financial Condition and Results of Operation – Critical Accounting Policies*" for more information. Certain financial information as at and for the year ended 31 March 2016, as indicated by "^", have not been reclassified or regrouped to take into account these changes in accounting policies and therefore, are not directly comparable to the corresponding standalone or consolidated financial information as of and for the years ended 31 March 2017 and 2018, and the three months ended 30 June 2018, respectively. Potential investors must exercise caution to take into account such incomparability when using such data to evaluate the Issuer's financial condition and results of operations and are advised to consult their respective independent financial advisers if in doubt. Unless indicated by "^", all financial information as at and for the year ended 31 March 2016 have been regrouped and reclassified, where necessary, to conform with their respective presentations as at for the years ended 31 March 2017 and 2018 and the three months ended 30 June 2018.

	Year ended 31 March			
	2016	2017	2018	2018
	₹	₹	₹	U.S.$
	(in millions)			
Selected Income Statement Data				
Interest earned[1] (A)	409,880	445,421	457,803	7,031
Interest Expended (B)	241,551	264,490	271,626	4,172
Net Interest Income (C=A-B)	168,329	180,931	186,177	2,859
Other Income (D)	93,715	116,913	109,671	1,684
Operating Income[2] (E=C+D)	262,044	297,844	295,848	4,543
Operating Expenses (F)	101,008	121,999	139,903	2,149
Operating Profit[3] (G=E-F)	161,037	175,845	155,945	2,394
Provisions and Contingencies	78,800	139,052	153,188	2,352
Net Profit	82,237	36,793	2,757	42

(1) Interest earned includes dividends earned on equity and preference shares and units of mutual funds.

(2) Operating Income is sum of Net Interest Income and Other Income.

(3) Operating profit means sum of interest earned and Other Income and reduced by Interest Expended and Operating Expenses.

	As at 31 March			
	2016	2017	2018	2018
	₹	₹	₹	U.S.$
		(in millions)		
Selected Balance Sheet Data				
Cash and Balances with RBI (A)	223,611	308,579	354,811	5,449
Balances with Banks and money at call and short Notice (B)	109,643	193,983	79,738	1,225
Investments (C)	1,315,241	1,287,934	1,538,761	23,633
Advances (D)	3,387,737	3,730,693	4,396,503	67,524
Fixed assets (E)	35,232	37,469	39,717	610
Other assets (F)	326,746	456,019	503,766	7,737
Total assets (G=A+B+C+D+E+F)	5,398,210	6,014,677	6,913,296	106,178
Capital (A)	4,766	4,790	5,133	79
Reserves and Surplus (B)	526,883	552,835	629,320	9,665
Deposits (C)	3,579,675	4,143,788	4,536,227	69,670
Borrowings (D)	1,085,804	1,050,309	1,480,161	22,733
Other liabilities and provisions (E)	201,082	262,955	262,455	4,031
Total liabilities (F=A+B+C+D+E)	5,398,210	6,014,677	6,913,296	106,178

	As at 31 March			
	2016	2017	2018	2018
	₹	₹	₹	U.S.$
Per Equity Share Data				
Earnings per equity share, basic	34.59	15.40	1.13	0.02
Earnings per equity share, diluted	34.40	15.34	1.12	0.02
Dividends per equity share(4)	5.00	5.00	–	–
Book value per equity share(5)	223.12	232.83	247.20	3.80
Basic weighted average number of equity shares (in millions)	2,377	2,389	2,445	2,445
Diluted weighted average number of equity shares (in millions)	2,390	2,399	2,453	2,453

	As at or for the year ended 31 March		
	2016	2017	2018
	(in percentages)		
Profitability Ratios			
Return on average total assets[6]	1.72	0.65	0.04
Return on average net worth[7]	17.49	7.22	0.53
Dividend pay-out ratio[8]	14.49	32.55	–
Net interest margin[9]	3.90	3.67	3.44
Cost income ratio[10]	38.55	40.96	47.29
Capital Adequacy(under Basel III)[11]			
Total capital adequacy ratio	15.29	14.95	16.57
Tier I capital adequacy ratio	12.51	11.87	13.04
Tier II capital adequacy ratio	2.78	3.08	3.53
Asset Quality			
Gross non-performing loans as a percentage of gross loans	1.71	5.21	6.79
Gross non-performing assets as a percentage of gross customer assets[12]	1.67	5.04	6.77
Net non-performing loans as a percentage of net loans	0.74	2.27	3.64
Net non-performing assets as a percentage of net customer assets[13]	0.70	2.11	3.40

(1) Interest earned includes dividends earned on equity and preference shares and units of mutual funds.

(2) Operating Income is sum of Net Interest Income and Other Income.

(3) Operating profit means sum of interest earned and Other Income and reduced by Interest Expended and Operating Expenses.

(4) Represents the rate of dividend proposed per equity share.

(5) Represents the shareholders' funds divided by the number of total equity shares outstanding at the end of each reporting period.

(6) Net profit divided by average month-end assets for the fiscal.

(7) Net profit divided by the sum of the daily weighted average of share capital, share premium and year-end average of other reserves and surplus as reduced by the year-end average of deferred tax assets.

(8) Represents the ratio of total dividends payable on equity shares relating to each fiscal, excluding the dividend distribution tax, as a percentage of net profit of that year. Dividends of each fiscal are typically paid in the following fiscal.

(9) Represents the ratio of net interest income to daily average interest earning assets.

(10) Represents the ratio of non-interest expense to the sum of net interest income and non-interest income.

(11) Capital adequacy ratios are computed in accordance with RBI guidelines.

(12) Gross customer assets include advances, credit substitutes before provisions.

(13) Net customer assets include advances, credit substitutes after deductions of provisions.

RECENT DEVELOPMENTS

Set out below are the recent developments concerning the Bank after 31 March 2018:

Smt. Shikha Sharma's tenure as Managing Director and CEO of the Bank to end on 31 December 2018 and the RBI has approved Shri Amitabh Chaudhry's appointment as her successor.

At the meetings of the Board of Directors held on 26 July 2017 and 7 December 2017, the Board approved the re-appointment of Smt. Shikha Sharma as Managing Director and CEO of the Bank for a period of three years with effect from 1 June 2018. However, on 9 April 2018, the Bank announced that the Board accepted Smt. Sharma's request to reduce the tenure of her appointment to seven months from three years, which is subject to the RBI's further approval. The Bank has since received such approval from the RBI. On 8 September 2018, the Bank announced that the RBI had approved the appointment of Shri Amitabh Chaudhry as Managing Director and CEO of the Bank for the period of 1 January 2019 to 31 December 2021, and the terms and conditions relating to such appointment. The Board of Directors of the Bank, at its meeting held on 8 September 2018, has taken on record the aforementioned approval and the terms and conditions relating to such appointment, including remuneration. Upon completion of certain formalities by Shri Chaudhry, a meeting of the Nomination and Remuneration Committee and the Board will be convened to inter alia, take on record and confirm adherence to 'Fit and Proper norms' by Shri Chaudhry and to approve his appointment as an Additional Director of the Bank, Managing Director and CEO of the Bank, on terms specified in the RBI approval. A brief biography of Shri Chaudhry is set out in "Management and Board of Directors".

Cessation of the Bank's bullion business

On 4 April 2018, the Bank announced that the RBI did not approve the Bank's request to renew the authorisation allowing the Bank to import gold for fiscal 2019. The Bank has since ceased its bullion business.

Performance Highlights of the First Quarter of Fiscal 2019

On 30 July 2018, the Bank published its unaudited standalone financial results for the first quarter of fiscal 2019. Set out below are the performance highlights for such quarter:

Net Interest Income

The Bank's net interest income in the first quarter of fiscal 2019 increased to ₹ 51.67 billion, an increase of 11.93 per cent. from the first quarter of fiscal 2018. Growth in the level of interest earning assets, partially offset by an increase in interest expenditure, contributed to the interest in net interest income. Such increase in net interest income was mainly due to the realisation of interest from recovery in one of the Bank's stressed accounts.

Net Interest Margin (NIM)

The net interest margin for the first quarter of fiscal 2019 decreased by 17 basis points, from 3.63 per cent. for the first quarter of fiscal 2018 to 3.44 per cent. for the first quarter of fiscal 2019 quarter of fiscal 2018 by 17 basis points based on daily average balances. The decrease was primarily attributable to decrease in yield on assets.

Other income

Non-interest income decreased by 2.49 per cent. to ₹ 29.25 billion for the first quarter of fiscal 2019 as compared to ₹ 30.00 billion for the first quarter of fiscal 2018 mainly due to a decrease in trading income. Such decrease was partially offset by an increase in fee income from the retail segment and increase in miscellaneous income by 29.72 per cent.

Non-Performing Asset Management

Net non-performing assets (**NPAs**) as a proportion of net customer assets was 3.09 per cent. as at 30 June 2018, a decrease from 3.40 per cent. as at 31 March 2018. Gross NPAs as a proportion of gross customer assets was 6.52 per cent. as at 30 June 2018, a decrease from 6.77 per cent. as at 31 March 2018.

Capital

The total capital adequacy ratio for the Bank under Basel III was 16.57 per cent. as at 30 June 2018, no change from 31 March 2018.

The profits for the first quarter of fiscal 2019 are not included in the computation of capital ratios. If the net profit of ₹ 7.01 billion for the three months ended 30 June 2018 were included, the total capital adequacy ratio and Tier I capital adequacy ratio as at 30 June 2018 under Basel III would be 16.71 per cent. and 13.22 per cent., respectively.

Assets

Cash and balances with the RBI and balances with banks and money at call and short notice amounted to ₹ 397.87 billion as at 30 June 2018, a decrease of 8.44 per cent. from ₹ 434.55 billion as at 31 March 2018.

Investments amounted to ₹ 1,546.14 billion as at 30 June 2018, an increase of 0.48 per cent. from ₹ 1,538.76 billion as at 31 March 2018.

Advances amounted to ₹ 4,410.75 billion as at 30 June 2018, an increase of 0.32 per cent. from ₹ 4,396.50 billion as at 31 March 2018.

Fixed assets amounted to ₹ 39.69 billion as at 30 June 2018, a decrease of 0.08 per cent. from ₹ 39.72 billion as at 31 March 2018.

Other assets amounted to ₹ 532.43 billion as at 30 June 2018, an increase of 5.69 per cent. from ₹ 503.77 billion as at 31 March 2018.

For the reasons stated above, total assets increased by 0.20 per cent. to ₹ 6,926.86 billion as at 30 June 2018 from ₹ 6,913.30 billion as at 31 March 2018.

Capital and Liabilities

Capital amounted to ₹ 5.14 billion as at 30 June 2018, as compared to ₹ 5.13 billion as at 31 March 2018.

Reserves and surplus amounted to ₹ 636.73 billion as at 30 June 2018, an increase of 1.18 per cent. from ₹ 629.32 billion as at 31 March 2018. The increase was primarily attributable to profits earned during the period and an increase in share premium on account of exercise of employee stock options.

Deposits amounted to ₹ 4,470.79 billion as at 30 June 2018, a decrease of 1.44 per cent. from ₹ 4,536.23 billion as at 31 March 2018. The decrease was primarily due to decrease in demand deposits.

Borrowings amounted to ₹ 1,522.27 billion as at 30 June 2018, an increase of 2.84 per cent. from ₹ 1,480.16 billion as at 31 March 2018. The increase is primarily attributable to borrowings from institutions and agencies other than banks.

Other liabilities and provisions amounted to ₹ 291.93 billion as at 30 June 2018, an increase of 11.23 per cent. from ₹ 262.45 billion as at 31 March 2018. Such increase was mainly due to an increase in liabilities representing marked to market losses on derivatives and forward contract on a gross basis.

For the reasons stated above, total capital and liabilities increased by 0.20 per cent. to ₹ 6,926.86 billion as at 30 June 2018 from ₹ 6,913.30 billion as at 31 March 2018.

Cash flows

Net cash used in operating activities in the first three months of fiscal 2019 was ₹ 35.67 billion.

Net cash used in investing activities in the first three months of fiscal 2019 was ₹ 43.52 billion.

Net cash generated from financing activities in the first three months of fiscal 2019 was ₹ 42.50 billion.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Bank's financial condition is based on the Bank's audited standalone financial statements as at and for the years ended 31 March 2016, 31 March 2017 and 31 March 2018 referred to in this Offering Circular as the "Financial Statements". This discussion should be read together with "Selected Financial and Operating Data", "Selected Statistical Information" and the Financial Statements and related notes included elsewhere in this Offering Circular. The Bank prepares its standalone Financial Statements in accordance with Indian GAAP as applicable to banks, which differs in some respects from U.S. GAAP. See "Summary of Significant Differences between Indian GAAP and U.S. GAAP". The Financial Statements reflect applicable statutory requirements, regulatory guidelines and accounting practices in India; these requirements, guidelines and practices change from time to time. In accordance with Indian GAAP, adjustments to reflect such changes are made on a prospective basis, and financial statements for earlier periods are not restated. All information in this section regarding cost, yield and average balances is based on daily average balances outstanding during the relevant period.

In the year ended 31 March 2017, pursuant to a guidance note issued by the Indian Chartered Accountants Institute of India on "Accounting for Derivative Contracts" and RBI circular no. FMRD.DIRD 10/14.03.002/2015-16 dated 19 May 2016, certain changes were made to the accounting polices of the Issuer. See "Management's Discussion and Analysis of Financial Condition and Results of Operation – Critical Accounting Policies" for more information. Certain financial information as at and for the year ended 31 March 2016, as indicated by "^", have not been reclassified or regrouped to take into account these changes in accounting policies and therefore, are not directly comparable to the corresponding standalone or consolidated financial information as of and for the years ended 31 March 2017 and 2018, and the three months ended 30 June 2018, respectively. Potential investors must exercise caution to take into account such incomparability when using such data to evaluate the Issuer's financial condition and results of operations and are advised to consult their respective independent financial advisers if in doubt. Unless indicated by "^", all financial information as at and for the year ended 31 March 2016 have been regrouped and reclassified, where necessary, to conform with their respective presentations as at for the years ended 31 March 2017 and 2018 and the three months ended 30 June 2018.

This discussion contains forward-looking statements and reflects the current views of the Bank with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under "Risk Factors" and elsewhere in this Offering Circular.

Overview

The Bank is a leading private sector bank and financial services company in India and offers a wide range of products and services to corporate and retail customers through a variety of delivery channels. The Bank commenced operations in April 1994 and over the last 24 years, the Bank has grown both in terms of the size of its asset base and its physical network of branches, extension counters and ATMs. The Bank has experienced significant growth while maintaining stable asset quality and enhancing its low-cost funding structure.

As at 31 March 2018, the Bank was the third largest private sector bank in India in terms of total assets. The Bank's total assets as at 31 March 2018 were ₹6,913.30 billion. The Bank's net profit decreased from ₹36.79 billion in the year ended 31 March 2017 to ₹2.76 billion in the year ended 31 March 2018, representing a decrease of 92.51 per cent. As at 31 March 2018, the Bank had a network of 3,703 branches and extension counters and 13,814 ATMs spread over 2,163 centres in India. In addition to the Bank's growing branch and ATM networks, the Bank also offers telephone banking in various cities, as well as internet banking and mobile banking. These and other resources give the Bank the capability to deliver a broad range of banking products through multiple delivery channels that enhance convenience for customers. As at 31 March 2018, the Bank also had ten overseas offices, with branches in Singapore, Hong Kong, Dubai, Colombo, Shanghai and representative offices in Dubai, Abu Dhabi, Sharjah, and Dhaka and an overseas subsidiary in London. As of 31 March 2018, the Bank also had an offshore banking unit at International Financial Service Centre (**IFSC**), Gujarat International Finance Tec-City (**GIFT City**) and Gandhinagar, India. The Bank's foreign branches primarily offer corporate banking, trade finance and treasury and risk management services.

The Bank's core income stream comprises interest income earned on its large and mid-corporate, SME, agriculture and financial inclusion, and retail loan portfolio, as well as its money-market operations and investment portfolio. The Bank also earns fee and commission income from the processing of loans, documentary credits, bank guarantees, placements and syndication, cash management services, advisory services, depository services, capital market services, ATM interchange and cards, remittance, wealth management and sale of third party products. The Bank also earns trading profit from proprietary trading in investments, foreign exchange and derivatives. The Bank's expenses consist of interest and non-interest expenses. The Bank's major non-interest expenses include staff cost, occupancy cost (including rent for office premises, repair and maintenance), depreciation and other administrative costs.

Factors Affecting Results of Operations and Financial Condition

The Bank's asset portfolio, financial condition and results of operations have been, and are expected to be, influenced by numerous factors, including but not limited to those described below. These are expected to affect the overall growth prospects of the Bank, including its ability to expand its deposit base, the quality of its assets, the level of credit disbursed by the Group, the value of its asset portfolio and its ability to implement its strategy.

Macroeconomic Environment

Global Environment

The global financial turmoil, which grew out of the sub-prime mortgage crisis in the United States and the subsequent sovereign debt crisis in Europe, led to a loss of investor confidence in worldwide financial markets. Indian financial markets also experienced the effect of the global financial turmoil, evident from the sharp decline in SENSEX, BSE's benchmark index in 2009.

Though the financial markets have recovered from their lows of early 2009, the significant decrease in oil prices, substantial fluctuations in the currency markets, the referendum in Britain to leave the EU and an economic slowdown in China have led to renewed concerns for global financial stability and increased volatility in debt and equity markets. This might result in a slowdown in India's export growth momentum and also risks a slowdown in foreign funds inflows from foreign direct investments as well as foreign institutional investments.

The Indian economy and financial markets are significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States, Europe or China, may have an impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss of investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets.

Growth Environment

As a bank with the vast majority of its operations in India, the Bank's financial position and results of operations have been and will continue to be significantly affected by overall economic growth patterns in India. In 2015, the Indian economy was the sixth largest in the world with nominal GDP of U.S.$2,597 billion measured in U.S. dollars at market exchange rates (and the third largest economy in the world after adjusting for purchasing power parity). The Central Statistical Organisation's estimates of India's GDP growth in fiscal 2018 at 6.7 per cent., compared with 7.1 per cent. in fiscal 2017 and 8.2 per cent. in fiscal 2016. Agricultural growth increased to 3.4 per cent. in fiscal 2018 from 0.6 per cent. in fiscal 2016 and 6.3 per cent. in fiscal 2017. The Central Statistical Organisation estimated the industrial sector growth at 5.5 per cent. in fiscal 2018 compared to 8.7 per cent. in fiscal 2017 and 12.1 per cent. in fiscal 2016. The industrial sector performance was supported by a significant increase in the mining sector in fiscal 2016 pursuant to a lifting of the ban on mining in select states and high growth in the manufacturing sector in fiscal 2016 driven by improved profitability. The Central Statistical Organisation estimates that the services sector will grow by 7.6 per cent. in fiscal 2018 compared to 6.7 per cent. in fiscal 2017 and 8.7 per cent. in fiscal 2016. Indian exports contracted 15.5 per cent. in fiscal 2016 on account of fall in commodity prices, and in particular, crude oil prices. The Indian export industry grew by 10.3 per cent. in fiscal 2018 as commodity prices revived owing to stronger growth in, and continued control by OPEC of, crude oil supply. Economic conditions contribute to the level of demand for loans by Indian corporates and SMEs, as well as the level of increased demand for consumer banking products and services. Generally, when demand for loans increases, interest income from advances also increases.

Fiscal Stimulus in India

In 2009 and 2010, both the Government and the RBI took fiscal and monetary policy measures to address the impact of the global slowdown on the domestic economy. Central and State Governments have implemented various stimulus measures, such as tax cuts and spending programmes. This led to a pause in the fiscal consolidation process enjoined by the FRBM Act 2013. In fiscal 2011, the Government's fiscal deficit was 4.8 per cent. of GDP which increased to 5.9 per cent. in fiscal 2012. However, fiscal consolidation resumed from the second half of fiscal 2013 and the Government's fiscal deficit declined to 4.9 per cent. in fiscal 2013.

The Government's focus on fiscal consolidation continued in the subsequent years, bringing down the deficit to 4.5 per cent. in fiscal 2014, 4.1 per cent. in fiscal 2015 and further down to 3.9 per cent. in fiscal 2016. The deficit in fiscal 2017 was reduced to 3.5 per cent. of GDP and remained constant in fiscal 2018. The Government has reaffirmed its commitment to fiscal consolidation and accordingly the budget for fiscal 2019 has projected the deficit at 3.3 per cent. of GDP.

Health of the Indian Banking Sector

The performance of the Indian banking sector is a critical factor in the Group's financial success. The Indian banking sector is highly regulated and monitored, which contributes to the relative stability during uncertain economic periods. Public sector banks, which comprise 63 per cent. of the Indian financial sector in terms of gross bank credit, according to a notification released by the RBI in May 2018, are obligated under the RBI Guidelines to maintain large branch networks and implement priority sector lending in order to achieve the Government's social goals. Major sector indicators are provided in the table below:

	As at 31 March 2018
	(units as indicated)
Aggregate deposits (₹ in billion)	114,750
Gross Bank Credit (₹ in billion)	86,507
Investments (₹ in billion)	33,332
Total number of branches	140,133
Number of scheduled commercial banks	149
Number of regional rural banks	56
Credit deposit ratio (%)	75.6
Investment-deposit ratio (%)	29.05

Notes:
Source: the RBI

The Indian banking sector, as a whole, has maintained its capital to risk-weighted assets ratio (**CRAR**) above the regulatory requirement of 9.0 per cent. under Basel III. The banking system's CRAR declined marginally to 13.8 per cent. from 13.9 per cent. between September 2017 and March 2018. The Tier I leverage ratio at the system level also decreased marginally during the same period. Financial conditions in India have also put pressure on the asset quality of Indian banks. The gross NPAs as a percentage of gross advances for SCBs increased from 10.2 per cent. to 11.6 per cent. between September 2017 and March 2018. As a result, loan loss provisions are increasing across the sector.

The banking system grew at a rate of 21.5 per cent. in fiscal 2011. However, this figure fell to 17.0 per cent. in fiscal 2012 and 14.1 per cent. in fiscal 2013 and 13.9 per cent. in fiscal 2014. In fiscal 2015 bank credit fell to a low of 9 per cent. but rose in fiscal 2016 to 10.9 per cent. However, in fiscal 2017, the bank credit growth fell to 8.7 per cent. In fiscal 2018, the bank credit growth rose to 10 per cent. Non-food credit growth was at 10.2 per cent. in fiscal 2018. Deposit growth stood at 14.1 per cent. in fiscal 2014, but declined sharply to 10.7 per cent. in fiscal 2015. Deposit growth further slowed down to 9.3 per cent. in fiscal 2016. However, in fiscal 2017, deposit growth increased to 15.3 per cent. In fiscal 2018, deposit growth slowed to 6.2 per cent. The deposits growth in fiscal 2014 was supported by U.S.$25.97 billion FCNR(B) deposits raised by banks (as a one-time deposit raising measure), wherein foreign currency deposits were swapped by banks with the RBI at the concessional rate of 3.5 per cent. compounded semi-annually. During fiscal 2017, withdrawal of legal tender of high denominated notes pushed deposit growth higher and credit growth lower due to a significant increase in cash deposits in deposit and cash credit accounts respectively.

Interest Rates, Allocation of Funds and Costs of Funding

Net interest income has historically been the most significant component of the Bank's revenue. Net interest income constituted 62.93 per cent. and 60.75 per cent. of the Bank's operating income for the financial years ended 31 March 2018 and 31 March 2017 respectively. Net interest income is determined by the amount of interest-earning assets, the difference between the rate of interest earned on interest-earning assets and the rate of interest paid on interest-bearing liabilities, and the proportion of interest-earning assets financed by non-interest-bearing liabilities and equity. The Bank's net interest income is affected by a number of factors including the general level of interest rates, its ability to allocate its funds to assets that provide high interest rates and its cost of funding.

Interest Rates

The majority of the Bank's corporate and commercial loans are priced at a floating rate with reference to the Marginal Cost of Funds-based Lending Rate (**MCLR**). From March 2010, the RBI began raising both the repo rate and reverse repo rate to curb inflationary pressures. Prior to March 2011, the repo rate was independent of the reverse repo rate; however, they were later linked, with the reverse repo rate set at 1.0 per cent. below the repo rate. Since moving to a linked system, the repo rate increased to a high of 8.50 per cent. as at 25 October 2011 before decreasing to 7.25 per cent. as at 3 May 2013. The repo rate was subsequently raised to 8.00 per cent. as at 28 January 2014 and was kept unchanged for almost a year due to persistently high inflation. Inflationary pressures subsided in January 2015 allowing for monetary policy adjustments. The RBI cut the repo rate by 0.25 per cent. on 15 January 2015 and by a further 0.25 per cent. on 4 March 2015 bringing the repo rate to 7.50 per cent. With inflation moving along the glide path of the RBI and crude prices remaining range bound, another rate cut of 0.25 per cent. was announced on 2 June 2015 reducing the repo rate to 7.25 per cent. The repo rates were left unchanged at the monetary policy review on 4 August 2015 in view of uncertainty around monsoons, weak transmission by banks and the timing of the U.S. Federal Reserve rate increase. The repo rate was cut by 50 bps on 29 September 2015 to 6.75 per cent. but was left unchanged in the next two monetary policy reviews on 1 December 2015 and 2 February 2016. On 5 April 2016, the repo rate was again cut by 25 bps to 6.50 per cent. The policy rate corridor of 100 bps between repo rate and reverse repo rate was also narrowed to 50 bps, taking the reverse repo rate to 6.00 per cent. in the April 2016 review. On 29 September 2016, a six member Monetary Policy Committee was constituted under the Reserve Bank of India Act, 1934 to provide for a statutory and institutionalised framework for maintaining price stability. The Government, in consultation with the RBI, has notified the inflation target of 4 per cent. with an upper tolerance level at 6.0 per cent. and a lower tolerance level of 2.0 per cent. until 31 March 2021. On 4 October 2016, the repo rate was cut by 25 bps to 6.25 bps. The repo rate was left unchanged during the next three monetary policy reviews on 7 December 2016, 8 February 2017 and 6 April 2017, in view of rising upside risks to the medium term inflation target of 4.0 per cent. However, the RBI's monetary policy stance was changed to "neutral" in a meeting on 8 February 2017, signaling an end to the monetary easing cycle. The policy rate corridor of 50 bps between repo rate and reverse repo rate was also narrowed to 25 bps in the 6 April 2017 meeting, taking the reverse repo rate higher to 6.0 per cent. The last rate cut in the monetary easing cycle was carried out on 2 August 2017, in line with fading upside risks to inflation. This was followed by a prolonged pause, with the repo rate at 6.00 per cent. at the end of 2017. The following table sets forth the RBI's bank rate, the reverse repo rate and the repo rate as at the end of each of the last four fiscals.

	Cash Reserve Ratios	Bank Rate	Reverse Repo Rate	Repo Rate
	(percentages)(1)			
As at 31 March				
2014	4.00	9.00	6.50	7.50
2015	4.00	8.50	6.50	7.50
2016*	4.00	7.75	5.75	6.75
2017	4.00	6.75	5.75	6.25
2018	4.00	6.25	5.75	6.00

Source: the RBI.

(1) As at March 2018

* For a description of the ratios used in this table, see "*Supervision and Regulation – Directed Lending – Legal Reserve Requirements*".

Indian banks generally follow the direction of interest rates set by the RBI and adjust both their deposit rates and lending rates upwards or downwards accordingly, subject to a published minimum base rate. Decreases in the RBI policy rates would signal the Bank and other Indian banks to re-examine their base rate and lending rates and could affect net interest income despite supporting loan growth and NPA reduction. Conversely, increases in the RBI policy rates could affect the ability of potential borrowers to take out loans despite partly mitigating higher deposit costs.

Beginning in July 2010, the RBI implemented a new base rate mechanism designed to move Indian banks closer to a market-based interest rate regime, with each bank in India to publicly disclose its own minimum rate, or "base rate", for all new and existing loans and advances which are due for re-pricing, subject to certain limited exceptions. Under this new base rate system, banks must review and revise their base rates at least once per quarter. This base rate system replaced a system whereby a bank established interest rates based upon its prime lending rate, which could be higher than actual interest rates provided to certain borrowers. From 1 April 2016, the RBI introduced MCLR for computing interest rates on advances, with the objective of increasing the efficiency of monetary policy transmission. Under the new methodology, all Rupee loans sanctioned and credit limits renewed are priced with reference to the MCLR. Banks will also have to review and publish MCLRs of different maturities every month on a pre-announced date.

Allocation of Funds

The Bank's ability to take advantage of increases in the RBI lending rates depends largely on its loan volume. Recent growth in the Indian economy has led to increased demand for funding across many sectors of the economy. This growth has contributed to the Bank's ability to reallocate its funds from Government securities to loans, which offer the Bank higher returns. However, asset mix also has an effect on profitability as the Bank's loans bear different interest rates reflecting different credit ratings. For example, net interest income increases to the extent that the Bank increases the proportion of consumer loans, which generally bear a higher interest rate than other loans, but decreases to the extent that the Bank increases the proportion of international loans, which generally bear a lower interest rate than domestic loans. If the volume of the Bank's loans decreases due to a general slowdown in the economy, increased competition or other factors, the Bank's net interest income will decrease as well. In addition, the Bank may not be able to reallocate its funds to more profitable assets in the event that interest rates decrease.

Cost of Funding

The Bank is able to increase its net interest income to the extent that it does not increase the cost of its interest-bearing liabilities to the same extent, or at the same time, as its interest-bearing assets. The Bank's primary interest-bearing liability is its deposit base. The Bank's ability to offer low interest rates for customers' deposit accounts depends significantly on its ability to provide customers with convenient banking services that compensate for the lower returns on deposits. Depositors with low balances tend to choose their banks based upon proximity and convenience rather than deposit rates. To continue to source low-cost funding through deposits, the Bank must, among other things, continue to develop its IT systems to offer modern banking services and develop products and services to distinguish itself in an increasingly competitive industry. However, increasing sophistication of customers, competition for funding, increasing interest rates and changes to the RBI's liquidity and reserve requirements may increase the rates the Bank pays on its deposits. In addition to a higher proportion of higher cost deposits forming part of the Bank's funding, in order to meet the growing needs of its retail, large and mid-corporate, and SME, agriculture and financial inclusion groups and to further enhance its capital adequacy ratio, the Bank has issued and may continue to issue subordinated debt, which increases the Bank's cost of funding compared to deposit accounts.

Provisioning Policies

By its circular dated 7 February 2014, the RBI allowed banks, as a countercyclical measure, to utilise up to 33 per cent. of countercyclical provisioning buffer/floating provisions held by them as at 31 March 2013, for making specific provisions for NPCs according to the policy approved by its board of directors.

In addition to the utilisation of countercyclical/floating provision of up to 33 per cent. of such provisions held by them as at 31 March 2013, banks were also allowed to use countercyclical/floating provisions for meeting any shortfall on sale of NPA, i.e., when the sale is at a price below the net book value, which required debit to the profit and loss account.

By its circular dated 30 March 2015, the RBI allowed banks, as a countercyclical measure, to utilise up to 50 per cent. of countercyclical provisioning buffer/floating provisions held by them as at the end of 31 December 2014, for making specific provisions for NPAs according to the policy approved by its board of directors.

Also, by its circular dated 13 June 2016, the RBI allowed NPAs sold by banks to securitisation or reconstruction companies in the period from 1 April 2016 to 31 March 2017 to amortise the shortfall over a period of only four quarters from the quarter in which the actual sale took place.

Furthermore, by its circular dated 18 April 2017, the RBI advised banks to form a board-approved policy for making provisions at higher rates in respect of standard advances to certain stressed sectors of the economy and for reviewing the performance of various sectors of the economy.

In addition, by its circular dated 18 April 2017, the RBI asked banks to make suitable disclosures, when either (i) the additional provisioning requirements assessed by RBI exceeded 15 per cent. of the published net profits after tax for the reference period or (ii) the additional Gross NPAs identified by the RBI exceed 15 per cent. of the published incremental gross NPAs for the reference period, or both.

By its circular dated 12 February 2018 the RBI withdrew instructions on the resolution of stressed assets including the following :

(a) Framework for Revitalising Distressed Assets

(b) Corporate Debt Restructuring Scheme

(c) Flexible Structuring of Existing Long Term Project Loans

(d) Strategic Debt Restructuring Scheme (**SDR**)

(e) Change in Ownership outside SDR

(f) Scheme for Sustainable Structuring of Stressed Assets (**S4A**)

Government Policies and Regulations in Relation to the Indian Banking System

The Indian banking industry is regulated by the RBI and operates within a framework that provides guidelines on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPAs. The framework also stipulates required levels of lending to "priority sectors", such as agriculture, which may expose the Bank to higher levels of risk than it otherwise might face. The RBI can alter any of these policies at any time and can introduce new regulations to control any particular line of business. See "*Supervision and Regulation – the RBI Regulations*". For example, on 31 January 2012, the RBI declared that all private sector banks would be eligible to handle Government and State Government business and would be considered on an equal basis with public sector banks. Prior to this declaration by the RBI, only public sector banks and three designated private banks could conduct Government business. Such policy alterations may result in increased competition or an increase in capital requirements, which will in turn have an impact on the Bank's results of operations. The RBI has gradually established more stringent capital adequacy requirements, and not paid interest on CRR balances despite increases in the past in the CRR for Indian banks. Any further increases in the CRR could have a negative impact on the Bank's results of operations. Any other changes in the regulatory environment as pertaining to the Indian banking industry could have a material impact on the Bank's operations and financial condition. See "*Risk Factors – Risks Relating to the Business of the Bank – Banking is a heavily regulated industry and material changes in the regulations which govern the Bank could cause its business to suffer*".

The RBI monetary policy is heavily influenced by the condition of the Indian economy, and changes in monetary policy will affect the interest rates of the Bank's loans and deposits, which could reduce its margins and thus its net interest income. The annual inflation rate based on the consumer price index for March 2018 was 3.58 per cent., compared to 4.54 per cent. for March 2017. The RBI's return to a monetary policy designed to combat inflation and to increase growth has resulted in decrease in lending rates in line with the declining trend in the inflation. Changes in this policy could result in lower interest rates on the Bank's asset products, which could reduce its margins and thus its net interest income.

Critical Accounting Policies

The Financial Statements are prepared in accordance with Indian GAAP as applicable to banks. The preparation of the Financial Statements requires the Bank to make estimates and judgements that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. The notes to the Bank's Financial Statements contain a summary of its significant accounting policies. Certain of these policies are critical to the portrayal of the Bank's financial condition, since they require management to make subjective judgements, some of which may relate to matters that are inherently uncertain. Below is a discussion of these critical accounting policies. The Bank bases its estimates and judgements on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. As a result of changes in applicable statutory requirements and accounting practices in India, the accounting policies of the Bank have undergone changes during the periods covered by this discussion. Accordingly, this discussion should be read in conjunction with the Financial Statements and notes as applicable during the respective fiscal.

Set forth below are the Bank's critical accounting policies under Indian GAAP for fiscal 2018.

Investments

Classification

In accordance with the RBI guidelines, investments are classified at the time of purchase as:

- Held for Trading (**HFT**);
- Available for Sale (**AFS**); and
- Held to Maturity (**HTM**).

Investments that are held principally for sale within a short period are classified as HFT securities. According to the RBI guidelines, HFT securities which remain unsold for a period of 90 days are reclassified as AFS securities.

Investments that the Bank intends to hold until maturity are classified under the HTM category.

Investments in the equity of subsidiaries/joint ventures are categorised as HTM in accordance with the RBI guidelines.

All other investments are classified as AFS securities.

However, for disclosure in the balance sheet, investments in India are classified under six categories – Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/Joint Ventures and Others.

Investments made outside India are classified under three categories – Government Securities, Subsidiaries and/or Joint Ventures abroad and Others.

Transfer of security between categories

Transfer of security between categories of investments is accounted according to the RBI guidelines.

Acquisition cost

Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the profit and loss account. Broken period interest is charged to the profit and loss account. Cost of investments is computed based on the weighted average cost method.

Valuation

Investments classified under the HTM category are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period remaining to maturity on a constant yield to maturity basis. In terms of the RBI guidelines, discount on securities held under the HTM category is not accrued and such securities are held at the acquisition cost until maturity.

Investments classified under the AFS and HFT categories are marked to market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges or prices declared by Primary Dealers Association of India (**PDAI**) jointly with Fixed Income Money Market and Derivatives Association of India (the **FIMMDA**) or Financial Benchmark India Private Limited (the **FBIL**), periodically. Net depreciation, if any, within each category of each investment classification is recognised in the profit and loss account. The net appreciation if any, under each category of each investment classification is ignored. The depreciation on securities acquired by way of conversion of outstanding loans is provided in accordance with the RBI guidelines. The book value of individual securities is not changed consequent to the periodic valuation of investments. Non-performing investments are identified and provision is made thereon according to the RBI guidelines.

Treasury bills, exchange funded bills, commercial paper and certificate of deposits being discounted instruments, are valued at carrying cost.

Units of mutual funds are valued at the latest repurchase price/net asset value declared by the mutual fund.

Market value of investments where current quotations are not available is determined according to the norms prescribed by the RBI as follows:

- the market/fair value of unquoted government securities which are in the nature of Statutory Liquidity Ratio (**SLR**) securities included in the AFS and HFT categories is computed according to the Yield-to-Maturity (**YTM**) rates published by FIMMDA or FBIL;

- in the case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the YTM for Government Securities as published by FIMMDA/PDAI/FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit rating along with residual maturity issued by FIMMDA/FBIL is adopted for this purpose;

- in the case of bonds and debentures (including Pass Through Certificates) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by the RBI;

- equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1 per company;

- units of venture capital funds (**VCF**) held under the AFS category where current quotations are not available are marked to market based on the net asset value shown by VCF according to 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. Investments in unquoted VCF after 23 August 2006 are categorised under HTM category for the initial period of three years and valued at cost according to the RBI guidelines and

- In the case of investments in security receipts on or after 1 April 2017, which are backed by more than 50 per cent. of the stressed assets sold by the Bank, the provision for depreciation in value is made at the higher of (a) the provisioning rate required in terms of net asset value declared by the Reconstruction Company (**RC**) or Securitisation Company (**SC**) and (b) the provisioning rate as per the extant asset classification and provisioning norms as applicable to the underlying loans, assuming that the loan notionally continued in the books of the bank. All other investments in security receipts are valued as per the NAV obtained from the issuing RC/SCs.

Investments in subsidiaries/joint ventures are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.

Realised gains on investments under the HTM category are recognised in the profit and loss account and subsequently appropriated to capital reserve account (net of taxes and transfer to statutory reserves) in accordance with the RBI guidelines. Losses are recognised in the profit and loss account. Realised gains/losses on investments under the AFS and HFT category are recognised in the profit and loss account.

All investments are accounted for on the settlement date, except investments in equity shares which are accounted for on the trade date.

Repurchase and reverse repurchase transactions

Repurchase and reverse repurchase transactions in government securities and corporate debt securities, including those conducted under the liquidity adjustment facility (**LAF**) and Marginal Standby Facility (**MSF**) with the RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense, and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The short positions are reflected in 'Securities Short Sold (**SSS**) A/c', specifically created for this purpose. Such short positions are categorised under the HFT category and netted off from investments in the balance sheet. These positions are marked-to-market along with the other securities under HFT portfolio and the resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of investments discussed earlier.

Advances

Advances are classified into performing and non-performing advances (**NPAs**) according to the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates, specific provisions made towards NPAs, interest in suspense for NPAs, claims received from the Export Credit Guarantee Corporation, provisions for funded interest on term loans classified as NPAs, provisions in lieu of diminution in the fair value of restructured assets and floating provisions. NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Advances held at the overseas branches that are identified as impaired according to host country regulations, for reasons other than record of recovery, but which are standard according to the RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country. Provisions for NPAs are made for sub-standard and doubtful assets at rates as prescribed by the RBI with the exception for agriculture advances and schematic retail advances. In respect of schematic retail advances, provisions are made in terms of a bucket-wise policy upon reaching specified stages of delinquency (90 days or more of delinquency) under each type of loan, which satisfies the RBI prudential norms on provisioning. Provisions in respect of agriculture advances classified into sub-standard and doubtful assets are made at rates which are higher than those prescribed by the RBI. Provisions for advances booked in overseas branches, which are standard according to the RBI guidelines but are classified as NPAs based on host country guidelines, are made according to the host country regulations.

Restructured assets are classified and provided for in accordance with the guidelines issued by the RBI from time to time. In addition to the above, the Bank on a prudential basis, makes provision for expected losses against advances or other exposures to specific assets/industries/sectors either on a case-by-case basis or for a group of assets, based on specific information or general economic environment. These are classified as contingent provision and included under Schedule 5 – Other Liabilities in the balance sheet, contained in the Financial Statements contained elsewhere in this Offering Circular.

Loss assets and unsecured portion of doubtful assets are provided/written off according to the extant RBI guidelines.

Amounts recovered against debts written off are recognised in the profit and loss account.

The Bank holds provision in accordance with the RBI guidelines, on assets where change in ownership under the Strategic Debt Restructuring (SDR) or Outside SDR scheme has been implemented or the Scheme for Sustainable Structuring of Stressed Asset (S4A) has been implemented. In respect of borrowers classified as non-cooperative and willful defaulters, the Bank makes accelerated provisions according to the extant RBI guidelines.

For entities with unhedged foreign currency exposure (**UFCE**), provision is made in accordance with the guidelines issued by the RBI, which requires ascertaining the amount of UFCE, estimating the extent of likely loss and estimating the risk of an unhedged position. This provision is classified under

Schedule 5 – Other Liabilities in the Balance Sheet, contained in the financial statements contained elsewhere in the Offering Circular.

The Bank maintains a general provision on standard advances at the rates prescribed by the RBI. In case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or the RBI.

Under its home loan portfolio, the Bank offers housing loans with certain features involving waiver of Equated Monthly Installments (**EMIs**) of a specific period subject to fulfilment of a set of conditions by the borrower. The Bank makes provision for the probable loss that could be incurred in future on account of waivers to eligible borrowers in respect of such loans based on actuarial valuations conducted by an independent actuary. This provision is classified under Schedule 5 – Other Liabilities in the balance sheet, contained in the financial statements contained elsewhere in the Offering Circular.

Revenue Recognition

Interest income is recognised on an accrual basis in accordance with AS-9, Revenue Recognition as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014, the Companies (Accounting Standards) Amendment Rules, 2016 and the RBI guidelines, except in the case of interest income on non-performing assets and loans under Strategic Debt Restructuring Scheme and S4A of the RBI, where it is recognised on receipt basis if overdue for more than 90 days, Income on non-coupon bearing discounted instruments or low-coupon bearing instruments is recognised over the tenor of an instrument on a constant yield basis.

Guarantee commission is recognised on a pro-rata basis over the period of the guarantee. Locker rent and annual fees for credit cards are recognised on a straight-line basis over the period of contract. Arrangership/syndication fee is accounted for on completion of the agreed service and when the right to receive is established. Other fees and commission income are recognised when due.

Interest income on investments in pass-through certificates is recognised on a constant yield basis.

Dividend is accounted on an accrual basis when the right to receive the dividend is established.

Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.

Fees paid/received for Priority Sector Lending Certificates is amortised on a straight-line basis over the tenor of the certificate.

In accordance with the RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e. book value less provisions held), the shortfall is charged to the profit and loss account. If the sale is for a value higher than the net book value, the excess provision is credited to the profit and loss account in the year the amounts are received.

The Bank also had a bullion business in fiscal 2018 where it traded with bullion on a consignment basis. The difference between the price recovered from customers and the cost of bullion was accounted for at the time of sale to the customers. The Bank also dealt in bullion on a borrowing and lending basis and the interest paid or received is accounted on an accrual basis.

Set out below are certain changes to the Bank's critical accounting policies in fiscal 2017.

Mark-to-market gain or loss on derivatives and foreign exchange contracts

In terms the guidance note issued by ICAI on "Accounting for Derivative Contracts", the Bank has presented mark-to-market gain or loss on derivatives and foreign exchange contracts on a gross basis as against the erstwhile practice of presenting the same on a net basis under other assets and other liabilities. Previous year figures have been regrouped and reclassified to conform to current year's classification. The aforesaid change has no impact on the profit of the Bank for the year ended 31 March 2017.

Repurchase and reverse repurchase transactions with RBI under Liquidity Adjustment Facility/ Marginal Standing Facility

In terms of RBI circular no. FMRD.DIRD.10/14.03.002/2015-16 dated 19 May 2016, repurchase and reverse repurchase transactions with RBI under Liquidity Adjustment Facility/Marginal Standing Facility are accounted for as borrowing and lending respectively as against the earlier practice of including the same under investments. Previous year figures have been regrouped and reclassified to conform to current year's classification. The aforesaid change has no impact on the profit of the Bank for the year ended 31 March 2017.

Results for the Fiscal Ended 31 March 2018 Compared to the Fiscal Ended 31 March 2017

Summary of Performance

	Year ended 31 March		
	2017	**2018**	**% change**
	(₹ in millions, except percentages)		
Net Interest Income	180,931	186,177	2.90
Other Income	116,913	109,671	(6.19)
Operating Expense	121,999	139,903	14.68
Provisions and Contingencies	139,052	153,188	10.17
Net Profit	36,793	2,757	(92.51)

Net interest income increased by 2.90 per cent. from ₹180.93 billion in fiscal 2017 to ₹186.18 billion in fiscal 2018. The increase is primarily due to an increase in average interest earning assets on a daily average basis by 9.79 per cent., from ₹4,928.68 billion to ₹5,411.20 billion.

Other income decreased by 6.19 per cent. from ₹116.91 billion in fiscal 2017 to ₹109.67 billion in fiscal 2018. The decrease is primarily due to a decrease in profit on the sale of investments by 58.25 per cent., from ₹31.74 billion in fiscal 2017 to ₹13.25 billion in fiscal 2018.

Operating expense increased by 14.68 per cent. from ₹122.00 billion in fiscal 2017 to ₹139.90 billion in fiscal 2018. The increase in operating expenses was primarily due to the Bank's investment in branch infrastructure, technology and human capital to support its business growth.

Provisions and contingencies increased by 10.17 per cent. from ₹139.05 billion in fiscal 2017 to ₹153.19 billion in fiscal 2018 mainly on account of higher slippages of assets to the NPA category during the year.

As a result of the above, the Bank's net profit contracted by 92.51 per cent. from ₹36.79 billion in fiscal 2017 to ₹2.76 billion in fiscal 2018.

Net Interest Income

Net interest income increased by 2.90 per cent. from ₹180.93 billion in fiscal 2017 to ₹186.18 billion in fiscal 2018. The following table sets forth the components of net interest income.

	Year ended 31 March		
	2017	**2018**	**% change**
	(₹ in millions, except percentages)		
Interest/Discount on advances/bills (A)	331,249	341,375	3.06
Income on investments (B)	96,228	99,833	3.75
Other interest income[(1)] (C)	17,944	16,595	(7.51)
Interest Earned (D=A+B+C)	445,421	457,803	2.78
Interest on deposits (E)	196,396	191,735	(2.37)
Other interest expense (F)[(2)]	68,094	79,891	(17.32)
Interest Expended (G=E+F)	264,490	271,626	2.70
Net Interest Income (H=D-G)	180,931	186,177	2.90

(1) Other Interest Income includes interest on balances with RBI and other interbank funds and others.

(2) Other Interest Expended includes interest on Reserve Bank of India/Inter-bank borrowings and others

The increase in net interest income was due to an increase in average interest-earning assets on a daily average basis by 9.79 per cent. from ₹4,928.68 billion in fiscal 2017 to ₹5,411.27 billion in fiscal 2018.

Interest Earned

Total interest earned increased by 2.78 per cent. from ₹445.42 billion in fiscal 2017 to ₹457.80 billion in fiscal 2018. The increase in interest earned was primarily due to the following:

- an increase in the daily average advances by 10.31 per cent. from ₹3,384.52 billion in fiscal 2017 to ₹3,733.46 billion in fiscal 2018; and

- an increase in the daily average investments by 11.96 per cent. from ₹1,253.05 billion in fiscal 2017 to ₹1,402.95 billion in fiscal 2018.

The increase in interest earned on advances was partially offset by a decrease in average yield on advances from 9.77 per cent. in fiscal 2017 to 9.12 per cent. in fiscal 2018 based on daily average balances.

Income on investments increased by 3.75 per cent., from ₹96.23 billion in fiscal 2017 to ₹99.83 billion in fiscal 2018, which was primarily due to additional investment made during the year to meet SLR requirements. The increase in income on investments was partially offset by a decrease in average yield on investments from 7.49 per cent. in fiscal 2017 to 7.14 per cent. in fiscal 2018 based on daily average balances.

Other interest income decreased by 7.47 per cent., from ₹17.94 billion in fiscal 2017 to ₹16.60 billion in fiscal 2018. The decrease is primarily due to an increase in the volume of average lending and priority sector shortfall deposits which increased from ₹169.61 billion in fiscal 2017 to ₹186.69 billion in fiscal 2018. Further, the decrease in other interest income was due to a decrease in average yield on other interest-earning assets from 6.11 per cent. in fiscal 2017 to 5.94 per cent. in fiscal 2018 based on daily average balances.

Interest Expended

Total interest expended increased by 2.70 per cent. from ₹264.49 billion in fiscal 2017 to ₹271.63 billion in fiscal 2018. The increase in interest expended was primarily due to an increase in average interest-bearing liabilities on a daily average basis by 12.58 per cent., from ₹4,669.94 billion in fiscal 2017 to ₹5,257.23 billion in fiscal 2018. The increase in total interest expended was partially offset by a decrease in the average cost of interest-bearing liabilities from 5.60 per cent. in fiscal 2017 to 5.15 per cent. in fiscal 2018 based on daily average balances.

Other Income

Other income decreased by 6.19 per cent. from ₹116.91 billion in fiscal 2017 to ₹109.67 billion in fiscal 2018. The following table sets forth the components of other income.

	Year ended 31 March		
	2017	**2018**	**% Change**
	(₹ change in millions, except percentages)		
Commission, exchange and brokerage	70,283	77,299	9.98%
Profit/(loss) on sale of investments (net)	31,738	13,252	(58.25)%
Profit on exchange/derivative transactions (net)	10,802	14,287	32.26%
Others*	4,090	4,834	18.19%
Total Other Income	**116,913**	**109,671**	(6.19)%

* includes profit/(loss) on the sale of fixed assets, income earned by way of dividends etc. from subsidiaries/companies and/or joint ventures abroad/in India and miscellaneous income.

Other income decreased by 6.19 per cent. from ₹116.91 billion in fiscal 2017 to ₹109.67 billion in fiscal 2018. This was primarily due to the following:

- a decrease in profit/(loss) on the sale of investments (net) from ₹31.74 billion in fiscal 2017 to ₹13.25 billion in fiscal 2018. This was primarily due to lower profit from the sale of securities from the Bank's SLR portfolio recorded in fiscal 2018.

The decrease in other income was offset by:

- an increase in fee income primarily due to processing fees on retail assets, commissions on card spends, service charges on liability accounts, and fee income from the distribution of third-party personal investment products typically generated from retail banking businesses. While, on the wholesale banking side, fees are generated from client-based merchant foreign exchange trade, transaction banking (including cash management services), syndication and placement fees, processing fees from loans and commission on non-funded products (such as letters of credit and bank guarantees).

- an increase in profit on exchange/derivative transactions (net) from ₹10.80 billion in fiscal 2017 to ₹14.29 billion in fiscal 2018.

Operating Expenses

The following table sets forth the principal components of operating expense.

	Year ended 31 March		
	2017	**2018**	**% change**
	(₹ change in millions, except percentages)		
Payment to and provisions for employees	38,919	43,130	10.82%
Occupancy costs	17,911	18,309	2.22%
Depreciation on Bank's property	5,088	5,681	11.65%
Other operating expenses	60,081	72,783	21.14%
Total Operating Expense	**121,999**	**139,903**	14.68%

Operating expense increased by 14.68 per cent., from ₹122.0 billion in fiscal 2017 to ₹139.9 billion in fiscal 2018. The increase in operating expense was primarily due to the growth of the Bank's network and other infrastructure required for supporting the existing and new businesses.

Payments to and provisions for employees include salaries, allowances and other staff benefits. Payments to and provisions of employees increased by 10.82 per cent., from ₹38.92 billion in fiscal 2017 to ₹43.13 billion in fiscal 2018. The increase was primarily due to an increase in employee numbers of 5.29 per cent. from 56,617 in fiscal 2017 to 59,614 in fiscal 2018.

Occupancy costs, including expenses for Rent, taxes and lighting and Repairs and maintenance, increased by 2.22 per cent., from ₹17.91 billion in fiscal 2017 to ₹18.31 billion in fiscal 2018.

Depreciation on bank's property increased by 11.65 per cent., from ₹5.09 billion in fiscal 2017 to ₹5.68 billion in fiscal 2018. The increase was primarily due to network expansion and an increase in general business volumes.

Other operating expenses (including printing and stationery, advertisement and publicity, directors' fees/allowances and expenses, auditor's fees and expenses, law charges, postage/telegrams/telephones, insurance and other expenditure) increased by 21.14 per cent., from ₹60.08 billion in fiscal 2017 to ₹72.78 billion in fiscal 2018. The increase was primarily due to an increase in balance enquiry and cash withdrawal charges, direct selling agent commissions, sales commissions and travel expenses, insurance expenses, professional fees and also due to network expansion and an increase in general business volumes.

Provisions and Contingencies

The following table sets forth certain information regarding provisions and contingencies.

	Year ended 31 March		
	2017	**2018**	**% change**
	(₹ in millions, except percentages)		
Provision for income tax	17,883	(1,541)	–
Provision for loan losses	115,821	158,673	37.00%
Provision for depreciation in value of investments	2,387	(2,110)	–
Others	2,961	(1,834)	–
Total Provision and Contingencies	**139,052**	153,188	10.17%

Provision for Income Tax

The Bank's write-off provision for income tax reversed from ₹17.88 billion in fiscal 2017 to a write back provision for tax to ₹1.54 billion in fiscal 2018 primarily due to a decrease in profit before tax (net profit for the year plus provision for taxation) of 97.78 per cent., from ₹54.68 billion in fiscal 2017 to ₹1.22 billion in fiscal 2018.

Provision for Loan Losses

The Bank's provision for loan losses, including general provisions and restructuring provisions, increased from ₹115.82 billion in fiscal 2017 to ₹158.67 billion in fiscal 2018. This was primarily due to a higher net addition to NPAs during fiscal 2018 as compared to fiscal 2017, with gross NPAs amounting to ₹342.49 billion as at 31 March 2018 as compared to ₹212.80 billion as at 31 March 2017 on account of higher slippages of assets to the NPA category during the year. The RBI had issued revised guidelines on the Resolution of Stressed Assets. Under the revised guidelines, previous instructions on the resolution of stressed assets such as the Framework on Revitalising Stressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long Term Project Loans, SDR Scheme were withdrawn. This has resulted in higher NPA slippages due to accounts under there schemes losing their standstill benefit. This increase was partially offset by a decrease in restructuring provisions/SDR/S4A or bad debts written off from ₹2.90 billion in fiscal 2017 to a write back of ₹3.07 billion in fiscal 2018.

Provision for Depreciation in value of Investments

The Bank made a write-off provision for depreciation in value of investments amounting to ₹2,387 million in fiscal 2017 as compared to a write back provision of ₹2,110 million in fiscal 2018. The decrease in provision is primarily due to discontinuation of various restructuring schemes following the RBI circular issued on 12 February 2018 (RBI/2017-18/131 DBR.No.BP.BC.101/21.04.048/2017-18), which led to an increase in non-performing investments.

Net Profit

As a result of the foregoing factors, the Bank's net profit decreased by 92.51 per cent., from ₹36.79 billion in fiscal 2017 to ₹2.76 billion in fiscal 2018.

Financial Condition

Assets

The following table sets forth the principal components of the Bank's assets as at 31 March 2017 and 31 March 2018.

	As at 31 March		
	2017	**2018**	**% change**
	(₹ in millions, except percentages)		
Cash and balances with the RBI (A)	308,579	354,811	14.98%
Balances with banks and money at call and short notice (B)	193,983	79,738	(58.89)%
Total cash and cash equivalents (C=A+B)	**502,562**	**434,549**	**(13.53)%**
Government securities (net) (D)	930,079	1,040,530	11.88%
Other securities (net)[1] (E)	357,855	498,231	39.23%
Total investment (net) (F=D+E)	**1,287,934**	**1,538,761**	**19.48%**
Non-retail advances (net)[2] (G)	2,050,764	2,331,857	13.71%
Retail advances (net)[3] (H)	1,679,929	2,064,646	22.90%
Total Advances (net) (I=G+H)	**3,730,693**	**4,396,503**	**17.85%**
Fixed assets (J)	37,469	39,717	6.00%
Other assets (K)	456,019	503,766	10.47%
Total Assets (C+F+I+J+K)	**6,014,677**	**6,913,296**	**14.94%**

(1) Other securities include shares, debentures and bonds, investment in Subsidiaries/Joint Ventures and others (Mutual Funds, CD/CP, security receipts, pass through certificates etc.)

(2) The Bank's non-retail loans/advances include advances to corporates and SMEs. Advances to corporates comprise of lending to corporate customers in the form of working capital finance, project and corporate finance. The Bank's SME advances consist of lending to small and medium enterprises in the form of overdrafts, cash credit, demand loans, medium and long-term loans, discounting of bills and corporate agriculture lending.

(3) The Bank's retail loans/advances consist of schematic loans in the form of mortgage loans, automobile loans, personal loans, gold loans, retail agriculture loans, etc. and non-schematic loans in the form of outstanding under credit cards, loans against deposits, loans against securities, etc.

The Bank's total assets increased by 14.94 per cent. from ₹6,014.68 billion as at 31 March 2017 to ₹6,913.29 billion as at 31 March 2018, primarily due to an increase in the size of the Bank's loan portfolio and investments portfolio.

Total cash and cash equivalents decreased by 13.53 per cent., from ₹502.56 billion as at 31 March 2017 to ₹434.55 billion as at 31 March 2018.

The Bank's total investments (net) increased by 19.48 per cent., from ₹1,287.93 billion as at 31 March 2017 to ₹1,538.76 billion as at 31 March 2018. The Bank's investments in Government securities (including investments held to meet SLR requirements) also increased by 11.88 per cent., from ₹930.08 billion as at 31 March 2017 to ₹1040.53 billion as at 31 March 2018. The Bank's investments in other securities increased by 39.23 per cent., from ₹357.86 billion as at 31 March 2017 to ₹498.23 billion as at 31 March 2018.

The Bank's total advances (net) increased by 17.85 per cent., from ₹3,730.69 billion as at 31 March 2017 to ₹4,396.50 billion as at 31 March 2018. The Bank's non-retail advances grew by 13.71 per cent., from ₹2,050.76 billion as at 31 March 2017 to ₹2,331.85 billion as at 31 March 2018. The Bank's retail advances also increased by 22.90 per cent., from ₹1,679.93 billion as at 31 March 2017 to ₹2,064.65 billion as at 31 March 2018.

The Bank's net fixed assets increased by 6.00 per cent., from ₹37.47 billion as at 31 March 2017 to ₹39.72 billion as at 31 March 2018.

Other assets increased by 10.47 per cent., from ₹456.02 billion as at 31 March 2017 to ₹503.77 billion as at 31 March 2018. The increase is primarily due to an increase in accrued income, deferred tax assets, priority sector shortfall deposits, positive mark-to-market on derivatives and increases in general business volume.

Liabilities and Shareholders' Funds

The following table sets forth the principal components of the Bank's liabilities and shareholders' funds as at 31 March 2017 and 31 March 2018.

	As at 31 March		
	2017	**2018**	**% change**
	(₹ in millions, except percentages)		
Capital (A)	4,790	5,133	7.16%
Reserves and surplus (B)	552,835	629,320	13.83%
Total Shareholders' funds (C=A+B)	**557,625**	**634,453**	**13.78%**
Deposits (D)	4,143,788	4,536,227	9.47%
Borrowings (E)	1,050,309	1,480,161	40.93%
Other liabilities and provisions (F)	262,955	262,455	(0.19)%
Total liabilities and shareholders' funds (C+D+E+F)	**6,014,677**	**6,913,296**	**14.94%**

The Bank's total liabilities and shareholders' funds increased by 14.94 per cent., from ₹6,014.68 billion as at 31 March 2017 to ₹6,913.30 billion as at 31 March 2018.

Deposits increased by 9.47 per cent., from ₹4,143.79 billion as at 31 March 2017 to ₹4,536.23 billion as at 31 March 2018. This growth in deposits was the result of an increased focus on retail and corporate customers and the Bank's success in leveraging on its growing network of branches, extension counters and ATMs. Term deposits increased by 4.19 per cent., from ₹2,013.29 billion as at 31 March 2017 to ₹2,097.71 billion as at 31 March 2018. Low cost and non-interest bearing deposits (savings and current account deposits) increased by 14.46 per cent., from ₹2,130.50 billion as at 31 March 2017 to ₹2,438.52 billion as at 31 March 2018. Low cost deposits as a percentage of total deposits increased from 51.41 per cent., as at 31 March 2017 to 53.76 per cent., as at 31 March 2018.

Borrowings increased by 40.93 per cent., from ₹1,050.31 billion as at 31 March 2017 to ₹1,480.16 billion as at 31 March 2018.

The Bank's borrowings under its MTN programme and interbank borrowings from outside of India increased by 19.82 per cent., from ₹441.92 billion as at 31 March 2017 to ₹529.51 billion as at 31 March 2018.

Other liabilities and provisions decreased by 0.19 per cent., from ₹262.96 billion as at 31 March 2017 to ₹262.45 billion as at 31 March 2018.

Shareholders' funds increased by 13.78 per cent., from ₹557.63 billion as at 31 March 2017 to ₹634.45 billion as at 31 March 2018.

Results for the Fiscal Ended 31 March 2017 Compared to the Fiscal Ended 31 March 2016

Summary of Performance

	Year ended 31 March		
	2016	2017	% change
	(₹ in millions, except percentages)		
Net Interest Income	168,329	180,931	7.49%
Other Income	93,715	116,913	24.75%
Operating Expense	101,007	121,999	20.78%
Provisions and Contingencies	78,800	139,052	76.46%
Net Profit	82,237	36,793	(55.26)%

Net interest income increased by 7.49 per cent. from ₹168.33 billion in fiscal 2016 to ₹180.93 billion in fiscal 2017. The increase is primarily due to an increase in average interest earning assets on a daily average basis by 14.12 per cent., from ₹4,318.73 billion in fiscal 2016 to ₹4,928.68 billion in fiscal 2017.

Other income increased by 24.75 per cent. from ₹93.71 billion in fiscal 2016 to ₹116.91 billion in fiscal 2017. The increase is primarily due to an increase in profit on sale of investments by 211.58 per cent. from ₹10.19 billion in fiscal 2016 to ₹31.74 billion in fiscal 2017.

Operating expense increased by 20.78 per cent. from ₹101.01 billion in fiscal 2016 to ₹122.00 billion in fiscal 2017. The increase in operating expense was primarily due to increase in operating expenses due to the growth of the Bank's network and other infrastructure required for supporting the existing and new businesses.

Provisions and contingencies increased by 76.46 per cent. from ₹78.80 billion in fiscal 2016 to ₹139.05 billion in fiscal 2017 mainly on account of higher slippages of assets to the NPA category during the year.

As a result of the above, the Bank's net profit contracted by 55.26 per cent. from ₹82.24 billion in fiscal 2016 to ₹36.79 billion in fiscal 2017.

Net Interest Income

Net interest income increased by 7.49 per cent. from ₹168.33 billion in fiscal 2016 to ₹180.93 billion in fiscal 2017. The following table sets forth the components of net interest income.

	Year ended 31 March		
	2016	**2017**	**% change**
	(₹ in millions, except percentages)		
Interest/Discount on advances/bills (A)	300,406	331,249	10.27%
Income on investments (B)	93,776	96,228	2.61%
Other interest income[(1)] (C)	15,698	17,944	14.31%
Interest Earned (D=A+B+C)	409,880	445,421	8.67%
Interest on deposits (E)	185,402	196,396	5.93%
Other interest expense (F)	56,149	68,094	21.27%
Interest Expended[(2)] (G=E+F)	241,551	264,490	9.50%
Net Interest Income (H=D-G)	168,329	180,931	7.49%

(1) Other Interest Income includes interest on balances with RBI and other inter-bank funds and others.

(2) Other Interest Expended includes Interest on Reserve Bank of India/Inter-bank borrowings and others.

The increase in net interest income was due to an increase in average interest-earning assets on a daily average basis by 14.12 per cent. from ₹4,318.73 billion in fiscal 2016 to ₹4,928.68 billion in fiscal 2017.

Interest Earned

Total interest earned increased by 8.67 per cent. from ₹409.88 billion in fiscal 2016 to ₹445.42 billion in fiscal 2017. The increase in interest earned was primarily due to the following:

- an increase in the daily average advances by 14.01 per cent. from ₹2,968.59 billion in fiscal 2016 to ₹3,384.52 billion in fiscal 2017; and

- an increase in the daily average investments by 14.80 per cent. from ₹1,091.54 billion^ in fiscal 2016 to ₹1,253.05 billion in fiscal 2017.

The increase in interest earned on advances was partially offset by a decrease in average yield on advances from 10.10 per cent. in fiscal 2016 to 9.77 per cent. in fiscal 2017 based on daily average balances.

Income on investments increased by 2.61 per cent., from ₹93.78 billion in fiscal 2016 to ₹96.23 billion in fiscal 2017, which was primarily due to additional investment made during the year to meet SLR requirements. The increase in income on investments was partially offset by a decrease in average yield on investments from 8.22 per cent. in fiscal 2016 to 7.49 per cent. in fiscal 2017 based on daily average balances.

Other interest income increased by 14.31 per cent., from ₹15.70 billion in fiscal 2016 to ₹17.94 billion in fiscal 2017. The increase is primarily due to increase in the volume of average lending and priority sector shortfall deposits which increased from ₹164.54 billion in fiscal 2016 to ₹169.61 billion in fiscal 2017 based on daily average balances. The increase in other interest income was due to an increase in average yield on other interest-earning assets from 5.95 per cent. in fiscal 2016 to 6.11 per cent. in fiscal 2017.

Interest Expended

Total interest expended increased by 9.50 per cent. from ₹241.55 billion in fiscal 2016 to ₹264.49 billion in fiscal 2017. The increase in total interest expended was partially offset by a decrease in average cost of interest-bearing liabilities from 5.94 per cent. in fiscal 2016 to 5.60 per cent. in fiscal 2017 based on daily average balances. The increase in interest expended was primarily due to an increase in average interest bearing liabilities on a daily average basis by 17.38 per cent. from ₹3,978.55 billion^ in fiscal 2016 to ₹4,669.94 billion in fiscal 2017.

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^ Financial information not reclassified or regrouped to conform with its respective presentation as at and for the years ended 31 March 2017 and 2018. See "*Management Discussion and Analysis of Financial Condition and Results of Operation*" for more information.

Other Income

Other income increased by 24.75 per cent. from ₹93.71 billion in fiscal 2016 to ₹116.91 billion in fiscal 2017. The following table sets forth the components of other income.

	Year ended 31 March		
	2016	2017	% Change
	(₹ change in millions, except percentages)		
Commission, exchange and brokerage	67,076	70,283	4.78%
Profit/(loss) on sale of investments (net)	10,186	31,738	211.58%
Profit on exchange/derivative transactions (net)	12,751	10,802	(15.29%)
Others*	3,702	4,090	10.48%
Total Other income	**93,715**	**116,913**	**24.75%**

* includes profit/(loss) on sale of fixed assets, income earned by way of dividends, etc. from subsidiaries/companies and/or joint venture abroad/in India and miscellaneous income.

Other income increased by 24.75 per cent. from ₹93.71 billion in fiscal 2016 to ₹116.91 billion in fiscal 2017. The increase was primarily due to the following:

- an increase in fee income primarily due to processing fees on retail assets, commissions on card spends, service charges on liability accounts, and fee income from the distribution of third-party personal investment products typically generated from retail banking businesses. While, on the wholesale banking side, fees are generated from client-based merchant foreign exchange trade, transaction banking (including cash management services), syndication and placement fees, processing fees from loans and commission on non-funded products (such as letters of credit and bank guarantees).

- an increase of profit/(loss) on sale of investments (net) from ₹10.19 billion in fiscal 2016 to ₹31.74 billion in fiscal 2017. This was primarily due to the profit from the sale of securities from the Bank's SLR portfolio recorded in fiscal 2017. The Bank sold these securities in response to decreasing interest rates on Government securities and increased liquidity conditions.

The increase in Other Income was partially offset by:

- a decrease in profit on exchange/derivative transactions (net) from ₹12.75 billion in fiscal 2016 to ₹10.80 billion in fiscal 2017. This was mainly on account of a gain on repatriation of accumulated profits of overseas branches of ₹2.45 billion in fiscal 2016 as compared to nil in fiscal 2017.

Operating Expenses

The following table sets forth the principal components of non-interest expense.

	Year ended 31 March		
	2016	2017	%
	(₹ change in millions, except percentages)		
Payment to and provisions for employees	33,760	38,919	15.28%
Occupancy costs	13,884	17,911	29.00%
Depreciation on bank's property	4,439	5,088	14.62%
Other operating expenses	48,924	60,081	22.80%
Total operating Expense	**101,007**	**121,999**	**20.78%**

Operating expense increased by 20.78 per cent., from ₹101.01 billion in fiscal 2016 to ₹122.00 billion in fiscal 2017. The increase in operating expense was primarily due to the growth of the Bank's network and other infrastructure required for supporting the existing and new businesses.

Payment to and provisions for employees includes salaries, allowances and other staff benefits. Payment to and provisions for employees increased by 15.28 per cent., from ₹33.76 billion in fiscal 2016 to ₹38.92 billion in fiscal 2017. The increase was due to a combination of increase in average salary levels and number of employees from 50,135 in 2016 to 56,617 in 2017 over the period.

Occupancy cost, including expenses for Rent, taxes and lighting and Repairs and maintenance, increased by 29.00 per cent., from ₹13.88 billion in fiscal 2016 to ₹17.91 billion in fiscal 2017.

Depreciation on bank's property increased by 14.62 per cent., from ₹4.44 billion in fiscal 2016 to ₹5.09 billion in fiscal 2017. The increase was primarily due to network expansion and an increase in general business volumes.

Other operating expenses (including printing and stationery, advertisement and publicity, director fees/allowances and expenses, auditor's fees and expenses, law charges, postage/telegrams/telephones, insurance and other expenditure) increased by 22.80 per cent., from ₹48.92 billion in fiscal 2016 to ₹60.08 billion in fiscal 2017. The increase was primarily due to an increase in balance enquiry and cash withdrawal charges, direct selling agent commissions, sales commissions and travel expenses, insurance expenses, professional fees and also due to network expansion and an increase in general business volumes.

Provisions and Contingencies

The following table sets forth certain information regarding provisions and contingencies.

	Year ended 31 March		
	2016	2017	% change
	(₹ in millions, except percentages)		
Provision for income tax	41,701	17,883	(57.12%)
Provision for loan losses	36,073	115,821	221.07%
Provision for depreciation in value of investments	840	2,387	184.17%
Others	186	2,961	–
Total Provision and Contingencies	**78,800**	**139,052**	**76.46%**

Provision for Income Tax

The Bank's provision for income tax decreased by 57.12 per cent., from ₹41.70 billion in fiscal 2016 to ₹17.88 billion in fiscal 2017 primarily due to decrease in profit before tax of 55.88 per cent., from ₹123.94 billion in fiscal 2016 to ₹54.68 billion in fiscal 2017.

Provision for Loan Losses

The Bank's provision for loan losses, including general provisions and restructuring provisions, increased from ₹36.07 billion in fiscal 2016 to ₹115.82 billion in fiscal 2017. This was primarily due to a higher net addition to NPAs during fiscal 2017 as compared to fiscal 2016, with gross NPAs amounting to ₹212.80 billion as at 31 March 2017 as compared to ₹60.88 billion as at 31 March 2016 on account of higher slippages of assets to the NPA category during the year. This increase was partially offset by a decrease in bad debts written off from ₹26.65 billion in fiscal 2016 to ₹13.50 billion in fiscal 2017.

Provision for Depreciation in value of Investments

The Bank made provision for depreciation in value of investments amounting to ₹840 million in fiscal 2016 as compared to provision of ₹2,387 million in fiscal 2017. The increase in provision is primarily on account of depreciation of loans converted into equity in accordance with the RBI's strategic debt restructuring scheme being guideline number (RBI/2014-15/627DBR.BP.BC.No.101/21.04.132/2014-15) (**SDR Scheme**), pursuant to which banks can invoke a strategic debt restructuring mechanism in relation to stressed loan accounts subject to their meeting certain requirements as specified in the SDR Scheme. As part of the strategic debt restructuring strategy, a portion of the loan is converted into equity of the borrower according to the terms agreed with the lenders and the loans outstanding thereunder are subject to 15 per cent. provisioning and the equity investment is subject to the mark-to-market requirement.

Net Profit

As a result of the foregoing factors, the Bank's net profit decreased by 55.26 per cent., from ₹82.24 billion in fiscal 2016 to ₹36.79 billion in fiscal 2017.

Financial Condition

Assets

The following table sets forth the principal components of the Bank's assets as at 31 March 2016 and 31 March 2017.

	As at 31 March		
	2016	**2017**	**% change**
	(₹ in millions, except percentages)		
Cash and balances with the RBI (A)	223,611	308,579	38.00%
Balances with banks and money at call and short notice (B)	109,643	193,983	76.92%
Total cash and cash equivalents (C=A+B)	**333,254**	**502,562**	**50.80%**
Government securities (net) (D)	965,375	930,079	(3.66%)
Other securities (net)[1] (E)	349,866	357,855	2.28%
Total investment (net) (F=D+E)	**1,315,241**	**1,287,934**	**(2.08%)**
Non-retail advances (net)[2] (G)	2,002,527	2,050,764	2.41%
Retail advances (net)[3] (H)	1,385,210	1,679,929	21.28%
Total advances (net) (I=G+H)	**3,387,737**	**3,730,693**	**10.12%**
Fixed assets (J)	35,232	37,469	6.35%
Other assets (K)	326,746	456,019	39.56%
Total Assets (C+F+I+J+K)	**5,398,210**	**6,014,677**	**11.42%**

(1) Other securities include shares, debentures and bonds, investment in Subsidiaries/Joint Ventures and others (Mutual Funds, CD/CP, security receipts, pass through certificates etc.)

(2) The Bank's non-retail loans/advances include advances to corporates and SMEs. Advances to corporates comprise of lending to corporate customers in the form of working capital finance, project and corporate finance. The Bank's SME advances consist of lending to small and medium enterprises in the form of overdrafts, cash credit, demand loans, medium and long-term loans, discounting of bills and corporate agriculture lending.

(3) The Bank's retail loans/advances consist of schematic loans in the form of mortgage loans, automobile loans, personal loans, gold loans, retail agriculture loans, etc. and non-schematic loans in the form of outstanding under credit cards, loans against deposits, loans against securities, etc.

The Bank's total assets increased by 11.42 per cent. from ₹5,398.21 billion as at 31 March 2016 to ₹6,014.68 billion as at 31 March 2017, primarily due to an increase in the size of the Bank's loan portfolio and investments portfolio.

Total cash and cash equivalents increased by 50.80 per cent., from ₹333.25 billion as at 31 March 2016 to ₹502.56 billion as at 31 March 2017.

The Bank's total investments (net) decreased by 2.08 per cent., from ₹1,315.24 billion as at 31 March 2016 to ₹1,287.93 billion as at 31 March 2017. The Bank's investments in Government securities (including investments held to meet SLR requirements) also decreased by 3.66 per cent., from ₹965.38 billion as at 31 March 2016 to ₹930.08 billion as at 31 March 2017. The Bank's investments in other securities increased by 2.28 per cent., from ₹349.87 billion as at 31 March 2016 to ₹357.86 billion as at 31 March 2017.

The Bank's total advances (net) increased by 10.12 per cent., from ₹3,387.74 billion as at 31 March 2016 to ₹3,730.69 billion as at 31 March 2017. The Bank's non-retail advances grew by 2.41 per cent., from ₹2,002.53 billion as at 31 March 2016 to ₹2,050.76 billion as at 31 March 2017. The Bank's retail advances also increased by 21.28 per cent., from ₹1,385.21 billion as at 31 March 2016 to ₹1,679.93 billion as at 31 March 2017.

The Bank's net fixed assets increased by 6.35 per cent., from ₹35.23 billion as at 31 March 2016 to ₹37.47 billion as at 31 March 2017.

Other assets increased by 39.56 per cent., from ₹326.75 billion as at 31 March 2016 to ₹456.02 billion as at 31 March 2017. The increase is primarily due to an increase in accrued income, deferred tax assets, priority sector shortfall deposits, positive mark-to-market on derivatives and increases in general business volume.

Liabilities and Shareholders' Funds

The following table sets forth the principal components of the Bank's liabilities and shareholders' funds as at 31 March 2016 and 31 March 2017.

	As at 31 March		
	2016	**2017**	**% change**
	(₹ in millions, except percentages)		
Capital (A)	4,766	4,790	0.50%
Reserve and surplus (B)	526,883	552,835	4.93%
Total Shareholders' funds (C=A+B)	**531,649**	**557,625**	**4.89%**
Deposits (D)	3,579,675	4,143,788	15.76%
Borrowings (E)	1,085,804	1,050,309	(3.27)%
Other liabilities and provision (F)	201,082	262,955	30.77%
Total liabilities and shareholders' funds (C+D+E+F)	**5,398,210**	**6,014,677**	**11.42%**

The Bank's total liabilities and shareholders' funds increased by 11.42 per cent., from ₹5,398.21 billion as at 31 March 2016 to ₹6,014.68 billion as at 31 March 2017.

Deposits increased by 15.76 per cent., from ₹3,579.68 billion as at 31 March 2016 to ₹4,143.79 billion as at 31 March 2017. This growth in deposits was the result of an increased focus on retail and corporate customers and the Bank's success in leveraging on its growing network of branches, extension counters and ATMs. Term deposits increased by 6.79 per cent., from ₹1,885.23 billion as at 31 March 2016 to ₹2,013.29 billion as at 31 March 2017. Low cost and non-interest bearing deposits (savings and current account deposits) increased by 25.73 per cent., from ₹1,694.45 billion as at 31 March 2016 to ₹2,130.50 billion as at 31 March 2017. Low cost deposits as a percentage of total deposits increased from 47.34 per cent., as at 31 March 2016 to 51.41 per cent., as at 31 March 2017.

Borrowings decreased by 3.27 per cent., from ₹1,085.80 billion as at 31 March 2016 to ₹1,050.31 billion as at 31 March 2017.

The Bank's borrowings under its MTN programme and interbank borrowings from outside of India decreased by 0.27 per cent., from ₹443.10 billion as at 31 March 2016 to ₹441.92 billion as at 31 March 2017.

Other liabilities and provisions increased by 30.77 per cent., from ₹201.08 billion as at 31 March 2016 to ₹262.96 billion as at 31 March 2017 mainly on account of higher slippages of assets to the NPA category, and negative mark to market value on derivatives.

Shareholders' funds increased by 4.89 per cent., from ₹531.65 billion as at 31 March 2016 to ₹557.63 billion as at 31 March 2017.

Cash Flows

The following table sets forth the Bank's cash flows for fiscals 2016, 2017 and 2018.

	Year ended 31 March		
	2016	**2017**	**2018**
		(₹ in millions)	
Cash flow from operating activities			
Net profit before taxes	123,937	54,676	1,216
Adjustments for:			
Depreciation provision on fixed assets	4,439	5,088	5,681
Depreciation on investments	840	2,387	(2,110)
Amortisation of premium on held to maturity investments	729	1,353	2,819
Provision for non-performing assets	38,005	111,571	165,987
Provision on standard assets	3,870	3,484	(1,350)
Provision on unhedged foreign currency exposure	16	(139)	(93)
Provision for wealth tax	–	–	–
(Profit)/loss on sale of fixed assets	(62)	36	164
Provision for country risk	–	199	(199)
Provision for restructured assets/strategic debt restructuring/ sustainable structuring	(618)	2,905	(3,072)
Provision for other contingencies	(5,014)	762	(4,434)
	166,142	**182,322**	**164,609**
Adjustments for:			
(Increase)/decrease in investments	(40,177)	132,717	(174,381)
(Increase)/decrease in advances	(613,097)	(444,184)	(811,748)
Increase/(decrease) in deposits	355,256	564,112	392,439
(Increase)/decrease in other assets	(42,394)	(96,324)	(16,147)
Increase/(decrease) in other liabilities and provisions	25,967	54,111	8,354
Direct taxes paid	(43,531)	(50,831)	(30,059)
Net cash flow from operating activities	**(191,834)**	**341,923**	**(466,933)**

	Year ended 31 March		
	2016	2017	2018
	(₹ in millions)		
Cash flow from investing activities			
Purchase of fixed assets	(14,637)	(7,427)	(8,224)
(Increase)/decrease in held to maturity investments	(38,855)	(117,858)	(89,689)
Purchase of Freecharge business	–	–	(3,955)
Increase in investment in subsidiaries	(1,190)	(1,168)	(3,250)
Decrease in investment in subsidiaries	135	84	–
Proceeds from sale of fixed assets	192	65	115
Net cash used in investing activities	**(54,355)**	**(126,304)**	**(105,003)**
Cash flow from financing activities			
Proceeds from issue of Subordinated debt, Perpetual debt & upper Tier II instruments (net of repayments)	12,264	55,459	81,109
Increase/(decrease) in borrowings (excluding subordinated debt, perpetual debt and upper Tier II instruments)	216,597	(90,954)	348,743
Proceeds from issue of share capital	24	24	343
Proceeds from share premium (net of share issue expenses)	3,029	3,256	87,865
Payment of dividend	(13,084)	(14,074)	(14,053)
Net cash generated from/used in financing activities	**218,830**	**(46,289)**	**504,008**
Effect of exchange fluctuation translation reserve	(378)	(22)	(85)
Net increase/(decrease) in cash and cash equivalents	(27,737)	169,308	(68,013)
Cash and cash equivalents as at beginning of the year	360,991	333,254	502,562
Cash and cash equivalents as at end of the year	**333,254**	**502,562**	**434,549**

Cash Flows from Operating Activities

The Bank had a negative net cash flow of ₹466.93 billion in fiscal 2018. The Bank's operations generated a net cash flow of ₹341.92 billion during fiscal 2017 while in fiscal 2016, it had a negative net cash flow of ₹191.83 billion.

The detailed components of cash flow from operating activities for each of fiscal 2016, 2017 and 2018 are set forth below.

The negative cash flow from operating activities in fiscal 2018 was primarily caused by increased investments of ₹174.38 billion and an increased advances of ₹811.75 billion. This was partially offset by an increase in deposits by ₹392.44 billion and provision for non-performing assets of ₹165.99 billion.

Net cash generated from operating activities in fiscal 2017 resulted primarily from profit before taxes of ₹54.68 billion, depreciation on fixed assets and amortisation of premium on securities in the

HTM category and depreciation on investments totalling ₹8.83 billion, provision for loan losses, including general provisions and provisions for contingencies of ₹118.78 billion, an increase in deposits, other liabilities and decrease in investments of ₹564.11 billion, ₹54.11 billion and ₹132.72 billion respectively. This was partially offset by cash used in operating activities, an increase in advances, other assets and direct taxes paid of ₹444.18 billion, ₹96.32 billion and ₹50.83 billion, respectively.

Net cash used in operating activities in fiscal 2016 resulted primarily from an increase in investments, advances, other assets and direct taxes paid of ₹40.18 billion, ₹613.10 billion, ₹42.39 billion and ₹43.53 billion, respectively. This was partially offset by net cash inflow on account of profit before taxes of ₹123.94 billion, depreciation on fixed assets and amortisation of premium on securities in the HTM category and depreciation on investments totalling ₹6.01 billion, and provision for loan losses, including general provisions and provision for contingencies of ₹36.26 billion, and an increase in deposits of ₹355.26 billion.

Cash Flows Used in Investing Activities

Net cash used in investing activities was ₹105.00, ₹126.30 billion and ₹54.36 billion in fiscals 2018, 2017 and 2016, respectively. The Bank's investing activities principally consist of making investments for its own account and capital expenditures for the Bank's branch network, technology and infrastructure.

Of the net cash of ₹105.00 billion used in investing activities in fiscal 2018, ₹8.11 billion was primarily used for net capital expenditure, ₹89.69 billion was used to increase the net investment portfolio under the HTM category, ₹3.95 billion was used for the purchase of the Freecharge business and ₹3.25 billion was used for capital infusion by the Bank into its subsidiaries.

Of the net cash of ₹126.30 billion used in investing activities in fiscal 2017, ₹7.36 billion was primarily used for net capital expenditure and ₹118.94 billion was used to increase the net investment portfolio under the HTM category and for capital infusion by the Bank to its subsidiaries.

Of the net cash of ₹54.36 billion used in the investing activities in fiscal 2016, ₹14.45 billion was primarily used for net capital expenditure and ₹39.91 billion was used to increase the net investment portfolio under the HTM category and for capital infusion by the bank to its subsidiaries.

Cash Flows from Financing Activities

Net cash generated from financing activities was ₹504.00 billion in fiscal 2018. Net cash used in financing activities was ₹46.29 billion in fiscal 2017 and net cash generated from financing activities was ₹218.83 billion in fiscal 2016. The Bank's financing sources primarily comprised proceeds from the Bank's issue of subordinated debt, other borrowings and its issuance of share capital, which were partially offset by payment of dividends.

Net cash generated from financing activities in fiscal 2018 of ₹504.00 billion resulted primarily from the issuance of subordinated debt, perpetual debt and upper tier II instruments (net of repayment) of ₹81.11 billion, an increase in borrowings of ₹348.74 billion, the issuance of share capital of ₹343 million, the receipt of share premiums of ₹87.86 billion, partially offset by dividend payments of ₹14.05 billion.

Net cash used in financing activities in fiscal 2017 of ₹46.29 billion resulted primarily from the Bank's repayment of other borrowings of ₹90.95 billion and a dividend payment of ₹14.07 billion, which were partially offset by raising of subordinated debt, perpetual debt and upper Tier II instruments (net of repayments) of ₹55.46 billion.

Net cash generated from financing activities in fiscal 2016 of ₹218.83 billion resulted primarily from the Bank's raising of other borrowings of ₹216.60 billion and subordinated debt, perpetual debt and upper Tier II instruments (net of repayment) of ₹12.26 billion, which was partially offset by a dividend payment of ₹13.08 billion.

Capital Resources

The Bank has moved to Basel III Regulations as implemented by the RBI from 1 April 2013. Banks have to comply with the regulatory limits and requirements as prescribed under Basel III capital regulations, on an ongoing basis. Banks are required to maintain a capital adequacy ratio of 10.875 per cent. (including CCB of 1.875 per cent.) as at 31 March 2018, both at unconsolidated and consolidated levels. Banks are also required to maintain a CET I Capital ratio of 5.5 per cent. and a capital conservation buffer of 1.875 per cent. as required by CET I with a minimum Tier I ratio of 7 per cent. To ensure an easy transition to Basel III, appropriate transitional arrangements have been provided, such as for meeting the minimum Basel III capital ratios and full regulatory adjustments to the components of capital. Basel III capital regulations are expected to be fully implemented as at 31 March 2019.

For a description of the RBI's capital adequacy guidelines, see "*Supervision and Regulation – The RBI Regulations – Capital Adequacy Requirements*".

The following table sets forth the risk-based capital, risk-weighted assets and risk-based capital adequacy ratios (for fiscal 2016, fiscal 2017 and fiscal 2018 under Basel-III) computed in accordance with the RBI Guidelines.

	As at 31 March		
	2016	2017	2018
	(₹ in millions, except percentages)		
Tier I Capital	505,175	560,393	674,763
Of which			
– Innovative perpetual debt instruments	2,802	35,000	70,000
Tier II Capital	112,318	145,659	182,986
Of which			
– Subordinated debt and upper Tier II instruments	92,932	123,660	160,350
Total Capital	617,493	706,052	857,749
Total risk weighted assets and contingents	4,039,492^	4,723,132	5,176,308
Capital adequacy ratios:			
Tier I capital adequacy ratio	12.51%^	11.87%	13.04%
Tier II capital adequacy ratio	2.78%^	3.08%	3.53%
Total capital adequacy ratio	15.29%^	14.95%	16.57%
Minimum capital adequacy ratios required by the RBI:			
Tier I capital adequacy ratio	7.00%	7.00%	7.00%
Total capital adequacy ratio	9.625%*	10.25%*	10.875%

* This includes CCB of 1.875 per cent. during fiscal 2018. The CCB during fiscal 2017 was 1.25 per cent. and fiscal 2016 was 0.625 per cent.

^ Financial information not reclassified or regrouped to conform with its respective presentation as at and for the years ended 31 March 2017 and 2018. See "*Management Discussion and Analysis of Financial Condition and Results of Operation*" for more information.

As shown above, the Bank's Tier I capital adequacy ratio increased to 13.04 per cent., Tier II capital adequacy ratio increased to 3.53 per cent. and the total capital adequacy ratio increased to 16.57 per cent., respectively, as at 31 March 2018 as compared to 11.87 per cent., 3.08 per cent. and 14.95 per cent., respectively, as at 31 March 2017.

Capital Expenditures

The Bank's capital expenditures consist principally of branch network expansion as well as investments in technology and communication infrastructure. The Bank incurred aggregate capital expenditures (on additions to fixed assets including incremental capital work in progress) of ₹14.64 billion, ₹7.43 billion and ₹8.22 billion during fiscal 2016, 2017 and 2018, respectively.

The following table sets forth, as at the dates indicated, the written down value of various fixed assets.

	Year ended 31 March		
	2016	2017	2018
	(₹ in millions)		
Premises	17,429	17,166	16,861
Other fixed assets (including furniture and fixtures)	15,733	17,494	19,395
Capital work in progress (including capital advances)	2,070	2,809	3,461
Total written down value of fixed assets	**35,232**	**37,469**	**39,717**

The Bank's written down value of fixed assets increased to ₹39.72 billion as at 31 March 2018 from ₹37.47 billion as at 31 March 2017.

Financial Instruments and Off-Balance Sheet Arrangements

Foreign Exchange and Derivative Contracts

The Bank enters into foreign exchange and derivative transactions for customers and for its own account. Foreign exchange products offered include forward exchange contracts, currency swaps and currency options. The derivative products offered by the Bank include interest rate swaps, forward rate agreements, interest rate futures, exchange traded currency options and cross-currency derivatives primarily for corporate customers. The Bank also trades in interest rate swaps for its own account and enters into foreign exchange contracts to cover its exposure. The Bank earns profit on customer transactions by way of margin as a mark-up over the interbank exchange rate. The Bank earns profit on interbank transactions based on the spread between the purchase rate and the sale rate. These profits are booked as income from foreign exchange and derivative transactions.

The following table sets forth the notional principal amounts of the Bank's outstanding foreign and derivative contracts as at the dates indicated.

	Year ended 31 March		
	2016	2017	2018
	(₹ in millions)		
Forward contracts	2,556,675	2,681,952	3,148,019
Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,796,649	2,011,142	1,960,695
Foreign currency options	429,005	493,833	593,426
Total foreign exchange and derivative products	**4,782,329**	**5,186,927**	**5,702,140**

As part of its corporate banking activities, the Bank issues guarantees and documentary credits (including Acceptances, endorsements and other obligations). Guarantees are generally issued to enhance the credit standing of the Bank's customers and represent irrevocable assurances that the Bank will make the payments in the event that the customer fails to fulfil its financial or performance obligations. Documentary credits are provided to customers to meet their working capital requirements as well as for capital equipment purchases.

The following table sets forth, as at the dates indicated, the values of outstanding guarantees and documentary credits:

	Year ended 31 March		
	2016	2017	2018
	(₹ in millions)		
Guarantees given on behalf of constituents	686,533	811,316	849,754
Documentary credits	294,853	335,367	324,101
Total	**981,386**	**1,146,683**	**1,173,855**

Guarantees and documentary credits outstanding increased by 2.37 per cent., to ₹1,173.86 billion as at 31 March 2018 from ₹1,146.68 billion as at 31 March 2017.

Contractual Obligations

The following table sets forth the Bank's contractual obligations in respect of subordinated debt and Upper Tier II instruments as at 31 March 2018.

	Payments due by period, as at 31 March 2018				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
	(₹ in millions)				
Subordinated debt	212,050	17,000	20,000	59,250	115,800
Upper Tier II instruments	–	–	–	–	–
Total	**212,050**	**17,000**	**20,000**	**59,250**	**115,800**

Operating leases comprise leases of office premises/ATMs, staff quarters, electronic data capturing machines and IT equipment. The following table sets forth certain information in respect of future rentals payable on the Bank's operating leases.

	Year ended 31 March		
	2016	2017	2018
	(₹ in millions)		
Future rentals payable			
Not later than one year	6,560	6,822	7,184
Later than one year and not later than five years	20,803	21,109	22,243
Later than five years	12,615	14,469	18,447
Total	**39,978**	**42,400**	**47,874**

DESCRIPTION OF THE BANK

Overview

The Bank is a leading private sector bank and financial services company in India offering a wide range of products and services to corporate and retail customers through a variety of delivery channels. The Bank commenced operations in April 1994 and, over the last 24 years, has grown both in terms of the size of its asset base and its physical network of branches, extension counters and ATMs.

As at 31 March 2018, the Bank was the third largest private sector bank in India in terms of total assets, based on public filings of private sector banks. The Bank's total assets as at 31 March 2018 were ₹6,913.30 billion as compared to ₹6,014.68 billion as at 31 March 2017. The Bank's net profit has declined from ₹36.79 billion in the year ended 31 March 2017 to ₹2.76 billion in the year ended 31 March 2018, representing a decrease of 92.51 per cent. As at 31 March 2018, the Bank's net loans and net deposits amounted to ₹4,396.50 billion and ₹4,536.23 billion, respectively. As at 31 March 2018, the Bank had a network of 3,703 branches and extension counters and 13,814 ATMs spread over 2,163 centres in India. In addition to the Bank's growing branch and ATM network, the Bank also offers telephone banking in various cities, as well as Internet banking and mobile banking facilities. These and other resources give the Bank the capability to deliver a broad range of banking products through multiple delivery channels for the convenience of its customers. As at 31 March 2018, the Bank also had ten overseas offices, with branches in Colombo, DIFC, Hong Kong, Shanghai and Singapore and representative offices in Dubai, Abu Dhabi, Sharjah, and Dhaka and a subsidiary in London. The Bank has also set up an Offshore Banking Unit at the International Financial Service Centre (**IFSC**), and the Gujarat International Finance Tec-City (**GIFT City**) in Gandhinagar, India. The Bank's foreign branches primarily offer corporate banking, trade finance and treasury and risk management services.

The Bank's core income stream comprises interest income earned from its large and mid-corporate, SME, agriculture and financial customers, and retail loan portfolios as well as its money-market operations and investment portfolio. The Bank also earns fee and commission income from the processing of loans, documentary credits, bank guarantees, placements and syndication, service charges, cash management services, advisory services, depository services, capital market services, ATM interchange and cards, remittance, wealth management and sale of third party products. Additionally, the Bank earns trading profit from proprietary trading in investments, foreign exchange and derivatives. The Bank's expenses consist of interest and non-interest expenses. The Bank's major non-interest expenses include staff costs, occupancy costs, including rent for office premises, repair and maintenance, depreciation and other administrative costs.

The Bank was formerly known as UTI Bank Limited, having corporate identity number L6511GJ1093PLC020769, and obtained its certificate of incorporation on 3 December 1993 and its certificate of commencement of business under the Companies Act, 1956 from the Registrar of Companies, Gujarat Dadra and Nagar Haveli, India on 14 December 1993. The Bank was granted its banking license by RBI in February 1994. The Bank began operations by opening its first branch in Ahmedabad on 2 April 1994 and was one of the first private sector banks established under guidelines issued in 1993 by the RBI in line with the Government's policy to reform India's financial sector. In 2007, the Bank changed its name from "UTI Bank Limited" to "Axis Bank Limited", obtaining its certificate of incorporation on change of name on 30 July 2007, from the Registrar of Companies, Gujarat Dadra and Nagar Haveli, India.

Since the year ended 31 March 2011, the Bank has experienced significant growth in its customer and geographical base, which expanded from 9.40 million retail saving customer accounts in 921 locations in India as at 31 March 2011 to 22.50 million retail saving customer accounts in over 2,163 locations in India as at 31 March 2018. The Bank's total assets have increased from ₹6,014.68 billion as at 31 March 2017 to ₹6,913.30 billion as at 31 March 2018, with the retail advances increasing from ₹1,679.93 billion as at 31 March 2017 to ₹2,064.65 billion as at 31 March 2018. Furthermore, total deposits of the Bank grew from ₹4,143.79 billion as at 31 March 2017 to ₹4,536.23 billion as at 31 March 2018, with low-cost deposits (savings bank and current account deposits) increasing by ₹308.02 billion as of 31 March 2018 as compared to 31 March 2017. The Bank's ATM network decreased from 14,163 ATMs as at 31 March 2017 to 13,814 ATMs as at 31 March 2018.

The Bank's principal business activities are divided into two segments, Banking Operations and Treasury.

Banking Operations

Banking Operations include products and services in the following areas:

- *Corporate Relationship Group* (**CRG**), offers various loan and fee-based products and services to large and mid-corporate clients. These products and services include cash credit facilities, demand and short-term loans, project finance, export credit, factoring, channel financing, structured products, discounting of bills, documentary credits, guarantees, foreign exchange and derivative products, cash management services, warrant payment services, cross-border trade and correspondent banking services and tax collections on behalf of the Government and various State Governments in India. Liability products including current accounts, certificates of deposit and time deposits are also offered to customers of large and mid-corporate segments. Loans under this segment amounted to ₹1,744,458 million and constituted 39.68 per cent. of the Bank's total loan portfolio as at 31 March 2018.

- *As at the date of this Offering Circular, the Bank operates from 66 SME centres to service customers, effectively covering around 3,700 branches.* The SME group offers products, including term loans and working capital finance, tailored to the specific requirements of SME clients. Loans under the SME (including corporate agriculture) amounted to ₹587,395 million as at 31 March 2018 and constituted 13.36 per cent. of the Bank's total loan portfolio as at 31 March 2018.

- *Retail Banking* offers a variety of liability and asset products and services to retail customers. Retail liability products include savings accounts, time deposits and customised products for certain target groups, such as high-net-worth individuals, senior citizens, working mothers, armed forces personnel, students and salaried employees. Retail asset products include home loans, personal loans, auto loans, consumer loans, loans against gold and educational loans as well as secured loans of various types. The Bank also offers other products and services such as debit and travel currency cards, financial advisory services, bill payment services and wealth management services. The Bank had 22.50 million retail savings customer accounts as at 31 March 2018. The Bank also markets third party products such as mutual funds and Government savings bonds. A wide range of liability and asset products and services are also offered to non-resident Indians (**NRI**s). The retail portion of the agriculture lending business of the Bank was reorganised and aligned with the existing retail loans portfolio. The Bank's retail advances amounted to ₹2,064,646 million as at 31 March 2018 and constituted 46.96 per cent. of the Bank's net advances as at 31 March 2018.

- *Transaction Business Banking.* The Transaction Business Banking group (**TxB**) was formed in April 2015 to provide effective service to the Bank's customers and to offer efficient client management and product solutions. The TxB department provides integrated products and services to customers in areas of current accounts, cash management services, capital market services, trade, foreign exchange and derivatives. In addition to transaction banking services to corporate customers, the TxB group also provides current accounts, savings accounts to Government and State Government agencies as well as to retail customers. As at 31 March 2018, the Bank had 1.9 million relationships in its business banking segment.

Treasury

The Treasury manages the funding position of the Bank and also manages and maintains its regulatory reserve requirements. The department invests in sovereign and corporate debt instruments and engages in proprietary trading in equity and fixed income securities, foreign exchange, currency futures and options. It invests in commercial paper, mutual funds and floating rate instruments as part of the management of short-term surplus liquidity. In addition to proprietary trading and liquidity management, the Treasury also offers a wide range of treasury products and services to the Bank's corporate customers, including derivative instruments such as forward contracts, interest rate swaps, currency swaps and foreign currency options in addition to services such as debt syndication and placement.

Competitive Strengths

The Bank considers the following to be its principal competitive strengths:

Positive growth in net interest and fee income, reflecting the strength and diversity of the Bank's core earning streams

The Bank offers a wide range of products that generate interest and fee income, both of which have positive growth. In the years ended 31 March 2016, 2017 and 2018, the Bank had net interest income growth of 18.34 per cent., 7.49 per cent. and 2.90 per cent., respectively, and fee income growth of 10.67 per cent., 5.07 per cent. and 12.50 per cent., respectively. The Bank believes that its combination of diverse product offerings and a customer-focused approach has enabled it to structure solutions to meet its customers' needs, resulting in sustained revenue generation, even in recent difficult market conditions.

Strong presence in the Indian retail banking market through its nationwide distribution network, expansion of the Bank's product and customer base, and the provision of high-quality customer service

The Bank has a nationwide distribution network with one of the largest number of branch outlets among private sector banks in India. As at 31 March 2018, the Bank had a network of 3,703 branches and extension counters and 13,814 ATMs spread over 2,163 cities and towns in India. Since commencing operations in April 1994, the Bank has grown in terms of its physical network of branches, extension counters and ATMs. This extensive nationwide network provides the Bank with a strong sales platform, which enables the Bank to cross-sell its products and to deliver high-quality and convenient services.

The Bank offers a wide array of traditional asset and liability products and services to its customers and is continually working to offer additional products that are specially tailored to meet the needs of the Bank's diverse customers. The Bank provides Internet and mobile banking services that offer 24-hour access to customer accounts and the ability to conduct routine banking transactions, such as online bill payment and application for lines of credit remotely. In addition, high-quality customer service has always been a top priority for the Bank. To improve the customer experience, the Bank provides regular staff training in customer service and engages third party consultants to assess the quality of service that the Bank provides to its customers.

The Bank believes that its convenient locations and services, as well its high-quality customer service, provide incentives for its customers to open and maintain accounts with the Bank.

Access to low-cost funds

The Bank enjoys a low-cost deposit base achieved through targeted branch network expansion and customised product offerings. The Bank's target depositor base consists of retail depositors and SMEs that the Bank believes choose the network because of the convenience of its branch locations, convenient access to ATMs and remote banking services, as well as diverse product offerings. As at 31 March 2018, the Bank had 13,814 ATMs, representing the second largest ATM network in India according to the Bankwise ATM/point-of-sale (**POS**) card statistics published by the RBI. In addition, as at 31 March 2018, the Bank had low-cost deposits (savings and current account deposits) totalling ₹2,438.5 billion. The Bank's broad-based distribution network, which includes the Bank's branch network and alternative delivery channels, provides the Bank with access to these depositors, which in turn allows the Bank to maintain low-cost funding through customer deposits.

Continued focus on improvement in asset quality through disciplined credit risk management

As at 31 March 2016, 2017 and 2018 gross NPAs totalled ₹60.88 billion, ₹212.80 billion and ₹342.49 billion, respectively, while net NPAs totalled ₹25.22 billion, ₹86.27 billion and ₹165.92 billion, respectively. The Bank strengthens its risk management and internal control capabilities on an ongoing basis by improving its policies and procedures and introducing sophisticated risk management tools. The independent risk management system seeks to identify and manage risks at the Bank's business group level, using technology to allow each business group to manage its risks effectively and within the Bank's policies. The Bank is in full compliance with Basel III and has implemented new credit risk assessment models, independent validation of internal ratings and has put in place a risk data management framework to improve the quality of loan data. The Bank also conducts regular stress tests based on a number of economic scenarios and assesses the likely impact on capital and earnings. The results of these tests are periodically presented to the Risk Management Committee under the Board of Directors. See "*Risk Management*".

Financial position

For the year ended 31 March 2018, the Bank reported a cost-to-income ratio of 47.29 per cent., and a net interest margin of 3.44 per cent. on a daily average balance basis. As at 31 March 2018, the Bank's capital adequacy ratio under Basel III capital regulations was 16.57 per cent., which was well above the RBI minimum requirement of 10.875 per cent. (including capital conservation buffer of 1.875 per cent.) . In the fiscal year of 2018, the Bank raised ₹86.8 billion by issuing shares and warrants to Bain Capital, Life Insurance Corporation of India and other investors. In the fiscal year of 2018, it also allotted 45.4 million of share warrants exercisable within a period of 18 months, which, upon conversion, will add ₹25.6 billion to the CET I capital of the Bank. The Bank's capital position, as measured by its overall and Tier I capital adequacy ratios, allows the Bank to take advantage of significant growth opportunities in the market.

Advanced use of technology for cost efficiency and effective delivery of products and services to the Bank's customers

The Bank's IT strategy has supported business initiatives by continuously updating technology and process platforms. By establishing an IT system that effectively integrates customer service channels, Internet banking, customer service systems and telephone banking including personalised mobile banking and information platforms, the Bank is able to provide its management team with relevant financial and operational data on a real-time basis and better serve the Bank's customers in an efficient and effective manner. In the fiscal year of 2018, the Bank acquired Freecharge Payment Technologies Private Ltd. and ASPL for ₹3.98 billion with the goal of improving the digitisation of its financial services.

Experienced management team

The Bank's senior management team comprise career banking professionals who have significant experience in the banking and financial services sector. The rest of the senior management team has strengths in key areas including retail, corporate and international banking. The depth and breadth of the management team's expertise enable the Bank to make strategic management and operational decisions. The Bank nurtures a culture which allows it to adapt quickly to changing market conditions and respond to changing customer requirements. The Bank's management team has defined a clear, strategic direction for the Bank that will allow it to maintain its position as a leading private sector bank in India and continue delivering strong growth.

Strategies

The key elements of the Bank's business strategy going forward are:

Broadening the Bank's low-cost deposit base

Retail depositors in India are an important source of low-cost funding for the Bank and the Bank believes that the Indian retail financial services market will continue to experience growth. The Bank therefore plans to continue expanding its retail banking business by growing its distribution network, increasing its customer base, diversifying its banking product mix, providing banking convenience to customers, optimising digital channels and offering differentiated products and solutions to meet the specific needs of particular customer demographics. For example, the Bank offers different types of savings accounts, home loan products to cater to its customers' needs. The Bank also launched the ISIC Forex Card in 2013 to provide special offers and discounts for students across 125 countries on travel accommodation, entertainment, restaurants and shopping. The Bank believes that such customer-specific orientation will result in an increase in retail deposits to the Bank, which will expand its pool of low-cost funding.

Improve profitability by reducing costs and focusing on core income streams such as net interest income and fee-based income

The Bank intends to implement a number of measures that it believes will both increase revenue derived from its existing businesses and reduce costs. Such measures may include, for example, optimising deposit rates to decrease maintenance costs on retail accounts, increasing low-cost current account and savings account deposits, increasing fee-based income from the Bank's corporate and consumer banking businesses and broadening the Bank's skill base and expertise in financial product development. In addition, the Bank believes it can streamline its operations and processes and minimise costs through measures such as reducing occupancy costs by identifying branches with under-utilised floor space and moving such branches to more suitable locations with optimal space and lower occupancy costs.

Increase the Bank's retail asset portfolio

The Bank aims to focus on growing retail assets by leveraging its branch network for sourcing retail loans, expanding the distribution network for retail assets and diversifying its retail loan product portfolio. The Bank continues to invest in building risk management and analytical capabilities to mitigate risks and drive cross-selling opportunities and improve the profitability of its retail loan products.

Focusing on SME lending

The SME sector has emerged as an important sector of the Indian economy. The sector plays a substantial role in creating employment opportunities and supporting national growth and development.

The Bank focuses on supporting SMEs across the nation. This segment is of strategic importance to the Bank as it typically generates higher yields and helps to diversify risk. The Bank has been committed to provide timely and adequate credit to the SMEs in an efficient manner.

Sustain focus on improving loan and investment portfolio quality

The Bank believes that conservative credit risk management policies and controls are critical for long-term, sustainable growth in its business. The Bank's goal is to continually improve its credit risk management procedures, credit evaluation, rating methodology, monitoring and control mechanisms to maintain the quality of the Bank's loan and investment portfolios.

Focus on cross-selling and expanding fee income through diverse sources

The Bank has developed a large number of corporate relationships throughout its years of operations. The Bank continues to leverage these relationships by selling products offered by other business segments, such as savings account and investment products, to the corporate segment. The Bank intends to diversify revenue sources and overall revenue by expanding its product and offerings, particularly fee- and commission-based offerings, which will enable the Bank to advise and cross-sell third party products, such as insurance and online trading, to high-net-worth customers, and by strengthening its international remittance business through tapping into high-volume remittance corridors.

The Bank intends to continue developing a strong risk and compliance culture, control credit cost, nurture liability business, develop capabilities to address any untapped market segments and attain higher market share in corporate payments.

Driving Customer Acquisition

In fiscal 2018, internal customer sourcing continued to be a focus area. In the fiscal year of 2019 the Bank intends to continue focusing on internal customer sourcing. However, it will also aim to diversify its portfolio mix towards products offering higher risk-adjusted returns.

Banking Operations

Banking operations include products and services in the following areas:

- corporate relationship and lending business group;
- SME;
- retail banking; and
- business banking.

The Corporate Relationships and Lending business of the Bank is organised as follows:

A) Corporate Relationship Group (CRG)

During the fiscal years of 2017 and 2018, the Bank expanded its client coverage model, and specific business groups were formed to provide focused service to various customer sub segments within the Corporate Relationship Group. The focus and primary responsibilities of the various groups under the CRG are described below:

- **Strategic Client Coverage Group (SCG):** This team is exclusively responsible for select blue-chip corporate customers that generally have a national footprint. These accounts require dedicated coverage from the Bank to obtain better value in terms of profit, capital efficiency and cross-sale of non-credit products;

- **Corporate Client Coverage Group (CCG):** This team is responsible for managing relationships across all products of the Bank for all corporates other than those being covered by the SCG, the Structured Finance Group, New Economic Group, Government Coverage Group and the SME department (described below).

- **Structured Finance Group (SFG):** This team plays an important and critical role in managing the asset book of the bank which may need timely and proactive intervention. The SFG has two sub groups, namely Strategic Solutions Group and Stressed Assets Group:

  i. **Strategic Solutions Group (SSG):** The team provides structured financial solutions to select corporate clients that require special attention and proactive management; and

  ii. **Stressed Assets Group (SA):** The team is responsible for the efficient resolution of non-retail NPAs of the Bank.

- **Financial Institutions Group (FIG):** The group comprises two sub-groups, namely:

  i. **Global Financial Institutions Division (GFID):** GFID is a coverage team responsible for developing and maintaining strategic business relationships with all segments of financial institutions including building a network of correspondent banks that support trade and cross-border business of the Bank and its clients across the globe.

  ii. **Syndication:** The team is engaged in down selling and distribution of loans and assisting client coverage teams in taking underwriting calls.

- **New Economy Group (NEG):** This group has been formed to capitalise on the opportunity in the Indian retail customer sector. The group intends to focus mainly on companies which have moved past their initial development and setting-up stage and typically have been in operation for at least a year.

- **Government Coverage Group (GCG):** The group aims to strengthen the non-liability business in the government/PSU segments besides and to enhance the quality of customer service in these segments.

- **Strategic Initiatives Group (SIG):** The team is responsible for guiding the corporate business in policy formulation, advising on digital initiatives to be undertaken, monitoring the performance of the department, providing business intelligence and credit intelligence by way of market studies, data analytics and trends over time.

B) Corporate Credit Department (CCD):

This department handles the various functions related to appraisal and monitoring of credit products for all corporate clients, other than those covered by the SME department and the Strategic Solutions Group along with managing the project advisory function for underwriting.

Products and Services

A broad classification of products and services offered by the Bank to its CRG clients (as well as to "SME" (including corporate agriculture), for which see "*– SME")* is set forth below.

- *Fund-based products.* Loans and advances for working capital, corporate finance and project finance.

- *Non-fund-based products.* Non-funded advances such as documentary credits, standby letters of credit and guarantees.

- *Fee-based services.* Including fund transfers, cash management services, collection of Government taxes, trade services and loan syndication.

Other products and services offered include time deposits and current accounts (ie chequing accounts). These products and services are delivered to customers through the Bank's network of branches, correspondent banking networks, telephone banking, mobile banking and the Internet.

Fund-Based Products

Fund-based limits are generally granted by way of overdrafts, cash credit, demand loans, medium-and long-term loans and discounting of bills. Generally, the type of facility to be granted is determined based on factors such as the loan purpose, the security offered, the size of the advance, repayment terms, risk profile and the requirements of the customer.

The following table sets forth a breakdown of the Bank's non-retail loans (including SME loans) as at the dates indicated.

	As at 31 March		
Financing Type	**2016**	**2017**	**2018**
		(₹ in millions)	
Working Capital Finance	687,725	731,777	1,015,038
Project and Corporate Finance	1,314,802	1,318,987	1,316,819
Total	**2,002,527**	**2,050,764**	**2,331,857**

Working Capital Finance

Cash credit, working capital demand loans and overdraft facilities are funded facilities, usually secured by current assets such as inventory and receivables. These facilities are generally extended for a period of one year. In almost all cases, facilities are subject to an annual review and are repayable on demand. Interest is collected on a monthly basis, based on daily outstanding amounts.

Bill discounting involves discounting negotiable instruments, which are generally issued for trade receivables. These can also be re-discounted with other banks and financial institutions, if required.

As at 31 March 2018, the Bank's outstanding net corporate working capital loans amounted to ₹1,015.04 billion, constituting 23.09 per cent. of its net loan portfolio, as compared with ₹731.78 billion as at 31 March 2017, constituting 19.62 per cent. of its net loan portfolio as at that date.

Project and Corporate Finance

The Bank provides project finance to companies in the manufacturing, service and infrastructure sectors by way of medium- and long-term loans. Corporate financing is offered to customers based on the Bank's appraisal of the quality of management, industry, prospects, business model and financial strength of the firm. This financing is provided by way of term loans of various tenors. The Bank offers asset-based lending such as receivables financing and also offers customised corporate finance products to meet specific customer needs.

As at 31 March 2018, the Bank's outstanding net non-retail loans for project and corporate finance amounted to ₹1,316.82 billion, constituting 29.95 per cent. of its net loan portfolio, compared with as at 31 March 2017, these amounted to ₹1,318.99 billion, constituting 35.36 per cent. of the Bank's net loan portfolio.

Non-Fund-Based Products

Documentary Credits

The Bank provides documentary credits to customers to meet their working capital requirements as well as for capital equipment purchases. Documentary credits are approved together with a working capital assessment or a project finance assessment. Typically, a working capital line can be drawn down on a revolving basis over the term of the facility. Customers pay fees for drawdowns of the documentary credit, and the Bank may require additional collateral by way of a cash margin. The percentage of any such margin is determined according to the Bank's perception of the transaction's risk. As at 31 March 2018, the Bank's documentary credit portfolio amounted to ₹324.10 billion, compared with ₹335.37 billion as at 31 March 2017.

Guarantees

Guarantees, which also include standby letters of credit, can be drawn down in a revolving manner over the life of the facility. Guarantees are also assessed during the course of working capital requirements. Guarantees are issued for various purposes such as bid bonds, performance guarantees on behalf of borrowers for execution of contracts, deferral or exemption from payment of statutory duties against performance obligations, advance payments, release of retention monies and other purposes.

The tenor of guarantees is generally 36 months or less depending on the underlying obligations being guaranteed, although certain guarantees with a longer term may be approved. As with documentary credits, the Bank sometimes obtains additional collateral by way of a cash margin which, in the case of certain types of guarantees, may be as much as 100 per cent. As at 31 March 2018, the Bank's outstanding guarantees amounted to ₹849.75 billion compared with ₹811.32 billion as at 31 March 2017.

Fee-Based Services

Fee income (including merchant profit) from corporate credit banking services (which also includes fees from SME (including corporate agriculture lending), business banking and treasury) constitutes one of the significant revenue streams of the Bank. Fee income from these segments accounted for 15.58 per cent. of total operating revenue of the Bank (which represents the aggregate of net interest income and other income for the relevant period) for the year ended 31 March 2018. The Bank offers a variety of fee-based services, including cash management services, collection of commercial taxes, trade services, remittances, collections and loan syndication. In addition to these traditional fee-generating products and services, the Bank also offers tailor-made products on a fee-basis to address specific corporate customer needs through a structured products group.

Credit Selection Strategy

The Bank's criteria for acceptability of credit include:

- an acceptable internal credit rating (generally BBB and above with more focus on A- and above for large and mid-corporates and SME4 (moderate safety) and above for borrowers in the SME segment);
- significant probability of credit rating enhancement in the medium term;
- strong cash flows;
- satisfactory quality of management in terms of past track record of performance and reputation for competence, integrity and respectable corporate governance practices;
- long-term sustainability of the borrower's business model;
- likely future leader in emerging businesses;
- acceptable underlying security and credit enhancement measures; and
- reasonable pricing and acceptable rate of return on capital.

Pricing Policy

The Bank prices its credit products based on its assessment of the risk profile of borrowers, largely based on:

- internal/external credit rating of customers;
- tenor of the loan;
- the specific structure of the product (such as embedded options);
- available collateral and credit enhancement;
- overall relationship value; and
- market conditions.

Export Credit

According to the Master Circular — Rupee/Foreign Currency Export Credit and Customer Service to Exporters B131/2015-16/47 DBR No.DIR.BC.14/04.02.002/2015-16 issued on 1 July 2015, banks are able to offer Indian Rupee export credit at interest rates at or above the base rate. Pre-shipment and post-shipment export credit can be provided in both Indian Rupees and foreign currencies. Export credit for eligible activities under agriculture and micro and small enterprises (**MSE**s) is reckoned for priority sector lending under respective categories. The RBI provides export refinancing for an eligible portion of total outstanding export loans at the bank rate prevailing from time to time. Banks also earn fees and commissions from exporter customers for certain fee-based products and services provided to them, in addition to the interest income earned on export credits. As at the last reporting Friday of the year ended 31 March 2018, the Bank's outstanding export credit amounted to ₹43.80 billion, constituting 1.28 per cent. of the Bank's adjusted net bank credit. As at the last reporting Friday of the year ended 31 March 2017, the Bank's outstanding export credit amounted to ₹31.82 billion, constituting 1.10 per cent. of the Bank's adjusted net bank credit.

SME

This segment is of strategic importance to the Bank as it generates higher yields and helps to diversify risk. SMEs offer good business potential both for fund-based and non-fund-based products, as well as for cross-selling of products.

The Bank continued its focus on the SME segment during the year by providing timely and adequate credit to customers with quick turnaround time. The wide range of customised products offered by the Bank ensures that customers get adequate finance best suited for their businesses. The segment offers both template and non-template products, including term loans and working capital finance, non-fund based facilities tailored to the specific requirements of clients. The Bank has created focused business segments to meet the requirements of this sector, namely the Small Enterprises Group (for exposures up to ₹100 million), the Medium Enterprises Group (for exposures above ₹100 million) and the Supply Chain Finance Group. As at 31 March 2018, these business segments comprised 45 per cent., 38 per cent. and 17 per cent. of total SME advances respectively.

The Bank's SME business segment emphasises relationship building and supporting entrepreneurs. Loans to SMEs increased by 19 per cent. from ₹492 billion as at 31 March 2017 to ₹Rs 587 billion as at 31 March 2018. As at the date of this Offering Circular, the Bank operates from 66 SME centres across the country (54 SME centres and 15 SME cells in the previous year) to service customers, effectively covering over 3,700 branches. The Bank has built what it believes is a robust risk management system which has helped the portfolio for the SME business to remain well diversified and in turn carry lower concentration risk. The Bank also uses an early warning signals tool which helps it identify unfavourable sectional trends early in the cycle and take corrective action if necessary. The Bank uses its internal credit rating model, which utilises a combination of quantitative and qualitative input to arrive at a view of the risk profile of the SME counterparty and assigns an internal rating grade corresponding to a distinct possibility of default over a year. It has also adopted a practical approach to increasing the SME portfolio by focusing primarily on better-rated SME accounts. Business analytics is being used to identify potential borrowers across various sectors. The SME business continues to perform well and the portfolio behaviour remains healthy.

The Bank also sponsors and supports initiatives and trade fairs to encourage the SME sector. The Bank demonstrated its commitment to support SME growth through its Evolve programme, an educational initiative for SMEs. The fourth edition of Evolve was organised around the concept of "how a family business may be transformed into a successful business". This Evolve programme was implemented in 30 cities whereby more than 3,000 SMEs participated.

Corporate Agriculture Lending

The RBI requires the Bank to lend 18 per cent. of its adjusted net bank credit of the previous year to the agricultural sector. In light of future business prospects in the Indian agricultural and related sectors, the Bank has identified agricultural lending as an area of potential growth.

The Bank re-organised the agricultural lending business and merged the non-retail portfolio of agricultural advances with the SME business, while retail portfolio was merged with the existing portfolio of retail loans. The Bank offers schemes for financing the agricultural value chain participants such as agro-processing units and agricultural service providers. In addition, the Bank has established relationships with various companies and cooperatives in the plantation, poultry and seed sectors to meet their project financing and working capital requirements.

The Bank's strategy in agricultural lending is based on a comprehensive view of the agricultural value chain, a focus on diversification, and partnerships with other companies in the agricultural sector, microfinance and other rural institutions and non-governmental organisations (**NGO**s) that have close links to the agricultural sector. The Bank has also devised a separate risk evaluation model for agricultural loans with an objective to measure and mitigate the risk involved in financing this sector. The Bank also utilises the services of business correspondents in select areas to expand its reach in areas unserved or underserved by the banking industry.

There has been considerable improvement in the rural infrastructure in select areas in India in recent years. The Bank's agricultural financing initiatives are largely focused on such regions where the need for credit has consequently increased. The Bank intends to develop its agricultural lending business by:

- offering suitable products to various members in the supply chain in the agriculture business (such as warehouses and cold storage units); and

- leveraging the Bank's technology platform to distribute its products and services conveniently and cost-effectively in rural areas.

For the year ended 31 March 2018, the SME segment, including corporate agriculture lending, recorded fee income of ₹4,313 million, an increase of 3.98 per cent. from ₹4,148 million in the fiscal year of 2017.

The Bank's SME business segment emphasises relationship building and nurturing of entrepreneurial talents. Loans to SMEs (including corporate agriculture lending) increased by 19.46 per cent. from ₹491.72 billion as at 31 March 2017 to ₹587.40 billion as at 31 March 2018. The SME segment continues to focus on increasing fee income through non-fund-based advances.

Credit Selection Strategy and Pricing Policy

The credit selection strategy and pricing policy used in the SME segment, including the corporate agriculture segment, follow substantially the same procedures as those used for the corporate relationship segment. See *"– Corporate Relationship Group – Credit Selection Strategy"* and *"–Corporate Relationship Group Banking – Pricing Policy"*.

Retail Banking

The Bank's retail strategy focuses on network expansion, product differentiation, customer segmentation, sales effectiveness and provision of quality customer service. To access a larger segment of India's population, the Bank has developed a wide network of fully interconnected retail branches, extension counters, ATMs, asset sales centres, an Internet banking channel, a call centre and mobile banking. The Bank's branches distribute liability accounts, debit cards, travel cards and remittance cards, and have POS terminal machines and depository services, and sell third party products such as mutual funds and savings bonds issued by the Government. The Bank's asset sales centres distribute retail credit products such as mortgage loans, personal loans, vehicle loans and educational loans. The Bank is focused on providing each customer with its choice of channel for transactions and products to meet its financial needs and quality service.

Retail Banking includes products and services in the following areas:

- Retail liabilities;
- Investment products;
- Retail lending (including retail agriculture lending) and payments; and
- Financial inclusion.

Retail Liabilities

The Bank's retail liability products include the following:

- *Term Deposits.* Tenure-based deposits of a fixed amount over a fixed term that accrue interest at a fixed rate and may be withdrawn before maturity in accordance with applicable rates.
- *Recurring Deposits.* Tenure-based periodic deposits of a fixed amount over a fixed term that accrue interest at a fixed rate and may be withdrawn before maturity in accordance with applicable rates by paying penalties.
- *Savings Bank Accounts.* Demand deposits from retail customers are interest-bearing and offer a withdrawal facility through cheque books and debit cards. While formerly set by the RBI, savings bank deposit interest rates have been deregulated since 25 October 2011. See "*Supervision and Regulation*".

In addition to the Bank's conventional deposit products, it offers a variety of special value-added products and services, thereby increasing product offerings and providing greater convenience for customers. The Bank is one of the largest private sector bank issuers of debit cards in India based on bank-wide ATM/POS/CARD statistics published by the RBI for March 2018.

Adopting a customer-centric segmentation strategy, the Bank offers differentiated liability products to various categories of customers depending on one or more factors such as age group, gender, income and occupation. While "Axis Burgundy" and "Axis Bank Priority" services cater to high-net-worth individuals, the "Savings Bank Easy Account" serves as an entry-level product to customers. The Bank has also introduced savings bank products tailored to youth, women, senior citizens, trusts and NGOs. The Bank's payroll account scheme offers customised products for the employees of the armed services, corporations, Government and other public sector entities.

The following provides a discussion of the products and services of the Bank's retail liability business.

Prime Segment

The segment aims to offer prompt and easily accessible banking services through the Bank's network of 3,703 branches and extension counters, 13,814 ATMs, the Internet, the Bank's call centre, a mobile banking platform, debit cards with high withdrawal limits and the Bank's "At par Chequebook" facility. This segment offers customers products such as the "Easy Access Savings Account" (an entry-level savings account), "Prime Savings Account" (which has a ₹25,000 average quarterly balance requirement) and "Prime Plus Savings Account" (which has a ₹100,000 average quarterly balance requirement). As at 31 March 2018, deposits under the Prime segment increased to 421.02 billion, constituting 28.43 per cent. of the Bank's total savings bank deposits, as compared with ₹376.51 billion, constituting 29.90 per cent. of the Bank's total savings bank deposits, as at 31 March 2017.

Savings Bank Account for Trusts and NGOs

The Bank also has a savings bank product for the trusts, societies and NGO segment. The product provides banking solutions by leveraging the "Anywhere Banking" platform of the Bank, the at par Chequebook facility (which has no upper limit) and other value-added services. As at 31 March 2018, the segment accounted for ₹69.21 billion in deposits, constituting 4.67 per cent. of the total savings bank deposits of the Bank, as compared with ₹60.34 billion in deposits, constituting 4.79 per cent. of the total savings bank deposits of the Bank as at 31 March 2017.

Payroll Account Scheme

To offer complete banking solutions to salaried employees, the Bank has introduced a comprehensive payroll product consisting of differential privileges and offered on the basis of the net monthly salary of an employee. It allows the employer to manage salaries across various centres, with the employee benefiting from banking facilities including retail loans, a debit card and overdrafts, and privileges including concessional average balance requirements. As at 31 March 2017, the payroll product portfolio totaled ₹251.91 billion. The share of business against the overall savings portfolio was 25.42 per cent. in terms of number of accounts, and 19.99 per cent. in terms of month-end balances.

As at 31 March 2018, the payroll product portfolio totaled ₹287.49 billion. The share of business against the overall savings portfolio was 25.27 per cent. in terms of number of accounts, and 19.42 per cent. in terms of month-end balances.

Encash 24 Account

The Bank's Encash 24 account is a savings account linked to a time deposit product that offers the customer the liquidity of a savings account as well as the higher returns of a time deposit. This product provides a weekly automatic transfer of idle balances above a certain minimum amount from savings accounts to time deposits, resulting in higher yields for the customer. Whenever there is a shortfall in the customer's savings account, deposits are automatically transferred from the time deposit account to meet the shortfall.

Axis Bank Priority Programme

The "Priority" initiative targets the mass affluent customer segment and is structured to cater for their entire relationship with the Bank, with a specific focus on banking and investment needs. Priority offers personalised services, convenience, preferential pricing across various banking products and flexible eligibility criteria. Priority benefits include access to a relationship manager, Lifestyle and Dining Privileges, Relationship pricing over a range of products, a premium "Priority Platinum International Debit Card" with unlimited and free usage at any Visa ATM and other discounts and offers along with a 25 per cent. cash back on movie ticket bookings. As at 31 March 2018, the segment accounted for ₹258.89 billion in deposits, constituting 17.48 per cent. of the total savings bank deposits of the Bank.

Investment Products

Life Insurance

The Bank has a corporate agency tie up with Max Life Insurance and Life Insurance Corporation of India for sales of life insurance products. Such open architecture model allowed by IRDAI enables banks to tie up with up to three insurance companies to sell life insurance products. As per the corporate agency guidelines, the Bank's staff are licensed and responsible for selling the life insurance products.

For the year ended 31 March 2018, the Bank earned fee income of ₹5,395 million from its Life Insurance business, which represented a 3.35 per cent. decrease from ₹5,582 million in the year ended 31 March 2017.

Non-Life Insurance

As Corporate Agents of Tata AIG General Insurance Co. Ltd, the Bank offers general non-life insurance to its customers through its branch distribution network. Apart from standard products, such as motor or fire insurance products, the Bank also sells products such as health, personal accident and home insurance products.

In the fiscal year of 2018, the non-life insurance business grew by over 71 per cent. compared with the fiscal year of 2017, with over 0.57 million policies amounting to 4.45 billion of premium.

Mutual Fund Sales

The Bank is one of the leading distributors of mutual funds in India. The Bank distributes mutual fund products of all major asset management companies in India to its clients. The Bank recommends suitable schemes to its clients based on the recommendations of its own in-house research team. Mutual fund products are sold through the Bank's branch distribution network based on client requirements. The Bank earns fee income in the form of up-front retention remuneration on the sale of mutual funds and transaction charges on the sale of mutual fund products.

The Bank earned a fee income of ₹3,885 million through the distribution of mutual fund products for the year ended 31 March 2018, which was an increase of 22.40 per cent. from ₹3,174 million for the year ended 31 March 2017. A part of the Bank's regular business pursuit focus was to ensure that the products reached new sets of customers.

Online Trading

The Bank offers online trading services in collaboration with Axis Securities Limited (**ASL**) (a wholly owned subsidiary of the Bank) under the name AxisDirect. AxisDirect, an online platform, offers a diverse range of products including equity, derivatives, initial public offerings, mutual funds, exchange traded funds, and non-convertible debentures, among others. AxisDirect, a three-in-one investment account with online and phone trading capabilities, is available to both residents and NRI customers. AxisDirect was launched in January 2011. There has been an increase of over 0.45 million online customers in the fiscal year of 2018 due to the AxisDirect services.

Dematerialised Account (Demat Account)

The Bank is a registered depository participant of the National Securities Depositories Limited (**NSDL**) and the Central Depository Services (India) Limited (**CDSL**). The Bank began offering depository participant services in 1998 when it registered with NSDL. As at the date of this Offering Circular, the Bank offers depository participant services through more than 1,822 branches, serving more than 1.75 million dematerialised account (**Demat Account**) holders.

In accordance with SEBI circular (CIR/MRD/DP/20/2015) dated 11 December 2015, all Demat Accounts having less than 0.2 million were required to convert to basic Demat Accounts with effect from 1 April 2016. The annual maintenance fee for such accounts was reduced, which resulted in a decrease in the fee income of the Bank in the fiscal year of 2018. The Bank earned a fee income of ₹275 million (retail and corporate) from Demat Accounts in the year ended 31 March 2018, as compared with ₹212 million (retail and corporate) earned in the year ended 31 March 2017.

Burgundy by Axis Bank

The Bank launched its most exclusive offering, 'Burgundy', to its high net income customers in September 2014. Burgundy brings solutions offered by various business groups within the Bank (including both retail and corporate divisions) under one integrated platform. It offers a dedicated Burgundy relationship manager backed by a team of experts, integrated wealth management solutions across all major asset classes, cards (debit cards, credit cards, multicurrency forex cards), lending and personal financial solutions, and customised business solutions. The assets under management of Burgundy customers as at 31 March 2018 was ₹1232,980 million as compared with ₹694,880 million as at 31 March 2017.

Retail Lending (including Retail Agriculture Lending) & Payments

The growth of retail and consumer lending in India is a consequence of growing affluence and changing consumer behaviour. This growth is evidenced by the utilisation of credit for consumer asset acquisition. The Bank has identified this activity as one of its core growth areas. The Bank's focused marketing approach, product innovation, risk management systems and competent back-office processes contribute to the strength of the Bank's retail lending strategy. The target markets identified for retail loans are salaried or self-employed professionals and other self-employed individuals, HUFs, trusts, firms, private limited and public limited companies. The Small Business Banking (**SBB**) division was formed as a separate vertical under the Retail Lending division in 2014 to specifically cater to the financing needs of MSME customers. The MSME customers are provided with secured and unsecured credit facilities in the form of fund-based as well non-fund-based limits under the SBB business.

During the fiscal year of 2015, the Bank reorganised the agricultural lending business and merged the retail portion of agricultural advances with the existing portfolio of retail loans, while non-retail agricultural loans were merged with the SME segment. With the alignment of retail agricultural lending with retail lending, the Bank intends to service rural customers with all their financial needs as both agriculturists and customers. This strategy also allows the Bank to fully leverage its distribution network. The Bank offers a diverse range of templated products targeted at its agricultural loan customers, including the "Kisan Credit Card" (credit facilities extended to farmers for various requirements), loans for farmers against pledges of gold ornaments, a comprehensive scheme for warehouse receipt financing and cattle loans. As at 31 March 2018, the agriculture business of the Bank operated through 2,142 branches attached to 116 area offices, which facilitated the Bank's growth in the agricultural lending sector. In order to provide a strategic focus on agricultural lending, the Bank has adopted an area-centric approach to agricultural lending in areas the Bank considers agriculture-intensive and where a potential market exists for the Bank's agriculture finance. This initiative aims to help the Bank in scaling up its direct lending services.

The Bank offers a variety of retail credit products such as mortgage loans, automobile loans, commercial vehicle loans, personal loans, education loans, credit cards, loans against time deposits, loans against securities, small business banking loans and agriculture loans. The major components of the Bank's retail lending portfolio are home and mortgage finance, agriculture loans, personal loans and automobile finance. As at 31 March 2018, 2017 and 2016, the Bank's net retail advances was ₹2,064.65 billion, ₹1,679.93 billion and ₹1,385.21 billion, respectively, constituting 46.96 per cent., 45.03 per cent. and 40.89 per cent., respectively, of the Bank's net advances.

These loans are provided by the Bank directly through asset sales centres in metropolitan areas and major cities of India and through branches in cities where the Bank does not have an asset sales centre. The asset sales centres serve as the focal point for marketing, distribution and servicing of retail loan products.

Retail Advances Portfolio by Category

The Bank's retail advances portfolio consists of schematic and non-schematic loans. As at 31 March 2018, the portfolio mainly consists of automobile loans (comprising 10.47 per cent.), mortgage loans (comprising 48.44 per cent.), personal loans (comprising 9.79 per cent.), gold loans (comprising 0.66 per cent.), agriculture loans (comprising 15.33 per cent.), and non-schematic loans (i.e. credit cards, loans against deposits and loans against securities and others) (comprising 14.93 per cent.). The Bank's total net retail advances portfolio of ₹2,064.65 billion by product is set out below.

Product	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018
	(₹ in millions)		
Automobile loans	123,762	169,876	216,117
Mortgage loans	737,394	878,733	1,000,120
Personal loans	112,212	139,091	202,147
Gold loans	9,219	10,607	13,551
Education loans	1,813	4,803	7,797
Retail agriculture loans	232,181	267,423	316,585
Total schematic	**1,216,581**	**1,470,533**	**1,756,317**
Non-schematic (including cards portfolio) and others	**168,629**	**209,396**	**308,328**
Total	**1,385,210**	**1,679,929**	**2,064,645**

Mortgage loans, personal loans, agriculture loans and non-schematic loans have been major contributors to the increase in the Bank's retail advances portfolio. The Bank's retail advances portfolio also includes loans acquired through portfolio buyouts.

The Bank's home and mortgage finance business involves extending long-term secured housing and commercial property loans to individuals and companies. As at the date of this Offering Circular, these loans are being offered for the purchase, construction and extension of residential and commercial premises. As at 31 March 2018, the Bank's total home and mortgage finance portfolio, which predominantly comprised floating rate loans, totalled ₹1,000.12 billion, representing 48 per cent. of the Bank's total net retail advances portfolio. As at 31 March 2017, this portfolio totalled ₹878.73 billion, representing 52 per cent. of the Bank's total net retail advances portfolio. Automobile finance, which includes financing four-wheelers, commercial vehicles, and construction equipment, involves providing consumer credit for an average period of three to five years to acquire a new or used vehicle. Automobile loans are secured by a lien on the purchased asset. As at 31 March 2018, the automobile loan portfolio totalled ₹216.12 billion representing 10 per cent. of its total net retail advances portfolio. As at 31 March 2017, the Bank's total automobile finance portfolio of ₹169.88 billion represented 10 per cent. of its total net retail advances portfolio. The Bank has developed relationships with several established non-banking financial companies (**NBFC**s) in India, providing both direct automobile finance (to individual borrowers) as well as indirect automobile finance (portfolio buy-outs). Personal loans are unsecured loans provided to customers for various purposes, such as medical expenses and social obligations, and are generally repayable over four years. As at 31 March 2018, the Bank's personal loan portfolio totalled ₹202.15 billion, which represented 10 per cent. of its total net retail advances portfolio, as compared with ₹139.09 billion, representing 8 per cent. of its total net retail advances portfolio as at 31 March 2017.

Credit Evaluation: Retail Loans

All prospective borrowers are granted loans only if they pass the credit evaluation process. The Bank has detailed product lending parameters and devised a credit-scoring sheet for all major products. For a loan to be approved, a minimum cut-off score must be achieved by a borrower. This credit rating mechanism is periodically updated and reviewed. The Bank has devised a separate risk evaluation model for agricultural loans with an objective to measure and mitigate the risk involved in financing this sector.

Merchant acquiring

The Bank launched its merchant acquiring business in December 2003 and it has emerged as one of the largest merchant acquirers in the country based on bank-wide ATM/POS/CARD statistics as published by the RBI for March 2018. Under its merchant acquiring business, the Bank focuses on strengthening its relationship with its merchant partners to open up avenues of cross-selling the Bank's transactional products. The Bank has processed card transactions amounting to ₹678.22 billion in the fiscal year of 2017 and ₹955.05 billion in the fiscal year of 2018. The Bank generated total revenue of ₹965.84 million in the year ended 31 March 2017 and ₹1542.11 million in the year ended 31 March 2018 from its merchant acquiring business.

Other Products and Services

Other products and services offered by the retail banking segment include debit cards, meal cards, gift cards, rewards cards, remittance cards, payroll cards, annuity cards (co-branded with LIC), credit cards, card acceptance services and loans against gold.

Retail Banking – Fee Income

Fee income is generated from ATM interchange transactions, cards, safe deposit lockers, service charges on deposit transactions, processing fees from retail loans as well as fees earned from third party product sales. Fee income from retail banking activities amounted to ₹42,567 million in the year ended 31 March 2018, as compared with ₹34,810 million in the year ended 31 March 2017.

International Retail

In order to have an integrated NRI strategy for the Bank to capture the remittances and NRI business, while continuing to maintain a specific focus on providing a comprehensive forex solution to retail customers, the Bank in the fiscal year of 2012 created a group called "International Retail". With the realignment of NRI business with Retail Banking in the fiscal year of 2015, International Retail now provides services to business customers related to Retail Forex and Remittances and Overseas Retail (retail businesses in countries such as Hong Kong, Sri Lanka, United Kingdom etc., where the Bank has a presence).

Non-Resident Products and Services

The Bank offers a comprehensive suite of banking and investment products to the overseas Indian diaspora under the umbrella brand "NRI Services". The product suite ranges from basic products like "demand and term deposits" to private banking solutions for sophisticated and high-net-worth customers.

Key products include non-resident (external) (**NRE**) and non-resident ordinary (**NRO**) savings and term deposits, foreign currency non-resident (**FCNR)** (B) fixed deposits, resident foreign currency (**RFC**) accounts for returning NRIs and a host of investment products such as life and general insurance, mutual funds and bonds, as permitted by the relevant regulators. The Bank also offers loan and overdraft facilities to NRI customers against their term deposits with the Bank.

The Bank offers 'Portfolio Investment Scheme' (**PIS**) services across all its branches. All branches are authorised to issue PIS permissions to NRIs/PIOs who want to trade in the Indian secondary markets through a registered stockbroker on a recognised exchange.

The Bank has a strong focus on customer service and provides a 24x7 integrated helpdesk for NRI customers with the facility of toll-free numbers from key locations.

Retail Remittances

The Bank provides multiple inward remittance solutions to customers based on the target customer profile and the geography.

AxisRemit Online and *Remit Money* are the Bank's online remittance platforms, which are available to NRI customers in the United States of America, United Kingdom, Canada, Australia, Singapore, Switzerland, South Africa, Hong Kong and the UAE. Customers can log on to the platform and remit money from their overseas bank account to any bank account in India.

The Bank has also partnered with 57 exchange houses across the globe and with 59 partner banks overseas to route the remittance payments of their customers to any bank account in India. AxisRemit Direct is the Bank's alliance management platform offered to many such partner banks and foreign exchange houses for managing their remittances to India.

The Bank also offers its customers the facility to send SWIFT-enabled remittances from their overseas bank accounts to their accounts with the Bank. The Bank facilitates these remittances directly in 40 currencies through its Nostro accounts and with specific arrangements with overseas correspondent banks. Additionally, through its Nostro accounts, the Bank also supports foreign currency cheque/draft clearing for its customers.

In the fiscal year of 2018, the Bank launched inward remittance rates for NRI customers on wire transfers and a new digital platform for those services (www.remitmoney.com) to enhance customer convenience.

With its focused approach on retail remittances, the Bank processed a total of U.S.$9.295 billion in remittances during the fiscal year of 2018.

Retail Forex

The products offered under the Retail Forex segment include travel currency cards, outward wire transfers, travellers cheques and currency notes.

The Bank pioneered the introduction of its travel currency card in September 2003 and has continued to maintain its market leading position in travel currency card product offerings with a sales volume of U.S.$1.58 billion in the fiscal year of 2018. The Bank continues to enhance the MultiCurrency Forex Card product introduced in the fiscal year of 2015 that enables customers travelling to different countries to load up to 16 currencies on a single card. The Bank continues to hold a leading position among all banks in the business of travel currency cards, with a 40 per cent. market share as at 31 March 2018 according to information obtained from MasterCard and Visa. As at 31 March 2018, the total value spent by customers through the Bank's travel currency cards had exceeded U.S.$6.5 billion, while the total value of money loaded onto the Bank's travel currency cards had exceeded U.S.$9 billion.

In the fiscal year of 2016, the Bank introduced an online platform, www.axisforexonline.com, for all types of Retail Forex services such as Outward Remittances, Forex Cards and Foreign Currency Cash. With this focused approach on retail foreign exchange, a volume of U.S.$3.83 billion was processed by the Bank as remittances as at 31 March 2018.

Overseas Retail

The Bank's international retail segment now provides services to business customers in areas of retail forex and remittances and overseas retail, among others, in countries such as Hong Kong, Sri Lanka and the United Kingdom.

The Bank has focused on driving retail business initiatives in countries outside India where it already had operations in order to leverage its existing infrastructure in such countries and increase its overall retail liabilities and fee income. As at the date of this Offering Circular, the Bank is permitted to carry out retail banking business through overseas branches in Colombo, Sri Lanka and Hong Kong and through its subsidiary in United Kingdom, which began banking operations in April 2013.

As at the date of this Offering Circular, the Bank's Colombo and Hong Kong branches offer liability deposits, including savings, current and term accounts. Retail deposits balances in the overseas branches as at 31 March were U.S.$181.19 million. Additionally, remittances from the Bank's overseas offices in Hong Kong, Sri Lanka, Shanghai and the United Kingdom during the fiscal year of 2018 amounted to U.S.$30.72 million.

Financial Inclusion

The Bank regards the financial inclusion sector not only as a regulatory requirement or a corporate social responsibility initiative but also as a strategic opportunity to expand its reach into the unbanked rural market and underserved segments of the urban market. As at 31 March 2018, the Bank had opened approximately 10 million basic savings accounts and had a wide network of over 16,616 customer service points with more than 14,833 such outlets in urban locations. As at the date of this Offering Circular the Bank is equipped to handle interoperable transactions on Aadhaar Enabled Payment System (**AEPS**), an electronic system in India that enables financial transactions based on customers' Aadhaar number – Government-issued identification numbers. This in turn has empowered the Aadhaar enabled customers of the Bank to transact at other banks' Aadhaar enabled business correspondent outlets and vice versa. During the fiscal year of 2018, the Bank had processed nearly 0.24 million AEPS payments amounting to ₹780 million. With respect to its remittance business, the Bank has tied up with several BCs and has processed more than ₹63,285 million worth of remittances during the fiscal year of 2018.

Priority Sector Lending

Commercial banks in India are required by the RBI to lend 40 per cent. of their adjusted net bank credit of the previous year to specified sectors known as "priority sectors", subject to certain exemptions permitted by the RBI from time to time. Priority sector advances include loans to the agriculture sector, micro & small enterprises, financial inclusion sector, microfinance loans, loans to certain sectors deemed "weaker" by the RBI, housing and education finance up to certain ceilings, purchase of eligible assets and investments in eligible securitised assets. Deposits with NABARD on account of shortfall in priority sector business targets are eligible for priority sector lending (**PSL**). The Bank is required to comply with the priority sector lending requirements. See "*Selected Statistical Information – Funding – Directed Lending*".

The following table sets forth a summary of the Bank's priority sector loan outstanding as at the periods indicated.

	As at 31 March		
	2016	2017	2018
		(₹ in millions)	
Agricultural advances[(1)]	320,716	441,165	429,500
Micro & Small Enterprises[(2)(##)]	369,722	440,340	498,656
Other priority sector[(3)]	301,993	303,557	406,569
Total	992,431	1,185,062	1,334,725

(1) Agricultural advances include deposits with NABARD.

(2) Micro and small enterprise advances include deposits with SIDBI and the Micro Units Development and Refinance Agency Limited and purchased.

(3) Other priority sectors include deposits with NHB and PSLCs purchased for general purposes for an amount of ₹97,155 million.

(##) Pertains to SME business of the Bank

As at 31 March 2018, the Bank had a portfolio of ₹1,334.73 billion in priority sector lending.

The RBI revised the PSL guidelines in April 2015. According to the revised guidelines, from the fiscal year of 2017 deposits with the SIDBI, NHB and MUDRA funds are also eligible for PSL.

Transaction Business Banking

The Transaction Business Banking group (TxB) was formed in April 2015 to provide effective service to the Bank's customers and to offer efficient client management and product solutions. The TxB department provides integrated products and services to customers in areas of current accounts, cash management services, capital market services, trade, foreign exchange and derivatives. In addition to transaction banking services to corporate customers, the TxB group also provides current accounts, savings accounts to Government and state government agencies also in addition to providing retail customers with their forex requirements such as forex cards and wire transfers. As at 31 March 2018, the Bank had 1.9 million current account relationships in its business banking segment.

The Bank focuses on procuring low cost funds by offering a range of current account products and transactional banking solutions across all business segments such as corporates, institutions, central and State Governments and small and retail business customers. The Bank's current account products provide flexibility to its customers to choose from a range of products depending on their average balance requirements. In addition to traditional channels such as the Bank's branches and ATMs, customers can access and conduct transactions through the Bank's Internet banking platform. Customers can also access their account information through the phone banking and mobile banking facilities offered by the Bank.

The Bank provides end-to-end cash management solutions by combining efficient collections and disbursements products, backed by state-of-the-art systems to ensure customised delivery. The Bank offers cash management services such as collection, payment and remittance services with a focus on improving clients' cash flows. In the cash management services business, the Bank focuses on offering customised services to its customers to cater to specific corporate requirements and improve the existing product line to offer enhanced features to the customers. These solutions leverage the Bank's growing branch network and robust technology to provide an ideal blend of structured monthly information systems and faster fund movement, so that customers are able to enhance their fund management capabilities. Cash management products include local and remote collections, local and remote payments through customer cheques and bulk demand draft, electronic clearing services, disbursement of dividend and interest and Internet-based payment products along with a customised management information system (**MIS**). The Bank is also focusing on host-to-host integration for both collections and payments, such as IT integration between corporates and the Bank for seamless transactions and information flow. The Bank provides comprehensive structured MIS reports on a daily or monthly basis or as required by clients for better accounting and reporting. Cash management services are not only emerging as an important source of fee income but are also contributing significantly towards mobilising zero-cost funds and building strong client relationships.

Under the custodial business segment, the Bank offers a full range of custodial services for primary and secondary market operations involving debt, equity and money market instruments. The Bank is approaching insurance companies, mutual funds, foreign corporate entities, foreign venture capital investors and foreign institutional investors to further market these services.

Under the trade, forex and derivative business segment, the Bank offers complete trade finance and foreign exchange business solutions through its branches across the country. The Bank also provides structured hedging solutions to all client segments of the Bank. The derivatives team is responsible for providing a variety of hedging solutions, such as exchange and interest rate derivative structures, including options and swaps in accordance with the derivative policy of the Bank. The Bank also has a team of experts stationed at its central office who serve a co-ordinating role for the Bank's branches and business departments which need advice on regulations governing trade and forex business.

As at 31 March 2018, the Bank had 3,703 branches spread across India and, in addition, offered services through arrangements with reputable correspondent banks. These arrangements help to respond to increasing customer demand and offer a broader distribution network. As a result of these correspondent banking relationships, cash management services are provided at multiple locations in India, with a capability of extending the network to other remote locations depending on need. The Bank also offers its services to other private and foreign banks as a correspondent bank. Its dedicated services desk, the Centralised Collection and Payment Hub, ensures that the clients' collection and payment activities are executed within minimum transit time thereby reducing interest cost and improving clients' liquidity.

The Transaction Banking Department is divided into the Sales Group, Products and Solutions Group and Customer Services Group.

Sales Group: This team focuses on driving sales across all customer segments, primarily of transaction banking products. The Sales Group is further organised by customer segment, namely (a) Corporate and Financial Instructions, (b) Branch Banking, and (c) Government Business.

(a) ***Corporate and Financial Institution Group (Corp and FI Segment):*** This team primarily services the large and medium-sized corporates and financial institutions.

(b) ***The Branch Banking team (BAG Segment):*** This team focuses on leveraging the branch network and meeting the transaction banking requirements of clients with a primary sales focus on SMEs, corporate agricultural and emerging enterprises group clients.

(c) ***The Government Business team (GB Segment):*** This team is responsible for providing transaction banking services to various Government ministries and departments and union territories.

Products and Solutions Group: This team is responsible for improving customer experience and supporting the sales teams in client or product pitches. This includes separate teams for key transaction banking products and solutions in areas such as current account, cash management services (CMS), trade, forex and derivatives, tax and Government products as well as teams for managing portfolios and analytics. The group has product specialists in CMS, trade, forex and derivatives across regions to disseminate product knowledge and best practices to the relationship managers. Custody, corporate account and capital market services also form part of this group.

Customer Service Group: This team is responsible for servicing customers at branches for primarily trade, forex and CMS. The team has been formed by restructuring the existing field and branch staff from the Trade Finance Centre, trade and foreign exchange operations (excluding Trade Finance Centre), GTSD service relationship managers, trade service group and Government business nodal officers.

Government Business

The Bank was the first private sector bank to be authorised by the Government and RBI for the collection of commercial taxes in Andhra Pradesh. The Bank is authorised by the RBI and the Government by its letter DGBA.GAD.No. 218/42.01.001/2003-04 dated 27 August 2003 to handle all Government banking transactions which including the following:

- collection of sales tax, pension payments on behalf of the state government;

- collection of direct and indirect taxes;

- disbursement of central civil as well as non-civil (including the railways, defence, telecommunication and posts) pensions; and
- processing payments on behalf of various ministries and Government departments.

A. As at the date of this Offering Circular, the Bank is associated with the below state government departments in the following manner:

- collection of commercial taxes in Andhra Pradesh;
- collection of sales tax and professional tax in Gujarat;
- collection of sales tax in Chhattisgarh;
- collection of sales tax in Chandigarh;
- collection of sales tax in Uttaranchal;
- collection of sales tax and national permit fee in Punjab;
- collection of sales tax/VAT in Delhi;
- collection of commercial taxes in Sikkim;
- collection of commercial taxes in Odhisha;
- collection of commercial taxes in Tamil Nadu;
- collection of commercial taxes in West Bengal;
- collection of commercial taxes in Madhya Pradesh;
- collection of commercial taxes in Karnataka;
- collection of commercial taxes in Assam;
- collection of commercial taxes in Tripura; and
- collection of stamp duty through franking.

B. As at the date of this Offering Circular, the Bank is associated with the below Government ministries and departments in the following manner:

- collection of income/other direct taxes on behalf of the Central Board of Direct Taxation, Ministry of Finance;
- collection of indirect taxes on behalf of the Central Board of Excise and Customs, Ministry of Finance;

- collection of GST as per the authorisation of the Ministry of Finance, the Department of Revenue and the Government of India

- handling the disbursement of central civil pensions as well as handling disbursement of defence pensions across all branches of the bank;

- providing banking services to the Ministry of Urban Development and Ministry of Housing and Urban Poverty Alleviation including handling receipts and expenditure-related payments of the Secretariat Office and other attached and subordinate offices;

- providing banking services to the office of the Controller General of Accounts under the Ministry of Finance including handling receipts and expenditure-related payments through its two authorised branches in Delhi;

- providing banking services to the Railway ministry including trade and forex services to various railway units; and

- providing banking services to the Ministry of Defence including the facility of extending the single window payment facility towards handling contractors, and suppliers, payments to various defence units.

C. Smart City Initiative

Smart Cities Mission is an urban renewal and improvement programme established by the Government of India (the **GoI**) with the objective to develop 100 cities across the country, making them citizen-friendly and self-sustainable. The Union Ministry of Urban Development of the GoI is responsible for implementing this mission in collaboration with the state governments of the respective cities.

Axis Bank is strongly aligned with this national mission and is involved in facilitating digital transactions and payments for various stakeholders, which include citizens, government bodies and utility companies. It includes providing easy payments and e-Governance services to various government and non-government bodies using advanced technological products such as mobile applications, web portals, pre-paid cards, electronic data capture terminals and mobile handheld devices.

Axis Bank has been selected as the implementing agency for the Raipur Smart City project in Chhattisgarh, expected to benefit over 1.2 million individuals. The Bank's scope of work broadly involves:

- the design and delivery of a Smart Card-based cashless payment system for citizens within the periphery of Raipur Smart City; and

- the design, development and hosting of a web and mobile portal for Raipur Smart City with citizen-centric services supply, integration and maintenance of POS/Micro ATMs (**Automatic Teller Machines**) at specified locations for payment acceptance for municipal taxes, utility payments and other services.

Public Financial Management System

The Bank is a participating entity in the Government's Public Financial Management System (**PFMS**). PFMS is a financial management system of the Planning Commission of India which is being implemented by the Office of the Controller General of Accounts, Ministry of Finance, in partnership with NIC Technology, Inc. PFMS monitors different social sector programmes in India and tracks the disbursement of funds in relation to such programmes, using an online management information system and decision support system. PFMS has been used to administer approximately 247 Centrally Sponsored Schemes, more than 644 Central Sector Schemes, and several State Government programmes and "Additional Central Assistance" programmes of the Government.

D. e-Governance Initiatives

The Government and State Governments have undertaken e-Governance initiatives aimed at providing better citizen services by setting up integrated Citizen Facilitation Centres. The Bank is proactively seeking opportunities to participate in e-Governance initiatives and associated with the e-Governance initiatives of five states and union territories, namely Andhra Pradesh (e-Seva), Karnataka (Bengaluru One and Hubli-Dharwad One), Chandigarh UT (Sampark), Chhattisgarh (CHOiCE), Uttar Pradesh (e-Suvidha).

The total Government business turnover handled by the Bank for the year ended 31 March 2018 was ₹0.99 trillion.

As at 31 March 2018, the current accounts balance with the Bank was ₹956.50 billion compared with ₹870.02 billion as at 31 March 2017. For the year ended 31 March 2018, the current accounts balance on a daily average basis was ₹601.54 billion compared with ₹488.00 billion for the year ended 31 March 2017. In line with the Bank's vision to provide complete financial solutions, there was a greater focus on acquisition of high value current account customers in the fiscal year of 2018. The total number of current accounts with the Bank as at 31 March 2018 was 1.9 million.

For the year ended 31 March 2018, the average daily balance and fee earned from current accounts availing cash management services (collections and payments) by the Bank was ₹127.7 billion and ₹1.9 billion, respectively.

As at 31 March 2018, the Bank maintained assets worth ₹582.24 billion across 65 institutional clients under its custodial business. The Bank provided depository participant services to 3,937 corporate and broker clients as at 31 March 2018 as compared to 3,763 accounts as at 31 March 2017. The net income earned from the custodial services and corporate demat business during the fiscal year of 2018 was ₹90.3 million. The clients using custody services maintained an average balance of more than ₹3.91 billion during the fiscal year of 2018 in their maintained current accounts.

International Retail

The Bank offers a range of forex and remittance products to its retail customers, which include forex cards, inward and outward wire transfers, traveller's cheques and foreign currency notes, remittance facilities through an online portal as well as through correspondent banks and exchange houses. Furthermore, the Bank offers a remittances facility to NRI customers through the Bank's Sri

Lankan branch and subsidiary Axis Bank UK Ltd., for remittances to India. Additionally, the Bank offers remittances from the Gulf Co-operation Council (GCC) region to Sri Lanka through tie-up with four exchange houses.

In the fiscal year of 2018, the Bank also continued to have a market leadership position in forex cards with 16 currency options other than INR being offered. Furthermore, the Bank offers the "Miles and More Multi-Currency" forex card in association with Lufthansa airline aimed at frequent flyers, which is an industry first in this segment. The aggregate value of forex cards was over U.S.$1.58 billion during the fiscal year of 2018.

The Bank also introduced a commercial forex card to address foreign currency payment needs of corporates and tour operators. This card acts as a substitute to the traditional payment mechanisms of wire transfers, foreign currency demand drafts and brings efficiency to the entire payment processing system along with providing customers with the convenience of making payments online.

The Bank was the first in India to connect with Earthport's global payment network, which spans over 60 countries. This tie-up enables the Bank to offer faster outward remittances with value added features, such as transparency in charges and reduction of transfer time of transactions. The volumes of retail remittances also rose by 7 per cent. during the fiscal year of 2018 and the Bank processed outward remittances of U.S.$3.83 billion and inward remittances of U.S.$9.29 billion in the same period.

Treasury

The Treasury manages the funding position of the Bank and also manages and maintains its regulatory reserve requirements. As part of liquidity management, the department invests in sovereign and corporate debt instruments, commercial paper, mutual funds and floating rate instruments. The department also undertakes proprietary trading in equity, fixed income securities, foreign exchange, currency futures and options. Apart from proprietary trading, the department also offers a wide range of treasury products and services to customers, including derivative instruments such as forward contracts, interest rate swaps, currency swaps, foreign currency options and remittances.

Funding and Asset Liability Management

The Treasury manages short-term liquidity through short-term borrowings such as overnight inter-bank borrowings, collateralised borrowing and lending obligations (**CBLO**), repo, re-discounting bills and through other money market operations. The Bank raises foreign currency borrowings from local banks and foreign counterparties. The Bank also raises retail foreign currency deposits from NRIs at rates regulated by the RBI.

The table below sets out the deposits position of the Bank as at specified dates.

	As at 31 March		
	2016	2017	2018
	(₹ in millions)		
Savings bank deposits	1,057,931	1,260,483	1,482,021
Demand deposits	636,519	870,017	956,496
Term deposits	1,885,225	2,013,288	2,097,711
Total deposits	**3,579,675**	**4,143,788**	**4,536,227**

The Treasury ensures day-to-day funding for branch operations and asset build-up. Since the CRR balances earn no interest from the RBI, the funding desk also ensures that only optimal CRR balances are maintained and that additional surpluses are deployed in the form of short-term investments in commercial paper, certificates of deposit (**CDs**) or debt schemes of mutual funds.

The Treasury measures and monitors the spreads of the Bank. Yields on assets and cost of funds are monitored on an ongoing basis. Maturity profiles of new deposits are adjusted to ensure that the Bank reaches its targeted spreads and that its liquidity profile remains comfortable.

The asset liability management group considers suitable hedging options for items on the balance sheet at appropriate times to protect or increase the Bank's spreads.

The table below provides details of the net interest income and net interest margin for the accounting periods ended on specified dates.

	For the year ended 31 March		
	2016	2017	2018
Net interest income (in millions)	168,329	180,931	186,177
Net interest margin (percentage)	3.90	3.67	3.44

Trading Operations

The Treasury manages integrated trading operations in foreign exchange and domestic money markets. It is responsible for maintaining regulatory reserves and using the trading portfolio to earn profits through exchange income and capital gains.

The investment policy is designed to address the following:

- compliance with regulatory requirements;
- guidelines for taking exposure in various debt instruments; and
- risk mitigation.

The Treasury maintains the RBI-mandated SLR requirements in the form of investments in Government bonds and treasury bills. This portfolio is actively managed and churned and, depending on an internal view of interest rates, surpluses are maintained in the trading book. The Treasury uses these surpluses to take advantage of favourable movements in interest rates to book capital gains on the investment book. In accordance with the RBI guidelines, investments are categorised as “Held for Trading”, “Available for Sale” and “Held to Maturity”.

The size of the Bank’s equity portfolio is restricted by a ceiling imposed by the RBI on the capital market exposure of banks to 40 per cent. of their net worth as at 31 March of the previous year. The Bank’s aggregate limit for exposure to the capital markets for the fiscal year of 2018 was ₹237.52 billion (40 per cent. of its net worth as at 31 March 2017, as adjusted for subsequent capital injection). The Bank’s exposure to the capital markets (as defined by the RBI) as at 31 March 2018 was ₹123.72 billion.

In general, the Bank pursues a strategy of active management of its equity portfolio to maximise its return on investments. To ensure compliance with insider trading regulations of the Securities and Exchange Board of India (**SEBI**), all dealings in equity investments in listed companies are undertaken by the equity-trading desk, which is securely segregated from the Bank’s other business groups.

The Treasury also offers investment options to retail and institutional investors and servicing support through all branches of the Bank. In this regard, the Bank facilitates the holding of Government securities. Commission and trading profits are earned through these transactions.

The table below sets forth the gross book value of the investment portfolio as at the specified dates.

	As at 31 March		
	2016	**2017**	**2018**
	(₹ in millions)		
Investment in Government securities	850,430^	905,981	1,013,547
Investment in shares	15,267	24,810	34,819
Investment in bonds and debentures	229,499	266,774	313,624
Investment in commercial paper (**CP**)	35,452	37,434	68,091
Investment in certificates of deposit (**CD**)	46,115	0.00	28,752
Investment in venture capital	849	266	279
Investment in subsidiaries/joint ventures	9,559	10,727	17,931
Others(1)	12,562	26,496	55,427
Gross Investments in India	**1,199,733^**	**1,272,488**	**1,532,470**
Investment in Government securities	19,766	24,098	26,984
Investment in subsidiaries/joint ventures	3,186	2,996	2,996
Others	1,927	2,060	4,974
Investments outside India	24,779	29,154	34,954
Gross Investment	**1,224,612^**	**1,301,642**	**1,567,424**

(1) Others include investments in Mutual Funds, Security Receipts, Pass Through Certificates etc.

^ Financial information not reclassified or regrouped to conform with its respective presentation as at and for the years ended 31 March 2017 and 2018. See "*Management Discussion and Analysis of Financial Condition and Results of Operation*" for more information.

The table below details figures relating to income earned from the following activities during specified periods.

	For the year ended 31 March		
	2016	2017	2018
		(₹ in millions)	
Interest earned on Government securities	65,443	71,582	72,089
Interest earned on debt securities	25,333	21,087	25,460
Interest earned from investments in CP/CD	3,082	3,444	2,473
Dividends from investments in units of mutual funds & Venture Capital Funds	51	36	21
Dividends from investments in shares	170	246	229
Net gain from sale of Government securities	5,184	25,470	6,526
Net gain from sale of debt securities	2,919	2,384	2,162
Net gain from sale of equities	2,003	3,352	4,428
Net gain from sale of CP/CD	257	541	151
Net gain from sale of units of mutual funds & Venture Capital Funds	(175)	0.00	0.00

The table below presents the maturity profile of the gross book value of Government securities in India at the specified dates.

	As at 31 March					
	2016		2017		2018	
Maturity Buckets	**Gross Book Value**	**% to total**	**Gross Book Value**	**% to total**	**Gross Book Value**	**% to total**
1 year	131,461	15.46%	50,957	5.63%	74,466	7.35%
1-3 years	126,634	14.89%	117,090	13.01%	105,288	10.39%
3-5 years	78,927	9.28%	98,934	10.92%	84,408	8.33%
5 years	513,408	60.37%	638,190	70.44%	749,385	73.93%
Total	**850,430^**	**100.00%**	**905,981**	**100.00%**	**1,013,547**	**100%**

^ Financial information not reclassified or regrouped to conform with its respective presentation as at and for the years ended 31 March 2017 and 2018. See "*Management Discussion and Analysis of Financial Condition and Results of Operation*" for more information.

Set out below are breakdowns of the Bank's gross book value of its corporate bond portfolio in India by maturity profile and ratings distribution.

	As at 31 March					
	2016		2017		2018	
Maturity Buckets	Gross Book Value	% to total	Gross Book Value	% to total	Gross Book Value	% to total
	(₹ in millions, except percentages)					
1 year	36,557	15.93%	12,069	4.52%	27,428	8.75%
1-3 years	47,467	20.68%	47,377	17.76%	90,195	28.75%
3-5 years	28,728	12.52%	53,030	19.88%	63,346	20.20%
5 years	116,747	50.87%	154,299	57.84%	132,655	42.30%
Total	**229,499**	**100.00%**	**266,774**	**100.0%**	**313,624**	**100%**

	As at 31 March					
	2016		2017		2018	
Rating Distribution	Gross Book Value	% of total	Gross Book Value	% of total	Gross Book Value	% of total
1. AAA	115,497	50.32%	109,268	40.96%	176,612	56.31%
2. AA+	6,959	3.03%	20,950	7.85%	27,608	8.80%
3. AA	19,277	8.40%	68,739	25.77%	33,415	10.65%
4. AA-	27,461	11.97%	23,852	8.94%	15,254	4.86%
5. A+	12,937	5.64%	8,242	3.09%	34,870	11.12%
6. A	13,616	5.93%	16,078	6.03%	3,102	0.99%
7. A-	1,581	0.69%	3,737	1.40%	1,655	0.53%
8. BBB+	1,853	0.81%	1,763	0.66%	2,193	0.70%
9. BBB	1,040	0.45%	1,020	0.38%	6,914	2.20%
10. BBB-	–	–	0.00	0.00	–	–
11. BB+	–	–	3	0.00	209	0.07%
12. BB	–	–	0	0.00	–	–
13. BB-	–	–	0	0.00	–	–
14. B+	–	–	–	–	–	–
15. B	–	–	0	0.00	–	–
16. C	–	–	0.00	0.00	–	–
17. D	24,628	10.73%	7,946	2.98%	5,021	1.60%
18. Unrated	4,650	2.03%	5,176	1.94%	6,772	2.16%
Total	**229,499**	**100.00%**	**266,774**	**100%**	**313,624**	**100.00%**

Foreign Exchange and Derivatives

The trading desk deals in several major currencies and manages the Bank's exposure through foreign exchange and money market instruments and derivatives within the guidelines and limits stipulated by the RBI and management. Appropriate internal limits for counterparty and currency exposure are in place. The Bank is a market maker in the spot and forward exchange markets, swaps and options.

The Bank offers both off-the-shelf and specifically structured products to its customers to meet funding and risk management requirements in foreign currencies.

The Bank offers forward contracts to customers to hedge against exchange risk on foreign currency receivables and payables, usually of up to one year. The Bank also acts as market maker in interest rate and currency swaps for proprietary trading and customer hedging. Commission and exchange income is earned from such transactions. As at 31 March 2018, the Bank had ₹3,148.02 billion in outstanding forward contracts and ₹2,554.12 billion in outstanding derivatives contracts.

Profit on exchange/derivatives transactions (net) increased from ₹10,802.46 million for the year ended 31 March 2017 to ₹14,286.96 million for the year ended 31 March 2018.

Financial Institutions Group

Financial Institutions Group comprises Global Financial Institutions Division and the Syndication Division.

Global Financial Institutions Division (GFID)

GFID develops and maintains strategic business relationships with Banks and Financial Institutions (FIs) across the globe to build a network of CBs and FIs that support the trade and cross-border business of the Bank and its customers. The GFID also holds primary responsibility for developing a funding base and for increasing the coverage income from Financial Institutions through various other products offered across the Bank.

The GFID consists of the following subgroups:

- International Financial Institutions Relations Group;
- Domestic Financial Institutions Relations Group;
- Correspondent Banking & Payments Group;
- Financial Institutions Credit Group; and
- Financial Institutions Trade Sales Group.

The ***International FI Relations Group*** is responsible for establishing new FI relationships and maintaining existing relationships with financial institutions across the globe. The ***Domestic FI Relations Group*** is in charge of relationships with domestic banks, NBFIs and FIs. Both the relationship groups hold the primary responsibility for achieving business goals and catering to the specific requirements of the FI segment, while driving the overall coverage opportunities for the Bank.

The ***Correspondent Banking & Payments Group*** is responsible for facilitating inter-Bank business by leveraging relationships maintained by the FI Relations Group. This group also facilitates the opening, maintenance and review of nostro and vostro accounts, and develops new products and solutions in the payment space in accordance with market demands and needs of the customers.

The ***FI Trade Sales Group*** caters to the Bank's corporate and SME customers with a range of FI Trade products amongst others like Trade credit, performance guarantee, advance payment guarantee and bid bond guarantee. This group also deals with FI Trade Assets and FI Loan Assets.

The ***FI Credit Group*** manages the FI asset portfolio and is responsible for appraisal, review and management of counterparty bank limits. In carrying out these tasks, this group works within the broader policy of the Bank's Risk Management Department. The group is also responsible for growing the FI credit business through primary FI loans and funding to customers against SBLC of the Bank's partner banks.

The GFID has achieved significant milestones over the last few years and is a consistent contributor to the profitability of the Bank. The GFID has built a sound network of over 1,000 partner banks across the globe, to provide a holistic solution for the global banking needs of the Bank's customers. Furthermore, the GFID is also responsible for forging strategic alliances with banks in various key geographies, with the intention of being their preferred partners in India for retail and corporate banking customers.

Syndication

The Syndication division of the Bank leads the Bank's corporate loan underwriting and distribution business. The primary focus of this group is to identify underwriting opportunities in both onshore and offshore markets and to undertake distribution of the underwritten transactions.

The Bank has developed strong relationships with investors and issuers, including other banks, financial institutions and foreign institutional investors. The Bank is a leading player in the loan syndication market in India and offers solutions across various asset classes including but not limited to in areas of project finance, mergers and acquisition, asset backed and corporate loans.

The Bank is active in the domestic debt market and syndicated approximately ₹196.39 million domestically and approximately U.S.$724 million in the international market during the year ended 31 March 2018. During the year ended 31 March 2017, the Bank syndicated approximately ₹162.72 million domestically and approximately U.S.$1,245 million in the international market. As at the date of this Offering Circular, the Bank has a market share of 12 per cent. and has been ranked number 1 in the Bloomberg league table for Indian borrower loans book runner for the year H1 CY2018.

Debt Capital Markets (DCM)

The Bank continues to remain a dominant player in the debt capital market segment. In fiscal year of 2018, the Bank was arranger for ₹1891.03 billion bonds and debentures for various PSUs and corporates. The Bank has been ranked number one in the Bloomberg league table for domestic bonds in India for 11 consecutive calendar years (as at 2018) and for the quarter ended 31 March 2018. The Bank has also been ranked number one arranger according to the PRIME Database for the period ending 31 March 2018.

Furthermore, the Bank started an international debt capital markets business and is a significant player in this segment covering U.S.$ and EUR-denominated bonds, masala bonds and green bonds among others. The Bank became the first Indian entity to issue internationally listed certified dollar denominated green bonds in June 2016. The Bank was also the lead manager in the very first masala bond issued by one of the leading housing finance companies and in relation to the first green masala bond issued by one of the major public sector utility companies.

During the fiscal year of 2018, the Bank was awarded "Best DCM House" in India by Finance Asia and "Best Bond Adviser – Domestic India – 2017" at the Asset Triple A Country Awards. In that same fiscal year, the Bank was also ranked among the top banks in the secondary market in Asia currency bonds (India) Corporate Bonds by The Asset Benchmark Research.

While the Bank continues to handle the debt syndication activities described above, the investment banking activities relating to equity capital markets, mergers and acquisitions, and private equity advisory business are now conducted by the Bank's wholly owned subsidiary, ACL. See "– *Subsidiaries*" below.

Delivery Channels

The Bank distributes its products and services through various access points ranging from traditional bank branches to ATMs, call centres for telephone banking, mobile banking and the Internet. The Bank's channel migration effort is aimed at reducing costs while enhancing customer satisfaction levels by providing customers access to their accounts at all times.

Branch Network

As at 31 March 2018, the Bank had a network of 3,692 branches, 394 central processing centres, 13 service branches, 8 extension counters, 3 banking outlets and 13,814 ATMs covering 2,163 centres across India. As at 31 March 2018, the Bank's geographical reach extended to 29 states and 6 union territories, covering 2,163 centres and 653 districts. The Bank undertakes a detailed study of the demographic factors of an area to assess its business potential before setting up a branch. Branch premises are generally leased. Back-office operations are centralised at a central processing unit in Mumbai, allowing the Bank's branch network to focus on business acquisition and expanding customer relationships. The Bank plans to add up to 400 branches to its network in the fiscal year of 2019.

The following table sets forth the number of the Bank's branches in India, classified by category, as at 31 March 2018.

Category	Number of Branches	Percentage of Branches
Metro	1,104	29.90%
Urban	867	23.48%
Semi-urban	1,109	30.04%
Rural	612	16.58%
Total	**3,692**	**100%**

Overseas Operations

India's growing integration with the global economy has given rise to opportunities to leverage the Bank's strengths in overseas markets. In order to participate in the growing trade and investment flows between India and other major financial centres of Asia, the Bank has established branches in Singapore, Hong Kong, the Dubai International Financial Centre (**DIFC**) in the UAE, Shanghai in China, Colombo in Sri Lanka, representative offices in Dubai, Abu Dhabi and Sharjah in the UAE, and Dhaka in Bangladesh. The Bank also has an off-shore banking unit in the IFSC and GIFT City in Gandhinagar in Gujarat. The total assets (net of interbranch adjustments) at the Bank's overseas branches amounted to ₹610.08 billion, which constituted 8.82 per cent. of the Bank's total assets as at 31 March 2018.

The Bank also has a wholly owned subsidiary in the United Kingdom called Axis Bank UK Limited (**ABUK**), which is authorised by the Prudential Regulatory Authority (**PRA**) and regulated by the FCA and the Prudential Regulatory Authority. The PRA is responsible for prudential regulation and supervision of banks, building societies, credit unions and major investment firms. The FCA regulates the conduct of firms that provide financial products and services. The UK subsidiary commenced banking operations on 19 April 2013. The total assets of ABUK stood at U.S.$1,040 million as at 31 March 2018.

Internet Banking Services

The Bank offers an internet banking platform to its customers which has more than 150 features. Through the platform, customers can view accounts, loans, credit cards, forex prepaid cards, demat details and can utilise services such as cross-border remittances, fund transfers, bill payments, initial public offering (IPO) applications and mutual fund applications. In addition, the Bank offers an online direct debit facility to customers for purchase of products and services through a host of online merchants in the e-commerce space.

As of 31 March 2018, the registered user base for internet Banking was 6.2 million. The Bank was awarded the prestigious Best Retail Online Banking Experience India award at The Asset Triple A Digital Awards 2017, in Hong Kong.

Considering the emphasis on increasing the digitisation of services, the internet banking channel launched instant credit card, instant personal loan, mutual funds buy and sell, IPO purchase and book locker functionalities. Digitisation of services which results in cost savings is an important focus area. Services include the ability to update the details of personal profiles, change purchase limits on cards, access certificates for online tax filing saving customers the inconvenience of going to a branch to manually forms complete. The internet banking channel aims to create a complete digital experience for the Bank's ever-growing customer base and to cater for all its customers' needs.

Mobile Banking

The Bank's mobile banking channel has emerged as a convenient option for customers to access their account information anytime. Through the Axis mobile application, customers can use their account with the Bank to make bill payments, transfer funds, recharge prepaid mobile phones, create and liquidate deposits, log requests for cheque books, stop cheques and change card PINs via the mobile phone application. Customers can also make payments to merchants via their mobile banking applications. Furthermore, the Bank has been a pioneer in launching remittance services like the InterBank Mobile Payment Service for account to account transfers and merchant payments. Axis Mobile application offers more than 100 transaction services and the Bank was recently ranked 12^{th} in the world in the 2018 Forrester survey.

The Axis Mobile application is available for all retail saving accounts, select current accounts, NRI savings accounts, credit cards, Forex and loan customers. With the launch of the Axis ASAP digital account, anyone can download the Axis Mobile application to instantly create an Axis Account using Aaadhaar. With a focus on customer centric design and intuitive user experience, the Axis Mobile customer base has grown to 6.7 million as of 31 March 2018. The usage of the Bank's mobile banking application increased from 22 per cent. in the fiscal year of 2017 to over 31 per cent. in the fiscal year of 2018. The mobile banking user base experienced a 72 per cent. increase in the fiscal year of 2018 and the Bank was ranked no. 1 in mobile banking transaction value in August 2017 and October 2017 by the RBI.

SMS banking has become the Bank's second most frequently used alternative delivery channel. The total number of subscribers as of 31 March 2018 was approximately ₹20 million for SMS alerts.

The Bank has built a strong platform and developed a user-friendly application programming interface that allows partners and start-ups to plug and play Axis Unified Payment Interface (UPI) on their mobile interface. As of 31 March 2018, the platform is available to Google TEZ, Uber, Samsung Pay, LIC, IRCTC and Big Bazaars.

Conversational Banking (Chat Bot)

Axis Aha! is an AI-powered conversational banking channel which can respond to voice or text inputs and determine the intent of the user in a fraction of a second. Axis Aha! is designed to resolve customer queries, assist with transactions and service requests, such as fund transfers, cheque book requests, card blocking requests, managing debit card limits, paying credit card and utility bills and recharge mobile phone credits.

Sales Channel

The Bank employs a frontline sales force for its liability products. The sales force, which sells a variety of liability products, as of 31 March 2018, contributes approximately 61 per cent. of demand deposits from new acquisitions and approximately 88 per cent. of the total number of account acquisitions of the Bank and is a critical resource in the Bank's aggressive customer acquisition strategy. The sales force also sources fee generating third party products along with a wide range of asset products. This sales force comprised over 15,095 employees as at 31 March 2018 and operates on a performance-based remuneration package. Members of the sales channel are based at all branches and extension counters, and their performance is monitored by the Bank's administrative units that control clusters of branches (**Circles**), as well as the Bank's corporate office. As of 31 March 2018, the Bank had 26 Circles.

Operations

The Bank's business model separates the production and distribution functions within the Bank, with transaction processing and customer data bases (production technology) becoming increasingly centralised and product sales and customer handling (distribution technology) being the primary function at the branches. The separation of functions has helped reduce transaction costs as well as to help ensure smoothness in operations and increased productivity. Refinement of operational processes is an ongoing activity from the perspective of implementation of best practices, risk identification and containment. Correspondingly, operational instructions are also revisited on an ongoing basis and necessary changes made to minimise risks at the branches.

Branch Banking Operations

The Branch Banking Operations (**BBO**) division of the Bank provides the strategic underpinning to support delivery of best-in-class customer service at branches through leveraging of technology, knowledge and skills.

All branches of the Bank are grouped into Circles and have a close working relationship with the BBO teams at the respective Circles, who provide guidance to branches and extend support to all functions and businesses that operate in the branch.

The oversight function of the Bank is strengthened through the centralized monitoring of branch operations with focus on KYC and anti-money laundering (**AML**) and other statutory and regulatory directives, management of clearing operations and internal housekeeping.

The Bank has been appointed as a primary clearing house for certain locations and also provides business continuity solutions in times of disasters through back up clearing house operations at specified locations. A global help desk with a built-in escalation matrix has also been set up to provide online solutions to branches for immediate resolution of customer queries and complaints.

The Bank provides its employees with on-the-job skills enhancement training and assessments, supplemented by formal interactive classroom sessions with the BBO functionaries. The Bank also disseminates knowledge via circular guidelines and periodic bulletins.

Through constant refinement of operational processes during the year from the perspective of implementation of best practices, risk identification and containment, BBO continues to streamline and standardise processes to facilitate seamless delivery of customer service, ensuring regulatory compliance.

Wholesale Banking Operations

Wholesale Banking Operations is responsible for providing best-in-class services to non-retail customers of the Bank through two verticals: Corporate Banking Operations and Transaction Banking Operations.

Corporate Banking Operations

Corporate Banking Operations (**CBO**) is responsible for credit delivery and post-disbursement control, monitoring and administration of the credit portfolio consisting of the CRG and SME segments. CBO operates through Corporate Banking Branches (**CBBs**) located in eight major cities, 59 Corporate Credit Service Units (**CCSUs**) mostly within Tier II cities, Corporate Credit Management

Centres (**CCMCs**) at six major Centres (mostly aligned with the SME Geographies) and Centralised Corporate Credit Hub (**CCCH**) at Mumbai. CCMCs operate on a distance handling mechanism and monitor the credit portfolio parked at CCSUs, SACBOs and distance handling branches. CBO also processes transactions pertaining to the Supply Chain Channel Finance business, through a dedicated set-up Channel Finance Hub (**CFH**). Besides this, the Corporate Loan Onboarding and Processing (**CLOP**) Team handles activities related to account opening, the setting up of limit nodes etc. Both the CFH and CLOP Teams are part of the CCCH.

With an objective of sharper focus on customer service, certain back-end monitoring activities have been shifted from CCSUs to CCMCs and from CBBs to CCCH. At CCCH, monitoring activities pertaining to CBBs are handled by the Monitoring Team.

The Ministry of Textiles has appointed the Bank as a "nodal bank" for granting eligibility approvals under the Technology Upgradation Fund Scheme (**TUFS**). A TUFS Cell has been set up within Corporate Banking Operations to handle the eligibility process and subsidy claims under the scheme. The TUFS Cell is vested with the responsibility of examining and establishing the eligibility, lodgement and dispensation of capital and interest subsidy under different forms of TUFS. Apart from TUFs, the Cell is also handling six other Government Subsidy and Guarantee schemes.

Transaction Banking Operations

The Transaction Banking Operations (**TxBO**) is responsible for supervising, monitoring and controlling the operations relating to international trade, retail forex, financial institutions, domestic trade, cash management services and on-boarding activities (related to non-individual accounts and CMS) of the Bank through centralised knowledge processing centres namely 'Trade Finance Centre', 'Retail Forex & Remittance Centre', 'Financial Institutions Operations Centre', 'SWIFT Centre', 'Domestic Trade Finance Centre', 'Legal Vetting & Transaction Approval Centre', 'Centralised Collection & Payment Hub' and 'Corporate On-Boarding Centre' respectively. The state-of-the-art centralised processing centres are located in Mumbai with Hyderabad, Noida and Kolkata units, acting as business continuity centres. The trade finance operations of all overseas branches of the Bank have also been centralised at Trade Finance Centre, Mumbai. TxBO is responsible for ensuring compliance with product related regulatory and internal guidelines and efficient customer delivery within the agreed turnaround time to facilitate achievement of business targets.

Central Processing Unit (CPU)

As part of the Bank's initiative to leverage technology, redefine business processes and deliver quality products to its customers with efficiency and cost effectiveness, the Bank set up a central processing unit in Mumbai in December 2001. The central processing unit opens liability accounts of constituents related to individuals, sole proprietorship and trust accounts, retail advance accounts, including rural lending, for all the branches. It is also a single point of contact for all the collateral requirements of the Bank including, but not limited to, welcome kits, debit cards, credit cards, cheque books and account statements. CPU also handles the bankwide logistical activities for internal as well as external customers.

Operational Controls and Procedures in Branches

An operational framework has been established to ensure that transactions are handled efficiently with precision, regularity and while also addressing risk mitigation. Operational instructions manuals at the branches detail procedures for processing various banking transactions. Amendments to these manuals are communicated to all branches through circulars. Any revision in the processes or operating instructions is reviewed by a committee comprising representatives from all functional and business groups. Adherence to these instructions is continuously monitored by both onsite and offsite inspection mechanisms, complemented by an independent internal audit process.

The transaction processing in the core banking software used by the Bank is based on the "maker and checker" concept, whereby no transaction can be initiated and authorised by a single individual. The power to authorise transactions is exercised by officials in accordance with a scheme of delegation of powers, and monetary limits are incorporated as authorisation levels in the software, which validates each payment.

Operational Controls and Procedures for Internet Banking

Internet banking services are provided only in respect of existing customer accounts for which the necessary identity documentation has been obtained prior to providing the customer with a user identity and password to access its account online. The Bank has in place a two-factor authentication system for inter-banking transactions called "NetSecure". As an additional control feature, the Bank has also implemented a risk-based (adaptive) authentication system for all retail Internet banking users.

Operational Controls and Procedures in (CPU)

The centralised system has assisted the Bank with establishing a standard, uniform interpretation of all the regulatory guidelines and has helped put in place precautionary controls. Additionally, the Bank has also established a regular review process over the activities of vendor locations.

Competition

The Bank faces strong competition in all of its principal lines of business. The Bank's primary competitors are large public sector banks, other private sector banks, foreign banks and, in some product areas, development financial institutions.

Corporate Relationship Group, SME

The Bank's corporate banking products and services face competition from a number of banks and financial institutions. Public sector banks, which pose major competition to the Bank, have a significant history of operations. These competitors have, over time, built extensive branch networks, providing them with the advantage of a low-cost deposit base, and enabling them to lend at competitive rates. In addition, the extensive geographic reach of many of these institutions enables product delivery in remote parts of the country. The Bank seeks to compete with these banks through faster response to customer requirements, quality of service, a fast growing inter-connected branch network and technology-enabled delivery capabilities.

Other private sector banks also compete in the corporate banking market on the basis of efficiency, service delivery and technology. However, the Bank's management believes that its product portfolio, credit selection strategy, response time, service quality and the strength of its established relationships, provide it with a competitive edge over these other private sector banks.

The Bank also faces competition from foreign banks, who traditionally having been active in providing trade finance, fee-based services and other short-term financing products to top-tier Indian corporations. The Bank has established strong ties in trade finance, strong fee-based cash management services and competes with foreign banks through its broader branch network in the country, innovative products and competitive pricing.

To address the consequences of competition, the Bank has renewed its focus on transaction banking building on its IT infrastructure and with an intent to deepen relationships with its corporate relationships across all banking products.

Retail Banking

In retail banking, the Bank's principal competitors are the large public sector banks, which have much larger deposit bases and branch networks, as well as aggressive new private sector banks and the foreign banks. The retail savings deposit share of foreign banks in India is quite small in comparison to the public sector banks, and has declined in the last five years, which the Bank's management attributes principally to competition from new private sector banks. However, some foreign banks have a significant presence among NRIs and also compete for non-branch-based products such as auto loans.

The Bank faces significant competition primarily from foreign banks in the debit card segment. In mutual fund sales and other investment-related products, the Bank's principal competitors are brokers, foreign banks and new private sector banks.

Treasury

In its treasury advisory services for corporate clients, the Bank competes principally with foreign banks in foreign exchange and derivatives, as well as public sector banks in the foreign exchange and money markets businesses.

Employees

The Bank believes that employees are its most important asset. The Bank is an equal opportunity employer and is committed to hiring, developing and promoting individuals who best meet the requirements of available positions, possess the required competencies, experience and qualifications to carry out assigned tasks, and have the potential for growth within the organisation.

As at 31 March 2018, the Bank had 59,614 employees, compared with the 56,617 employees as at 31 March 2017.

Set out below is a breakdown of the number of employees of the Bank between corporate headquarters, corporate office verticals, Circle offices and branches as at 31 March 2018.

	As at 31 March		
	2016	**2017**	**2018**
Corporate Headquarters	5,031	5,244	5,504
Corporate Office Verticals	9,024	9,263	11,607
Circle offices(1)	1,950	2,476	2,458
Branches	33,950	39,442	39,855
Overseas Branches	180	192	190
Total	**50,135**	**56,617**	**59,614**

(1) A Circle is an administrative unit that controls a cluster of branches. As at 31 March 2018, there were 26 Circles.

The Bank continues to maintain a focused approach to developing human capital. The Bank has collaborates with various leading educational institutes and faculties to design and deliver courses to its employees. There is a shift of availability of learning content to the digital format and a focus on application and skill-building in the classroom. The Bank has also developed a training infrastructure to ensure the availability of a skilled workforce by providing certifications in core banking skills as well as new age skills.

The following table lists the demographic number of employees and the type of training undertaken in the fiscal year of 2018:

Instructor led training	40,373 employees
E-learning	44,401 employees

Learning interventions for the employees start with their role specific inductions. Refresher and functional learning programmes are available for the employees to build their functional proficiencies. A series of learning frameworks are available to the employees to build their skills at their own pace. Senior leaders are leveraged for content design and delivery for programmes across levels. Conversations with Senior leaders are built into all learning interventions to ensure alignment of the common message across the organisation, building rapport with employees and driving the learning agenda. Continuous training, the opportunity to work on challenging tasks and job rotation programmes are all part of the Bank's talent retention strategy.

Leadership Development

As part of its leadership development initiative, the Bank has partnered with some of the best-in-class leadership institutes with the aim of building a multi-tiered people development structure for senior leaders of the Bank. The Executive Leadership Programme (in partnership with Duke Corporate Education, the corporate learning branch of Duke University, USA) and the Business Leadership Programme (in partnership with Indian School of Business, Hyderabad) are the two flagship programmes. Both consist of a developmental journey spread over a 15-18 month period on the fundamentals of leadership, self-development and high performance based on a blended learning approach – comprising classroom modules, master classes, action learning projects, learning snippets etc.

All senior leaders will be progressively assessed through the MCPA and LPA assessment tool, conducted in partnership with PwC. The MCPA is a research-based instrument which assess current capability and future potential. The LPA focuses on personal appreciation and leadership styles of the individual.

Axis Aspire – Discovery Series

The Bank conducted a talent appreciation process (**TAP**) amongst its mid-management employees with a view to place the ‘right people in the right roles’ and build a leadership pipeline. Such processes help the Bank to identify and map employees on the basis of their demonstrated performance and future potential or readiness to assume higher responsibilities within the Bank. The Axis Aspire – Discovery Series aims to provide different perspectives, reflection and self-awareness as well as cross-functional learning opportunities through networking with colleagues.

Young Talent Development

Axis Bank engages with universities and institutions of repute to acquire, build and develop skilled talent. The ‘Axis Ahead’ management trainee programme, which has been in place since 2001, provides a differentiated career pathway to students recruited from premier business schools across India each year. It offers a holistic learning experience involving stints across various departments and locations of the Bank. Additionally, the Bank engages with other universities and institutions such as the Indian Institutes of Technology, National Institutes of Technology and Institute of Chartered Accountants of India for skilled professionals. The Axis Bank Young Bankers Programme focuses on imparting domain expertise and skill sets to develop a talent pool of young bankers.

Engagement of women

Among other initiatives, to support the engagement of women, the Bank has celebrated International Women’s Day by recognising and acknowledging the female managers in the organisation through various events such as mentoring sessions with senior management. The Bank also conducted reverse mentoring sessions where senior women leaders mentored mid-management employees. The Bank will continue to seek new ways to support women and facilitate promotion. The Bank has also conducted the following programmes for women:

Recruitment Programmes

‘WE Lead’ is Axis Bank’s flagship diversity hiring programme for women at mid-managerial levels. The objective of the programme is to increase diversity at mid/senior level positions in the Bank, while offering women leadership roles by taking into account their prior work experience.

The Bank has a similar programme that is focused on middle-aged women (35-50 years) with relevant educational background, who were on a long career break or are new entrants to the workforce. This would provide them with an opportunity to sharpen their skills, learn new skills, and explore a new area of expertise which will be relevant to the organisation and aligned to the ‘Axis Way’.

Selfilibrium

'Selfilibrium' is an initiative that aims to groom potential women leaders at mid-management levels across regions. The objective of the workshop is to help high-potential women leaders 'explore the idea of self and equilibrium of the self in terms of the masculine and the feminine aspects of the psyche/personality and leadership expression'.

Axis Moms@Work

The Bank has taken a step forward to strengthen its relationship with employees and partners in their life stage events. Maternity leave and rejoining work can be turning points for women in their careers. The Bank risks losing talented and experienced women, and would like to support and strengthen the relationship by ensuring a smooth and supportive transition. This initiative provides one-on-one coaching sessions and e-bytes for the employees and their spouse.

With You

'With you' is an employee assistance programme which provides a counselling service to tackle worries and issues. Seasoned counsellors will attend to the issues via telephone or email that will be held in complete confidence. The facility can also be availed of by close family members of the employees.

Axis Blitz

Axis Blitz is the Bank's signature senior leadership contact programme. The interactions focus on bridging the gap between the senior leaders and the employees on the ground. The informal setting allows employees to share their personal anecdotes/stories about citizenship while allowing the leaders to deliver common messages across the Bank.

ReDefine

The Bank became the first to launch a global tie-up with "Coursera" for a customised contextualised content. Under this programme, employees who are a part of the Bank's "merit pool" gain access to specially curated and customised courses from various universities for their professional growth.

Axis Academies

Axis Academies have been set up in the functional areas of credit, risk management, trade finance and foreign exchange, analytics and digital banking. These academies include a combination of e-learning and advanced workshops, the completion of which will lead to certifications in the respective functional areas by the partnering institutions.

Axis Competency Profiler

The Bank introduced a learning platform called the "Axis Competency Profiler" to manage employees' careers. This profiler has been designed to conduct knowledge and application based profiling for employees across five key areas such as products and services, processes, risk and compliance, systems and organisational knowledge.

Performance Management and Rewards

The Bank promotes a performance-based culture and has established compensation and reward schemes accordingly.

The Bank's remuneration practices are underpinned by principles of meritocracy and fairness. The remuneration system strives to maintain the ability to attract, retain, reward and motivate talent in order to enable the Bank to attain its strategic objectives within the increasingly competitive context in which it operates. The Bank's pay-for-performance approach strives to ensure that both internal and external equity are in line with the emerging market trends. The Bank also ensures that the compensation practices are in line with the extant compensation regulations as applicable.

The Bank rewards its employees through fixed pay and variable pay. Also, senior employees are granted employee stock ownership plans to promote retention. In addition to the foregoing, Bank employees are entitled to various benefits in the form of loans at concessionary interest rates, company leases, access to company car facilities, and others. The Bank also offers retirement benefits by way of provident fund and gratuity payments in line with statutory requirements. Additionally, the Bank provides personal accident and health insurance coverage to its employees.

All compensation and benefits proposals are reviewed and approved by the Nomination and Remuneration Committee of the Board. The compensation proposals are also approved by the Board of Directors.

Banking on Compliance

The Bank introduced the "**Banking on Compliance**" programme, a training intervention to reinforce the status of compliance standards as an important element of the Bank's way of conducting business.

The programme focuses on advanced concepts of KYC and AML, including enhancing the Bank's internal framework for AML and due diligence procedures.

Organisational Development

Succession Planning

A structured succession planning process of the Bank is in place which focuses on ensuring business continuity for identified critical roles – at top and senior management levels. Potential successors for various roles at the Bank are identified on the basis of certain parameters. The succession plan is reviewed at periodic intervals or whenever there are major structural changes in the Bank.

*Top Leadership Development Programme (**TLDP**)*

TLDP serves as a structured programme for building the Bank's top management leadership capabilities. As a part of this programme, executive coaching is provided to the senior leaders of the Bank.

Affiliation to Trade Unions

The Bank considers its relations with its employees to be cordial and has not experienced any major labour disputes in the past.

As at the date of this Offering Circular, none of the Bank's employees belong to a trade union.

Corporate Citizenship

As a bank, the Bank is, first and foremost, in the business of garnering trust, and in this business, integrity and ethics are the core of the Bank's work. The Bank's foundation has been built on its core values of Customer Centricity, Ethics, Transparency, Teamwork and Ownership, with the basic objective to ultimately do the right thing for all of its stakeholders. At the heart of this approach is the Bank's belief that its long-term success depends on the progress of the communities and people the Bank serves, and protection of the environment the Bank operates in.

As a responsible corporate citizen, the Bank continues to put its energies and resources behind value creating initiatives focusing on the Bank's customers, its employees, communities, the natural environment, and other stakeholders, spread across rural and urban India. Towards achieving our goal, the Bank focuses on improving and expanding its current product and service offerings to meet its customers' expectations, launching new and relevant products and services to expand the Bank's reach and scale, empowering its employees and value chain partners, expanding the reach and impact of its corporate social responsibility initiatives, striving to invest in sectors with positive social and environmental impact, enhancing the environment and social risk management capabilities to better manage the Bank's overall portfolio, improving the Bank's financial and non-financial disclosures to enhance transparency, and working towards minimising the environmental footprint of the Bank's operations.

Green Bond Framework

Green Bond Framework Overview

The Bank's green bond framework (the **Green Bond Framework**) sets out how the Bank proposes to raise "green bonds", meaning those in alignment with the pre-issuance requirements of the Climate Bonds Standard Version 2.0 issued by the Climate Bond Initiative (**Green Bonds**). The Green Bond Framework also sets out how the Bank proposes to use the proceeds of those issuances to invest in renewable energy, urban mass transport and energy efficient buildings in a manner that is consistent with the Bank's sustainable values.

The Green Bond Framework is established in accordance with the Climate Bonds Standard Version 2.0. This framework also adheres to the Green Bond Principles, 2015, issued by the International Capital Markets Association (**ICMA**). The Bank has addressed the four pillars of ICMA's Green Bond Principles and committed to annual reporting on the use of proceeds for the lifetime of any bond issued under the Green Bond Framework.

Use of Proceeds

The Bank will allocate the net proceeds from the sale of Green Bonds for the financing of Eligible Green Projects (as defined below) in accordance with the Bank's Green Bond Framework.

Eligible Green Projects include:

1. **Renewable Energy Projects**:

   - *Solar*: Eligible projects include those that operate or are under construction to operate in one or more of the following activities:

     solar electricity generation facilities where a minimum of 85 per cent. of electricity generated from the facility is derived from solar energy resources; or

     wholly dedicated transmission infrastructure for solar electricity generation facilities.

   - *Wind*: Eligible projects include those that operate or are under construction to operate in one or more of the following activities:

     the development, construction and operation of wind farms;

     operational production or manufacturing facilities wholly dedicated to wind energy development; or

     wholly dedicated transmission infrastructure for wind farms.

2. **Low Carbon Transport Projects**:

   - infrastructure, infrastructure upgrades, rolling stock and vehicles for electric public transport, including electric rail, trams, trolleybuses, cable cars and buses with no direct emissions (electric and hydrogen); or

   - Bus Rapid Transit (**BRT**) systems, including components of any BRT project meeting a bronze, silver or gold score under the BRT Standard, as developed by the Institute of Transportation and Development Policy.

3. **Low Carbon Buildings Projects:**

   - For Commercial Buildings located in cities which:

     - have achieved Leadership in Energy and Environmental Design (**LEED**) gold or platinum certification, or equivalent under other building standards;

     - have achieved a minimum 30 per cent. emissions improvement against ASHRAE 90.1 criteria (a part of the LEED standard) or equivalent level of additional emissions improvements under other building standards; or

     - have met the carbon standards set in the IFC's Edge Green Buildings Certification System or as required by the equivalent building standard.

Selection and Evaluation of Eligible Green Projects

The Bank's Corporate Credit Group will perform the credit assessment and due diligence of Eligible Green Projects. For any Eligible Green Projects as described above, the Corporate Credit Group will also undertake a preliminary assessment of projects on the basis of the Bank's Green Bond Framework criteria. If the criteria are met, the respective project or asset, as the case may be, will be nominated for allocation of proceeds pursuant to the Green Bond Framework.

A Green Bond Committee has been established to approve the nomination made by the Corporate Credit Group. The Green Bond Committee consists of the Head of Treasury & Markets, Head of ALM/Funding, Head of the Ethics and Sustainability Department and the Group Head in the Corporate Credit Group. Each project requires sign-off from all committee members to be considered eligible for allocation of proceeds pursuant to the Green Bond Framework.

Earmarking of Funds

The Bank will maintain a dedicated register for tracking the use of proceeds for each issue of Green Bonds. Any unallocated proceeds will be invested in money market instruments, treasury bills and government securities.

Reporting

The Bank will report the use of proceeds for each issue of Green Bonds through a separate section in the Annual Sustainability Report, which is published on the Bank's website.

Assurance

The Bank's Green Bond Framework has been reviewed by KPMG and certified by the Climate Bond Initiative. After issuance of any Green Bonds, an external assurance will be obtained to certify that eligible Green Projects continue to be in alignment with the Green Bond Framework. All issued Green Bonds are expected to undergo the same selection and nomination process and be verified by the relevant committees. The Bank will also receive post-issuance certification from the Climate Bonds Initiative to assure continued adherence to the Green Bond Framework. This post-issuance certification by the Climate Bond Initiative is expected to be obtained within one year after issuance of the relevant Green Bond and will be published on the Bank's website.

Information Technology

The IT Department of the Bank manages all banking applications through a central team having strong domain capabilities in banking, treasury, channels, payments and collections, along with technical capabilities. The IT operations are managed through a cross-functional team involving functional and technical experts.

The Bank undertook various technology-enabled business initiatives to deliver improved customer experience, ease of banking and operational excellence to its customers. Technology has enabled the Bank's customers to access all products of the Bank through a seamless multi-channel integration system. The Bank has been focusing on 'digitisation' of its back-end processes and providing its customers with digital and mobile banking services. The Bank is also focused on further improving its governance and compliance processes in its IT division.

The IT Plans are guided by the principles of improving customer service with the help of digital banking, leveraging the Bank's Payments business capability, sustained focus on Analytics, improved tie-ups with government agencies/departments, providing self-assisted capability to customers, efficient sales channels, a transformed branch experience, operations excellence and improved risk position.

The Bank has set up an enterprise-wide payment hub to process payments in both domestic and foreign currency. Furthermore, in the near future the bank is planning to add specialised services and features surrounding the payment ecosystem.

The network infrastructure of the Bank is centralised and operates from two data centres located in Navi Mumbai and Bengaluru. The applications are delivered to the domestic and overseas branches and offices through a wide-area network consisting of leased and multiprotocol label switching (**MPLS**) connectivity.

During the fiscal year of 2018-19, the Bank plans to continue its significant IT transformation to further strengthen its IT architecture in tandem with its future growth. The Bank also utilises leading technology like blockchain, artificial intelligence, machine learning, the robotic process automation in multiple areas like trade finance applications, and process automations in Retail and Corporate Banking processes. This has enabled the Bank to enhance process efficiencies by increasing automation.

Data Centre and Disaster Recovery Site

The Bank's primary data centre is at a co-hosted data centre located in Mahape, Navi Mumbai. The data centre in Mahape is a tier IV data centre and is considered to be in compliance with the highest benchmarking standards applicable to data centres with built-in redundancy systems composed of multiple active power and cooling distribution paths. The data centre is fault tolerant, providing 99.995 per cent. availability. The Bank also has a hot site disaster recovery data centre in Bengaluru that is connected to the main data centre. It has the capability to host critical banking applications in the event of a disaster at the primary site. The Bank regularly conducts disaster recovery drills for critical applications to ensure continuity of its operations in the event of disaster.

All applications and data of the critical banking applications supporting banking transactions and customer services are replicated at the disaster recovery site on a real time basis. The disaster recovery site is connected through a redundant wide-area network to the Mumbai data centre, all branches and offices. Scheduled drills for switching IT operations to the disaster recovery site are conducted at regular intervals to test disaster recovery readiness.

Information Security

Technology risks in the Bank are periodically assessed and appropriate actions initiated wherever necessary through a dedicated Information Security Group, with support from a managed security service from an external security expert company. The Bank has well-defined information systems and cyber security policies drawn on the basis of ISO standards, regulatory guidelines and industry best practices. All of the Bank's systems and applications undergo various security tests, such as vulnerability assessments, penetration tests and application security tests before going into production.

The Bank has received the ISO 27001:2013 certification from the British Standards Institution (ANAB-accredited) for complying with the standards of the Information Security Management System for its two data centres located in Navi Mumbai and Bengaluru. The Bank is also in compliance with the Payment Card Industry Data Security Standards (**PCI DSS**) in relation to handling of credit cards to protect card-related data. The Bank has also implemented all the recommendations of "Report on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds" mandated by RBI. The Bank has also implemented the Cyber Security Framework in Banks as directed by the RBI.

Insurance

The Bank maintains its own insurance policies and has coverage that it deems appropriate and customary for a bank of its size and nature. The Bank's insurance policies include a banker's indemnity insurance policy, which is a comprehensive insurance policy that offers coverage for various forms of risks. Some of the items covered under this insurance policy include:

(a) money (cash and precious metals) on premises and in vaults of agencies;

(b) money (cash and precious metals) in transit;

(c) cash in Onsite ATMs/dispensers owned by the Bank;

(d) losses from external/internal fraud;

(e) losses from transactions through mobile banking;

(f) electronic banking transactions; and

(g) electronic crime.

In addition to the above coverage, the Bank also obtains insurance for all currency chests, fixed assets, various risk coverage towards liability of its as well as its subsidiaries' directors, officers and other key management members.

Properties

The Bank's registered office is located at "Trishul", Third Floor, Opposite Samartheshwar Temple, Near Law Garden, Ellisbridge, Ahmedabad 380 006, Gujarat, India and its telephone number is +91(0)79-2640-9322. The Bank's corporate office is located at Axis House, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai 400 025, India. As at 31 March 2018, the Bank owns the following properties:

Sr. No.	Property
(a)	the building housing its corporate headquarters (i.e. Axis House – Worli);
(b)	office space located at J M Road, Pune;
(c)	the space occupied in Corporate Park II, Chembur, Mumbai;
(d)	two floors occupied by its National Processing Centre II located at Mind Space, near Sanskriti Township, Hyderabad;
(e)	the space occupied by its Business Continuity Centre located at Electronic City, Phase II, Bengaluru;
(f)	43 residential flats at Bachupally, Hyderabad;
(g)	two floors at the Ruby, Dadar, Mumbai;
(h)	Nirman Sadan, Noida;
(i)	136.40 acres of land at Sector 19, Jaypee Sports City East, G. B. Nagar, Greater Noida;
(j)	109.33 acres of land at Sector 19, Jaypee Sports City East, G. B. Nagar, Greater Noida;
(k)	97.26 acres of land at Sector 26, J.P. Green City, Greater Noida;
(l)	6.52 acres of commercial land at Sector 129, Greater Noida; and
(m)	a building at MIDC, Andheri (E).

The aggregate book value as of 31 March 2018 of all the properties capitalised by the Bank was ₹39,490.20 million.

Apart from the above properties, all other properties used by the Bank and its branches, offices and offsite ATM centres are leased. As of 31 March 2018, the Bank had a domestic network of 3,695 branches, 13 service branches and 394 central processing centres, eight extension counters and 13,814 ATMs spread across 2,163 centres in India. In addition, the Bank has an overseas presence through its branch offices in Colombo in Sri Lanka, the DIFC, Hong Kong, Shanghai and Singapore, as well as representative offices in Dubai, Abu Dhabi, Dhaka and Sharjah.

Intellectual Property

The Bank utilises a number of different forms of intellectual property in its business including its AXIS BANK brand and the names of the various products it provides to its customers. The Bank has made applications for registration of its AXIS BANK brand name and certain other trademarks, including words and logos with the relevant trademarks registry in different jurisdictions where the

Bank has operational presence and in some jurisdictions the bank has completed the formalities of registration, while few of the applications are currently pending. Except as disclosed above, the Bank believes that it currently owns, has licensed or otherwise possesses the rights to use, all intellectual property and other proprietary rights, including all trademarks, domain names, copyrights, and trade secrets used in its business.

Legal Proceedings

The Bank is not a party to any proceedings which, if adversely determined, might have a material adverse effect on its financial condition or results of operations. However, the Bank is involved in legal proceedings, including criminal cases, before various courts and other forums in the ordinary course of business and its usual course of banking.

Subsidiaries

The Bank has 11 direct subsidiaries; namely, Axis Capital Ltd. (**ACL**), Axis Securities Ltd. (**ASL**), Axis Private Equity Ltd. (**APE**), Axis Trustee Services Ltd. (**ATSL**), Axis Asset Management Company Ltd. (**AAMC**), Axis Mutual Fund Trustee Ltd. (**AMFT**), Axis Finance Ltd (**AFL**), A.Treds' Ltd. (**ATL**), Axis Bank UK Ltd. (**ABUK**), Freecharge Payment Technologies Private Ltd., Accelyst Solutions Private Limited and one indirect (step down) subsidiary, Axis Capital USA, LLC.

Axis Capital Ltd (formerly Axis Securities and Sales Ltd.)

ACL was incorporated in India as a wholly owned subsidiary of the Bank on 6 December 2005 and received its certificate of commencement of business on 2 May 2006. Certain businesses of M/s Enam Securities Pvt Ltd were merged with Axis Capital Ltd as part of a scheme and the following companies became direct subsidiaries of ACL:

- Axis Securities Ltd. (formerly Enam Securities Direct Pvt. Ltd.),
- Axis Finance Ltd. (formerly Enam Finance Pvt. Ltd.);
- Axis Securities Europe Ltd. (formerly Enam Securities Europe Ltd); and
- Enam International Ltd., UAE (voluntarily dissolved with effect from 24 August 2014).

Axis Securities Ltd., Axis Finance Ltd. and Axis Securities Europe Ltd. later became direct subsidiaries of the Bank in line with the RBI directives. Enam International Ltd., (UAE) was voluntarily dissolved with effect from 24 August 2014. The paid-up capital of ACL on 31 March 2018 was ₹735 million. ACL is in the business of merchant banking, institutional broking and investment banking. The net profit of ACL for the year ended 31 March 2018 was ₹1,388 million. ACL's current merchant banking registration from SEBI was issued in January 2013.

Axis Securities Ltd. (formerly Enam Securities Direct Pvt Ltd)

ASL was incorporated in India on 21 July 2006. The sales and securities business, including the retail broking business of Axis Capital Ltd, was merged with ASL on 25 May 2013. ASL is a wholly owned subsidiary of the Bank and is in the business of marketing retail asset products, credit cards and retail broking.

The paid-up capital of ASL as at 31 March 2018 was ₹1,445 million and the net profit for fiscal 2018 is ₹604 million.

Axis Private Equity Ltd. (APE)

APE was incorporated in India as a wholly owned subsidiary of the Bank on 3 October 2006 and received its certificate of commencement on 4 December 2006. APE is in the business of managing investments, venture capital funds and offshore funds.

The paid-up capital of APE is ₹15 million and the reported net loss is ₹2.7 million for the fiscal year of 2018.

Axis Trustee Services Ltd. (ATSL)

ATSL was incorporated in India as a wholly owned subsidiary of the Bank on 16 May 2008 and received its certificate of commencement on 30 September 2008. ATSL is in the business of trusteeship services. The paid-up capital of ATSL was ₹15 million as of 31 March 2018 and the reported net profit is ₹202 million for the fiscal year of 2018.

Axis Asset Management Company Ltd. (AAMC)

AAMC was incorporated on 13 January 2009 and received its certificate of commencement on 4 March 2009. AAMC is in the business of asset management.

In September 2012, the Bank entered into a strategic partnership with Schroders Plc. Through this partnership, Schroder Investment Management (Singapore) Ltd. (**SIMSL**), through its wholly owned subsidiary, Schroder Singapore Holdings Private Ltd. (**SSHPL**), acquired 25 per cent. of the total issued and paid-up equity share capital plus one equity share in AAMC.

AAMC is approved by the SEBI to act as Investment Manager for Axis Mutual Fund. Axis Mutual Fund is also registered with the SEBI. AAMC is also registered with the SEBI as a Portfolio Manager. The paid-up capital of AAMC is ₹2,101 million as of 31 March 2018 and the reported net profit is ₹430 million for the fiscal year of 2018.

Axis Mutual Fund Trustee Ltd. (AMFT)

AMFT was incorporated on 2 January 2009 and received its certificate of commencement on 4 March 2009. AMFT is acting as a trustee to Axis Mutual Fund. The SEBI, in a letter dated 4 September 2009, granted registration to Axis Mutual Fund.

In September 2012, the Bank entered into a strategic partnership with Schroders plc. Through this partnership, SIMSL, through its wholly owned subsidiary, SSHPL, acquired 25 per cent. of the total issued and paid-up equity share capital plus one equity share in AMFT. AMFT had a paid-up capital of ₹0.5 million as at 31 March 2018 and the reported net profit is ₹0.8 million for the fiscal year of 2018.

Axis Finance Ltd (AFL)

AFL was incorporated on 27 April 1995. It is a non-banking finance company regulated by the RBI. AFL is positioned to offer products in the retail as well as corporate banking segments. As at 31 March 2018, the paid-up capital of the company was ₹4,808 million and the reported net profit was ₹2,094 million for the fiscal year of 2018.

Axis Bank UK Ltd. (ABUK)

ABUK is a wholly owned overseas subsidiary of the Bank. It was incorporated on 7 March 2011 in the United Kingdom and commenced its operations on 19 April 2013 upon receipt of approval from the FCA. ABUK is in the business of commercial banking, excluding the business of retail mortgage loans. ABUK had paid-up capital of (₹3585 million) and reported a net profit of ₹791 million for fiscal 2018.

A.Treds Ltd. (ATL)

The Bank in joint venture with Mjunction Services Ltd. set up a new subsidiary namely A.Treds' Ltd. on 23 May 2016 in which the Bank and Mjunction Services Ltd. each hold 67 per cent. and 33 per cent., of the share capital, respectively. ATL undertakes the activities and operations related to the trade receivable discounting system. A.Treds Ltd. had a paid-up capital of ₹250 million and reported a net loss of ₹78 million for the fiscal year of 2018.

Freecharge Payment Technologies Private Ltd. (FPTPL)

Freecharge Payment Technologies Private Ltd. was acquired by the Bank on 6 October 2017. FPTPL is in the business of providing digital payments services through web and mobile-based platforms and payment gateways. It is also engaged in the services of operating payment system for semi-closed prepaid payment instruments and gift vouchers card processing services, payment aggregation services, merchant acquisition services and payment support services. FPTPL had a paid-up capital of ₹5,811 million and reported a net loss of ₹281 million for the fiscal year of 2018.

Accelyst Solutions Private Limited (ASPL)

Accelyst Solutions Private Ltd. was acquired by the Bank on 6 October 2017. ASPL is in the business of providing digital payments services through web and mobile-based platforms. It is also engaged in providing services for facilitating online recharge, bill payment and coupon services, marketing platform for third parties, distribution of mutual funds and insurance products through the mobile applications, websites and mobile sites. ASPL had a paid-up capital of ₹6,797 million and reported a net loss of ₹365 million for the fiscal year of 2018. The Board of the Bank and the RBI have approved the merger and amalgamation of FPTPL and ASPL.

Axis Capital USA, LLC.

Axis Capital USA, LLC was incorporated in the United States on 2 August 2017. It is a wholly owned subsidiary of Axis Capital Ltd. It aims to provide financial services relating to equity capital markets and institution stock broking to institutional investors in the United States. As of the date of this Offering Circular, it is in the process of completing its registration formalities with the Financial Industry Regulatory Authority, Inc. and Securities and Exchange Commission. Axis Capital USA, LLC had a paid-up capital of ₹0.00 and reported a net loss of ₹4 million for the fiscal year of 2018.

Summary of the Financial Results of the Bank's Subsidiaries

	(₹ in million)											
	Axis Capital Ltd.	**Axis Private Equity Ltd.**	**Axis Trustee Services Ltd.**	**Axis Mutual Fund Trustee Ltd.**	**Axis Asset Management Company Ltd.**	**Axis Bank UK Ltd.(Refer Note a)**	**Axis Finance Ltd.**	**Axis Securities Ltd.**	**A.Treds' Ltd.**	**Freecharge Payment Technologies Private Ltd.(Refer Note b)**	**Accelyst Solutions Private Ltd.(Refer Note b)**	**Axis Capital USA LLC.(Refer Note c)**
Total Assets	13,613	40	729	4	5,045	67,754	66,765	5,367	191	1,497	1,483	–
Total Income	4,345	2	384	4	7,525	2,965	7,215	9,505	16	195	84	–
Profit / Loss after tax	1,388	(3)	202	1	430	791	2,094	604	(78)	(281)	(365)	(4)

a. Asset/Liability items are stated in INR equivalent of U.S.$1 = ₹65.1750 as on 31 March 2018. Profit and loss items are reported in INR based on rates prevailing on the date of transactions

b. Profit and loss items pertain to the period of 7 October 2017 to 31 March 2018

c. Axis Capital USA, LLC. is a wholly owned subsidiary of Axis Capital Ltd. (a wholly owned subsidiary of Axis Bank Ltd.), Asset/Liability and Profit and Loss items are stated in INR equivalent of U.S.$1 = ₹65.1750 as on 31 March 2018.

Major Shareholders

As at 31 March 2018, the Government, through the Administrator of SUUTI, LIC, GIC and four public sector insurance companies, collectively held a significant portion of the Bank's equity shares. Under the Bank's Articles, SUUTI and LIC each have the right to nominate one director. The Government indirectly holds approximately 26.36 per cent. (SUUTI – 9.87 per cent., LIC – 13.62 per cent., GIC and four public sector insurance companies – 2.87 per cent.) of the Bank's equity shares.

Material Contracts

The Bank and its subsidiaries have not entered into any material contracts outside the ordinary course of the Bank's business which could materially affect the Bank's obligations in respect of any Notes to be issued by the Bank other than, with respect to any Notes, the contracts described in "*Subscription and Sale*" and in "*Terms and Conditions of the Notes*".

Conflict of Interest

There are no potential conflicts of interest between the duties to the Bank of each of the members of the Board, and each of the members of the senior management as listed in the chapter titled "*Management and Board of Directors*" and his or her private interests and/or other duties.

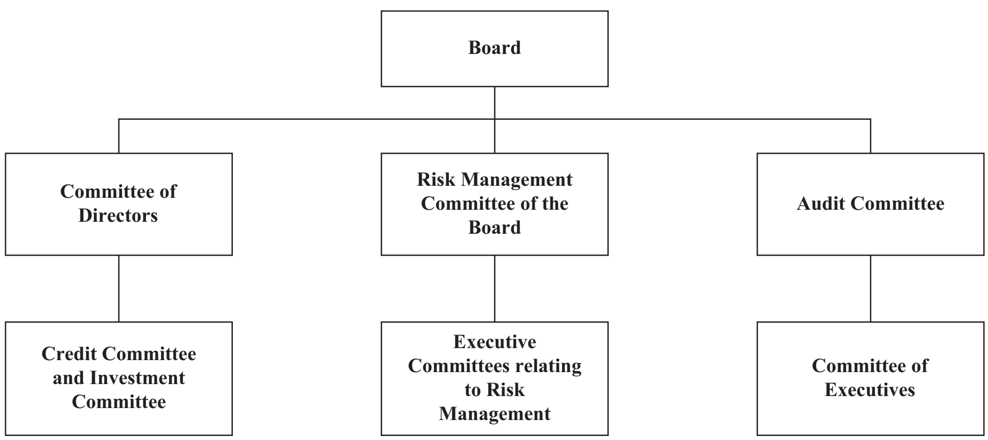
RISK MANAGEMENT

Risk Management Structure

The Bank is exposed to various risks that are an integral part of any banking business, with the major risks being credit risk, market (including liquidity) risk and operational risk. The Bank places emphasis on risk management measures to ensure that there is an appropriate balance between risk and return and has implemented comprehensive policies and procedures to identify, monitor and manage risk throughout the Bank. The risk management strategy of the Bank is based on understanding the various types of risks, disciplined risk assessment and continuous monitoring including relying on comprehensive processes and internal control mechanisms for effective and continuous monitoring and control of risks.

Objectives and Policies

The Bank's risk management processes are guided by well-defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring through the sub-committees of the Board of Directors. The Board sets the overall risk appetite and philosophy for the Bank. The Committee of Directors, the Risk Management Committee and the Audit Committee of the Board, which are sub-committees of the Board, review various aspects of risk arising from the businesses of the Bank. Various senior management committees operate within the broad policy framework as illustrated below:



The following Executive Committees relating to Risk Management have been approved by the Risk Management Committee of the Board:

1. Asset Liability Management Committee (**ALCO**);

2. Credit Risk Management Committee (**CRMC**);

3. Operational Risk Management Committee (**ORMC**);

4. Subsidiary Governance Committee (**SGC**);

5. Business Continuity Management Committee (**BCMC**);

6. Central Outsourcing Committee (**COC**);

7. Reputation Risk Management Committee (**RRMC**); and

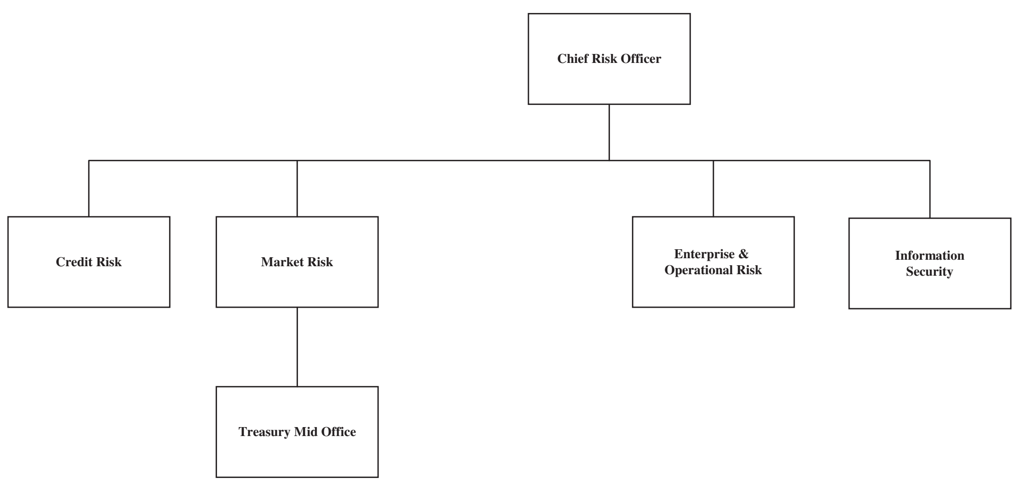
8. Information Security Committee (**ISSC**).

The Bank has put in place policies relating to management of credit risk, market risk, operational risk, information security risk, reputation risk, subsidiary risk and asset-liability both for the domestic as well as overseas operations along with overseas subsidiaries according to the respective host regulatory requirements and business needs. The overseas policies are drawn based on the risk perceptions of these economies and the Bank's risk appetite.

The Bank has formulated a comprehensive Stress Testing Policy to measure the impact of adverse stress scenarios on the adequacy of capital. The stress scenarios are idiosyncratic, market-wide or a combination of both.

Structure and Organisation

The Chief Risk Officer reports to the Managing Director & CEO and the Risk Management Committee of the Board oversees the functioning of the Department. The Department has separate teams for Credit Risk, Market and Liquidity Risk (including Treasury Mid Office), Enterprise & Operational Risk, Risk Analysis and Information Security. These teams report to the Chief Risk Officer.



Credit Risk

Credit risk refers to the deterioration in the credit quality of the borrower or the counterparty adversely impacting the financial performance of the Bank. The losses incurred by the Bank in a credit transaction could be due to inability or wilful default of the borrower in honouring its financial commitments to the Bank. The Bank is exposed to credit risk through lending and capital market activities.

Credit Risk Management Policy

The Board of Directors establishes parameters for risk appetite that are defined through a strategic businesses plan as well as the Credit Risk Management Policy. The Credit Risk Management Policy lays down the roles and responsibilities, risk appetite, key processes and reporting framework. Corporate credit is managed through the rating of borrowers and the transaction, thorough due diligence through an appraisal process alongside risk vetting of individual exposures at origination and thorough periodic review (including portfolio review) after sanctioning. Retail credit to individuals and small businesses is managed through the definition of product criteria, appropriate credit filters and subsequent portfolio monitoring.

Credit Rating System

The foundation of credit risk management rests on the internal rating system. Rating-linked single borrower exposure norms, delegation of powers and review frequency have been adopted by the Bank. The Bank has developed rating tools specific to market segments such as large and mid-corporates, SMEs, financial companies, microfinance companies and project finance to objectively assess underlying risk associated with such exposures.

The credit rating model uses a combination of quantitative and qualitative inputs to arrive at a 'point-in-time' view of the risk profile of the counterparty. Each internal rating grade corresponds to a distinct probability of default over one year. Expert scorecards are used for various SME schematic products and retail agriculture schemes. Statistical application and behavioural scorecards have been developed for all major retail portfolios.

The Bank recognises cash, central/State Government, bank and corporate guarantees, exclusive mortgage of properties and lease rental securitisation for the purpose of credit enhancement to arrive at a facility rating.

Model validation is carried out annually by objectively assessing the discriminatory power, calibration accuracy. The Bank has completed the estimation and validation of PD, LGD and CCF models for corporate and retail portfolios.

Credit Sanction and Related Processes

The guiding principles behind the credit sanction process are as follows:

- 'Know Your Customer' principles; and
- sustainability and adequacy of the borrower's normal business operations.

The availability of security alone with the Borrower is not the sole guiding factor for grant of credit.

The Bank has put in place a hierarchical committee structure based on the size and rating of the exposures for credit sanction and review; with sanctioning authority resting with higher level committees for larger and lesser-rated exposures. The Committee of Directors (**COD**) is the topmost committee in the hierarchy which is a sub-committee of the Board.

All management level sanctioning committees, except cases where credit risk is negligible, requires mandatory presence of a representative from the Risk Department for a quorum.

Review and Monitoring

- All credit exposures, once approved, are monitored and reviewed periodically against the approved limits. Borrowers with a lower credit rating are subject to more frequent reviews.

- Credit audit involves independent review of credit risk assessment, compliance with internal policies of the Bank and with the regulatory framework, compliance with sanction terms and conditions and effectiveness of loan administration.

- Customers with emerging credit problems are identified early and classified accordingly. Remedial action is initiated promptly to minimise the potential loss to the Bank.

Concentration Risk

The Bank manages concentration risk by means of appropriate structural limits and borrower-wide limits based on creditworthiness. Credit concentration in the Bank's portfolios is monitored for the following:

- large exposures to the individual clients or group: the Bank has individual borrower-wide exposure ceilings based on the internal rating of the borrower as well as group-wide borrowing limits that are continuously tracked and monitored;

- geographic concentration for real estate exposures; and

- concentration by Industry – industry analysis plays an important part in assessing the concentration risk within the loan portfolio. Industries are classified into various categories based on factors such as supply and demand, input-related risks, Government policy stance towards the sector and financial strength of the sector in general. Such categorisation is used in determining the expansion strategy for the particular industry.

Portfolio Management

Portfolio management involves analysing portfolio level risks and reporting such risks to the senior management. The Bank has a well-defined risk appetite statement which defines the boundaries of acceptable risk that the Bank can undertake and the compliance status of which is reported to the senior management and the Risk Management Committee of the Board. Portfolio risk analysis involves examining optimal spread of risk across various rating classes, including undue risk concentration across any particular industry segment. Borrowers or portfolios are marked for early warning when signs of weakness or financial deterioration are envisaged in order to initiate timely remedial actions. In-depth sector-specific studies are undertaken on portfolios vulnerable to extraneous shocks and the results are shared with the Bank's business departments.

Retail consumer lending portfolios and retail rural lending portfolios

As at the date of this Offering Circular, secured products (such as mortgages, vehicles business) still command a major share of the consumer lending portfolio, with prudent underwriting for unsecured lending (personal loans and credit card business). The Bank has developed a risk management framework at each stage of the retail loan cycle (being loan acquisition, underwriting and collections.)

The underwriting strategy relies on extensive usage of analytical scoring models that also take inputs from the bureau. The Bank uses a 'Rules Engine' that helps customise business rules thereby aiding in faster decision-making without compromising on the underlying risks. Senior management takes note of the movement and direction of risk reported through information published on structured dashboards.

Market Risk in the Trading Book

Market risk is the risk of loss to the Bank's earnings and capital due to changes in the market level of interest rates, price of securities, foreign exchange rates and equities prices, as well as the volatility of those changes. The Bank is exposed to market risk through its investment activities and also trading activities, which are undertaken for customers as well as on a proprietary basis. The Bank adopts a comprehensive approach to market risk management for its trading, investment and asset/ liability portfolios. For market risk management, the Bank has:

- board-approved risk appetite statement, market risk policies and guidelines that are aligned to the regulatory guidelines and based on experiences gained over the years. The policies are reviewed periodically keeping in view regulatory changes, business requirements and market developments.

- process manuals, which are updated regularly to incorporate and document best practices.

- market risk identification through mapping of the Bank's main businesses to various market risks.

- statistical measures like Value at Risk (**VaR**), supplemented by stress tests, back tests and scenario analysis.

- non-statistical measures like position limits, mark-to-market, stop-loss limits, gaps and sensitivities (including duration, price value of a basis point, option Greeks).

- management information system for timely market risk reporting to senior management functionaries. Key risk metrics are presented to the Risk Management Committee of the Board through structured risk dashboards.

Risk limits such as position limits, stop-loss limits, alarm limits, gaps and sensitivities (duration, PVBP, option Greeks) are set up and reviewed periodically, based on a number of criteria including regulatory guidelines, relevant market analysis, business strategy, size of the investment and trading portfolio, management experience and the Bank's risk appetite. These limits are monitored on an intra-day/daily basis by the Treasury Mid-office and the exceptions are put up to ALCO and to the Risk Management Committee of the Board.

The Bank uses historical simulation and its variants for computing VaR for its trading portfolio. VaR is calculated and reported on a daily basis for the trading portfolios at a 99 per cent. confidence level for a one-day holding period, and measured through the use of 250 days of historical data or one year of relative changes in historical rates and prices. The model assumes that the risk factor changes observed in the past are a good estimate of those likely to occur in the future and is, therefore, limited by the relevance of the historical data used. The method, however, does not make any assumption about the nature or type of the loss distribution. The VaR models for different portfolios are back-tested at regular intervals and the results are used to maintain and improve the efficacy of the model.

The VaR measure is supplemented by a series of stress tests and sensitivity analysis that estimates the likely behaviour of a portfolio under extreme but plausible conditions and its impact on earnings and capital. The Bank undertakes stress tests for market risks for its trading book, IRS, forex open position and forex gaps on a monthly basis as well as for liquidity risk at the end of each quarter. The Bank has built its capabilities to migrate to advanced approach i.e. Internal Models Approach for assessment of market risk capital.

Concentration Risk

The Bank has allocated internal risk limits in order to avoid concentrations, wherever relevant. For example, the aggregate gap limit, net open position and daylight limits are allocated to various currencies and maturities into Individual Gap Limits to monitor concentrations. Similarly, stop-loss limits and duration limits have been set up for different categories within a portfolio. Within the overall PV01 limit, a sub-limit is set up, which is not expected to be breached by trades linked to any individual benchmark. Some of the limits like currency-wise net open position, stop loss limits and PV01 limits such as allocated dealer-wise also, based on their skill and experience, to avoid a build-up of positions in a single dealer's book.

Liquidity Risk

Liquidity Risk is the current and prospective risk to earnings or capital arising from a Bank's inability to meet its current or future obligations on the due date. Liquidity risk is two-dimensional; namely, the risk of being unable to fund a portfolio of assets at appropriate maturity and rates (liability dimension) and the risk of being unable to liquidate an asset in a timely manner at a reasonable price (asset dimension).

The goal of Liquidity Risk Management is to meet all commitments on the due date and also be able to fund new investment opportunities by raising sufficient funds in the form of increasing fresh liabilities or by expeditious asset sell-off without incurring unacceptable losses, both under normal and adverse conditions. These objectives are ensured by setting up policies, operational level committees, measurement tools and monitoring and reporting mechanisms, making effective use of IT systems for the availability of quality data.

The Bank manages its liquidity on a static as well as dynamic basis using various tools such as gap analysis, ratio analysis, dynamic liquidity statements, intraday liquidity monitoring tools and scenario analysis. The Bank's ALM policy defines the tolerance limits for its structural liquidity position and liquidity ratios. These limits are in accordance with the board approved liquidity risk appetite statement of the Bank. The Liquidity Policy for the domestic operations as well as for the overseas branches lays down the operational framework for prudent risk management in the Bank. The liquidity profile of the Bank is analysed on a static basis by tracking all cash inflows and outflows in the maturity ladder based on the actual maturity and expected occurrence (for non-maturity items) of cash flows. The liquidity profile of the Bank is also estimated on a dynamic basis by considering the growth in deposits and loans, investment obligations, etc. for a short-term period of three months. The Bank undertakes behavioural analysis of the non-maturity products; namely, savings and current deposits and cash credit/overdraft accounts on a periodic basis, to ascertain the volatility of residual balances in those accounts. The renewal pattern and premature withdrawals of term deposits and drawdown of unavailed credit limits are also captured through behavioural studies. The concentration of large deposits is monitored on a periodic basis.

The Bank's ability to meet its obligations and fund itself in a crisis scenario is critical and, accordingly, liquidity stress tests are conducted under different scenarios at periodic intervals to assess how liquidity withstands stressed conditions. The liquidity positions of overseas branches are managed in line with the Bank's internal policies and host country regulations. Such positions are also reviewed centrally by the Bank's ALCO along with domestic positions.

The Bank has adopted the Basel III framework on liquidity standards as prescribed by the RBI and has put in place requisite systems and processes to enable periodical computation and reporting of the Liquidity Coverage Ratio (**LCR**).

Counterparty Risk

The Bank has a counterparty risk management policy incorporating well laid down guidelines, processes and measures for counterparty risk management. The policy includes separate counterparty rating models for commercial banks, foreign banks and cooperative banks for determining maximum permissible exposure limits for counterparties. The key financials, quality of management and the level of corporate governance are captured in the counterparty rating model. Counterparty limits are monitored and reported daily and internal triggers have been put in place to guard against a breach in limits. Credit exposures to issuers of bonds, advances etc. are monitored separately under the prudential norms for exposure to a single borrower according to the Bank's corporate credit risk policy or investment policy, as applicable. The counterparty exposure limits are reviewed at periodic intervals based on the financials of the counterparties, business needs past transaction experiences and market conditions. The Bank has also put in place the 'Derivatives and Suitability & Appropriateness Policy' and Loan Equivalent Risk (LER) Policy to evaluate counterparty risk arising out of all customer derivatives contracts.

Country Risk

The Bank has a country risk management policy containing the guidelines, systems and processes to effectively identify, assess, monitor and control its country risk exposures. Based on the risk profiling, countries are classified under seven categories, i.e. insignificant, low, moderate, high, very high, restricted and off-credit. Risk profiling is based on the ratings provided by Export Credit Guarantee Corporation of India Ltd. (**ECGC**), Dun & Bradstreet, Standard & Poor's Banking Industry Country Risk Assessment (**BICRA**), inputs received from overseas branches/business departments, and reports published by various agencies; namely, Moody's, Standard & Poor's, Fitch and other publications of repute. The categorisation of countries is reviewed at quarterly intervals or at more frequent intervals if situations so warrant. An exposure to a country comprises all assets, both funded and non-funded, that represents claims on residents of another country. The Bank has in place both category-wide and country-wide exposure limits. The Bank monitors country risk exposures through a process of trigger limits as well as a prior approval system for select categories (high, very high, restricted and off-credit) to ensure effective monitoring and management of exposures. As a proactive measure of country risk management, the risk department issues a 'Rating Watch' from time to time. Furthermore, based on country-specific developments, the concerned business departments are provided with periodic updates on countries that have a high probability of a rating downgrade.

Risk Management Framework for Overseas Operations

The Bank has put in place separate risk management policies for each of its overseas branches in Singapore, Hong Kong, Dubai, Colombo, Shanghai and GIFT City Branch (International Banking Unit). These country-specific risk policies are based on the host country regulators' guidelines and are in line with the practices followed for the Indian operations. The Asset Liability Management and all the risk exposures for the overseas operations are monitored centrally at the Central Office.

Operational Risk

Strategies and Processes

Operational Risk (**OR**) is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The operational risk management policy documents the Bank's approach towards management of operational risk and defines the roles and responsibilities of the various stakeholders within the Bank. The policy also comprises the detailed framework for operational risk loss data collection, risk and control self-assessment and key risk indicator framework.

Based on the above policy the Bank has initiated several measures to manage operational risk. The Bank has put in place a hierarchical structure to effectively manage operational risk through the formation of several internal committees: Operational Risk Management Committee (**ORMC**), Product Management Committee, Change Management Committee, Central Outsourcing Committee, Business Continuity Plan & Crisis Management Committee (**BCPMC**), and IT Security Committee.

Structure and Organisation

The Risk Management Committee (**RMC**) of the Board at the apex level is the policy making body. The RMC is supported by the ORMC, consisting of senior management personnel, which is responsible for implementation of the Operational Risk policies of the Bank. This internal committee oversees the implementation of the operational risks framework and oversees the management of operational risks across the Bank. A dedicated operational risk management unit ensures management of operational risk. A representative of the risk department is also a permanent member of control committees on product management covering approval of new products, change management of processes, outsourcing, business continuity management and IT security.

Scope and Nature of Operational Risk Reporting and Measurement Systems

A systematic process for reporting risks, losses and non-compliance issues relating to operational risks has been developed and implemented by the Bank. The information gathered is being used to develop triggers to initiate corrective actions to improve controls. All critical risks and potential loss events are reported to the Senior Management/ORMC.

The Bank has further enhanced its capability for effective management of operational risk with the implementation of an Enterprise Governance Risk and Compliance platform (**SAS-EGRC**). The IT platform acts as the single repository of processes and operational, compliance and financial reporting risks. It facilitates capturing individual risks and the effectiveness of their controls, tagging of identified risks to processes and products and originating action plans, and acts as a repository for all operational risk events. The roll-out of the SAS-EGRC system has been completed.

Policies for Mitigating Operational Risk

An Operational Risk Management Policy approved by the RMC of the Board details the framework for managing and monitoring operational risk in the Bank. Business units put in place basic internal controls as approved by the Product Management Committee to ensure appropriate controls in the operating environment throughout the Bank. According to the policy, all new products are being vetted by the Product Management Committee to identify and assess potential operational risks involved and suggest control measures to mitigate the risks. Each new product or service introduced is subject to a risk review and signoff process. Similarly, any changes to the existing products/processes are being vetted by the Change Management Committee.

The Bank has adopted specific policies on business continuity management and IT disaster recovery for recovery of critical system applications in relation to the Bank's products and services in emergency situations. The Bank has framed processes for identification of non-IT business continuity plan (**BCP**) teams, conducting training and awareness sessions, handling loss or inaccessibility of staff, identifying backup personnel for critical positions, identifying alternative premises and coordination of contingency plans at the Bank level.

Key Risk Indicators (**KRIs**) have been developed for various business units for the Bank for effective monitoring of key operational risks. KRIs for the branches have also been launched as a new initiative to help branches better manage operational risk. Bank-wide training courses are periodically conducted by the operational risk department.

Regular tests are carried out to ascertain BCP preparedness. The test reports are shared with senior management on a regular basis. The BCMC was formed comprising senior functionaries of the Bank to monitor the BCM framework implementation in the Bank.

Approach for Operational Risk Capital Assessment

According to the RBI guidelines, the Bank has followed the Basic Indicator Approach for computing the capital for operational risk.

Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book (**IRRBB**) is measured and monitored according to the guidelines laid out in the Bank's Asset Liability Management (**ALM**) Policy based on the guidelines of the RBI presented in the document "Guidelines on Banks' Asset Liability Management Framework – Interest Rate Risk" dated 4 November 2010. Interest Rate Risk is measured for the entire balance sheet through Earnings at Risk and the Market Value of Equity Approach as described below.

The Bank measures and controls interest rate risk in the banking book using both Earnings at Risk (**EaR**) which assesses the sensitivity of its net interest income to parallel movement in interest rates over the 1 year horizon, and Market Value of its Equity (**MVE**) which measures the sensitivity of the present value of all assets and liabilities to interest rate risk in response to given interest rate movements. The Bank prepares Interest Rate Sensitivity reports which are reviewed against Regulatory and Internal limits. Internal limits have been established for (a) Earnings at Risk for a 100 bps parallel shift in interest rates over the horizon of 1 year, and (b) 200 bps parallel shift in interest rates for MVE impact. Any review of the internal interest rate risk limits is approved by the ALCO and is ratified by the Risk Management Committee of the Board.

Bucketing of non-maturity liability items for interest rate risk measurement is based on the behavioural analysis methodology for identification of core and non-core components. Bucketing rules of core and non-core portions in the interest rate sensitivity statements are laid out in the ALM policy. The Bank does not use any assumptions for prepayment of loans for preparation of interest rate risk sensitivity reports.

The findings of the various IRRBB measures are submitted to the ALCO, which is the apex committee for providing strategic guidance and direction for ALM measures.

Compliance

The Bank's Compliance Department (CD) is headed by the Chief Compliance Officer (CCO) who reports to the Executive Director – Corporate Centre (ED-CC) administratively with a right to approach the Audit Committee of the Board and the Board directly.

The Compliance function is tasked with managing and monitoring all guidelines and communication received from the regulators. The Compliance Department identifies all new regulations to ascertain their impact on compliance risk. These are communicated to the Audit Committee of the Board and/or the Board. A quarterly Chief Compliance Officer's Report under the theme 'Compliance' is placed to the ACB/Board to exercise sufficient oversight.

The regulatory universe is created in the SAS Enterprise Governance Risk and Compliance engine with Risk Control Matrix (**RCMs**) for each applicable regulation of all applicable regulators. Every RCM contains details of risk, and description of internal controls with design attributes (manual/automated, maker/checker, etc.) tagged to each applicable regulatory line item. The compliance is tested through a risk-based approach by the Internal Audit Department and the Compliance Department. The breaches/action points for systemic enhancements are referred to the ACB for oversight and suggestions, if any.

Transaction Monitoring: The Anti-money Laundering Unit under the Compliance Department carries out the regulator stipulated anti-money laundering activities such as Transaction Monitoring and Risk categorisation. The Bank uses the Financial Crime Detection and Management System, Suspicions Transaction Analysis and Reporting and FIRCO Continuity applications for transaction monitoring purpose. This unit also carries out the activity of regulatory reporting under the Prevention of Money Laundering Act, 2002 and as stipulated in the regulatory guidelines, such as suspicious transaction (STR), and cash transaction report etc.

Financial Crime Management Department (FCMD)

Financial Crime Management Unit (**FCMU**), which was previously a part of the risk department, has been converted into an exclusive department and renamed as the financial crime management department (**FCMD**) in August 2014 to focus attention on AML compliance and investigation. Broadly, FCMD performs the following sets of activities:

- fraud risk management – involves organising fraud investigations, fraud analysis and reporting, ascertaining staff accountability, consistent monitoring of transactions and newly opened accounts to identify suspicious transactions and accounts and prevent fraudulent activities, regulatory reporting, senior management and Board reporting, sharing of fraud-related information with other departments, trend analysis and pattern recognition on suspected or attempted fraud and proactively upgrading system capabilities for fraud management;

- risk rating and profiling of customers.

Internal Audit Department

The Bank's Internal Audit function provides an independent assurance to its Board of Directors and senior management on the quality and effectiveness of its internal controls, risk management systems, governance systems and processes on an ongoing basis. This is to ensure that the audited units comply with both internal and regulatory guidelines. In line with the RBI's guidelines on Risk Based Internal Audit (**RBIA**), the Bank has adopted what it considers to be a robust audit policy. The RBIA has been designed following factoring regulatory guidelines and also international best practices. The policy has a well-defined architecture for conducting RBIA across all audit entities. The audit policy of the Bank focuses on strategic and emerging business risks, which forms a key step in the identification of the audit universe for the audit planning exercise. The audit frequencies are in sync with the risk profile of each unit to be audited. This is in accordance with guidelines relating to RBIA. The scope of RBIA includes examining the adequacy and effectiveness of internal control systems, regulatory compliances and also the evaluation of the risk residing at the audit entities. Further, with a view to strengthening the effectiveness of the audit function, concurrent audits, thematic reviews and integrated audit reviews have been added to the functional scope of internal audit.

The Internal Audit Department functions independently under the supervision of the Audit Committee of the Board, thereby ensuring its independence. The Board reviews the efficacy of the internal audit function, effectiveness of the internal controls laid down by the Bank and compliance with internal as well as external regulatory guidelines. This is in alignment with the best global practices on corporate governance.

Enforcement of Security Interests

Enforcement of Security Interests under the SARFAESI Act

To assist banks and financial institutions in recovering their unpaid advances and to ensure financial discipline among borrowers. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (**SARFAESI Act**) provides the legal framework for (i) the securitisation of financial assets by setting up a Securitisation Company (**SC**) or Reconstruction Company (**RC**); (ii) the foreclosure of assets through a SC or RC; and (iii) the foreclosure of NPA accounts.

Pursuant to the SARFAESI Act, a bank that is a secured creditor may, in respect of loans classified as NPAs, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which, and in the absence of any satisfactory objections or representations made by the borrower, such a secured creditor may employ the following measures to recover the dues:

- taking possession of secured assets of the borrower, including the right to transfer these assets by way of lease, assignment or sale for realising the secured loans;

- taking over the management of the business of the borrower, including the right to transfer by way of lease, assignment or sale for realising the secured loans;

- appointing any person to manage the secured assets after taking possession; or

- advising any person who owes money because of acquiring any of the secured assets from the borrower, to pay the money directly to the banks and institutions.

If required, the secured creditors may request the Chief Metropolitan Magistrate or the District Magistrate to take possession of part or whole of the secured assets and other related documents and forward the assets and documents to the secured creditors. The sale proceeds would first be utilised to meet all the expenses incurred in enforcement of security interest and then for payment of dues of secured creditors. The remaining amount would be paid to others in accordance with their rights and interests. In case the dues are not fully recovered by the sale of secured assets, then the secured creditors may file an application to the Debt Recovery Tribunal for the remaining dues. The secured creditors are also entitled to proceed against the guarantors and sell the charged assets independent of their action for enforcement of security interest.

Pursuant to the SARFAESI Act, the borrower cannot make a reference to the BIFR after the transfer of financial assets to a SC or a RC. Similarly, any pending reference before the BIFR shall abate if 75 per cent. of the secured creditors (in terms of amount outstanding) have taken any action to recover their dues under the SARFAESI Act.

On 8 April 2004, the Supreme Court pronounced a judgment upholding the constitutional validity of the SARFAESI Act (with the exception of section 17(2)). The Government has since enacted the "Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2004" (the **Amended Act**).

The salient features of the Amended Act are as follows:

- a new provision in the Amended Act makes it mandatory for the secured creditor to consider any representation or objection raised by the borrower (on whom notice had been served) and communicate reasons for non-acceptance of the representation/objection within one week from the date of receipt of such representation objection.

- a new section 13(3A) provides that where the management of the whole of the business or part of the business is severable, the secured creditor shall take over the management of such business of the borrower, which is relatable to the security for the debt.

- a new section 13(4)(b) empowers the secured creditor to take over the management of the business of such borrower, which is related to the security of the debt. Where a substantial part of the business of the borrower is held as security for the debt, the secured creditor is also empowered to take over the management, including the right to transfer by way of lease, assignment or sale for realising the secured asset. However, the term "substantial part of the business" has not been defined.

- the Recovery of Debts Due to Banks & Financial Institution Act, 1993 has been amended whereby banks and financial institutions may withdraw the recovery application filed by them at the DRT in the event they propose to initiate action under the SARFAESI Act.

- two new provisions enable the aggrieved borrower to make an application to the DRT against action taken under the SARFAESI Act and the same is required to be decided within 60 days. Furthermore, an appeal can be filed against the order of DRT before the Debt Recovery Appellate Tribunal (**DRAT**) after the borrower has deposited 50.0 per cent. of the amount of debt (such sum may be reduced to 25.0 per cent. by the DRAT for reasons to be recorded in writing).

Subsequently on 3 January 2013, the Parliament enacted certain amendments to the SARFAESI Act. The salient features of these amendments are as follows:

- the time period for the lenders to reply to the representations or objections raised by the borrower under section 13 (3)(A) was extended to 15 days;

- section 13 (5)(A) – where the sale of immovable property, for which a reserve price has been specified, has been postponed for want of a bid of an amount not less than such reserve price, it shall be lawful for any officer of the secured creditor authorised to bid for the immovable properties on behalf of the secured creditor at any subsequent sale. The consent required for action under section 13 (4) of the SARFAESI Act in case of joint lending or multiple lending was brought down to 60 per cent. from the earlier requirement of 75 per cent.;

- section 14 (1)(A) – the district magistrate or the court of the metropolitan magistrate may delegate any subordinate officer to take possession of secured assets (and hand over possession to the secured lender); and

- section 18 (C) – where an application or appeal is expected to be made or has been made by an aggrieved party (before DRT or DRAT), the secured creditor may lodge a caveat before such DRT or DRAT; as the case may be.

As at 31 March 2018, the Bank had issued notices under the SARFAESI Act to 1,085 corporate borrowers with an aggregate principal outstanding of ₹95,785 million. Of the 1,085 borrowers on whom the Bank had served notice, 349 borrowers have since approached the Bank for settlement of outstanding debts. The Bank has been applying all available methods for the recovery of unpaid advances, including reporting the name of wilful defaulters to the RBI together with commencing the necessary steps for recovery. The Bank has also initiated aggressive one-time settlement measures to recover unpaid loans.

Credit Management Policies and Procedures

The Bank formulates and revises internal policies and procedures for its lending activities. Annual business plans and credit policies provide information on the type and volume of credit business expected to be achieved during the relevant year. Policies on standards for the presentation of credit proposals, risk identification, risk grading, reporting and risk control, risk mitigation techniques, documentation, legal issues and the management of problem loan accounts are in place. Reviews of the loan portfolios under various lending programmes are undertaken and single and group borrower limits, industry exposure limits and unsecured exposure limits have been established and are monitored on a regular basis.

The Bank's credit approval process involves multiple levels of loan approval authority depending on the loan amount. Before sanctioning any loan, the sanctioning authority ensures that:

- the credit proposal is comprehensive and complete in all respects;
- all required annexures and/or documents are enclosed;
- the request of the borrower is assessed properly and the credit proposal, including the terms and conditions proposed, conforms to the basic lending principles, the Bank's credit policy and guidelines of the RBI and other regulatory authorities;
- the balance sheet, profit and loss account and other financial statements, income statements of borrowers, as applicable, are analysed properly. Items of assets and liabilities are classified properly and projections are made based on reasonable and realistic assumptions;
- all relevant ratios are calculated;
- assessment of credit requirements is carried out by using internally approved methods and the norms and guidelines issued by the RBI, as applicable, are complied with;
- limits proposed are within the borrowing powers of the company, if the borrower is a limited liability company;
- technical feasibility, management ability, compliance with statutory requirements and overall financial viability of the projects and/or proposition are properly examined;
- credit risk rating is carried out properly;
- security, if available, is examined in the context of adequacy, realisability etc; and
- adequate and suitable collateral security is obtained according to the guidelines.

Based on the credit rating of the borrowers and the quantum of the borrowing, credit proposals are evaluated by appropriate sanctioning authorities in accordance with the credit policy of the Bank. Credit proposals sanctioned by the sanctioning authority are reviewed by the next higher authority by following the prescribed guidelines in this regard. The Reviewing Authority is primarily concerned with the proper exercise of delegated powers, adherence to credit norms and general policy guidelines.

The Bank has internal guidelines on exposure limits based on the credit rating of borrowers in the corporate and SME segments. Single borrowers and group borrower prudential norms according to the RBI guidelines are adhered to. The Bank disburses funds to a borrower strictly in accordance with the terms as sanctioned and after all necessary documentation has been executed. Specific approval is sought from the original sanctioning authority before any deviation is made from the terms of the sanction.

Proper supervision and follow-up of advances is carried out after the sanction and disbursement of credit facilities. Monitoring systems are used as a back-up mechanism for testing various assumptions made at the time of assessment of the credit needs of the borrowers. It is also used to evaluate the performance of the assisted unit and its financial health, to anticipate and foresee problems and prospects, and to identify danger signals with a view to initiate timely and appropriate corrective measures.

Funding and Liquidity

The Bank's funding operations are designed to ensure stability of funding, minimise funding costs and effectively manage liquidity. The Bank attempts to maintain a diversified funding base. The Bank's funding is primarily derived from deposits placed with the Bank by its wholesale banking customers. The Bank also derives funding from capital and reserves and borrowing. The following shows the breakdown of the Bank's funding profile for the periods indicated.

	As at 31 March			
	2017		2018	
	Amount	Percentage of Total	Amount	Percentage of Total
	(₹ in millions, except percentages)			
Total deposits (D = A+B+C)	**4,143,788**	**69**	**4,536,227**	**66**
Demand deposits (A)	870,017	14	956,496	14
Savings deposits (B)	1,260,483	21	1,482,020	21
Time deposits (C)	2,013,288	34	2,097,711	31
Total borrowings (E)	**1,050,309**	**18**	**1,480,161**	**21**
Shareholder's funds(1) (F)	**557,625**	**9**	**634,453**	**9**
Other liabilities and provisions (G)	262,955	4	262,455	4
Total liabilities (D+E+F+G)	**6,014,677**	**100**	**6,913,296**	**100**

(1) Shareholders' funds = Capital + Reserves and Surplus

Capital Adequacy

The RBI has 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 in a phased manner and is to be fully implemented as at 31 March 2019. Accordingly, the Bank has computed Capital Adequacy Ratio (**CAR**) as at 31 March 2018 in terms of regulatory guidelines on Basel III, wherein the capital charge for operational risk is computed under the Basic Indicator Approach and the capital charge for credit and market risk is computed under the Standardised Approach.

As at 31 March 2018, the Bank's CAR under Basel III was 16.57 per cent. (against the minimum regulatory requirement of 10.875 per cent.). Of this, the Common Equity Tier I (**CET I**) CAR was 11.68 per cent. (against minimum regulatory requirement of 7.375 per cent. including CCB) and Tier I CAR was 13.04 per cent. (against minimum regulatory requirement of 7.00 per cent.). As at 31 March 2018, the Bank's Tier II CAR was 3.53 per cent. As at 31 March 2017, the Bank's CAR under Basel III was 14.95 per cent. Of this, the Common Equity Tier I (**CET I**) CAR was 11.13 per cent. and Tier I CAR was 11.87 per cent. As at 31 March 2017, the Bank's Tier II CAR was 3.08 per cent.

The following table sets forth the capital, risk-weighted assets and capital adequacy ratios computed as at 31 March 2017 and 31 March 2018 (under Basel III) in accordance with the applicable RBI guidelines.

	As at 31 March	
	2017	**2018**
	(₹ in millions, except for percentages)	
Tier I Capital	560,393	674,763
Tier II Capital	145,659	182,986
Out of which		
– Tier II capital Instruments	123,660	160,350
– Other eligible for Tier II capital	21,999	22,636
Total Capital qualifying for computation of Capital Adequacy Ratio	706,052	857,749
Total Risk-Weighted Assets and Contingencies	4,723,132	5,176,307
Total Capital Adequacy Ratio	14.95%	16.57%
Out of above		
– Common Equity Tier I Capital Ratio	11.13%	11.68%
– Tier I Capital Ratio	11.87%	13.04%
– Tier II Capital Ratio	3.08%	3.53%

During fiscal 2013, the RBI issued guidelines on implementation of Basel III capital regulations in India. Implementation of these guidelines began on 1 April 2013 and will continue to be introduced in a phased manner, with full implementation expected by 31 March 2019. These guidelines cover the new capital regulations. The Bank has taken appropriate steps to ensure adoption of these guidelines within the timeframe stipulated by the RBI.

SELECTED STATISTICAL INFORMATION

The following information should be read together with the Bank's financial statements included in this Offering Circular as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations". Footnotes appear at the end of each related section of tables.

Average Balance Sheet

The table below presents the average balances for interest-earning assets and interest-bearing liabilities together with the related interest revenue and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of quarterly balances outstanding. The average yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances of loans include NPAs and are net of allowance for credit losses. The Bank has not recalculated tax exempt income on a tax-equivalent basis. As the yield and cost in the table below has been computed on the basis of quarterly average balances, these will not match with the ratios contained in the "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Selected Financial and Operating Data*" and "*Description of the Bank*" sections, which have been calculated on the basis of daily average balances, except as otherwise stated.

	Year ended 31 March								
	2016			2017			2018		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Average yield/cost (%)	(₹ in millions, except percentages)								
Interest-earning assets:									
Advances	3,035,877	300,406	9.90	3,514,226	331,250	9.43	4,058,587	341,375	8.41
Investments	1,196,778^	93,776	7.84^	1,306,594	96,228	7.36	1,422,146	99,833	7.02
Others	308,686	15,698	5.09	370,147	17,944	4.85	314,712	16,595	5.27
Total interest-earning assets	**4,541,341^**	**409,880**	**9.03^**	**5,190,967**	**445,422**	**8.58**	**5,795,445**	**457,803**	**7.90**
Non-interest-earning assets:									
Fixed assets	27,485	–	–	36,069	–	–	38,819	–	–
Other assets	343,571^	–	–	437,765	–	–	523,277	–	–
Total assets	**4,912,397^**	**409,880**		**5,664,801**	**445,422**		**6,357,541**	**457,803**	
Interest-bearing liabilities:									
Deposits	3,301,275	185,402	5.62	3,762,363	196,396	5.22	4,174,279	191,735	4.59
Saving deposits	922,670	33,188	3.60	1,115,873	41,251	3.70	1,315,488	45,020	3.42
Demand deposits	547,708	–	–	652,769	–	–	809,014	–	–
Term deposits	1,830,897	152,214	8.31	1,993,721	155,145	7.78	2,049,777	146,715	7.16
Borrowings	927,092^	56,149	6.06^	1,135,802	68,094	6.00	1,317,709	79,891	6.06
Total interest-bearing liabilities	**4,228,367^**	**241,551**	**5.71^**	**4,898,165**	**264,490**	**5.40**	**5,491,988**	**271,626**	**4.95**
Non-interest-bearing liabilities:									
Capital and reserves	489,212	–	–	544,157	–	–	596,079	–	–
Other liabilities	194,818^	–	–	222,479	–	–	269,472	–	–
Total non-interest-bearing liabilities:	**684,030^**	**–**	**–**	**766,636**	**–**	**–**	**865,554**	**–**	**–**
Total liabilities	**4,912,397^**	**241,551**		**5,664,801**	**264,490**		**6,357,539**	**271,626**	

^ Financial information not reclassified or regrouped to conform with its respective presentation as at and for the years ended 31 March 2017 and 2018. See "*Management Discussion and Analysis of Financial Condition and Results of Operation*" for more information.

Analysis of Changes in Interest Revenue and Interest Expense by Volume and Rate

The following tables set forth, for the periods indicated, the allocation of the changes in the Bank's interest revenue and interest expense between average volume and changes in average rates.

	Fiscal 2017 vs. Fiscal 2016			Fiscal 2018 vs. Fiscal 2017		
	Increase (Decrease)(1) Due to			Increase (Decrease)(1) Due to		
	Net change	Change in average volume	Change in average rate	Net change	Change in average volume	Change in average rate
	(₹ in millions)					
Interest revenue						
Advances	30,844	45,089	(14,245)	10,125	45,781	(35,662)
Investments	2,452	8,088	(5,636)	3,605	8,112	(4,507)
Others	2,246	2,980	(734)	(1,349)	(2,921)	1,575
Total interest-earning assets	**35,542**	**56,157**	**(20,615)**	**12,381**	**50,971**	**(38,594)**
Interest expenses						
Saving deposits	8,063	7,142	921	3,769	6,827	(3,062)
Demand deposits	–	–	–	–	–	–
Term deposits	2,931	12,670	(9,739)	(8,430)	4,014	12,443
Borrowings	11,946	12,513	(567)	11,797	11,024	768
Total interest-bearing liabilities	**22,940**	**32,325**	**(9,385)**	**7,136**	**21,864**	**(14,737)**
Net interest revenue	**12,602**	**23,832**	**(11,230)**	**5,245**	**29,107**	**(23,857)**

(1) The changes in net interest revenue between periods have been reflected as attributed either to volume or rate changes.

Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on the Bank's interest-earning assets.

	Year ended 31 March		
	2016	**2017**	**2018**
	(₹ in millions, except percentages)		
Interest earned	409,880	445,422	457,803
Interest expended	241,551	264,490	271,626
Average interest-earning assets	4,541,341^	5,190,967	5,795,445
Average interest-bearing liabilities	4,228,367^	4,898,165	5,491,988
Average total assets	4,912,397^	5,664,801	6,357,540
Average interest-earning assets as a % of average total assets	92.45^	91.64	91.16
Average interest-bearing liabilities as a % of average total assets	86.08^	86.47	86.39
Average interest-earning assets as a % of average interest-bearing liabilities	107.40^	105.98	105.53
Yield (annualised) (%)(1)	9.03^	8.58	7.90
Cost of funds (annualised) (%)(1)	5.71^	5.40	4.95
Spread (annualised) (%)(1)	3.31^	3.18	2.95
Net interest margin (annualised) (%)(2)	3.71^	3.49	3.21

(1) Spread is the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities/cost of funds is the ratio of interest expense to average interest-bearing liabilities.

(2) Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, the net interest margin is greater than spread and, if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than spread.

^ Financial information not reclassified or regrouped to conform with its respective presentation as at and for the years ended 31 March 2017 and 2018. See "*Management Discussion and Analysis of Financial Condition and Results of Operation*" for more information.

Return on Equity and Assets

The following table presents selected financial ratios for the periods indicated.

	Year ended 31 March		
	2016	2017	2018
	(₹ in millions, except percentages)		
Return on equity and assets			
Net profit	82,237	36,793	2,757
Average total assets[(1)]	4,771,373^	5,651,189	6,405,615
Average shareholders' equity	470,102	509,589	517,687
Net profit as a percentage of average total assets	1.72%^	0.65%	0.04%
Net profit as a percentage of average shareholders' equity[(2)]	17.49%	7.22%	0.53%
Average shareholders' equity as a percentage of average total assets	9.85%^	9.02%	8.08%

(1) Average total assets represent monthly average balance as reported to RBI in Form X under section 27 of the Banking Regulation Act, 1949 during the year.

(2) Net profit divided by the daily weighted average of share capital, share premium and year end average of other reserves and surplus.

^ Financial information not reclassified or regrouped to conform with its respective presentation as at and for the years ended 31 March 2017 and 2018. See "*Management Discussion and Analysis of Financial Condition and Results of Operation*" for more information.

Investment Portfolio (Gross)

Available for Sale Investments

The following table sets forth, as at the dates indicated, information relating to the Bank's AFS investments.

	As at 31 March 2016				As at 31 March 2017				As at 31 March 2018			
	Book Value	Market Value	Unrealised Gain	Unrealised Loss	Book Value	Market Value	Unrealised Gain	Unrealised Loss	Book Value	Market Value	Unrealised Gain	Unrealised Loss
	(₹ in millions)											
Government securities	187,398^	188,008^	672^	(61)^	120,206	120,927	1,261	(539)	138,361	138,607	909	(663)
Other debt securities	238,688	241,070	5,983	(3,548)	310,545	327,113	18,773	(2,169)	312,011	323,260	16,023	(4775)
Total debt securities	426,086^	429,078^	6,655^	(3,609)^	430,751	448,041	20,033	(2,708)	450,372	461,866	16,932	(5,438)
Non-debt securities	15,691	13,027	1,780	(2,553)	25,199	14,951	2,831	(12,915)	39,152	17,421	2,987	(24,718)
Total	441,777^	442,105^	8,435^	(6,163)^	455,950	462,992	22,864	(15,623)	489,524	479,288	19,919	(30,156)

^ Financial information not reclassified or regrouped to conform with its respective presentation as at and for the years ended 31 March 2017 and 2018. See "*Management Discussion and Analysis of Financial Condition and Results of Operation*" for more information.

Held to Maturity Investments

The following table sets forth, as at the dates indicated, information relating to the Bank's HTM investments.

	As at 31 March 2016				As at 31 March 2017				As at 31 March 2018			
	Book Value	Market Value	Unrealised Gain	Unrealised Loss	Book Value	Market Value	Unrealised Gain	Unrealised Loss	Book Value	Market Value	Unrealised Gain	Unrealised Loss
	(₹ in millions)											
Government securities	732,409^	737,908	7,555	(2,056)	800,243	812,867	19,062	(6,438)	887,121	870,574	3,298	(19,845)
Other debt securities	15	15	0	–	0.00	0.00	0.00	0.00	0	0	0	0
Total debt securities	732,424^	737,923	7,555	(2,056)	800,243	812,867	19,062	(6,438)	887,121	870,574	3,298	(19,845)
Non-debt securities	13,374	13,336	7	(45)	13,798	13,795	0.00	(6)	20,994	20,989	0	(5)
Total	745,798^	751,259	7,562	(2,101)	814,042	826,659	19,062	(6,444)	908,115	891,563	3,298	(19,850)

^ Financial information not reclassified or regrouped to conform with its respective presentation as at and for the years ended 31 March 2017 and 2018. See "*Management Discussion and Analysis of Financial Condition and Results of Operation*" for more information.

Held for Trading Investments

The following table sets forth, as at the dates indicated, information relating to the Bank's HFT investments.

	As at 31 March 2016				As at 31 March 2017				As at 31 March 2018			
	Book Value	Market Value	Unrealised Gain	Unrealised Loss	Book Value	Market Value	Unrealised Gain	Unrealised Loss	Book Value	Market Value	Unrealised Gain	Unrealised Loss
	(₹ in millions)											
Government securities	45,568^	45,740^	220^	(48)^	9,629	9,776	152	(5)	15,049	15,047	0	(3)
Other debt securities	86,649	86,770	127	(6)	22,021	22,065	50	(5)	156,467	156,499	141	(109)
Total debt securities	132,216^	132,510^	348^	(54)^	31,650	31,841	201	(10)	171,516	171,546	142	(112)
Non-debt securities	–	–	–	–	–	–	–	0.00				
Total	132,216^	132,510^	348^	(54)^	31,650	31,841	201	(10)	171,516	171,546	142	112

^ Financial information not reclassified or regrouped to conform with its respective presentation as at and for the years ended 31 March 2017 and 2018. See "*Management Discussion and Analysis of Financial Condition and Results of Operation*" for more information.

Residual Maturity Profile

The following table sets forth, as at the date indicated, an analysis of the residual maturity profile of the Bank's investments in Government and corporate debt securities classified as AFS securities and their weighted average market yields.

	As at 31 March 2018							
	Up to One Year		One to Five Years		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in millions, except percentages)							
Government securities	74,109	5.74%	27,102	5.89%	37,343	7.24%	53	7.80%
Other debt securities	21,101	8.87%	135,639	7.52%	143,840	6.52%	22,679	7.52%
Total debt securities market value	95,210	6.43%	162,741	7.25%	181,183	6.67%	22,732	7.52%
Gross book value	94,313		162,295		172,606		21,158	

The following table sets forth, as at the date indicated, an analysis of the residual maturity profile of the Bank's investments in Government and corporate debt securities classified as HTM securities and their weighted average market yields.

	As at 31 March 2018							
	Up to One Year		One to Five Years		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in millions, except percentages)							
Government securities	6,574	7.76%	171,188	7.88%	319,729	7.89%	373,084	7.73%
Other debt securities								
Total debt securities market value	6,574	7.76%	171,188	7.88%	319,729	7.89%	373,084	7.73%
Gross book value	6,474		169,707		324,696		386,241	

The following table sets forth, as at the date indicated, an analysis of the residual maturity profile of the Bank's investments in Government and corporate debt securities classified as HFT securities and their weighted average market yields.

	As at 31 March 2018							
	Up to One Year		One to Five Years		Five to Ten Years		More than Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(₹ in millions, except percentages)							
Government securities	14,510	2.96%	8	6.97%	296	7.28%	233	7.32%
Other debt securities	105,168	7.94%	46,444	7.10%	4,887	7.95%	0	0
Total debt securities market value	119,678	7.34%	46,452	7.10%	5,183	7.91%	233	7.32%
Gross book value	119,668		46,497		5,116		236	–

Funding

The Bank's funding operations are designed to ensure stability, low cost of funding and effective liquidity management. Retail banking deposits (term deposits of up to ₹50 million and savings account deposits) represented 63.62 per cent., 60.32 per cent. and 63.05 per cent. of total deposits as at 31 March 2016, 31 March 2017 and 31 March 2018 respectively, and are the primary source of funding of the Bank. The deposits raised from wholesale banking customers (term deposits of more than ₹50 million and current account deposits), constituted 36.38 per cent., 39.68 per cent. and 36.95 per cent. of the total deposits as at 31 March 2016, 31 March 2017 and 31 March 2018, respectively.

Total Deposits

The following table sets forth, for the periods indicated, the Bank's average outstanding deposits on a quarterly average basis and the percentage composition by each category of deposits. The average cost (interest expense divided by the average of daily balance for the relevant period) of savings deposits was 4.01 per cent. in fiscal 2016, 4.01 per cent. in fiscal 2017 and 3.76 per cent. in fiscal 2018. The average cost of time deposits was 8.21 per cent. in fiscal 2016, 7.64 per cent. in fiscal 2017 and 6.91 per cent. in fiscal 2018. The average deposits on a quarterly average basis for the periods set forth are as follows:

	Year ended 31 March					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(₹ in millions, except percentages)					
Demand deposits[1]	547,708	16.59	652,769	17.35	809,014	19.38
Savings deposits	922,670	27.95	1,115,873	29.66	1,315,488	31.52
Time deposits	1,830,897	55.46	1,993,721	52.99	2,049,777	49.10
Total Deposits	3,301,275	100.00	3,762,363	100.00	4,174,279	100.00

(1) Includes current accounts and cash floats from transactional services.

As at 31 March 2018, individual term deposits with the Bank in excess of ₹6.5175 million (approximately U.S.$100,000) had balance to maturity profiles as set out below.

	As at 31 March 2018				
	Up to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	More Than 1 Year
	(₹ in millions)				
Balance to maturity for deposits exceeding 6.5175 million each	2,400,965	1,557,474	1,256,901	1,159,736	2,661,656

Short-term Borrowings

The following table sets forth, for the periods indicated, information relating to the Bank's short-term Rupee borrowings, which comprise primarily money market borrowings (call borrowing and CBLO borrowing). Short-term Rupee borrowings exclude deposits and securities sold under repurchase agreements.

	Years ended 31 March		
	2016	**2017**	**2018**
	(₹ in millions, except percentages)		
Year end balance	5	325	370
Average balance during the year(1)	7,777^	33,673	27,741
Maximum outstanding	76,086	201,609	127,136
Average interest rate during the year (%)(2)	6.94%^	6.25%	5.98%
Average interest at year end(3)	6.00%	5.50%	5.50%

(1) Average of daily balances outstanding.

(2) Represents the ratio of interest expense on short-term borrowings to the average of daily balances of short-term borrowings.

(3) Represents the weighted average rate of short-term borrowings outstanding as at 31 March 2015, 2016 and 2017.

^ Financial information not reclassified or regrouped to conform with its respective presentation as at and for the years ended 31 March 2017 and 2018. See "*Management Discussion and Analysis of Financial Condition and Results of Operation*" for more information.

Subordinated Debt

The Bank obtains funds from the issuance of unsecured non-convertible subordinated debt securities, which qualify as Tier II risk-based capital under the RBI's guidelines for assessing capital adequacy. The Bank issued 26 tranches of subordinated debt securities, of which 11 are outstanding as at 31 March 2018. These 11 tranches were issued during fiscal 2009, 2010, 2012, 2013, 2015, 2016 2017 and 2018 at coupon rates of 9.95 per cent. to 11.75 per cent., 9.15 per cent., 9.30 per cent. to 9.73 per cent., 9.15 per cent., 8.45 per cent., 8.50 per cent. and 7.84 per cent. to 8.50 per cent., 7.66 per cent., respectively.

The fiscal 2009 tranches are repayable in fiscal 2019. The fiscal 2010 tranche is repayable in fiscal 2020. The fiscal 2012 tranche is repayable in fiscal 2022. The fiscal 2013 tranche is repayable in fiscal 2023. The fiscal 2015 tranche is repayable in fiscal 2025. The fiscal 2016 tranche is repayable in fiscal 2026. The fiscal 2017 tranches are repayable in fiscal 2027. The fiscal 2018 tranches are repayable in fiscal 2028.

As at 31 March 2018, the Bank had ₹212.05 billion aggregate principal amount of subordinated debt outstanding.

The following table sets forth, as at 31 March 2018, the details of unsecured non-convertible subordinated debt securities issued by the Bank.

As at 31 March 2018				
Date of Allotment	**Number of Debentures**	**Rate of Interest**	**Date of Redemption**	**Amount**
				(₹ in millions)
7 November 2008	15,000	11.75%	7 November 2018	15,000
28 March 2009	2,000	9.95%	28 March 2019	2,000
16 June 2009	20,000	9.15%	16 June 2019	20,000
1 December 2011	15,000	9.73%	1 December 2021	15,000
20 March 2012	19,250	9.30%	20 March 2022	19,250
31 December 2012	25,000	9.15%	31 December 2022	25,000
12 February 2015	8,500	8.45%	12 February 2025	8,500
30 September 2015	15,000	8.50%	30 September 2025	15,000
27 May 2016	24,300	8.50%	27 May 2026	24,300
23 November 2016	18,000	7.84%	23 November 2026	18,000
15 June 2017	50,000	7.66%	15 June 2027	50,000
				212,050

Perpetual Debt and Upper Tier II Instruments

The Bank issued Perpetual Debt in fiscal 2017 and fiscal 2018 and Upper Tier II instruments in fiscal 2008 qualifying for Tier I and Tier II capital, respectively, to increase its capital adequacy ratio and fund its growing overseas and Indian operations. The Bank issued Perpetual Debt instruments at coupon rate of 8.75 per cent. and Upper Tier II instruments at coupon rates of 7.13 per cent. The Upper Tier II instruments were redeemed in fiscal 2018.

As at 31 March 2018, the Bank had no amounts of Upper Tier II instruments outstanding.

The following table sets forth, as at 31 March 2018, the details of Perpetual Debt and Upper Tier II instruments issued by the Bank.

As at 31 March 2018				
Date of Allotment	**Number of Debentures**	**Rate of Interest**	**Date of Redemption**	**Amount**
				(₹ in millions)
Perpetual Debt Instruments				
28 June 2017	35,000	8.75%	–	35,000
14 December 2016	35,000	8.75%	–	35,000
				70,000
Upper Tier II Instruments				
28 June 2007	600	7.13%	28 June 2017**	–
				–

** Represents call date

Asset Liability Gap and Interest Sensitivity Data

The following table sets forth, for the periods indicated, the Bank's asset-liability gap position:

	As at 31 March 2018(1)(2)(3)								
	1-30 Days	**31 Days 2 months**	**2-3 Months**	**3-6 Months**	**6-12 Months**	**1-3 Years**	**3-5 Years**	**Over 5 Years**	**Total**
	(₹ in millions, except percentages)								
Cash and Balance with RBI	191,610	7,338	5,993	16,400	20,325	20,202	6,221	86,722	354,811
Balance with Banks	37,575	1,907	2,804	14,051	23,401	–	–	–	79,738
Investments	450,536	59,208	75,380	79,919	170,636	167,845	96,534	438,703	1,538,761
Advances	252,084	101,345	109,196	188,350	260,286	747,759	582,335	2,155,148	4,396,503
Fixed assets	–	–	–	–	–	–	–	39,717	39,717
Other assets	75,515	7,377	1,377	50,953	53,793	59,190	64,945	190,616	503,766
Total Assets	**1,007,320**	**177,175**	**194,750**	**349,673**	**528,441**	**994,996**	**750,035**	**2,910,905**	**6,913,296**
Capital	–	–	–	–	–	–	–	5,133	5,133
Reserves	–	–	–	–	–	–	–	629,320	629,320
Deposits	536,885	240,101	256,946	351,874	669,377	354,705	164,612	1,961,727	4,536,227
Borrowings	123,203	64,682	67,960	198,466	226,315	301,127	231,990	266,418	1,480,161
Other liabilities . .	28,519	9,008	9,008	–	–	173,195	–	42,725	262,455
Total Liabilities	**688,607**	**313,791**	**333,914**	**550,340**	**895,692**	**829,027**	**396,602**	**2,905,323**	**6,913,296**
Liquidity gap	318,713	-136,616	-139,164	-200,667	-367,251	165,969	353,433	5,582	
Cumulative gap . .	318,713	182,097	42,933	-157,734	-524,985	-359,016	-5,582	–	
Cumulative liabilities	688,607	1,002,398	1,336,312	1,886,652	2,782,344	3,611,371	4,007,973	6,913,296	
%	46.28%	18.17%	3.21%	-8.36%	-18.87%	-9.94%	-0.14%	0.00%	

(1) Classification methodologies are based on the Asset Liability Management Guidelines issued by the RBI.

(2) Assets and liabilities are classified into categories as per residual maturity.

(3) Assets and liabilities that do not mature or have ambiguous maturities are classified according to historical behavioural analysis or management judgement.

Loan Portfolio and Credit Substitutes

As at 31 March 2018, the Bank's gross loan portfolio was ₹4,545.51 billion. As at that date, the Bank's gross credit substitutes outstanding were ₹511.14 billion. For a description of the Bank's corporate and retail loan products, see *"Description of the Bank – Corporate Relationship Group"* and *"Description of the Bank – Retail Banking"*.

The following table sets forth, for the periods indicated, the Bank's gross advances portfolio classified by product groups.

	As at 31 March		
	2016	**2017**	**2018**
	(₹ in millions)		
Retail advances (Gross)	1,392,652	1,691,457	2,079,375
Non-retail advances (Gross)	2,030,468	2,155,777	2,466,133
Gross advances	3,423,120	3,847,234	4,545,508
Credit substitutes	212,038	377,346	511,135
Gross advances plus credit substitutes	3,635,158	4,224,580	5,056,643

Maturity and Interest Rate Sensitivity of Loans and Credit Substitutes

The following tables set forth, for the periods indicated, the interest rate sensitivity of the Bank's loans and credit substitutes:

	As at 31 March 2018				
	Due in One Year or Less	One Year to Five Years	Due after Five Years	No contracted maturity	Total
			(₹ in millions)		
Interest rate classification of loans by maturity					
Variable rates	434,918	948,071	1,240,894	921,640	3,545,523
Fixed rates	313,964	393,781	244,386	47,855	999,985
Others					
Gross Loans	**748,882**	**1,341,853**	**1,485,280**	**969,494**	**4,545,508**
Interest rate classification of credit substitutes by maturity					
Variable rates	7	2,487	26,746	31,900	61,140
Fixed rates	125,459	184,381	140,156		449,996
Others	–	–	–	–	–
Gross Credit Substitutes	**125,465**	**186,868**	**166,902**	**31,900**	**511,135**
Interest rate classification of loans and credit substitutes by maturity					
Variable rates	434,925	950,558	1,267,640	953,540	3,606,663
Fixed rates	439,423	578,162	384,542	47,855	1,449,981
Others	–	–		–	–
Gross loans and credit substitutes	**874,347**	**1,528,721**	**1,652,182**	**1,001,394**	**5,056,643**

Concentration of Loans and Credit Substitutes

The Bank follows a policy of portfolio diversification and evaluates its total financing exposure in a particular industry in the light of the Bank's growth and profitability forecasts for that industry. The Bank's Risk department monitors all major sectors of the economy and specifically follows industries in which the Bank has credit exposure. The Bank actively manages its loan portfolio by responding to economic weaknesses in an industry segment by restricting new credits to that industry segment and by increasing new credits to growing industry segments. In order to avoid concentration, the Bank has set internal ceilings on portfolio exposures to different industry sectors, with the maximum being 10 per cent. of the total fund-based and non-fund-based exposures, subject to prudential exposure norms stipulated by the RBI.

The following table sets forth, at the dates indicated, the Bank's gross fund-based loans outstanding and credit substitutes categorised by borrower industry or economic activity.

	As at 31 March					
	2016		2017		2018	
	(₹ in millions, except percentages)					
Telecommunication services	42,672	1.17%	40,947	0.97%	66,721	1.32%
Chemical and chemical products	50,682	1.39%	48,543	1.15%	61,081	1.21%
Drugs and pharmaceuticals	43,955	1.21%	64,952	1.54%	82,629	1.63%
Agriculture	235,178	6.47%	269,771	6.39%	316,661	6.26%
Textiles	78,207	2.15%	73,651	1.74%	74,831	1.48%
Real estate	172,638	4.75%	150,902	3.57%	181,590	3.59%
Transportation and logistics	95,050	2.61%	94,783	2.24%	91,800	1.82%
Cement	48,326	1.33%	50,402	1.19%	90,620	1.79%
Trading	114,334	3.15%	113,339	2.68%	142,655	2.82%
Engineering	113,251	3.12%	114,539	2.71%	129,586	2.56%
Food Processing	92,034	2.53%	114,843	2.72%	127,829	2.53%
Power	241,659	6.65%	280,182	6.63%	183,436	3.63%
Petrochemicals and petroleum products	39,013	1.07%	36,242	0.86%	53,120	1.05%
Financial intermediaries						
Housing Fin. Companies	84,976	2.34%	83,642	1.98%	173,324	3.43%
Entertainment and Media	20,284	0.56%	16,742	0.40%	18,384	0.36%
Metal and metal products	205,523	5.65%	256,749	6.08%	219,462	4.34%
Infrastructure	232,789	6.40%	200,006	4.74%	229,993	4.55%
Paper and paper products	26,384	0.73%	16,191	0.38%	15,991	0.32%
Financial intermediaries – others	158,056	4.35%	306,688	7.26%	500,576	9.90%
Gems and jewellery	38,650	1.06%	36,252	0.86%	43,669	0.86%
Sugar	6,193	0.17%	5,532	0.13%	7,624	0.15%
IT and ITES	24,586	0.68%	26,276	0.62%	33,713	0.67%
Auto ancillaries	56,732	1.56%	61,829	1.46%	82,590	1.63%
Retail loans	1,160,543	31.93%	1,420,100	33.62%	1,765,757	34.92%
Others	253,444	6.97%	341,477	8.08%	363,002	7.18%
Gross loans and credit substitutes	**3,635,158**	**100.00%**	**4,224,580**	**100.00%**	**5,056,643**	**100.00%**

As at 31 March 2018, aggregate exposure to the Bank's ten largest borrowers (fund-based) amounted to ₹404.61 billion, representing 47.17 per cent. of the Bank's total capital of ₹857.75 billion comprising Tier I Capital of ₹674.76 billion and Tier II Capital of ₹182.99 billion. The Bank's single largest borrower (fund-based) on such date had an exposure balance of ₹91.96 billion, representing 10.72 per cent. of the Bank's capital.

Directed Lending

The RBI has linked the priority sector lending targets to adjusted net bank credit (**ANBC**) since April 2007 (net bank credit plus investments eligible for the priority sector and deposits with NABARD kept on account of shortfall in priority sector lending target plus investments made by banks in non-statutory liquidity bonds included in the HTM category and excluding recapitalisation bonds floated by the Government) or the credit-equivalent amount of off-balance sheet exposure, whichever is higher. Commercial banks are required to lend a certain percentage of their adjusted net bank credit to specific sectors (the priority sectors), such as agriculture, MSE, retail trade and housing finance, social infrastructure, renewable energy, etc.

According to the RBI guidelines, total priority sector advances should be at least 40 per cent. of the adjusted net bank credit, out of which agricultural advances are required to be 18 per cent. of the adjusted net bank credit, from which at least 8 per cent. of advances should be directed towards small and marginal farmers. According to RBI directives, overall direct lending to non-corporate farmers should be at least to the level of the system-wide average of the last three years (i.e. 11.78 per cent. of the adjusted net bank credit as notified by the RBI for fiscal 2018). Advances to weaker sections are required to be at least 10 per cent. of the adjusted net bank credit. Advances to micro enterprises are required to be 7.5 per cent. of the adjusted net bank credit.

Any shortfall in the amount required to be lent to the priority sectors may be required to be allocated to the Rural Infrastructure Development Fund established with the NABARD or other funds with the financial institutions specified by the RBI. These deposits have a maturity of up to seven years and carry interest rates lower than market rates.

The RBI by circular no. FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated 7 April 2016 allowed banks to purchase priority sector lending certificates (**PSLCs**) from the market to achieve the priority sector lending targets starting in fiscal 2017.

The following is a breakdown of the Bank's priority sector lending position as at the periods indicated.

	As at 31 March		
	2016	**2017**	**2018**
		(₹ in millions)	
Agricultural advances[(1)]	320,716	441,165	429,500
Micro & Small Enterprises[(2)(##)]	369,722	440,340	498,656
Other priority sector lending[(3)]	301,993	303,557	406,569
Total	**992,431**	**1,185,062**	**1,334,725**

(1) Agriculture advances includes deposits with NABARD and PSLCs purchased (Small & Marginal Farmers ₹50,000 million).

(2) Micro and Small Enterprise advances include deposits with SIDBI & MUDRA.

(3) Other priority sectors include deposits with NHB and PSLC purchased (General PSLC ₹6,000 million).

(##) Pertains to SME business of the Bank.

To encourage banks to extend long-term loans to the infrastructure sector the RBI through circular no DBOD.BP.BC.No.25/08.12.014/2014-15 dated 15 July 2014 (**Circular**) allowed banks to issue infrastructure bonds and provided a relaxation in cases of PSL by way of allowing banks to claim for a deduction in adjusted net bank credit to the extent of eligible credit computed according to the provisions of the Circular. Accordingly, the Bank claimed a relaxation amount of ₹137,050 million as at 31 March 2018 under the Circular.

As at 31 March 2018, the Bank had a portfolio of ₹1,334.73 billion in PSL.

Non-Performing Assets

The Bank has absorbed the losses arising on account of impairment of loans as some borrowers were impacted by negative trends in the global marketplace, recessionary conditions in the domestic economy, increased competition arising out of economic liberalisation in India and volatility in industrial growth and commodity prices.

Several measures have since been adopted by the Bank to refine its credit selection processes and appraisal capabilities. These include creation of an independent Risk department which scrutinises all credit proposals of ₹10 million and above, introduction of a rigorous Credit Rating model, rolling out a Credit Monitoring tool to evaluate the performance of accounts at certain intervals and putting in place a Credit Audit mechanism. As at 31 March 2018, the gross NPAs as a proportion of gross customer assets were 6.77 per cent. and net NPAs as a proportion of net customer assets were 3.40 per cent. The Bank had, on 31 March 2018, effected a provision cover of 51.56 per cent. on the Bank's gross NPAs (excluding prudential write-offs). This provision cover may be viewed against the Bank's policy of writing off all loss assets and doubtful assets to the extent of security shortfall, against which full provisions are made. As at 31 March 2018, the provisioning coverage ratio of the Bank was 65.05 per cent. pursuant to applicable RBI guidelines.

The following table sets forth, for the periods indicated, information about the Bank's NPA portfolio.

	As at 31 March		
	2016	2017	2018
	(₹ in millions, except percentages)		
Non-Performing Assets			
Non-Retail advances (A)	46,874	182,651	279,819
Retail advances (B)	11,611	17,806	28,945
Investments (C)	2,390	12,348	33,723
Gross NPAs (D=A+B+C)	60,875	212,805	342,486
Specific provisions (E)	33,934	122,057	173,560
NPA net of provisions(1) (F=D-E)	25,221	86,266	165,917
Gross customer assets	3,635,158	4,224,580	5,056,644
Net customer assets	3,597,405	4,097,084	4,879,788
Gross NPAs/gross customer assets (%)	1.67	5.04	6.77
Net NPAs/net customer assets (%)	0.70	2.11	3.40
Specific provision as a percentage of gross NPAs	55.74	59.46	51.56
Total provisions (specific and floating) as a percentage of Gross NPAs	55.80	59.48	51.56
Provisioning coverage ratio pursuant to applicable RBI guidelines	72.27	64.79	65.05

(1) For fiscal 2016, fiscal 2017 and fiscal 2018 the balance in sundries accounts (Interest capitalisation – Restructured account) in respect of NPAs amounting to ₹1,719.96 million, ₹4,482.10 million and ₹3,009.80 million respectively, have been netted off from net NPA.

Recognition of Non-Performing Assets

As a commercial bank operating in India, the Bank recognises NPAs strictly on the basis of the RBI's current guidelines. The current guidelines require banks in India to classify their NPAs into the following three categories based on the period for which the loan has remained non-performing and the estimated realisation of dues:

- Substandard assets;

- Doubtful assets; and

- Loss assets.

Substandard Assets

An account becomes non-performing if the interest and/or instalment of principal remains overdue for more than 90 days (an exception to this rule is advances to agricultural borrowers which will be classified as non-performing only if the advance/loan remains overdue for more than two crop seasons in the case of short-duration crops and one crop season for long-duration crops). A substandard asset is one which has remained non-performing for a period of up to 12 months.

Doubtful Assets

A doubtful asset is one which has remained an NPA for a period greater than 12 months. Doubtful assets are classified into Doubtful-I, Doubtful-II and Doubtful-III depending on the age of the NPAs as set out below:

(a) 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.

(b) 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.

(c) 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

A loss asset is one which is considered irrecoverable with little or no salvage value.

An NPA need not go through the various stages of classification in cases of serious credit impairment and such assets should be immediately classified as doubtful or as a loss asset, as appropriate. Erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent. of the value assessed by the Bank or accepted by the RBI at the time of last inspection, as the case may be. Such NPAs may be immediately classified as a Doubtful Asset.

If the realisable value of the security, as assessed by the Bank, approved appraisers or the RBI is less than 10 per cent. of the borrower's outstanding accounts, the existence of the security is ignored and the asset is immediately classified as a loss that may be either written-off or fully provided for by the Bank.

Non-Accrual Policy

When an asset is classified as non-performing, interest accrual is stopped and the unrealised interest is reversed by debit to the profit and loss account. In accordance with the RBI guidelines, interest realised on NPAs may be added to the income account provided the credits in the accounts towards interest are not out of additional credit facilities sanctioned to the borrower. The RBI has also stipulated that in the absence of a clear agreement between the Bank and the borrower 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 effected as a result of a settlement or otherwise, the Bank's policy is first to appropriate the same against principal amount due from the borrower as application of interest would have ceased in such accounts. In NPA accounts where transactions have virtually ceased, recoveries will be appropriated towards the principal amount. Only in cases where the nature of continuing transactions allows the Bank to conclude that recovery of the principal is not in jeopardy are recoveries appropriated against interest.

Policy for making Non-Performing Assets Provisions

Corporate Credit

Substandard assets	15 per cent. of the fund-based outstanding (25 per cent. of the fund-based outstanding if the facilities are ab initio unsecured)
Doubtful assets	Doubtful-I – 100 per cent. of the unsecured portion plus 25 per cent. of the secured portion
	Doubtful-II – 100 per cent. of the unsecured portion plus 40 per cent. of the secured portion
	Doubtful-III – 100 per cent. of the outstanding
Loss assets	100 per cent. to be provided or written-off

Retail and Agricultural Advances

In the case of retail advances, the Bank makes provisions when the retail advances reach specified stages of delinquency (90 days or more of delinquency), which is a more conservative approach than the RBI prudential norms. The provisions for different stages of delinquency range from 15 per cent. to 100 per cent. of the value of delinquent loans depending on the duration of delinquency.

Provisions in respect of agriculture advances classified into sub-standard and doubtful assets are made at rates which are higher than those prescribed by the RBI.

Floating Provisions

In June 2006, the RBI issued prudential norms on creation and utilisation of floating provisions (i.e., provisions which 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 in impaired accounts after obtaining approval from the Board of Directors and with the prior permission of the RBI. Floating provisions for advances and investments will be held separately and cannot be reversed by credit to the profit and loss account. Until utilisation of such provisions, they can be netted out from gross NPAs to arrive at disclosure of net NPAs. Alternatively, floating provisions can be treated as part of Tier II capital within the overall ceiling of 1.25 per cent. of total risk-weighted assets.

Floating provisions do not include specific voluntary provisions made by banks for advances which are higher than the minimum provision stipulated by the RBI guidelines. For the year ended 31 March 2018 floating provisions amounting to ₹33 million have not been netted off from gross NPAs to arrive at net NPAs since they have been considered part of the Tier II capital of the Bank.

Analysis of Non-Performing Loans by Industry Sector

The following table sets forth, for the periods indicated, the Bank's non-performing loans, by borrowers' industry or economic activity and as a percentage of the Bank's loans in the respective industry or economic activities sector. These figures do not include credit substitutes.

	As at 31 March 2016			As at 31 March 2017			As at 31 March 2018		
Name of the Industry	Gross Loans	NPA in industry	NPA% of Gross Loans	Gross Loans	NPA in industry	NPA% of Gross Loans	Gross Loans	NPA in industry	NPA% of Gross Loans
Telecommunication services	42,671	743	1.74%	39,885	3,440	8.62%	55,971	1,086	1.94%
Chemical and chemical products	50,682	169	0.33%	48,543	1,751	3.61%	60,927	7,282	11.95%
Drugs and pharmaceuticals	43,914	401	0.91%	64,377	2,271	3.53%	80,901	2,502	3.09%
Agriculture	235,177	2,813	1.20%	269,695	4,592	1.70%	316,585	7,894	2.49%
Textiles	78,051	2,138	2.74%	71,600	9,412	13.15%	69,804	8,325	11.93%
Real estate	163,088	1,503	0.92%	136,402	3,398	2.49%	163,652	13,458	8.22%
Transportation and logistics	71,145	2,001	2.81%	64,408	7,871	12.22%	67,511	4,671	6.92%
Cement	46,326	224	0.48%	48,102	32	0.07%	87,519	6,135	7.01%
Trading	114,334	5,236	4.58%	113,339	4,371	3.86%	142,655	5,716	4.01%
Engineering	113,251	4,598	4.06%	112,404	9,527	8.48%	129,586	17,312	13.36%
Food Processing	92,034	1,121	1.22%	114,843	5,673	4.94%	127,829	11,080	8.67%
Power	212,929	5,326	2.50%	197,482	5,846	2.96%	176,162	73,353	41.64%
Petrochemicals and petroleum products	36,318	93	0.26%	35,799	57	0.16%	52,426	269	0.51%
Financial intermediaries – Housing Fin. Companies	51,587	0	0.00%	49,368	0	0.00%	88,454	0	0.00%
Entertainment and Media	20,284	491	2.42%	16,592	1,175	7.08%	18,384	1,143	6.22%
Metal and metal products	201,267	2,378	1.18%	255,684	41,577	16.26%	218,041	36,587	16.78%
Infrastructure	206,394	4,377	2.12%	177,691	23,560	13.26%	138,967	40,112	28.86%
Paper and paper products	25,534	325	1.27%	15,341	465	3.03%	15,001	1,604	10.69%
Financial intermediaries – others	99,026	948	0.96%	182,285	1,071	0.59%	304,375	859	0.28%
Gems and jewellery	38,300	2,528	6.60%	35,902	1,298	3.62%	43,669	2,996	6.86%
Sugar	5,861	0	0.00%	5,532	0	0.00%	5,403	552	10.22%
IT and ITES	24,586	1,584	6.44%	25,953	2,192	8.45%	33,108	3,743	11.31%
Auto ancillaries	56,732	1,134	2.00%	61,702	5,354	8.68%	82,360	6,635	8.06%
Retail loans	1,153,028	7,790	0.68%	1,412,507	12,020	0.85%	1,758,178	20,001	1.14%
Others	240,601	10,564	4.39%	291,798	53,504	18.34%	308,041	35,448	11.51%
	3,423,120	58,485	1.71%	3,847,234	2,00,457	5.21%	4,545,508	308,763	6.79%

Top 10 Non-Performing Corporate Loans

As at 31 March 2018 the top ten non-performing corporate loans represented 35.01 per cent. of the Bank's gross non-performing corporate loans, 29.97 per cent. of the Bank's net non-performing corporate loans and 3.97 per cent. of the Bank's gross corporate loan portfolio.

The following table sets forth, for the period indicated, information regarding the Bank's ten largest non-performing corporate loans as well as the value of the collateral securing the loan (the collateral valuations are based on the audited financial statements of the borrower or independently arrived at by outside agencies). However, the net realisable value of such collateral may be substantially less, if anything.

As at 31 March 2018

Borrowers	Industry	Type of Banking Arrangement	Gross Principal Outstanding	Provision	Principal Outstanding Net of Provisions for Credit Losses	Security	Currently servicing all Interest Payments
				(₹ in millions)			
1	Iron & Steel – Manufacturing	Consortium	16,955	8,478	8,477	15,765	[NO]
2	Power Generation	Consortium	13,059	7,435	5,624	9,374	[NO]
3	Power Generation	Consortium	11,854	6,295	5,559	14,866	[NO]
4	Oil And Gas Related Services	Consortium	9,643	3,322	6,321	8,428	[NO]
5	Power Generation	Consortium	8,617	3,447	5,170	8,935	[NO]
6	Iron & Steel – Manufacturing	Consortium	8,286	4,143	4,143	2,467	[NO]
7	Textiles: Cotton	Consortium	8,082	6,965	1,117	0	[NO]
8	Land And Building Developers	Consortium	7,533	6,163	1,370	9,015	[NO]
9	Cement And Cement Products	Consortium	7,186	4,281	2,905	7,031	[NO]
10	Power Generation	Consortium	6,743	3,729	3,014	11,027	[NO]
Total			**97,958**	**54,258**	**43,700**	**86,908**	

Interest foregone

Interest foregone is the interest due on non-performing loans that has not been accrued in the Bank's books of accounts. The following table sets forth the outstanding amount of interest foregone on existing non-performing loans as at the respective dates.

Year	Interest Foregone
	(₹ in millions)
31 March 2016	6,190.41
31 March 2017	12,107.75
31 March 2018	27,275.38

Strategy with respect to irregular accounts, NPAs and non-NPA stressed assets

Stressed Assets

The stressed assets of the Bank are classified into the following two main categories:

i. The Non-Performing Assets (**NPAs**); and

ii. The Special Mention Accounts (**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 loans, 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.

Special Mention Accounts:

In January 2014, the RBI introduced 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 onset of stress
SMA-1	Principal or interest payment overdue for a period of 31 to 60 days
SMA-2	Principal or interest payment overdue for a period of 61 to 90 days

The RBI has also established a Central Repository of Information on Large Credits (**CRILC**).

The Bank is required to report credit information, including classification of an account as a SMA to the CRILC for all borrowers having aggregate fund-based and non-fund based exposure of ₹50 million and above.

In cases where the aggregate exposure of the Bank is ₹1,000 million or above a Joint Lenders Forum (**JLF**) is formed to explore a timely corrective action plan (**CAP**) which may include the following options:

a) *Rectification* – This involves obtaining a specific commitment from the borrower to regularise the account so that the account comes out of SMA category or alternately does not slip into the NPA category;

b) *Restructuring* – This involves considering the possibility of restructuring the account where the borrower is not a wilful defaulter and it is *prima facie* viable to restructure such account; and

c) *Recovery* – Where rectification and restricting options, as mentioned above, are not feasible, due recovery process may be initiated.

The accounts falling under the SMA-2 category are closely monitored and the applicable CAP is determined by the respective business teams in consultation with the borrower and other lenders.

Furthermore, high value irregular/weak accounts in the CRG portfolio showing signs of persistent long term stress which have not been classified as NPA are handled by the Structured Solutions Group which forms part of Structured Finance Group (**SFG**). Such accounts in the SME portfolio continue to be handled by the SME team.

Apart from the above mentioned classifications, any other assets where there might not be a serious financial delay in repayment of dues (or defaults) but which otherwise are showing signs of stress and therefore require special attention and monitoring can also considered as part of stressed assets of the Bank.

All corporate and retail lending accounts having an exposure of ₹20 million and above and which become a NPA are dealt with by the Stressed Assets Group and the Retail Collections team respectively.

Non-NPA Stressed Cases:

The Bank has introduced a credit quality monitoring tool that monitors parameters such as documentation, security compliance, financial and operating performance, inspection and internal audit findings, financial discipline and market intelligence. After a loan is disbursed the Bank periodically reviews a borrower's credit. Any rating downgrade is reported to the Corporate Office.

The Bank attempts to identify stressed assets at an early stage to prevent and reduce NPA levels. To achieve this, the Structured Solutions Group, which forms part of the Structured Finance Group, continuously monitors high-value accounts that show symptoms of weakness, but are not NPAs. The resolution strategy for such accounts is being arrived at based on SWOT analysis of the individual accounts. The resolution strategy could include timely exit, restructuring of accounts, change of management, mergers & acquisitions etc.

NPA Resolution for Corporate Lending Accounts:

The resolution of stressed assets in the corporate lending accounts segment is undertaken by the following departments:

i. Stressed Assets Group (**SA Group**);

ii. Special Solutions Group (**SS Group**); and

iii. Other Business Departments.

SA Group:

The SA Group, which forms part of the Bank's Structured Finance Group, is entrusted with the task of resolution of NPAs (corporate NPAs with exposure of more than ₹20 million) so as to effect best possible recoveries in a timely manner.

The SA Group is manned by officials having experience in credit/NPA resolution. Each individual resolution Risk Management (**RM**) team in the SA Group manages a specific portfolio of NPAs for resolution or recovery. The resolution RMs are supported by in-house legal support within the SA Group by officials with legal background and experience. Assistance of the Bank's legal department is also sought wherever required. Advocate/external counsels are engaged in all legal cases/proceedings.

The SA Group implements multi-pronged resolution/recovery strategy including:

(a) initiation of timely legal action and pursuing the same aggressively;

(b) negotiations with borrowers for settlement;

(c) exploring possibilities of assignment of debts to ARC to realise best possible recovery in present value terms and elimination of the credit risk and uncertainties of recoveries after prolonged legal proceedings;

(d) active interaction with other lenders in case with multiple lenders/common securities; and

(e) sale of securities.

The NPAs are closely and regularly reviewed by the head of the SA Group as well as the head of the SFG for status of each account and achievement of targets/milestones/progress.

Provisions for NPAs

The following table sets forth, for the years indicated, movements in the Bank's provisions against NPAs.

Particulars	For the year ended 31 March		
	2016	2017	2018
	(₹ in millions)		
Specific provisions at the beginning of the year:			
Non-Retail advances (A)	18,518	24,198	100,927
Retail advances (B)	6,300	7,412	11,521
Investments (C)	2,105	2,324	9,609
Total specific provisions at the beginning of the year (D=A+B+C)	26,923	33,934	122,057
Additions during the period (E)	29,492	105,530	171,451
Reductions during the period on account of recovery and write-offs (F)	(22,481)	(17,407)	(119,949)
Specific provisions at the end of the year (G=D+E-F)	33,934	122,057	173,559
Floating provisions:			
Floating provisions at the beginning of the year	33	33	33
Additions during the year	–	–	–
Utilisations during the year	–	–	–
Floating provisions at the end of the year (H)	33	33	33
Total provisions at the end of the year (G+H)	33,967	122,090	173,593

The following table sets forth, for the periods indicated, the allocation of the total provisions held by the Bank.

Particulars	As at 31 March		
	2016	2017	2018
	(₹ in millions)		
Non-Retail advances (A)	24,198	100,927	132,720
Retail advances (B)	7,412	11,521	14,720
Investments (C)	2,324	9,609	26,119
Total (D=A+B+C)	**33,934**	**122,057**	**173,559**
Floating provisions (E)	33	33	33
Total provisions including floating provisions (D+E)	33,967	122,090	173,592

SS Group:

The SS Group is entrusted with (i) the proactive and timely management of accounts that need special attention, (ii) management and coordination with other lenders and (iii) compliance with relevant regulations. The SS Group generally caters to resolutions for borrowers of the Bank classified as SMA.

Other Business Departments:

Other respective business departments of the Bank handle functions related to appraisal and monitoring of credit product for all corporates. Accounts showing some signs of stress but indicating no serious long term concern are handled by such other business teams.

DESCRIPTION OF THE BANK'S SINGAPORE BRANCH

The Bank opened its first overseas branch in Singapore in April 2006 after obtaining an approval from the Monetary Authority of Singapore (**MAS**) to operate a merchant bank branch with Asian currency unit (**ACU**) capabilities. The approval also permitted the branch to accept deposits only from accredited investors, as defined by MAS in its approval letter.

Under the MAS guidelines for operation of merchant banks, the branch may conduct the following activities with necessary approvals from the appropriate Government departments and statutory bodies and in compliance with the laws of Singapore:

1. flotation, underwriting, buying and selling of shares, loan stocks and bond issues and other securities;

2. investment portfolio management, investment advisory services and nominee services;

3. unit trust management and sales;

4. advice on corporate reconstruction, takeovers and mergers;

5. management – advisory services;

6. arranging finance, lending or participating in syndicated loans and acting as guarantors;

7. financing or lending in the institutional money markets;

8. discounting of negotiable securities or money market instruments in Singapore dollars; and

9. dealing in gold and foreign exchange.

In addition to the above, the branch operates an ACU, which is permitted to undertake the following activities:

1. accept time and demand deposits (including savings accounts (subject to MAS approval) and checking accounts) and to borrow money in any currency except Singapore dollars;

2. issue fixed rate and floating rate U.S. dollar-denominated negotiable certificate of deposits after consultation with the MAS;

3. place deposits or extend loans and advances in any currency except Singapore dollars;

4. transact exchange business which does not involve Singapore dollars directly;

5. establish, open, advise or negotiate LCs, provided that the LCs are not expressed in Singapore dollars;

6. issue or renew guarantees, indemnities or similar undertakings provided that such guarantees or indemnities are not expressed in Singapore dollars;

7. discount bills and acceptances, provided that the bills or acceptances are not expressed in Singapore dollars;

8. act as manager, underwriter or as a member of a selling group for new issues of securities in any currency other than Singapore dollars;

9. transact, deal, undertake brokerage business and invest in securities in any currency except Singapore dollars;

10. manage investment funds denominated in any currency except Singapore dollars; and

11. provide advisory services relating to financial matters.

Transactions by the ACU is permitted within the assets and liabilities limit as specified by MAS from time to time.

Financial Performance and Business Activities undertaken

As at 31 March 2018, the Singapore branch had total assets (net of interbranch adjustments) of ₹109.69 billion and customer deposits (net of interbranch adjustments) of ₹4.32 billion.

The retail business of the Singapore branch is restricted. A major portion of the balance sheet of the Singapore branch consists of corporate loans and investments funded mostly by inter-bank borrowings.

Syndication

The branch provides to the Bank's India-based clients and financial institutions across the globe access to international markets to meet their foreign currency requirements in the form of debt, equity or by quasi-equity means, through international syndication and also provides syndicated loans to eligible borrowers. The branch also undertakes investments in sovereign and non-sovereign investments as well as in structured offerings.

Treasury and Foreign Exchange Dealing operations

Treasury operations primarily include proprietary and merchant trading in foreign currency, fixed income and derivatives. The branch manages the funds and foreign exchange positions through money market and foreign exchange dealings. With the objective to enhance its debt capital markets (**DCM**) capabilities of the Bank, Axis Bank Limited, Singapore Branch (the **Singapore Branch**) started International DCM business in 2016; wherein the Singapore Branch may act as a book runner/lead manager of primary bond issuances and distribute to international investors and make secondary market offerings in U.S. dollar-denominated bonds.

DESCRIPTION OF THE BANK'S HONG KONG BRANCH

The Hong Kong branch of the Bank was opened in March 2007 with a licence from the Hong Kong Monetary Authority to conduct full banking operations. The licence enables the Bank to provide a wide range of financial offerings, including corporate banking, trade finance and retail banking.

BUSINESS ACTIVITIES

Liability Business

The Hong Kong branch focuses on raising deposits from both corporate and retail clients.

Asset Business

The Hong Kong branch focuses in areas of trade finance, extension of working capital and term loan and participation in syndication programmes.

Treasury and Foreign Exchange Dealing operations

Apart from servicing customer foreign exchange requirements, the treasury of the Hong Kong branch also manages the day to day liquidity requirements of the branch.

Financial Performance

As at 31 March 2018, the Hong Kong branch had total assets (net of interbranch adjustments) of ₹113.64 billion and customer deposits (net of interbranch adjustments) of ₹9.10 billion.

The Hong Kong branch currently offers the following banking products:

Liabilities:

- savings bank account;
- current accounts; and
- term deposits (simple and compounding features).

Assets:

- working capital facilities (fund and non-fund based including trade finance);
- term loans; and
- supplier's credit.

Services:

- outward and inward remittances; and
- plain vanilla derivatives (IRS, CCY options, etc.).

DESCRIPTION OF THE BANK'S DUBAI INTERNATIONAL FINANCIAL CENTRE BRANCH

During fiscal 2007, the Bank obtained a category-1 licence from the Dubai Financial Services Authority (**DFSA**) to set up a branch in the DIFC. The branch is registered as a foreign recognised company in the DIFC. The DIFC branch commenced operations in April 2007 and is authorised to conduct the following business in respect of credit, shares, debentures warrants, options, units and futures in accordance with the relevant guidelines:

1. accept deposits;
2. provide credit;
3. arrange credit and provide advice on credit;
4. deal in investments (credit facilities, debentures, futures, options, shares, units, and warrants) as principal;
5. deal in investments (credit facilities, debentures, futures, options, shares, units, and warrants) as agents;
6. arrange investments (debentures, futures, options, shares, units, and warrants); and
7. advise on financial products (debentures, futures, options, shares, units, and warrants).

The DIFC branch is presently licensed to provide financial services and products only to professional clients and market counterparties as defined in the DFSA rule book, specifically the "Conduct of Business Module".

Financial Performance and Business Activities

As at 31 March 2018, the DIFC branch had an asset base (net of interbranch adjustments) of ₹298.09 billion and customer deposits (net of interbranch adjustments) of ₹6.74 billion.

The DIFC branch offers the Bank's corporate banking products, including working capital and term loans, and facilitates international trade transactions. The DIFC branch also aims to raise deposits in foreign currencies from the permitted category of clients.

DESCRIPTION OF THE BANK'S REPRESENTATIVE OFFICES

The Bank has presently four representative offices, one in Dubai, one in Abu Dhabi, United Arab Emirates (**UAE**), one in Sharjah, UAE and one in Dhaka, Bangladesh.

Dubai Representative Office

To tap business emanating from the large Indian expatriate population in the UAE, the Bank opened a representative office in Dubai on 4 May 2008 under the representative office licence issued by the Central Bank of the UAE.

The activities carried out from this office include providing banking, financial and investment consultation services and marketing and promoting the Bank's products as well as its wholly owned subsidiary.

Abu Dhabi Representative Office

To further deepen its reach in the UAE, the Bank established a representative office in Abu Dhabi, UAE in March 2011. The Abu Dhabi representative office is licensed by the Central Bank of the UAE and carries out activities similar to those carried on by the Dubai representative office.

Sharjah Representative Office

The bank opened its fourth representative office at Sharjah, UAE in March 2018. The representative office in Sharjah, similar to its Abu Dhabi office, promotes the retail business arising from the affluent and mass affluent segment of non-resident Indians in the UAE.

Bangladesh Representative Office

The Bank established a representative office in Dhaka, Bangladesh, which commenced operations in November 2015. Through the Dhaka representative office, the Bank seeks to grow its trade finance business between Bangladesh and India. This is in addition to opportunities emanating from trade flows between Bangladesh and other major markets, including Singapore, Hong Kong, the UAE, China and Sri Lanka. The Bank plans to use this representative office as a base to continue growing its business related to Bangladesh.

DESCRIPTION OF THE GIFT CITY BRANCH

Background

The RBI authorised Axis Bank to establish its International Financial Service Centre (**IFSC**) Banking Unit (**IBU**) at Gujarat International Finance Tec-City (**GIFT City**), Gujarat by letter dated 20 July 2017. The IBU is licensed to operate at GIFT City from 1 September 2017 and commenced its operations in November 2017. The IBU conducts its operations under the framework announced by the Government of India for IFSCs and, in particular, guidelines issued by the RBI as amended from time to time.

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 (as permitted by the Foreign Exchange Management Act (**FEMA**)), including their joint ventures and wholly owned subsidiaries registered abroad;
- to offer foreign exchange and hedging solutions to eligible non-resident entities and joint ventures and wholly owned subsidiaries of Indian corporates registered abroad;
- to invest in debt instruments in international markets;
- to extend bilateral or trade loans to correspondent banks globally at competitive pricing; and
- to support banking requirements of participants in the capital markets and insurance segment and other customers established at the GIFT IFSC 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:

Lending

The 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.

Loans to Correspondent Banks

The IBU extends loans to correspondent banks in India (as permitted by FEMA) and overseas in the form of bilateral or syndicated loans in the primary as well as the secondary market.

Trade Finance

- Trade Credits: The IBU facilitates the financing 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.

Hedging Solutions

The IBU provides suitable hedging solutions through permitted foreign exchange and derivative products to joint ventures and wholly owned subsidiaries of Indian companies and any other eligible non-resident entities with strong direct or indirect India linkage.

Trade Loans to Correspondent Banks

The IBU extends loans to correspondent banks in India (as permitted by FEMA) and overseas by refinancing their export or import book on a portfolio basis.

Financial Markets

The IBU provides the service of underwriting and arranging of debt instrument issuances, including Rupee denominated "Masala Bonds" issued by Indian companies.

Business Update

The GIFT City Branch started operations on 1 November 2017. As at 31 March 2018, the balance sheet size of the IBU had increased to ₹45,399.22 million.

Directors and Senior Management Team

The Bank's Articles provide that, unless otherwise agreed by the Bank, the number of Directors shall not be less than three or more than 15. The Bank's Board of Directors currently consists of 15 members and is responsible for the management of the Bank's business.

Under the terms of the Articles, SUUTI and LIC, promoters of the Bank each have the right to nominate one director of the Bank. The Chairman is duly appointed by the Board of Directors of the Bank. None of the Bank's Promoters is involved in the day-to-day affairs of the Bank.

The Banking Regulation Act requires that at least 51 per cent. of Directors shall have specialised knowledge or practical experience in one or more of the following areas: accounting, agriculture and rural economy, banking, cooperation, economics, finance law, small-scale industry and any other matter specialist knowledge of and practical experience in, would, in the opinion of the RBI, be useful to the Banking Company. Of the above directors, no fewer than two Directors are required to have specialised knowledge and practical experience in agriculture and rural economy, cooperation and small-scale industry. All of the Bank's Directors are professionals with specialised knowledge of one or more of the above areas. The Managing Director and CEO (**Managing Director & CEO**) and the Whole-Time Directors of the Bank are employed on a full-time basis. The appointment of Whole-Time Directors requires the approval of the RBI and the shareholders. The RBI has also prescribed "fit and proper" criteria to be considered when appointing directors of banks, with the Bank's Directors being required to make declarations confirming their ongoing compliance with such criteria. The Bank's Board of Directors has reviewed the declarations received from the Directors and determined that all of the Bank's Directors satisfy the fit and proper criteria.

Pursuant to the provisions of the Companies Act, 2013, at least two-thirds of the total number of Directors are required to retire by rotation, with one-third of the Directors liable to retire by rotation at each Annual General Meeting. A retiring Director is eligible for re-appointment. For the purpose of considering Directors to retire by rotation, the Independent Directors and the Managing Director are excluded. Pursuant to the provisions of the Banking Regulation Act, none of the Directors other than the Chairman and Whole-Time Directors may hold office continuously for a period of eight years.

None of the Bank's Directors or officers of the rank of President and above holds one per cent. or more of the Bank's issued, subscribed and paid-up capital. The Bank's Board of Directors comprised of the following:

Name	Position	Age in years
Dr. Sanjiv Misra	Independent Director and Non-Executive (Part Time) Chairman	70
Mrs. Shikha Sharma	Managing Director & CEO (until 31 December 2018)	59
Mr. Prasad R. Menon	Independent Non-Executive Director	72
Prof. Samir K. Barua	Independent Non-Executive Director	66
Mr. Som Mittal	Independent Non-Executive Director	66
Mr. Rohit Bhagat	Independent Non-Executive Director	53
Mrs. Usha Sangwan	Non-Executive Director – Nominee of LIC	59
Mr. S. Vishvanathan	Independent Non-Executive Director	63
Mr. Rakesh Makhija	Independent Non-Executive Director	66
Mrs. Ketaki Bhagwati	Independent Non-Executive Director	54
Mr. B. Babu Rao	Non-Executive Director – Nominee of SUUTI	59
Mr. Stephen Pagliuca	Non-Executive Director – Nominee of entities affiliated to Bain Capital	63
Mr. V. Srinivasan	Deputy Managing Director	53
Mr. Rajiv Anand	Executive Director (Retail Banking)	52
Mr. Rajesh Kumar Dahiya	Executive Director (Corporate Centre)	50

The business address for the Bank's Directors and senior executives is its corporate office, at Axis House, C-2 Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai – 400 025.

The following are brief biographies of the Bank's Directors as at 31 March 2018:

Directors

Name of Director	Experience
Dr. Sanjiv Misra	Dr. Sanjiv Misra graduated from St. Stephen's College, Delhi with a degree in Economics. He also holds a Master's degree in Economics from the Delhi School of Economics, a Master's degree in Public Administration from the Harvard Kennedy School, United States of America and a Ph.D. from the Jawaharlal Nehru University, New Delhi. At Harvard University, he was designated the Lucius N. Littauer Fellow of 1987 in recognition of his exceptional academic strengths and leadership qualities. Dr. Misra was a member of the Indian Administrative Service for over 35 years, during which period he held a wide range of key positions in the federal and state Governments. He has served as the Managing Director of the Gujarat Industrial Development Corporation, and taken on roles at senior levels in the Cabinet Office of the Government of India, the Ministry of Petroleum and the Ministry of Finance. He was a Secretary in the Ministry of

Name of Director	Experience
	Finance until his superannuation in 2008. Subsequently, he has served as a Member of the 13th Finance Commission, a constitutional position with the rank of a Minister of State. Dr. Misra has been a member of the Advisory Council of the Asian Development Bank Institute, Tokyo. He was also a member of the Committee on Fiscal Consolidation (the **Kelkar Committee**) set up by the Finance Minister in August 2012 to chart a road map for the fiscal consolidation of the Indian economy. He is currently a Member of the Board of Governors of the Indian Council on Research in International Economic Relations (**ICRIER**), an internationally reputed think tank. Dr. Misra also has several publications on policy issues to his credit. As at 31 March 2018, he was an independent director on the boards of Hindustan Unilever Limited and Akzo Nobel India Limited.
Mrs. Shikha Sharma (until 31 December 2018)	Mrs. Shikha Sharma holds a B.A. (Hons.) in Economics and completed her PGDBM from the Indian Institute of Management, Ahmedabad in 1980. She has a Postgraduate Diploma in Software Technology from the National Centre for Software Technology, Mumbai. Mrs. Sharma began her career with the ICICI group where she worked across various departments, such as Project Finance, Retail Banking and Investment Banking. Her last assignment was as Managing Director & CEO of ICICI Prudential Life Insurance Company, a leading life insurance company in the private sector. Mrs. Sharma's achievements in the financial sector have received wide recognition. She is a recipient of many business awards. She was featured in Fortune Magazine's list of The Most Powerful Women in Business outside the U.S. – 2017. Under Mrs. Sharma's leadership, the Bank has won several accolades: IDRBT Banking Technology Excellence Award 2016-2017 for Digital Banking among Large Banks, FICCI CSR Award 2016-17 in the Women Empowerment Category, Best Rewards Programme for the third year in a row at the Loyalty Awards 2017, Best Investment Bank in India (won jointly by Axis Bank and Axis Capital) at the Finance Asia Country Awards 2017, Best Bank 2016 by Business India, Bank of the Year in India by the Banker Awards 2016, Socially Aware Corporate of the Year by Business Standard's Corporate Social Responsibility Awards 2016, Excellence in Corporate Social Responsibility by CII-ITC Sustainability Awards 2016, Best Digital Bank by the Business Today-KPMG survey 2016 and many more. The Bank has been ranked no. 1 arranger for Rupee denominated bonds according to Bloomberg for ten consecutive years. The Bank was also conferred the certificate of recognition for excellence in Corporate

Name of Director	Experience
	Governance by the Institute of Company Secretaries of India (**ICSI**), for the year 2015.
	As an acknowledgement of Mrs. Sharma's efforts, the Harvard Business School published a case study on Managing Change at Axis Bank in 2013, and, as at 31 March 2018, she was director on the board of Axis Asset Management Company Limited and Axis Capital Ltd.
Mr. Prasad R. Menon	Mr. Prasad R. Menon has a degree in Chemical Engineering from the Indian Institute of Technology, Kharagpur. Mr. Menon has over 40 years of diverse experience working at some of the premiere multinational and Indian companies, across the chemical and power industry. He started his career with the Imperial Chemical Industries (ICI) and served there for 20 years, then moved to Nagarjuna Fertilisers. He joined the Tata Group in 2000 and served as the Managing Director at Tata Chemicals Limited, and subsequently worked at Tata Power. Mr. Menon is actively involved in various advisory committees, in the areas of academics, sustainability and corporate governance. He is member of the advisory council of the IITB-Monash Research Academy; a member of the governing council of the Centre for Environment Education, part of the Nehru Foundation for Development; a member of the advisory board of the Grantham Institute in London and the Energy and Resources Institute (TERI); a member of the advisory council of CII-ITC Centre of Excellence for Sustainable Development; and a board member of the Wildlife Trust of India.
	As at 31 March 2018, he was a member of the advisory board of Sanmar Group and a member of the boards of SKF India Limited and Singapore Tourism Board and Tata Foundation and Dr. Reddy's Laboratories Ltd.
Prof. Samir K. Barua	Prof. Samir K. Barua has a Master's degree in Industrial Engineering from the Indian Institute of Technology, Kanpur and a Doctorate in Management from the Indian Institute of Management, Ahmedabad. Shortly after entering the industry, he joined the IIMA as a faculty member in 1980.
	Prof. Barua has academic and professional pursuits across several disciplines in management, including corporate strategy, corporate governance, international finance, financial markets and decision sciences. He has taught as visiting professor to academic institutions in several other countries including the U.S., the Netherlands and Singapore. He has authored over 200 papers, articles, several books (including book chapters and monographs), over 70 case studies in management, and several management courses. He has taught extensively in national and international executive training

	programmes for a diverse set of organisations. Furthermore, Mr. Barua has over 15 years of experience in the petroleum sector and has been associated in various capacities with the RBI, the SEBI, the National Stock Exchange of India Limited and the BSE Limited. He has been a member of the following boards: The Advisory Committee on Monetary Policy, the Technical Advisory Committee on Government Securities of the RBI, the Risk Management Group for Equities of SEBI, the Steering Committee and Curriculum Committee for the Certification for Trading in Financial Markets of the NSE, the Index Committee, Derivative Market Council and Board of Governors of the BSE, the Committee on Reforming Public Broadcasting, the Committee on Pricing of Petroleum Products, the Policy Making Committees on Capital Markets, Telecom, TAM Analysis and Research and Management Education. He has served as board member of over 25 Indian and international organisations, including Fortune 500 companies. He was a director at the IIMA (November 2007 to March 2013) and a professor at the IIMA between 1980 and 2016. Furthermore, he has served as a board member of various international organisations and Indian companies. As at 31 March 2018, he was a director on the boards of Torrent Power Limited, Axis Capital Limited, TATA Projects Limited, Torrent Pipavav Generation Limited, NSE IFSC Clearing Corporation Limited and Jagaran Microfin Private Limited.
Mr. Som Mittal	Mr. Som Mittal has a Bachelor's degree in Engineering from the Indian Institute of Technology, Kanpur and a Master of Business Administration degree from the Indian Institute of Management, Ahmedabad. He is the former President of NASSCOM, the premier trade body for the IT-BPO Industry in India. He played a key role in NASSCOM and helped realise its strategic vision of 'Transform Business and Transform India.' Mr. Mittal started his career in the engineering and automotive industry serving at Larsen & Toubro, Escorts and Denso from 1975 to 1989. After a successful stint in the automotive industry, he began working for the IT services and consulting services company Wipro as its Chief Executive. At Wipro he was responsible for building the company's peripherals business in collaboration with Seiko Epson and later led the integrated "PC and Server" business unit. He remained with Wipro through 1994. Mr. Mittal also spent 14 years in various leadership roles at Digital Equipments India Ltd. Digital Global Soft Limited (a subsidiary of Hewlett Packard) and Company. Mr. Mittal has also served as the President of the National Association of Software and Services Companies until January 2014 which is a position he held since 2008. The World Information Technology and

Name of Director	Experience
	Services Alliance recognised him with a lifetime achievement award for outstanding dedication to the growth of the Global ICT industry. His other achievements include receiving the "Business Leader of the Year" award from Rotary International and the distinguished alumni award by the Indian Institute of Technology Kanpur. Apart from serving on various boards, he is a senior adviser to World Bank, McKinsey and the government of New Zealand. He is on the Governing Council of several academic institutions and social organisations. He is also a member of several Government committees is a consultant to corporates and regularly coaches senior executives. As at 31 March 2018, he was a member of the Steering Committee of FICCI and is a director on the board of GMR Varalakshmi Foundation, Cyient Ltd, Tata SIA Airlines Limited and Sheela Foams Limited.
Mr. Rohit Bhagat	Mr. Rohit Bhagat has a B. Tech degree (with distinction) in Mechanical Engineering from the Indian Institute of Technology, Delhi, a Master's of Science in Engineering degree from the University of Texas at Austin, and a Master's of Business Administration degree from the Kellogg School at Northwestern University. He is a charter member of TiE (Silicon Valley) and his professional memberships have included the Young Presidents Organisation. He was a member of the SEBI sub-committee that prepared India's first corporate governance code. Mr. Bhagat is a domain expert in global financial services. He has led, invested in and advised several successful financial services and technology-driven businesses. He previously served as Chairman, Asia Pacific, for BlackRock, and served on the Global Executive Committee. Prior to BlackRock, he was the Global Chief Operating Officer of Barclays Global Investors (**BGI**). Prior to BGI, Mr. Bhagat was also a Senior Partner with The Boston Consulting Group (**BCG**). At BCG he led the Indian practice and co-headed the U.S. Financial Services practice. As at 31 March 2018, he was a director on the boards of Mukt Capital, Zentific Investment Management, Franklin Templeton ETF Trust and AssetMark.
Ms. Usha Sangwan	Mrs. Usha Sangwan, Managing Director of Life Insurance Corporation of India, holds a Master's degree in Economics and a postgraduate diploma in Human Resource Management. She joined LIC as a Direct Recruit Officer in 1981. She has worked in almost all core areas of life insurance including marketing, personnel, operations, housing finance, group business, direct marketing, international operations and corporate communications. She has held various senior positions, such as Divisional Manager-In-Charge Delhi Division, Regional Manager (Personnel & Industrial Relations), Regional Manager and General

Name of Director	Experience
	Manager (LIC Housing Finance), Executive Director (Direct Marketing & International Operations) and Executive Director (Corporate Communication). Her expertise lies in analytics, strategy, execution, people skills, and use of technology, particularly in marketing and servicing and setting up of systems. She has been awarded the "Women Leadership Award" in the BFSI sector by the Institute of Public Enterprise and the "Brand Slam Leadership Award" by CMO Asia. She has also been awarded "Women Leadership Role Model" by Top Rankers Management Consultants and "Corporate Leadership Award for 2014" by Colour TV. She was also cited by the Free Press Journal and Doordarshan for Women in Leadership Roles. As at the date of this Offering Circular she is a director on the board of Ambuja Cement Limited, BSE Limited, LIC Card Services Limited, LIC of India, LIC Housing Finance Limited, LIC (International) B.S.C. – Bahrain, KenIndia Assurance Co. Ltd and General Insurance Corporation of India.
Mr. S. Vishvanathan	Mr. S. Vishvanathan holds a Master's of Science degree in Physics and has completed his Master's of Business Administration and has a Certified Associate of the Indian Institute of Bankers (**CAIIB**) qualification. He has over 37 years of Banking experience with the State Bank of India (**SBI**). Mr. S Vishvanathan retired as the Managing Director & GE (Associates & Subsidiaries) of SBI. Earlier, he was the Deputy Managing Director (Mid Corporate) of SBI. Prior to that, he was the Managing Director and CEO of SBI Capital Markets Limited (SBICAP) from June 2009 to August 2012. Previously, he was the Chief General Manager of State Bank of India's North Eastern operations. He has served in several important capacities, including an assignment in the New York Branch and stints as Regional Manager and Deputy General Manager in the Delhi Circle and as General Manager (Global Markets). As at 31 March 2018, he was a director on the boards of Jet Airways (India) Limited and AVTEC Limited.
Mr. Rakesh Makhija	Mr. Rakesh Makhija is a chemical engineer from the Indian Institute of Technology, New Delhi. During his career spanning over 40 years, he has been an active participant and contributor to the industrial and technology sectors, both internationally and in India. Mr. Makhija has held a number of top management positions within the SKF Group. He was the Group President for the Industrial Market (Strategic Industries) and a member of the Group Executive Committee, a position that he held until December 2014 in Sweden. Prior to this, he was the president of SKF Asia, based in Shanghai,

Name of Director	Experience
	with overall responsibility for China and India. He joined this position in 2010 when he also became a member of the SKF Group Management. He was the Managing Director of SKF India from 2002 to 2009. Under his leadership, SKF India more than tripled its sales and was recognised through numerous industry awards for market leadership, amongst them being the prestigious 'CNBC Business Leader Award for Talent Management' in 2007. Prior to joining SKF, Mr. Makhija held a number of senior management positions within Tata Honeywell Ltd. (**Honeywell**) and Honeywell International, a global industrial and aerospace company. He was appointed the chief executive officer and managing director of Honeywell in June 1997. In April 2000, he was appointed the country manager and managing director of Honeywell International, with responsibility for driving the company's growth in south Asia. Prior to joining Honeywell, Mr. Makhija worked with Kinetics Technology International BV (now Technip), a process engineering and contracting company in the Netherlands, for over eight years. As at 31 March 2018, he was a director on the boards of SKF India Ltd, Tata Technologies Ltd., TML Drivelines Ltd., Tata Marcopolo Motors Limited and A.Treds Limited.
Mrs. Ketaki Bhagwati	Mrs. Ketaki Bhagwati is a former chief investment officer in the Financial Institutions Group at the International Finance Corporation (**IFC**), the private sector financing arm of the World Bank Group. She has over 24 years of experience in private equity, mergers and acquisitions, debt and structured finance and distressed asset workouts across sectors in several regions including Asia, the Middle East and Africa. Prior to IFC, Mrs. Ketaki Bhagwati worked at the Credit Rating Information Services of India in Mumbai. Mrs. Ketaki Bhagwati has a Bachelor of Arts degree from the Wellesley College (USA) and a Master of Public Administration degree from the Harvard University's John F. Kennedy School of Government. She is currently a member of the Wellesley College Business Leadership Council and Golden Seeds, an early stage investment firm with a focus on women leaders. As at 31 March 2018, she was a director on the board of Omniactive Health Technologies Limited.
Mr. B. Babu Rao	Mr. B. Babu Rao has more than 26 years of experience in the area of finance, capital markets and fund management in UTI Mutual Fund (**UTI**). He holds a Bachelor's degree in Engineering and an MBA degree from the Indian Institute of Management, Ahmedabad.

	He is currently managing the Specified Undertaking of UTI as CEO on deputation from UTI Asset Management Company Ltd. During his career at UTI, he handled various assignments and worked extensively in the areas of Project Finance, Investment Management. Offshore Funds, Venture Capital and Private Equity Funds, resolution of stressed assets and investor relations. Prior to joining UTI in 1989, he worked with Larsen & Toubro Ltd. for six years. As at 31 March 2018 he managed the activities of the specified undertaking of UTI, SUUTI and is a director on the boards of Stock Holding Corporation of India Ltd. (**SHCIL**), UTI Infrastructure Technology & Services Ltd., Axis Securities Limited and National Financial Holdings Company Limited.
Mr. Stephen Pagliuca	Mr. Stephen Pagliuca received a B.A. from Duke University and an M.B.A. from the Harvard Business School. Mr. Pagliuca is Co-Chair of Bain Capital, a leading global private investment firm with approximately $75 billion in assets under management. He also serves as the global head of Bain Capital Private Equity's technology, media and telecommunications vertical and financial services vertical. Since joining the firm in 1989, Mr. Pagliuca has played a leading role in a wide spectrum of prominent technology, media, telecommunications and financial services businesses in which Bain Capital Private Equity has made investments. Prior to joining Bain Capital, Mr. Pagliuca was at Bain & Company where he advised many Fortune 500 companies on business strategy and growth initiatives. Mr. Pagliuca is a Managing General Partner and co-owner of the Boston Celtics. He is also active in a number of charitable and civic activities. As at the date of this Offering Circular, he is a director on the boards of Gartner Inc. (Delaware, USA), TWCC Holdings Corp. (Virginia, USA), Virgin Cruises Limited (Bermuda), Bain Capital, LP (Delaware, USA) and Bain Capital Private Equity, LP (Delaware, USA).
Mr. V. Srinivasan	Mr. V. Srinivasan is the Deputy Managing Director of the Bank. He joined the Bank as the Executive Director – Corporate Banking in 2009 and was promoted to the position of Deputy Managing Director on 21 December 2015. He holds an engineering degree from the College of Engineering, Anna University, Chennai and has an MBA degree

Name of Director	Experience
	from the Indian Institute of Management, Calcutta. He has more than two decades of experience in the financial services industry and has worked in the areas of corporate banking, investment banking, treasury and foreign exchange management. He began his career in the financial service industry with ICICI Ltd., in its Merchant Banking Division in 1990. He was part of the start-up team of ICICI Securities and Finance Company Ltd. (I-Sec), the joint venture between ICICI Limited and J P Morgan, and headed its Fixed Income business. He has served on various RBI Committees including the Technical Advisory Committee, Committee for Repos and Committee for STRIPS. He has also held the positions of Chairman, Fixed Income Money Market and Derivatives Association of India (FIMMDA) and Chairman, Primary Dealers Association of India (PDAI). Currently, he is a member of the CII National Committee on Banking. As at 31 March 2018, he was a director on the boards of Axis Trustee Services Limited, Axis Finance Limited, Axis Capital Limited, Axis Private Equity Limited, Axis Bank UK Limited and A.Treds Limited.
Mr. Rajiv Anand	Mr. Rajiv Anand is a Chartered Accountant and holds a Bachelor degree in commerce. He has over 25 years of experience in the financial services industry and was the Group Executive & Head, Retail Banking at the Bank. He was appointed as the Executive Director (Retail Banking) of the Bank on 4 August 2016. His portfolio includes Retail Liabilities, Retail Lending & Payments, Branch Banking, Retail Operations, Digital Banking, Marketing and Retail Products. He has held key management positions at leading global financial institutions and has diverse experience in the financial services sector. He joined the Bank from its asset management arm, Axis Asset Management Co. Ltd., where he held the position of Managing Director & CEO. In his previous roles, he has managed investments, balance sheet management and money market and bond trading. He is widely recognised for his strengths in capital markets and for successfully building new businesses to scale. He has led an award-winning investment management team at the erstwhile Standard Chartered AMC. He was Business Standard Debt Fund Manager of the year in 2004. As at 31 March 2018, he was a director on the boards of National Payments Corporation of India and Axis Securities Ltd.

Name of Director	Experience
Mr. Rajesh Kumar Dahiya . .	Mr. Rajesh Kumar Dahiya is an Engineer with a Masters in Human Resources Management. With over 25 years of experience, he was the Group Executive & Head – Corporate Centre at the Bank, prior to his appointment as an Executive Director (Corporate Centre) of the Bank on 4 August 2016. In his current role, he supervises all functions under Corporate Centre Audit, Human Resources, Compliance, Company Secretary, Corporate Communications, Administration & Security, Corporate Real Estate Services, Chief Business Relations Officer (CBRO), Ethics & Sustainability and Law. In addition, he also oversaw the functioning of Axis Bank Foundation. Before joining Axis Bank in June 2010, he was associated with Tata Group for 20 years where he handled various responsibilities across functions such as Human Resources, Manufacturing, Exports, Distribution and Institutional Sales. His last assignment before joining the Bank was with Tata Tea Limited where he was responsible for integrating various products of Tata Tea, Himalaya and Tetley under a common distribution channel. In his earlier role in Tata Group, he was Vice President HR and Head – Tata Administrative Services (TAS). He also headed the Human Resources function for Rallis India Pvt. Ltd. As at the date of this Offering Circular, he is director on the board of Axis Private Equity Limited.

The RBI has approved the appointment of Mr. Amitabh Chaudhry as Managing Director and CEO of the Bank for the period of 1 January 2019 to 31 December 2021, and the terms and conditions relating to such appointment. Set out below is a brief biography of Mr. Chaudhry. For more information, please see "Recent Developments – Smt. Shikha Sharma's tenure as Managing Director and CEO of the Bank to end on 31 December 2018 and the RBI has approved Shri. Amitabh Chaudry's appointment as her successor".

Mr. Amitabh Chaudhry, age 54 years, has been with HDFC Life since January 2010.

Mr. Chaudhry started his career in the Corporate Banking department of the Bank of America in 1987, where he worked in diverse roles including Country Finance Officer, Head of Wholesale and GCMG Finance in Asia Division and more recently, as Managing Director and Head Technology Investment Banking, Asia.

Shri Chaudhry subsequently worked at CALYON Bank (formerly Credit Lyonnais Securities Asia (CLSA), as its Managing Director, Head South East Asian Investment Banking and Head Technology Investment Banking.

Prior to joining HDFC Life, he worked at Infosys BPO Ltd. in 2003 and was elevated to the position of Managing Director & CEO in 2006. He was also Head – Independent Validation & Testing Unit (IVS) of Infosys Technologies Ltd.

Mr. Chaudhry is a B. Tech in (Electronic & Electricals) from the Birla Institute of Technology & Science, Pilani and is an alumnus of Indian Institute of Management, Ahmedabad.

Senior Management Team

The Bank's senior management team comprised the following members:

Name	Position	Age as of 31 March 2018
Mrs. Shikha Sharma	Managing Director & CEO	59
Mr. V. Srinivasan	Deputy Managing Director	53
Mr. Rajiv Anand	Executive Director – Retail Banking	52
Mr. Rajesh Kumar Dahiya	Executive Director – Corporate Centre	50
Mr. Sundaresan Mahadevan	Group Executive – Corporate Relationship Group & Transaction Banking	47
Mr. Jairam Sridharan	Group Executive & CFO	43
Mr. Cyril Anand	President, Chief Risk Officer	53
Mr. Rajendra Adsul	President – MD & CEO Axis UK & Head, IBD	58
Mr. J. P. Singh	President & Head SME	57
Mr. Sanjay Silas	President & Head – Branch Banking	54
Mr. Himadri Chatterjee	President & Head – Retail & Wholesale Banking Operations	55
Mr. S Balachander	Senior Vice President & Chief Compliance Officer	48
Mr. Jagdeep Mallareddy	Executive Vice-President & Head Retail Lending	46
Mr. Shashikant Rathi	Executive Vice President & Head Treasury & Markets	40
Mr. Charanjit Singh	Executive Vice President – Chief Audit Executive & CIV	39
Mr. Avinash Raghavendra	Senior Vice President – Head Information Technology	44
Mr. Damini Marwah	Senior Vice President & Head, Legal	42

The following are brief biographies of the Bank's senior management team. (Please refer to "*Directors*" above for biographies of senior management members who currently hold Directorships at the Bank.)

Name	Experience
Mr. Sundaresan Mahadevan – Group Executive – Corporate Relationship Group & Transaction Banking	Mr. Sundaresan has over 22 years' experience in the Banking and Financial Industry. He has a BE in Electronics and MBA from FMS Delhi. He joined the Bank in 2018 from Standard Chartered Bank where he had been working since 1996. In his last role in Standard Chartered Bank, he was the Managing Director & Head Global Banking, India. Before working at Standard Chartered Bank, he worked with CRISIL as a Ratings Analyst.

Name	Experience
Mr. Jairam Sridharan – Group Executive & Chief Financial Officer	Mr. Jairam Sridharan holds a Bachelor of Technology in Chemical Engineering from IIT Delhi and a postgraduate diploma in Management. He first joined ICICI Bank before moving to Capital One Financial. With significant experience in the Retail Lending business, he joined the Bank in June 2010, and now is the Chief Financial Officer of the Bank.
Mr. Cyril Anand – President – Chief Risk Officer	Mr. Cyril Anand holds a Bachelor degree in Commerce, and a Masters degree in Business Administration. He has more than 25 years of experience in the banking industry. He joined the Bank in April 1995. In the last 20 years, he has held several roles in various departments of the Bank, such as branch banking, credit and International Banking. Mr. Anand last role was CEO of Axis UK Limited, an international subsidiary of the Bank, before moving to the Risk team in October 2015.
Mr. Rajendra Adsul – President – MD & CEO Axis UK and Head – International Banking	Mr. Adsul is a Commerce graduate with a Chartered Associate of Indian Institute of Bankers qualification. He has over 30 years of banking experience predominantly in the area of credit. He joined the Bank in 1994 as a Credit Officer. He has worked in various capacities in the Credit and Relationship Management Department of the Bank. He heads the International Banking department and is currently the MD & CEO of Axis UK.
Mr. J. P. Singh – President – Head SME	Mr. J. P. Singh has a Master's in Business Administration degree from the Faculty of Management Studies, Delhi. He joined State Bank of Bikaner and Jaipur in 1986 before moving to the Bank in 1995. He has handled various assignments across Retail Banking, Foreign Exchange, Credit and Operations. His last assignment before moving to the Corporate Office was Circle Head-Delhi (one of the largest business circles of the Bank). He currently heads the SME Department of the Bank.
Mr. Sanjay Silas – President & Head – Branch Banking	Mr. Sanjay Silas is a Science graduate from Agra University and holds a Master's degree in Economics. He also attended a one-year Business Leaders Programme from IIM, Calcutta and holds an executive MBA from Faculty of Management Studies, Sukhadia University, Udaipur with specialisation in Finance. He has more than 30 years' experience in banking. Mr. Silas began his career in 1986 with the State Bank of Bikaner and Jaipur as a Probationary Officer and then worked with ICICI Bank before moving to the Bank. At the Bank, he headed branches at Jaipur and Agra. In April 2006, he was appointed Managing Director of Axis Securities Ltd., he headed the Mumbai Circle and was promoted to Regional Distribution Head of Maharashtra, Madhya Pradesh Gujarat and Goa. Since April 2015, he has headed the Branch Banking, Rural Banking and Financial Inclusion Departments.

Name	Experience
Mr. Himadri Chatterjee – President & Head – Retail & Wholesale Banking Operations	Mr. Himadri Chatterjee has over three decades of experience in the financial services industry and currently heads the operations function as Head of Wholesale, Retail Operations at Axis Bank. Having started his career with branch banking, he acquired significant experience in branch, treasury and transaction banking during his time at the Bank. Further, he also has exposure to international banking, forex and international business. Before joining Axis Bank, he worked at the State Bank of Bikaner and Jaipur for close to a decade.
Mr. S Balachander – Senior Vice President & Chief Compliance Officer	Mr. S Balachander holds a Bachelor in Science degree and a PGDC. He has more than 25 years' experience in the banking industry having previously worked in the Global Trust Bank and Vysya Bank. In his career he has worked in retail banking, overseas branches before moving into the compliance function. He is currently the Chief Compliance Officer of the bank.
Mr. Jagdeep Mallareddy, Executive Vice President – Retail Lending	Mr. Jagdeep Mallareddy holds a Bachelor's degree in Commerce and a Masters in Business Administration. He has more than 20 years of experience across various financial services organisations. He joined the Bank in October 2010, as Head, Credit & Operations, Retail Assets. Later he took over Credit & Operations for the entire Retail Lending & Payments department. In his current role he is Head of the Retail Lending business for the Bank.
Mr. Shashikant Rathi – Executive Vice President – Treasury & Markets	Mr. Shashikant Rathi is a Chartered Accountant with over 20 years' experience in the financial sector. He started his career at the Unit Trust of India and joined the Bank's capital markets division in 2003. He has worked across various fixed income segments covering, among others, corporate bond trading, sales, syndication, placements, equity trading and Gsec trading. Mr. Rathi also headed the forex department at the Bank and worked in the asset liability management division of the Bank for over 14 years. He was instrumental in leading the Bank to be a front- runner in the Indian debt capital markets division. Under his leadership the Bank has maintained the top position in the league table for capital markets transactions, consistently for the last ten years, in addition to the Bank being one of the largest corporate bond investment portfolio in the industry. As at the date of this Offering Circular, Mr. Rathi is heading the treasury department of the Bank, covering all divisions of the Bank in relation to interest rates, forex, derivatives trading, domestic and international debt capital markets, as well as the asset liability management department.

Name	Experience
Mr. Charanjit Singh – Executive Vice President and Chief Audit Executive & CIV	Mr. Singh is a Chartered Accountant and is also a member of the Institute of Chartered Accountants of India. He has over 17 years of diversified experience in the area of banking and the financial services industry. He joined the Bank in 2010 and was part of the process quality team prior to moving to the internal audit department. In his current role at the Bank, Mr. Singh has been instrumental in laying the foundation for the framework for governance, risk management and control functions at the Bank's enterprise level. Prior to joining the Bank, he was the internal audit head at ICICI Prudential Life Insurance and has considerable experience in various capacities in the areas of underwriting and operations.
Ms Damini Marwah – Senior Vice President & Head Law	Ms Damini Marwah has graduated in law from Mumbai University and completed her Masters in Law from Georgetown University Law Center, USA. Prior to Axis Bank she was the General Counsel and Legal Head of IL&FS.
Mr. Avinash Raghavendra – Senior Vice President & Head IT . .	Mr. Avinash Raghavendra joined Axis Bank in 1998 in the IT department after a brief stint in Credit Lyonnaise Bank. He has since grown steadily to now head the IT function for the bank. Avinash is M.Com and CISA qualified.

Corporate Governance

The Bank's corporate governance policies recognise the accountability of the Board and the importance of transparency to all its constituents, including employees, customers, investors and the regulatory authorities and of demonstrating that the shareholders are the ultimate beneficiaries of the Bank's economic activities.

The Bank's corporate governance philosophy encompasses not only regulatory and legal requirements but also other practices aimed at a high level of business ethics, effective supervision and enhancement of value for all shareholders. The Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the Board also carries out functions such as taking care of all statutory agendas, approving a business plan, reviewing and approving annual budgets and borrowing limits, fixing exposure limits and ensuring that the Bank's shareholders are kept informed about the Bank's plans, strategies and performance. To enable the Board of Directors to discharge these responsibilities effectively, management provides detailed reports on the Bank's performance to the Board on a quarterly basis.

Audit Committee

The Audit Committee consists of four Directors: Prof. Samir K. Barua, Mr. B. Babu Rao, Mr. S. Vishvanathan and Mr. Rakesh Makhija. The committee is chaired by Prof. Samir K. Barua. The function of the Audit Committee is to review internal and external audit reports and compliance matters. The responsibilities of the Audit Committee amongst others and without limitation, include overseeing the financial reporting process to ensure fairness, sufficiency and credibility of financial statements, review of annual financial statements before submission to the Board of Directors, review of the adequacy of internal control systems and the internal audit function, review of compliance with the inspection and audit reports of the RBI and reports of statutory auditors, review of the findings of internal investigations, discussion on the scope of audit with internal auditors and examination of reasons for substantial defaults, if any. All audit services provided by the Bank's statutory auditors are pre-approved by the Audit Committee.

Acquisitions, Divestments and Mergers Committee

The Acquisitions, Divestments and Mergers Committee consists of four Directors: Mr. Prasad R. Menon, Mrs. Shikha Sharma, Mr. Rakesh Makhija and Mr. Rohit Bhagat. The committee is chaired by Mr. Prasad R. Menon. The function of the committee is to discuss and consider any idea or proposal for merger or acquisition, give its in-principle approval and recommend the proposal to the Board of Directors for its final decision.

Corporate Social Responsibility Committee

The Committee of Corporate Social Responsibility consists of three Directors: Mr. Som Mittal, Mr. Rajesh Dahiya and Mr. Rajiv Anand. The committee is chaired by Mr. Som Mittal. The Committee formulates and recommends to the Board the corporate social responsibility (**CSR**) strategy of the Bank, including the CSR policy and its alignment with the Bank's social, environmental and economic activities. The committee also formulates and recommends to the Board CSR activities to be undertaken by the Bank either directly or through the Axis Bank Foundation. It determines which CSR projects and programmes are to be undertaken each year, including execution details, sectoral focus, budget and implementation schedule. The committee monitors ongoing projects, evaluates performance against the agreed targets and conducts impact assessments of the Bank's initiatives against the CSR policy. The committee institutes a transparent monitoring mechanism for evaluating project implementation. The committee also reviews and recommends the annual CSR report for Board approval and for public disclosure and performs such other duties with respect to CSR activities as may be required to be done under any law, statute, rule or regulation of the Government, the RBI or any other regulatory or statutory body.

Committee of Directors

The Committee of Directors consists of five Directors: Mr. S. Vishvanathan, Mrs. Shikha Sharma, Mr. Prasad R. Menon, Mr. V. Srinivasan and Mrs. Ketaki Bhagwati. The committee is chaired by Mr. S. Vishvanathan. The Committee of Directors exercises the powers delegated to it by the Board relating to loans, credit policy, credit portfolio, monitoring of exposures (both credit and investment), expenditures, investment, branch expansion, compliance with the statutory and regulatory framework, proposals relating to the Bank's operations covering all departments and business segments and important issues relating to day-to-day affairs/problems and to take such steps as may be deemed necessary for the smooth functioning of the Bank. The Committee of Directors also exercises functions relating to all routine matters other than the strategic matters and review of policies other than strategic policies like credit policy, investment policy and other policies which the Committee of Directors may consider necessary or which the RBI may specifically require to be reviewed by the Board.

Customer Service Committee

The Customer Service Committee consists of three Directors: Mr. Som Mittal, Mr. Rajiv Anand and Mr. B. Babu Rao. The committee is chaired by Mr. Som Mittal. The functions of the Customer Service Committee include overseeing the functioning of the Bank's internal committee set-up for customer service, reviewing the level of customer service in the Bank including customer complaints and the nature of their resolution, providing guidance in improving the customer service level and reviewing any award by the Banking ombudsman to any customer on a complaint filed with the ombudsman.

Committee of Whole-Time Directors

The Committee of Whole-Time Directors presently consists of Mrs. Shikha Sharma, Mr. Rajiv Anand, Mr. Rajesh Dahiya and Mr. V. Srinivasan. The Committee is chaired by Mrs. Shikha Sharma. The Committee of Whole-Time Directors exercises powers delegated to it by the Board for managing the affairs of the Bank, for review and efficient control of various operational areas such as treasury, branch banking etc. and for ensuring speedy resolution of matters requiring immediate approval.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of four Directors: Mr. Prasad R. Menon, Mr. Som Mittal, Mr. Rakesh Makhija and Mr. Rohit Bhagat, and the Committee is chaired by Mr. Prasad R. Menon. The functions of the Nomination and Remuneration Committee are divided into (i) nomination and governance matters and (ii) remuneration and HR matters. Nomination and governance matters include: reviewing the structure, size, composition and diversity of the Board and making necessary recommendation to the Board in regards to any changes in board compensation and the formulation of related policy matters. The committee also evaluates the current board members skills and capabilities, including the criteria for evaluating board member performance. The committee selects board members for membership in the various board committees. Remuneration and HR matters include: reviewing and recommending to the Board for approval of the appointment/re-appointment of the Managing Director & CEO and other whole-time Directors and the overall remuneration framework and associated policy of the Bank (including remuneration policy for directors and key managerial personnel), which covers the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock-based compensation and any other form of compensation as may be included from time to time to all the employees of the Bank reviewing and recommending to the Board for approval increases in manpower, cost and budget of the Bank as a whole for the next year, reviewing and recommending to the Board for approval the talent management and succession policy and process in the Bank for ensuring business continuity, especially at the level of Managing Director & CEO, the other Whole-time Directors, senior managers one level below the Board position and other key roles, reviewing organisational health through feedback from employee surveys conducted on a regular basis, reviewing the Code of Conduct and HR strategy, policy and performance appraisal process within the Bank, as well as any fundamental changes in the organisational structure which could have wide ranging or high-risk implications, reviewing and recommending to the Board for approval of the creation of new positions one level below the Managing Director & CEO, reviewing appointments, promotions and exits of senior managers one level below the Managing Director & CEO, setting goals, objectives and performance benchmarks for the Bank and for the Managing Director & CEO, the other Whole-time Directors for the financial year and over the medium to long term, reviewing the performance of the

Managing Director & CEO and other Whole-time Directors at the end of each year, recommending to the Board the remuneration package for the Managing Director & CEO, the other Whole-time Directors and senior managers one level below the Board and recommending to the Board the compensation payable to the Chairman of the Bank and perform such other duties as may be required to be done under any law, statute, rules, regulations etc. enacted by the Government, the RBI or by any other regulatory or statutory body.

Risk Management Committee

The Risk Management Committee consists of five Directors: Prof. Samir K. Barua, Dr. Sanjiv Misra, Mrs. Shikha Sharma, Mr. Rohit Bhagat and Mrs. Ketaki Bhagwati. The committee is chaired by Prof. Samir K. Barua. The objective of the Risk Management Committee is to perform the role of Risk Management in pursuance of the Risk Management Guidelines issued periodically by the RBI and the Board, and to oversee and advise the Board on risk-related matters including: defining risk appetite of the Bank, the framework for risk management, internal control and compliance, the alignment of the Bank's strategy with risk management, the review of regular risk management reports from the Bank's management, the review of effectiveness, the consideration of regulatory issues, evaluation of the quality of risk management information provided to the Board and the review of the Bank's risk return profile, capital adequacy, business continuity plan, disaster recovery plan, key risk indicators and significant risk exposures.

Review Committee

The Review Committee presently consists of three Directors: Mrs. Shikha Sharma, Mrs. Ketaki Bhagawati and Mr. S. Vishvanathan. The committee is chaired by Mrs. Shikha Sharma. The committee reviews and confirms the decisions of the committee headed by an Executive Director, to classify borrowers as wilful defaulters or non-cooperative borrowers.

Stakeholders Relationship Committee

The Stakeholders Relationship Committee consists of two Directors: Mr. B. Babu Rao and Mr. Rajesh Dahiya. The committee is chaired by Mr. B. Babu Rao. The primary objective of the Stakeholders Relationship Committee is to look into the redressal of grievances of security holders of the Bank, *inter alia*, relating to the non-receipt of dividend/interest, refund order/redemption, transfer/transmission, non-receipt of the Annual Report and other grievances.

Special Committee of the Board of Directors for Monitoring of Large Value Frauds

The Special Committee of the Board of Directors for Monitoring of Large Value Frauds consists of five Directors: Prof. Samir K. Barua, Mrs. Shikha Sharma, Mr. Rakesh Makhija, Mr. B. Babu Rao and Mr. Rajesh Dahiya. The committee is chaired by Prof. Samir K. Barua. The Special Committee of the Board of Directors for Monitoring of Large Value Frauds was constituted in response to an RBI circular relating to fraudulent activity involving 10 million and above. The major functions of the Special Committee are to monitor and review all fraud of 10 million and above, so as to identify the systemic lacunae, if any, which facilitated perpetration of the fraud and put in place remedial measures, identify the reasons for delay, if any, in detection and report to the Bank's senior management and the RBI, monitor progress of CBI/police investigations and recovery positions, ensure that staff accountability is examined at all levels in all cases of frauds and that staff-related action, if required, is completed in a timely manner, review the efficacy of the remedial actions taken to prevent recurrence of fraud, such as strengthening of internal controls, and put in place other relevant measures to strengthen preventative measures against frauds.

IT Strategy Committee

The IT Strategy Committee consists of five Directors: Mr. Som Mittal, Mr. Prasad R. Menon, Ms. Shikha Sharma, Mr. Rajiv Anand and Mr. V. Srinivasan. The Committee is chaired by Mr. Som Mittal. The function of the Committee is to approve IT strategy and policies, ensure that management has an effective strategic planning process in place, ensure that the business strategy is aligned with the IT strategy, ensure that the IT organisational structure serves business requirements and direction, oversee implementation of processes and practices that ensure IT delivers value to the business, monitor the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources, ensure proper balance of IT investments for sustaining the Bank's growth, assess exposure to IT risk and control and evaluate effectiveness of management's monitoring of IT risks, assess management's performance in implementing IT strategies, assess whether IT architecture has been designed to derive maximum business value and review IT performance measurement and contribution to the business, and approve capital and revenue expenditure in respect of IT procurements.

Litigation Statement about Management

As at the date of this Offering Circular, for at least the previous five years, none of the members of the Board of Directors, the Audit Committee, the senior management team or any of the other committees listed above:

- has had any convictions in relation to fraudulent offences;

- has held an executive function as a senior executive officer or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or

- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Memorandum and Articles of Association of the Bank and the related provisions of the Companies Act, 2013 and rules made thereunder

The Bank's main objectives are to carry on banking activity and other related activities. The Bank's main objectives and the objectives incidental or ancillary to the attainment of the main objectives are found in Clause III (A) and (B) of the Memorandum of Association.

The Board of Directors may not hold meetings in the absence of a quorum. Pursuant to the Companies Act, 2013, the Directors have the power to borrow money for business purposes only with the consent of the shareholders (with certain limited exceptions). Articles 122 to 134 set forth certain rights and restrictions relating to dividend distribution. One of the restrictions is that dividends may be declared only at general meetings of the shareholders, but in no event shall an amount greater than the amount recommended by the Board of Directors be approved. Under the Articles, no Director shall be required to hold any equity shares as qualification shares. Under Section 184 of the Companies Act, 2013, no director of a company shall, as a director, participate in a meeting in which any contract or arrangement entered into, or to be entered into, by or on behalf of the company is being discussed, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, or proposed contract or arrangement.

The Annual General Meeting is held during business hours at the Bank's registered office or at such other place in Ahmedabad as the Board of Directors may determine. The Board may also call an Extraordinary General Meeting. The Board of Directors is required to call an Extraordinary General Meeting upon the request of a set number of shareholders, as set forth in the Companies Act, 2013. Under the Articles, every member present in person, on a show of hands, shall have one vote and upon a poll every member present in person or by proxy shall have the right to vote (in proportion to his share of the paid equity capital of the Bank) in accordance with the provisions of applicable law. However, according to section 12(2) of the Banking Regulation Act, no person holding shares in a banking company shall, in respect of any shares held by such person, exercise voting rights in a poll in excess of 10 per cent. of the total voting rights of all the shareholders of the banking company. The Banking Regulation Act has been amended by adding a proviso to section 12(2) which empowers the RBI to increase, in a phased manner, the ceiling on voting rights from 10 per cent. to 26 per cent. The RBI, by its Master Direction DBR.PSBD.No.97/16.13.100/2015-16 dated 12 May 2016, has increased the level of the ceiling on voting rights to 15 per cent. which has been further increased to 26 per cent. pursuant to RBI Circular DBR.PSBD. No.1084/16.13.100/2016-17 dated 21 July 2016.

Under Article 52, the acquisition of equity shares by a person or group which would take its holding to a level of 5 per cent. or more of the total paid-up capital of the Company (or such other percentage as may be prescribed by the RBI from time to time) requires the prior approval of the RBI.

Under Section 48 of the Companies Act, 2013, where the share capital of the Company is divided into different classes of shares, the rights attached to the shares of any class may be varied with the consent in writing of the holders of not less than three-quarters of the issued shares of that class or by means of a special resolution passed at a separate meeting of the holders of the issued shares of that class:

(a) if provision with respect to such variation is contained in the memorandum or articles of the company; or

(b) in the absence of any such provision in the memorandum or articles, if such variation is not prohibited by the terms of issue of the shares of that class.

Provided that variation by one class of shareholders affects the rights of any other class of shareholders, the consent of three-quarters of such other class of shareholders shall also be obtained and the provisions of this section shall apply to such variation.

Under the Companies Act, any business to be transacted by an ordinary resolution shall be done so if the notice required under this Act has been duly given and it is required to be passed by the votes cast, whether on a show of hands, or electronically or on a poll, as the case may be, in favour of the resolution, including the casting vote, if any, of the Chairman, by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy or by postal ballot, and such votes exceed the votes, if any, cast against the resolution by members so entitled and voting.

A resolution shall be a special resolution when:

(a) the intention to propose the resolution as a special resolution has been duly specified in the notice calling the general meeting or other intimation given to the members of the resolution;

(b) the notice required under this Act has been duly given; and

(c) the votes cast in favour of the resolution, whether on a show of hands, or electronically or in a poll, as the case may be, by members who, being entitled so to do, vote in person or by proxy or by postal ballot, are required to be not less than three times the number of the votes, if any, cast against the resolution by members so entitled and voting.

The entire amount of the issue price of the equity shares in the form of GDRs will be treated as subscribed and paid-up share capital of the Bank. The subscribed capital of the Bank shall not, at any time, be less than one-half of the authorised share capital of the Bank, and the paid-up share capital of the Bank shall not be less than one-half of the subscribed share capital of the Bank. The RBI may, however, extend the period of time within which the Bank must achieve these proportions, not to exceed two years from the date of the increase.

The Directors have the authority to issue, allot or otherwise dispose of equity shares of the Bank to such persons and on such terms and conditions as they see fit. In addition, the Bank may determine in a General Meeting of shareholders to issue further shares out of the authorised but unissued capital of the Bank and may determine that any shares shall be offered to such persons in such proportions and on such terms and conditions as determined by the shareholders in such General Meeting. The Bank may reduce its share capital in accordance with the provisions of the Companies Act and the Articles.

Related party disclosure (FY 17-18)

The related parties of the Bank as per Accounting Standard 18 Related Party disclosure and as per RBI guidelines are broadly classified as:

a) Promoters

The Bank has identified the following entities as its Promoters.

- Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI)
- Life Insurance Corporation of India (LIC)
- General Insurance Corporation and four Government-owned general insurance companies – New India Assurance Co. Limited, National Insurance Co. Limited, United India Insurance Co. Limited and The Oriental Insurance Co. Limited.

b) Key Management Personnel

- Ms. Shikha Sharma (Managing Director & Chief Executive Officer)
- Mr. V. Srinivasan (Deputy Managing Director)
- Mr. Rajiv Anand [Executive Director (Retail Banking)]
- Mr. Rajesh Dahiya [Executive Director (Corporate Centre)]

c) Relatives of Key Management Personnel

Mr. Sanjaya Sharma, Ms. Usha Bharadwaj, Mr. Tilak Sharma, Ms. Tvisha Sharma, Dr. Sanjiv Bharadwaj, Dr. Prashant Bharadwaj, Dr. Brevis Bharadwaj, Dr. Reena Bharadwaj, Ms. Gayathri Srinivasan, Mr. V. Satish, Ms. Camy Satish, Ms. Ananya Srinivasan, Ms. Anagha Srinivasan, Ms. Geetha N., Ms. Chitra R., Ms. Sumathi N., Mr. S. Ranganathan, Mr. R. Narayan, Ms. Gitanjali Anand, Ms. Tara Anand, Ms. Nandita Anand, Mr. P.L. Narain, Mr. P. Srinivas, Ms. Ratna Rao Shekar, Ms. P. Kamashi, Ms. Hemant Dahiya, Ms. Arooshi Dahiya, Ms. Mallika Dahiya, Ms. Jal Medha, Ms. Pooja Rathi, Mr. Jai Prakash Dahiya.

d) Subsidiary Companies

- Axis Capital Limited
- Axis Private Equity Limited
- Axis Trustee Services Limited
- Axis Asset Management Company Limited
- Axis Mutual Fund Trustee Limited
- Axis Bank UK Limited
- Axis Finance Limited
- Axis Securities Limited
- A.Treds Limited
- Accelyst Solutions Private Limited with effect from 6 October 2017
- Freecharge Payment Technologies Private Limited with effect from 6 October 2017

e) Step down subsidiary companies

- Axis Capital USA LLC with effect from 2 August 2017

Based on RBI guidelines, details of transactions with step down subsidiaries are not disclosed since there is only one entity/party in this category.

The details of transactions of the Bank with its related parties during the year ended 31 March 2018 are given below:

(₹ in millions)

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
Dividend paid	3,435	11	–	–	3,446
Dividend received	–	–	–	2,561	2,561
Interest paid	5,456	2	2	155	5,615
Interest received	0	8	–	299	307
Investment of the Bank	–	–	–	3,250	3,250
Investment in non-equity instruments of related party	3,930	–	–	1,000	4,930
Investment of related party in the Bank	12,000	338	–	–	12,338
Investment of related party in Hybrid capital/ Bonds of the Bank	–	–	–	–	–
Redemption of Hybrid capital/Bonds of the Bank	–	–	–	–	–
Purchase of investments	1,887	–	–	–	1,887
Sale of investments	8,688	11	–	–	8,699
Management contracts	–	122	–	156	278
Contribution to employee benefit fund	162	–	–	–	162
Placement of deposits	1	–	–	–	1
Non-funded commitments (issued)	2	–	–	1	3
Call/Term lending to related party	–	–	–	3,119	3,119
Swaps/Forward contracts	–	–	–	1,317	1,317
Advance granted (net)	–	80	–	8,582	8,662
Advance repaid	65	0	–	–	65
Purchase of loans	–	–	–	182	182
Sell down of loans (including undisbursed loan commitments)	–	–	–	649	649
Receiving of services	1,053	–	–	7,851	8,904
Rendering of services	174	1	–	2,644	2,819
Sale of foreign exchange currency to related party	–	13	–	–	13
Refund of Share Capital from related party	–	–	–	–	–
Other reimbursements from related party	–	–	–	81	81
Other reimbursements to related party	8	–	–	37	45

The balances payable to/receivable from the related parties of the Bank as at 31 March 2018 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Call/Term lending to related party	–	–	–	3,128	3,128
Deposits with the Bank	62,138	43	35	3,815	66,031
Placement of deposits	4	–	–	–	4
Advances	71	183	0	10,164	10,418
Investment of the Bank	–	–	–	20,927	20,927
Investment in non-equity instruments of related party	2,057	–	–	–	2,057
Investment of related party in the Bank	1,353	5	–	–	1,358
Non-funded commitments	33	–	–	1	34
Investment of related party in Hybrid capital/Bonds of the Bank	43,000	–	–	–	43,000
Payable under management contracts	–	37	–	–	37
Other receivables (net)	–	–	–	355*	355
Other payables (net)	–	–	–	519	519

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March 2018 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Deposits with the Bank	1,01,533	171	58	8,301	1,10,063
Placement of deposits	4	–	–	–	4
Advances	167	183	1	14,026	14,377
Investment of the Bank	–	–	–	20,927	20,927
Investment of related party in the Bank	1,378	5	–	–	1,383
Investment in non-equity instruments of the Bank	3,930	–	–	1,000	4,930
Non-funded commitments	33	–	–	1	34
Call lending	–	–	–	3,129	3,129
Swaps/Forward contracts	–	–	–	32	32
Investment of related party in Hybrid Capital/Bonds of the Bank	43,000	–	–	–	43,000
Payable under management contracts	–	37	–	–	37
Other receivables (net)	–	–	–	543	543
Other payables (net)	–	–	–	810	810

The details of transactions of the Bank with its related parties during the year ended 31 March 2017 are given below:

(₹ in millions)

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
Dividend paid	3,547	7	–	–	3,554
Dividend received	–	–	–	1,833	1,833
Interest paid	6,663	1	2	249	6,915
Interest received	16	6	–	145	167
Investment of the Bank	–	–	–	1,168	1,168
Investment in non-equity instruments of related party	1,100	–	–	3,473	4,573
Investment of related party in the Bank	–	465	–	–	465
Investment of related party in Hybrid capital/ Bonds of the Bank	10,500	–	–	–	10,500
Redemption of Hybrid capital/Bonds of the Bank	700	–	–	–	700
Purchase of investments	–	–	–	–	–
Sale of investments	7,588	35	1	–	7,624
Management contracts	–	114	–	169	283
Contribution to employee benefit fund	158	–	–	–	158
Purchase of fixed assets	–	–	–	–	–
Sale of fixed assets	–	–	–	–	–
Placement of deposits	–	–	–	–	–
Repayment of deposits	–	–	–	–	–
Non-funded commitments (issued)	1	–	–	310	311
Call/Term borrowing	–	–	–	–	–
Call/Term lending	–	–	–	101	101
Swaps/Forward contracts	–	–	–	976	976
Advance granted (net)	7	–	–	–	7
Advance repaid	–	2	–	972	974
Advance to related party against rendering of services	–	–	–	–	–
Receiving of services	1,007	–	–	6,106	7,113
Rendering of services	24	1	–	1,379	1,404
Purchase of equity shares from related party	–	–	–	–	–
Refund of Share Capital from related party	–	–	–	84	84
Other reimbursements from related party	–	–	–	104	104
Other reimbursements to related party	4	–	–	2	6

The balances payable to/receivable from the related parties of the Bank as at 31 March 2017 are given below:

(₹ in millions)

Items/Related Party	**Promoters**	**Key Management Personnel**	**Relatives of Key Management Personnel**	**Subsidiaries**	**Total**
Borrowings from the Bank	–	–	–	–	**–**
Call/Term lending to related party	–	–	–	–	**–**
Deposits with the Bank	79,511	19	30	8,301	**87,861**
Placement of deposits	4	–	–	–	**4**
Advances	136	104	–	1,624	**1,864**
Investment of the Bank	–	–	–	13,723	**13,723**
Investment in non-equity instruments of related party	561	–	–	572	**1,133**
Investment of related party in the Bank	1,378	4	–	–	**1,382**
Non-funded commitments	31	–	–	–	31
Investment of related party in Hybrid Capital/Bonds of the Bank	43,000	–	–	–	43,000
Payable under management contracts	–	8	–	–	8
Other receivables (net)	–	–	–	506*	506
Other payables (net)	–	–	–	312	312
Swap/Forward contracts	–	–	–	–	–

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March 2017 are given below:

(₹ in millions)

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
Deposits with the Bank	90,033	108	35	18,747	**1,08,923**
Placement of deposits	4	–	–	–	**4**
Advances	257	105	1	13,277	**13,640**
Investment of the Bank	–	–	–	13,913	**13,913**
Investment of related party in the Bank	1,419	4	–	–	**1,423**
Investment in non-equity instruments of the Bank	1,100	–	–	3,473	**4,573**
Non-funded commitments	32	–	–	310	**342**
Call borrowing	–	–	–	–	**–**
Call lending	–	–	–	678	**678**
Swaps/Forward contracts	–	–	–	51	**51**
Investment of related party in Hybrid Capital/Bonds of the Bank	43,550	–	–	–	**43,550**
Payable under management contracts	–	14	–	–	**14**
Other receivables (net)	–	–	–	710	**710**
Other payables (net)	–	–	–	367	**367**

The transactions with Promoters and Key Management Personnel excluding those under management contracts are in the nature of a banker-customer relationship.

Details of transactions with Axis Mutual Fund and Axis Infrastructure Fund-I, the funds floated by Axis Asset Management Company Ltd. and Axis Private Equity Ltd., the Bank's subsidiaries have not been disclosed since these entities do not qualify as Related Parties as defined under the Accounting Standard 18, Related Party Disclosure, as notified under Section 2(2) and Section 133 of the Companies Act, 2013 and according to the RBI guidelines.

* Until 31 December 2014, the Bank had entered into an arrangement with Axis Asset Management Company Ltd. (**Axis AMC**), the Bank's subsidiary, according to which payment of brokerage in respect of distribution of certain schemes was scheduled over the period of the schemes. This arrangement, however, has no effect on the accounting policy of the Bank, as such brokerage income is recognised by the Bank as and when the same is due. Other receivables include such brokerage recoverable from Axis AMC as on the reporting date.

The significant transactions between the Bank and related parties during the year ended 31 March 2018 and 31 March 2017 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10 per cent. of the aggregate value of all related party transactions in that category:

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
	(₹ in millions)	
Dividend paid		
Life Insurance Corporation of India	1,650	1,744
Administrator of the Specified Undertaking of the Unit Trust of India	1,374	1,374
Dividend received		
Axis Finance Limited	1,213	949
Axis Capital Limited	1,029	515
Axis Securities Limited	195	177
Axis Trustee Services Limited	124	124
Interest paid		
Life Insurance Corporation of India	5,024	5,432
Administrator of the Specified Undertaking of the Unit Trust of India	102	731
Interest received		
Axis Finance Limited	153	49
Axis Bank UK Limited	125	89
Life Insurance Corporation of India	–	15
Investment of the Bank		
Axis Finance Limited	1,250	1,000
Accelyst Solutions Private Limited	1000	N.A.
Freecharge Payment Technologies Private Limited	1000	N.A.
A.Treds Limited	–	168
Investment in non-equity instruments of related party		
United India Insurance Co. Limited	3,930	–
Axis Finance Limited	1,000	3,473
National Insurance Co. Limited	–	1,100
Investment of related party in the Bank	**–**	**–**
Life Insurance Corporation of India	12,000	–
Ms. Shikha Sharma	174	297
Mr. V. Srinivasan	80	120
Investment of related party in Hybrid capital/Bonds of the Bank		
Life Insurance Corporation of India	–	10,000
United India Insurance Co. Limited	–	500
Redemption of Hybrid capital/Bonds of the Bank		
General Insurance Corporation Co. Limited	–	500
United India Insurance Co. Limited	–	200
Purchase of investments		
United India Insurance Co. Limited	1,887	–

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
	(₹ in millions)	
Sale of investments		
New India Assurance Co. Limited	4,210	2,000
General Insurance Corporation Co. Limited	2,300	3,900
United India Insurance Co. Limited	1,574	551
National Insurance Co. Limited	350	500
Management contracts		
Axis Securities Limited	71	62
Ms. Shikha Sharma	48	54
Axis Capital Limited	35	38
Mr. V. Srinivasan	31	34
Axis Trustee Services Limited	31	34
Axis Finance Limited	–	30
Contribution to employee benefit fund		
Life Insurance Corporation of India	162	158
Placement of deposits		
Life Insurance Corporation of India	1	–
Call/Term lending to related party		
Axis Bank UK Limited	3,119	101
Swaps/Forward contracts		
Axis Bank UK Limited	1,317	976
Advance granted (net)		
Life Insurance Corporation of India	–	7
Axis Finance Limited	8,482	–
Advance repaid		
Life Insurance Corporation of India	65	–
Axis Finance Limited	–	972
Purchase of loans		
Axis Bank UK Limited	182	–
Sell down of loans (including undisbursed loan commitments)		
Axis Bank UK Limited	649	–
Receiving of services		
Axis Securities Limited	7,405	5,838
The Oriental Insurance Co. Limited	664	750
Rendering of services		
Axis Asset Management Company Limited	2,497	1,214
Axis Capital Limited	199	74
Axis Bank UK Limited	13	12
Sale of foreign exchange currency to related party		
Ms. Shikha Sharma	13	–
Refund of Share Capital from related party		
Axis Securities Europe Limited	N.A.	84
Other reimbursements from related party		
Axis Capital Limited	41	47
Axis Asset Management Company Limited	26	31

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
	(₹ in millions)	
Axis Securities Limited	2	5
Axis Bank UK Limited	–	4
Other reimbursements to related party		
Axis Securities Limited	30	–
Life Insurance Corporation of India	8	4
Accelyst Solutions Private Limited	5	N.A.
Axis Bank UK Limited	1	1

Related party disclosure (FY 16-17)

The related parties of the Bank are broadly classified as:

a) Promoters

The Bank has identified the following entities as its Promoters.

- Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI)
- Life Insurance Corporation of India (LIC)
- General Insurance Corporation and four Government-owned general insurance companies – New India Assurance Co. Limited, National Insurance Co. Limited, United India Insurance Co. Limited and The Oriental Insurance Co. Limited.

b) Key Management Personnel

- Ms. Shikha Sharma (Managing Director & Chief Executive Officer)
- Mr. V. Srinivasan (Deputy Managing Director)
- Mr. Rajiv Anand (Executive Director (Retail Banking)) with effect from 4 August 2016
- Mr. Rajesh Dahiya (Executive Director (Corporate Centre)) with effect from 4 August 2016
- Mr. Sanjeev Gupta (Executive Director (Corporate Centre)) up to 18 March 2016

c) Relatives of Key Management Personnel

Mr. Sanjaya Sharma, Ms. Usha Bharadwaj, Mr. Tilak Sharma, Ms. Tvisha Sharma, Dr. Sanjiv Bharadwaj, Dr. Prashant Bharadwaj, Dr. Brevis Bharadwaj, Dr. Reena Bharadwaj, Ms. Gayathri Srinivasan, Ms. Vanjulam Varadarajan, Mr. V. Satish, Ms. Camy Satish, Ms. Ananya Srinivasan, Ms. Anagha Srinivasan, Ms. N. Geetha, Ms. R. Chitra, Ms. N. Sumathi, Mr. S. Ranganathan, Mr. R. Narayan, Ms. Gitanjali Anand, Ms. Tara Anand, Ms. Nandita Anand, Mr. P.L. Narain, Mr. P. Srinivas, Ms. Ratna Rao Shekar, Ms. P. Kamashi, Ms. Hemant Dahiya, Ms. Arooshi Dahiya, Ms. Mallika Dahiya, Ms. Jal Medha, Ms. Pooja Rathi and Mr. Jai Prakash Dahiya.

d) Subsidiary Companies

- Axis Capital Limited
- Axis Private Equity Limited
- Axis Trustee Services Limited
- Axis Asset Management Company Limited
- Axis Mutual Fund Trustee Limited
- Axis Bank UK Limited
- Axis Finance Limited
- Axis Securities Limited
- A.Treds Limited with effect from 23 May 2016
- Axis Securities Europe Limited (under voluntary winding up as on 31 March 2017)

The details of transactions of the Bank with its related parties during the year ended 31 March 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Dividend paid	3,547	7	–	–	3,554
Dividend received	–	–	–	1,833	1,833
Interest paid	6,663	1	2	249	6,915
Interest received	16	6	–	145	167
Investment of the Bank	–	–	–	1,168	1,168
Investment in non-equity instrument of related party	1,100	–	–	3,473	4,573
Investment of related party in the Bank	–	465	–	–	465
Investment of related party in Hybrid capital/ Bonds of the Bank	10,500	–	–	–	10,500
Redemption of Hybrid capital/Bonds of the Bank	700	–	–	–	700
Purchase of investments	–	–	–	–	–
Sale of investments	7,588	35	1	–	7,624
Management contracts	–	114	–	169	283
Contribution to employee benefit fund	158	–	–	–	158
Purchase of fixed assets	–	–	–	–	–
Sale of fixed assets	–	–	–	–	–
Placement of deposits	–	–	–	–	–
Repayment of deposits	–	–	–	–	–
Non-funded commitments (net)	–	–	–	311	311
Call/Term borrowing	–	–	–	–	–
Call/Term lending	–	–	–	101	101
Swaps/Forward contracts	–	–	–	976	976
Advance granted (net)	7	–	–	–	7
Advance repaid	–	2	–	972	974
Advance to related party against rendering of services	–	–	–	–	–
Receiving of services	1,007	–	–	6,106	7,112
Rendering of services	24	1	–	1,379	1,404
Purchase of equity shares from related party	–	–	–	–	–
Refund of Share Capital from related party	–	–	–	84	84
Other reimbursements from related party	–	–	–	104	104
Other reimbursements to related party	4	–	–	2	6

The balances payable to/receivable from the related parties of the Bank as at 31 March 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Borrowings from the Bank	–	–	–	–	–
Call/Term lending to related party	–	–	–	–	–
Deposits with the Bank	79,511	19	30	8,301	87,861
Placement of deposits	4	–	–	–	4
Advances	136	104	–	1,624	1,864
Investment of the Bank	–	–	–	13,723	13,723
Investment in non-equity instrument of related party	561	–	–	572	1,133
Investment of related party in the Bank	1,378	4	–	–	1,382
Non-funded commitments	31	–	–	–	31
Investment of related party in Hybrid capital/ Bonds of the Bank	43,000	–	–	–	43,000
Payable under management contracts	–	8	–	–	8
Other receivables (net)	–	–	–	506	506
Other payables (net)	–	–	–	312	312
Swap/Forward contracts	–	–	–	–	–

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Deposits with the Bank	90,033	108	35	18,747	1,08,923
Placement of deposits	4	–	–	–	4
Advances	257	105	1	13,277	13,640
Investment of the Bank	–	–	–	13,913	13,913
Investment of related party in the Bank	1,419	4	–	–	1,423
Investment in non-equity instrument of the Bank	1,100	–	–	3,473	4,573
Non-funded commitments	32	–	–	310	342
Call borrowing	–	–	–	–	–
Call lending	–	–	–	678	678
Swaps/Forward contracts	–	–	–	51	51
Investment of related party in Hybrid Capital/Bonds of the Bank	43,550	–	–	–	43,550
Payable under management contracts	–	14	–	–	14
Other receivables (net)	–	–	–	710	710
Other payables (net)	–	–	–	367	367

The details of transactions of the Bank with its related parties during the year ended 31 March 2016 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Dividend paid	2,992	4	–	–	2,996
Dividend received	–	–	–	1,398	1,398
Interest paid	6,449	1	3	289	6,742
Interest received	4	–	–	121	125
Investment of the Bank	–	–	–	1,000	1,000
Investment of related party in the Bank	–	390	–	–	390
Investment of related party in Subordinated Debt/Hybrid Capital/Bonds of the Bank	–	–	–	–	–
Redemption of subordinated debt	500	–	–	–	500
Purchase of investments	–	–	–	–	–
Sale of investments	3,251	–	–	–	3,251
Management contracts	–	132	–	131	263
Contribution to employee benefit fund	157	–	–	–	157
Purchase of fixed assets	–	–	–	–	–
Sale of fixed assets	–	–	–	–	–
Placement of deposits	1	–	–	–	1
Non-funded commitments (net)	1	–	–	–	1
Call/Term borrowing	–	–	–	–	–
Call/Term lending	–	–	–	660	660
Swaps/Forward contracts	–	–	–	482	482
Advance granted (net)	11	–	–	651	662
Advance repaid	–	7	–	447	454
Purchase of loans	–	–	–	–	–
Sell down of loans (including undisbursed loan commitments)	–	–	–	–	–
Advance to related party against rendering of services	–	–	–	240	240
Receiving of services	792	–	–	4,337	5,129
Rendering of services	28	–	–	726	754
Purchase of equity shares from related party	–	–	–	190	190
Refund of Share Capital from related party	–	–	–	135	135
Other reimbursements from related party	–	–	–	85	85
Other reimbursements to related party	4	–	–	–	4

The balances payable to/receivable from the related parties of the Bank as at 31 March 2016 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Borrowings from the Bank	–	–	–	–	–
Call/Term lending to related party	–	–	–	663	663
Deposits with the Bank	78,391	10	20	5,706	84,127
Placement of deposits	4	–	–	–	4
Advances	129	4	–	2,631	2,764
Investment of the Bank	–	–	–	12,745	12,745
Investment of related party in the Bank	1,417	3	–	–	1,420
Non-funded commitments	32	–	–	190	222
Investment of related party in Subordinated Debt/Hybrid Capital/Bonds of the Bank	33,200	–	–	–	33,200
Payable under management contracts	–	14	–	–	14
Other receivables (net)	–	–	–	710	710
Other payables (net)	–	–	–	172	172
Swap/Forward contracts	–	–	–	–	–

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March 2016 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Deposits with the Bank	1,21,035	98	102	7,319	1,28,553
Placement of deposits	4	–	–	–	4
Advances	199	10	1	4,163	4,373
Investment of the Bank	–	–	–	12,880	12,880
Investment of related party in the Bank	1,434	3	–	–	1,437
Non-funded commitments	32	–	–	734	765
Call borrowing	–	–	–	–	–
Call lending	–	–	–	687	687
Swaps/Forward contracts	–	–	–	209	209
Investment of related party in Subordinated Debt/Hybrid Capital/Bonds of the Bank	33,700	–	–	–	33,700
Payable under management contracts	–	16	–	–	16
Other receivables (net)	–	–	–	909	909
Other payables (net)	–	–	–	294	294

The transactions with Promoters and Key Management Personnel excluding those under management contracts are in the nature of a banker-customer relationship.

Details of transactions with Axis Mutual Fund and Axis Infrastructure Fund-I, the funds floated by Axis Asset Management Company Ltd. and Axis Private Equity Ltd., and the Bank's subsidiaries, have not been disclosed since these entities do not qualify as Related Parties as defined under the Accounting Standard 18, Related Party Disclosure, as notified under Section 2(2) and Section 133 of the Companies Act, 2013 and according to the RBI guidelines.

On 31 December 2014, the Bank entered into an arrangement with Axis Asset Management Company Ltd. (**Axis AMC**), the Bank's subsidiary, in terms of which payment of brokerage in respect of distribution of certain schemes is scheduled over the period of the schemes. This arrangement, however, has no effect on the accounting policy of the Bank, as such brokerage income is recognised by the Bank as and when the same is due. Other receivables include such brokerage recoverable from Axis AMC as at the reporting date.

The significant transactions between the Bank and related parties during the years ended 31 March 2017 and 31 March 2016 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10 per cent. of the aggregate value of all related party transactions in that category:

Particulars	**Year ended 31 March 2017**	**Year ended 31 March 2016**
	(₹ in millions)	
Dividend paid		
Life Insurance Corporation of India	1,744	1,309
Administrator of the Specified Undertaking of the Unit Trust of India	1,374	1,264
Dividend received		
Axis Finance Limited	949	626
Axis Capital Limited	515	515
Axis Securities Limited	177	145
Axis Trustee Services Limited	124	113
Interest paid		
Life Insurance Corporation of India	5,432	5,309
Administrator of the Specified Undertaking of the Unit Trust of India	731	710
Interest received		
Axis Finance Limited	49	18
Axis Asset Management Company	N.A.	23
Axis Bank UK Limited	89	79
Life Insurance Corporation of India	15	4
Investment of the Bank		
Axis Finance Limited	1,000	1,000
A.Treds Limited	168	N.A.
Investment in non-equity instruments of related party		
United India Insurance Co. Limited	–	–
Axis Finance Limited	3,473	–
National Insurance Co. Limited	1,100	N.A.
Investment of related party in the Bank		
Life Insurance Corporation of India	–	–
Ms. Shikha Sharma	297	161
Mr. V. Srinivasan	120	115

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
	(₹ in millions)	
Mr. Sanjeev Gupta	N.A.	114
Investment of related party in Hybrid capital/Bonds of the Bank		
Life Insurance Corporation of India	10,000	–
United India Insurance Co. Limited	500	–
Redemption of Hybrid capital/Bonds of the Bank		
General Insurance Corporation Co. Limited	500	–
United India Insurance Co. Limited	200	–
Life Insurance Corporation of India	–	500
Purchase of investments		
United India Insurance Co. Limited	–	–
Sale of investments		
New India Assurance Co. Limited	2,000	–
General Insurance Corporation Co. Limited	3,900	1,950
United India Insurance Co. Limited	551	500
National Insurance Co. Limited	500	801
Management contracts		
Axis Securities Limited	62	50
Ms. Shikha Sharma	54	54
Axis Capital Limited	38	17
Mr. V. Srinivasan	34	34
Axis Trustee Services Limited	34	32
Axis Finance Limited	30	29
Mr. Sanjeev K. Gupta	N.A.	44
Contribution to employee benefit fund		
Life Insurance Corporation of India	158	157
Placement of deposits		
Life Insurance Corporation of India	–	1
Call/Term lending to related party		
Axis Bank UK Limited	101	660
Swaps/Forward contracts		
Axis Bank UK Limited	976	482
Advance granted (net)		
Life Insurance Corporation of India	7	–
Axis Finance Limited	–	–
Advance repaid		
Life Insurance Corporation of India	–	–
Axis Finance Limited	972	–
Axis Asset Management Company Limited	–	447
Advance to related party against rendering of services		
Axis Securities Limited	–	240
Purchase of loans		
Axis Bank UK Limited	–	–
Sell down of loans (including undisbursed loan commitments)		
Axis Bank UK Limited	–	–

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
	(₹ in millions)	
Receiving of services		
Axis Securities Limited	5,838	4,186
The Oriental Insurance Co. Limited	750	579
Rendering of services		
Axis Asset Management Company Limited	1,214	636
Axis Capital Limited	74	46
Axis Bank UK Limited	12	8
Purchase of equity shares from related party		
Axis Capital Limited	–	190
Sale of foreign exchange currency to related party		
Ms. Shikha Sharma	–	–
Refund of Share Capital from related party		
Axis Securities Europe Limited	84	–
Axis Private Equity Limited	–	135
Other reimbursements from related party		
Axis Capital Limited	47	42
Axis Asset Management Company Limited	31	19
Axis Securities Limited	5	7
Axis Bank UK Limited	4	7
Other reimbursements to related party		
Life Insurance Corporation of India	4	4
Axis Bank UK Limited	1	–

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the ***Clearing Systems****) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Trustee nor any other party to the Agency Agreement 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 Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly owned subsidiary of The Depository Trust and Clearing Corporation (**DTCC**). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants** and, together with Direct Participants, **Participants**). More information about DTC can be found at *www.dtcc.com* and *www.dtc.org* but such information is not incorporated by reference in and does not form part of this Offering Circular.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **DTC Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practice, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, will be legended as set forth under "*Transfer Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depositary with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depositary is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depositary). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered

Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium (if any), and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Transfer Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (**T+3**). The customary arrangements for delivery versus payment will apply to such transfers. Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Trustee, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The Financial Statements have been prepared in accordance with the accounting policies followed by the Bank which conform to Generally Accepted Accounting Principles in India and the RBI Guidelines as applicable to the Bank. The following are significant differences between Indian GAAP and U.S. GAAP, limited to those significant differences that are appropriate to the Bank's financial statements. However, they should not be construed as being exhaustive, and no attempt has been made to identify possible future differences between Indian GAAP and U.S. GAAP as a result of prescribed changes in accounting standards nor to identify future differences that may affect the Bank's financial statements as a result of transactions or events that may occur in the future. The Financial Statements reflect applicable statutory requirements, regulatory guidelines and accounting practices in India; these requirements, guidelines and practices change from time to time and may have been applied prospectively. As a result, the financial statements of the Bank on a period-by-period basis may not be directly comparable.

Indian GAAP	U.S. GAAP
Financial Statements Presentation and Disclosure	***Financial Statements Presentation and Disclosure***
Two years' balance sheets, profit and loss account, accounting policies and notes and cash flow statements are required under Indian GAAP.	Companies filing U.S. GAAP financial statements with the SEC are required to present three years' statements of operations and stockholders' equity, and other comprehensive income and cash flow statements and two years' balance sheets.
Changes in accounting policies	***Changes in accounting policies***
Impact of adjustments resulting from the change to be shown in the income statement of the period in which the change is made except as specified in certain standards where the change resulting from adoption of such standards has to be shown by an adjustment to opening retained earnings.	Retrospective application requiring the entity to adjust each affected component of equity for the earliest period presented and comparative income statement presented, except where impracticable to do so. Transition provisions are generally specified in new standards and may be different.
Revaluation of property, plant and equipment	***Revaluation of property, plant and equipment***
Use of historical cost or revalued amounts is permitted. Revaluation of an entire class of assets or of a selection of assets is required to be carried out on a systematic basis. An increase in net book value as a result of revaluation is taken directly to revaluation reserves while a decline is charged to a profit and loss account.	Revaluation is not permitted.

Indian GAAP	U.S. GAAP
Unrealised gains/losses on investments	***Unrealised gains/losses on investments***
All investments are categorised into "Held to Maturity", "Available for Sale" and "Held for Trading". "Held to Maturity" securities are carried at their acquisition cost or at amortised cost if acquired at a premium over the face value. "Available for Sale" and "Held for Trading" securities are valued periodically according to the RBI guidelines. Net depreciation, if any, within each category of investments is recognised in the profit and loss account. The net appreciation, if any, under each category is ignored.	Investments are categorised into "Held to Maturity", "Available for Sale" or "Trading" based on management's intent and ability. While "Trading" and "Available For Sale" securities are valued at fair value, "Held to Maturity" securities are valued at cost, adjusted for amortisation of premiums and accretion of discount. The unrealised gains and loses on "Trading" securities are taken to the income statement, while those of "Available for Sale" securities are reported as a separate component of stockholders' equity, net of applicable taxes, until realised. In case a security is assessed to be other than temporarily impaired, the unrealised losses are recognised in an income statement.
Amortisation of premium/discount on the purchase of investments	***Amortisation of premium/discount on the purchase of investments***
Under Indian GAAP, premium over the face value of fixed rate and floating rate investments classified under the HTM category is amortised over the period remaining to maturity on a constant yield to maturity basis.	Premium/discount amortisation is permitted for all categories of investments over the period of remaining maturity on an effective interest rate basis.
Allowances for credit losses	***Allowances for credit losses***
All credit exposures, including overdues arising from crystallised derivative contracts, are classified according to the RBI guidelines into performing and NPAs. Furthermore, NPAs are classified into substandard, doubtful and loss assets for provisioning based on the criteria stipulated by the RBI. Provisions are made in accordance with the RBI guidelines. For restructured assets, a provision is made in accordance with the guidelines issued by the RBI, which require the diminution in the fair value of the assets to be provided at the time of restructuring.	Under U.S. GAAP impaired loans are classified as restructured loans or other impaired loans. Restructured loans represent loans whose term of interest and instalment payments are modified and qualify as trouble debt restructuring as per FASB ASC subtopic 310-40. Other impaired loans are loans which are not restructured loans and qualify for impaired as per FASB ASC subtopic 310-10. Loans are tested for impairment based on current information and events, management estimates that the collection of outstanding interest and principal amounts are doubtful. The impairment on a loan is measured by discounting the expected cash flow from loan by original effective rate of loan, or at the observable market price of the loan, or at the fair value of the collateral if the loan is collateral dependent. The impairment is recognised if the measured value is less than the recorded investment in the impaired loan.

Indian GAAP	U.S. GAAP
In addition to the specific provisioning made on NPAs, the Bank maintains general provisions to cover potential credit losses of standard assets in accordance with the RBI guidelines. In case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or the RBI.	The allowances on the performing portfolios are established after considering historical and projected default rates and loss severities as per FASB ASC topic 450.
Loan origination fees/costs	***Loan origination fees/costs***
Loan origination fees are recognised upfront on their becoming due. Loan origination costs are taken to the profit and loss account in the year in which they are incurred.	Loan origination fees (net of certain loan origination costs) are deferred and recognised as an adjustment to yield over the life of the loan.
Derivatives	***Derivatives***
Derivatives are disclosed as off-balance sheet exposures. The derivatives are bifurcated as trading or hedge transaction. Trading derivatives are revalued at the balance sheet date with the resulting unrealised gain/loss being recognised in the profit and loss account and correspondingly in other assets or other liabilities respectively. Hedged swaps/options are accounted for on an accrual/at fair value pursuant to the principles of hedge accounting.	All derivatives are required to be recognised as assets or liabilities on the balance sheet and measured at fair value with changes in fair value being recognised in earnings. Fair values are based on quoted market prices, or absent quoted market prices, based on valuation technique, which may take into account available current market and contractual prices of the similar instrument as well a time value underlying the positions. If a derivative qualifies as a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either offset against the change in fair value of the hedged asset, liability or firm commitment through income or held in equity until the hedge item is recognised in income. The ineffective portion of a hedge is immediately recognised in income. Further hedge item is also required to be measured at fair value.
Employee Benefits	***Employee Benefits***
AS 15 requires the use of projected unit credit method to determine benefit obligation. The discount rate for obligations is based on market yields of government securities.	Obligation for defined benefit plans must be measured using projected unit credit method. The discount rate for obligations is based on market yields of high-quality corporate bonds.
All actuarial gains and losses have to be recognised immediately in the profit and loss account.	Immediate recognition of actuarial gains or losses is not required.

Indian GAAP	U.S. GAAP
Deferred Taxes	***Deferred Taxes***
The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.	Income taxes are accounted for according to the provisions of FASB ASC 740, "Income Taxes". FASB ASC 740 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities, using enacted tax rates in force.
Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realised.	Deferred tax assets are recognised subject to a valuation allowance based upon management's judgement as to whether realisation is considered more likely than not that the assets will be realised.
Deferred tax is not created on undistributed earnings of subsidiaries and affiliates.	Deferred tax is created on undistributed earnings of subsidiaries and affiliates.
Employee Stock Option Plan	***Employee Stock Option Plan***
According to the guidance note on Accounting for Employee Share based payments, effective for all share based grants made after 1 April 2005, employee share based plans are classified into equity settled, cash settled and employee share based payments plans with alternatives. Any plan falling into the above categories can be accounted for adopting fair value method or intrinsic value method as at the grant date. An enterprise using the intrinsic value method is required to make fair value disclosures.	Under U.S. GAAP, share based payments are accounted for under FASB ASC topic 718, "Compensation – stock compensation", employee stock based compensation plans have to be accounted in income statement using the fair value method.
Listed companies are also to observe the specific guidance by market regulator.	
Accounting for subsidiaries and affiliates	***Accounting for subsidiaries and affiliates***
Under Indian GAAP, the Bank is required to present both unconsolidated and consolidated financial statements. Under unconsolidated financial statements, financial position and results	U.S. GAAP mandates preparation of consolidated financial statements.

of operations of controlled entities are not consolidated, but are reflected on the basis of cost subject to consideration of impairment.

The Bank is also required to consolidate subsidiaries where it controls the ownership, directly or indirectly, of more than one-half of the voting power or controls the composition of the board of directors with the objective of obtaining economic benefits from their activities. The Bank accounts for investments in associates under the equity method of accounting.

Consolidation of subsidiaries is required where the Bank, directly or indirectly, holds more than 50 per cent. of the voting rights or exercises control. Entities where the Bank holds 20 per cent. to 50 per cent. of the voting rights and/or has the ability to exercise significant influence are accounted for under the equity method, and the pro rata share of their income (loss) is required to be included in the income statement as per FASB ASC Topic 323. The Bank will be required to consolidate Variable Interest Entities (**VIEs**) where the Bank is determined to be the primary beneficiary under FASB ASC 810.

Accounting for Securitisation

Under Indian GAAP, the gain on a securitisation transaction is recognised over the period of underlying securities issued by the special purpose vehicle as prescribed under the RBI guidelines. The losses, if any, are charged off immediately.

Accounting for Securitisation

Under U.S. GAAP, any gain or loss on the sale of the financial asset is accounted for in the income statement at the time of the sale according to ASC Topic 860, “Transfers and Servicing Financial Assets and Extinguishment”.

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 Arrangers, the Dealers, the Trustee 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 non-banking finance companies. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following:

- commercial banks;
- small banks and payment banks;
- long-term lending institutions;
- non-banking financial companies, including housing finance companies;
- 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 scheduled commercial banks and scheduled cooperative banks.

This discussion presents an overview of the role and activities of the RBI and of each of the major participants in the Indian financial system, with a focus on commercial banks. This is followed by a brief summary of the banking reform process along with the recommendations of various committees that have played a key role in the reform process. A brief discussion on the impact of the liberalisation process on long-term lending institutions and commercial banks is then presented. Finally, reforms in the non-banking financial sector are briefly reviewed.

The Reserve Bank of India

The RBI, established in 1935, is the central banking and monetary authority in India. The RBI manages 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 non-banking financial companies. 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 like infrastructure. As at 31 March 2018, there were 149 scheduled commercial banks in the country, including 56 regional rural banks (**RRBs**). Scheduled commercial banks are banks that are listed in the schedule to the Reserve Bank of India Act, 1934 (the **RBI Act)** and are further categorised as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India with a network of 140,133 branches, and approximately 62.70 per cent. of these branches were located in rural or semi-urban areas of the country as at 31 March 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 and 56 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 91,976 branches, and accounted for 63.8 per cent. of the outstanding gross bank credit and 68.8 per cent. of the aggregate deposits of scheduled commercial banks at 30 September 2017. The State Bank of India is the largest bank in India in terms of total assets. In one of the largest consolidations in the Indian banking industry, the State Bank of India merged with its five associate banks and the Bharatiya Mahila Bank, which became effective from 1 April 2017. As at 31 March 2017, the consolidated State Bank of India had 25,005 branches. They accounted for 23.2 per cent. of aggregate deposits and 21.6 per cent. of outstanding gross bank credit of all scheduled commercial banks.

Regional rural banks were established from 1976 to 1987 by the central government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural labourers. The National Bank for Agriculture and Rural Development is responsible for supervising the functions of the regional rural banks. As at 30 September 2017, there were 56 regional rural banks and they had 21,424 branches which accounted for 3.0 per cent. of aggregate deposits and 2.9 per cent. of gross bank credit outstanding of scheduled commercial banks.

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 at 28 August 2018, there were a total of 21 private banks. The Sangli Bank Limited, an unlisted "old" private sector bank merged, with ICICI Bank with effect from 19 April 2007. The Centurion Bank of Punjab merged with HDFC Bank in May 2008. 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.

At 30 September 2017, private sector banks, including the small finance banks, accounted for approximately 23.6 per cent. of aggregate deposits and 28.7 per cent. of gross bank credit outstanding of the scheduled commercial banks. Their network of 25,357 branches accounted for 18.2 per cent. of the total branch network of scheduled commercial banks in the country.

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 non-banking financial companies 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 ₹5.0 billion, with foreign shareholding not exceeding 49.0 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.

As at 31 March 2017, there were eight "new" private sector banks, including the most recently licensed IDFC Limited and Bandhan Financial Services Private Limited that began operations in fiscal 2016. In September 2015, the Reserve Bank of India granted in-principle licences to 10 small finance banks and to 11 payments banks in the private sector. Of these, nine small finance banks and four payments banks have begun operations and three payments banks licensees have surrendered or announced their decision to surrender their licences. In addition, 13 "old" private sector banks existing prior to July 1993 were operating as at 31 March 2017.

The RBI also issued guidelines in November 2014 on the entry of "Small Finance Banks" 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. During fiscal 2016, the RBI issued new bank licences to "Small Finance Banks" 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. As at 31 March 2018, there were six active Payment Banks.

Foreign Banks

As at 28 August 2018, there were over 45 foreign banks operating in India with a combined total of 292 branches. As at 30 September 2017, foreign banks had 288 branches and accounted for 4.2 per cent. of aggregate deposits and 4.5 per cent. of outstanding gross bank credit of scheduled commercial banks. 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 non-banking financial company 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 5.0 per cent. of the investee bank's equity capital.

In February 2005, the Government and the RBI released the "Roadmap for Presence of Foreign Banks in India", which laid out a two-track, gradual approach aimed at increasing the efficiency and stability of the banking sector in India. The first track was the consolidation of the domestic banking system, both in the private and public sectors; the second track was the gradual enhancement of the presence of foreign banks in a synchronised manner. The roadmap was divided into two phases, the first phase spanning the period from March 2005 to March 2009, and the second phase beginning in April 2009. However, the second phase was delayed due to the global financial crisis in 2009. In January 2011, the RBI released a draft discussion paper on the mode of presence of foreign banks in India. The paper indicates a preference for a wholly owned subsidiary model of presence over a branch model.

Based on the comments received, the RBI in its annual policy statement for fiscal 2012 stated that it was in the process of framing comprehensive guidelines in this regard. On 20 July 2012, the RBI revised priority sector lending guidelines for foreign banks. 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.

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. 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

Cooperative 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 cooperative 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 cooperative banks. Currently, the RBI is responsible for the supervision and regulation of urban cooperative banks, and NABARD for state co-operative banks and district central cooperative banks.

In its annual policy statement for fiscal 2010, the RBI proposed expanding the area of operation of Tier II urban cooperative banks in Grade I to the entire state of registration with the prior approval of the RBI. It also proposed reviewing the existing instructions and issuing appropriate guidelines to urban cooperative banks on internal controls, risk management systems, asset liability management and disclosure norms and applying a capital charge for market risks in respect of large-sized and systemically important urban cooperative banks with effect from 1 April 2010. Urban cooperative banks that fulfil certain eligibility criteria are allowed direct access to the negotiated dealing system (**NDS**) order matching (OM), subject to obtaining prior approval from the RBI. This helps deepen the bond market by increasing the number of participants.

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 industry 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 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.

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group in 1998, a working group was created in 1999 to harmonise the role and operations of long-term lending institutions and banks. 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 applicable to banks.

Several mergers resulted from this reform effort. In April 2002, ICICI merged with ICICI Bank. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003 converted the Industrial Development Bank of India into a banking company incorporated under the Companies Act, 1956 on 27 September 2004, with exemptions from certain statutory and regulatory norms applicable to banks, including an exemption for a certain period of time from the statutory liquidity ratio (**SLR**). IDBI Bank Limited, a public sector bank that was a subsidiary of the Industrial Development Bank of India, was merged with the Industrial Development Bank of India in April 2005. The long-term funding needs of Indian companies are now primarily met by banks, Life Insurance Corporation of India and specialised non-banking financial companies such as Infrastructure Development Finance Corporation. Indian banking companies also make bond issuances to institutional and retail investors.

Non-Banking Financial Companies

There were about 11,402 non-banking financial companies in India as at 31 March 2018, mostly in the private sector. All non-banking financial companies are required to register with the RBI. The non-banking financial companies 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 non-banking financial companies into the following categories: asset finance companies, loan companies, investment companies, infrastructure finance companies, systemically important core investment companies, infrastructure debt fund – non-banking financial companies, non-banking financial company – microfinance institutions, non-banking financial company – factors, mortgage guarantee companies and NBFC – non-operative financial holding companies. The primary activities of the non-banking financial companies are providing consumer credit, including automobile finance, home finance and consumer durable products finance, factoring, microfinance, infrastructure finance, wholesale finance products such as bill discounting for small and medium companies and infrastructure finance, and fee-based services such as investment banking and underwriting. In 2003, Kotak Mahindra Finance Limited, a large non-banking financial company, 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 non-banking financial companies 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 non-banking financial companies, the guidelines classified those with an asset size above ₹1.0 billion as per the last audited balance sheet as systemically important. These non-banking financial companies were required to maintain a minimum capital to risk-weighted assets ratio of 10.0 per cent., in addition to conforming to single and group exposure norms. In August 2008, the RBI issued draft guidelines covering non-deposit taking non-banking financial companies. It was proposed that non-deposit taking non-banking financial companies with an asset size of ₹1.0 billion and above would have to maintain a capital to risk-weighted assets ratio of 12.0 per cent. instead of the current minimum of 10.0 per cent.

The capital adequacy ratio was proposed to be increased to 15.0 per cent. from April 2009. In its 2009 annual policy statement, the RBI deferred the implementation of the capital to risk-weighted assets ratio of 12.0 per cent. requirement to 31 March 2010 and of 15.0 per cent. to 31 March 2011. In February 2011, the RBI issued guidelines mandating deposit taking non-banking financial companies to maintain a capital to risk-weighted assets ratio of 15.0 per cent. against the current minimum of 12.0 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 non-banking financial company which would be regulated by the RBI. All non-banking financial companies, including infrastructure finance companies, may sponsor infrastructure debt funds set up as mutual funds. However, only infrastructure finance companies can sponsor infrastructure debt funds set up as non-banking financial companies. Banks are allowed to sponsor infrastructure debt funds in the form of mutual funds and non-banking financial companies 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 non-banking financial companies sector. Some key recommendations of the report included a minimum asset size of ₹500 million with a minimum net owned fund of ₹20 million for registering as a non-banking financial company, 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 non-banking financial companies 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 non-banking financial companies.

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 non-banking financial institution (**NBFI**) 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 a NBFI. The minimum Tier I capital requirement for non-deposit taking NBFC having an asset size of ₹5,000 million and above and all deposit taking NBFCs was raised to 10 per cent. from 7.5 per cent. in a gradual manner (8.5 per cent. by the end of March 2016 and nil per cent. by the end of March 2017). As at 31 March 2018, NBFCs have to maintain a minimum in Tier I and II capital ratios of not less than 15 per cent. of aggregate risk-weighted assets. The net owned fund requirement would be required to be raised in a phased manner from ₹2.5 million to ₹10 million by March 2016, and then further to ₹20 million by 2017.

The RBI master direction on "Non-Banking Financial Company – Systemically Important Non-Deposit-taking Company and Deposit-taking Company (Reserve Bank) Directions, 2016" dated

1 September 2016, as amended, and the master direction "Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016" dated 1 September 2016 (as amended) state that the minimum capital ratio consisting of Tier I and Tier II capital shall not be less than 15 per cent. of its aggregated risk-weighted assets 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 at 31 March 2016 and 10 per cent. as at 31 March 2017.

Housing Finance Companies

Housing finance companies form a distinct sub-group of non-banking financial companies. 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 IRDA relaxed the investment regulations of housing finance companies (**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, Small Industries Development Bank of India, 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

The insurance industry of India consists of 57 insurance companies of which 24 are in life insurance business and 33 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re). Out of 33 non-life insurance companies, five private sector insurers are registered to underwrite policies exclusively in health, personal accident and travel insurance segments. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd. There are two more specialised insurers belonging to public sector, namely, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for crop insurance.

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 allows foreign equity participation in new insurance companies of up to 49.0 per cent. A new company should have minimum paid-up equity capital of ₹1.0 billion to carry on the business of life insurance or general insurance or ₹2.0 billion to carry on exclusively the business of re-insurance.

In its monetary and credit policy for fiscal 2001, the RBI issued guidelines governing the entry of banks and financial institutions into the insurance business. The guidelines permit banks and financial institutions to enter the business of insurance underwriting through joint ventures provided they meet stipulated criteria relating to their net worth, capital adequacy ratios, profitability track record, level of non-performing loans and the performance of their existing subsidiary companies. The promoters of insurance companies have to divest in a phased manner their shareholding in excess of 26.0 per cent. (or such other percentage as may be prescribed) after a period of ten years from the date of commencement of business or within such period as may be prescribed by Government. In December 2014, the Indian government raised the limit on foreign equity participation in private sector insurance companies from 26.1 per cent. to 49.0 per cent.

The Insurance Regulatory and Development Authority, on 5 December 2017, issued the IRDAI (Investment by Private Equity Funds in Indian Insurance Companies) Guidelines, 2017 permitting alternative investment funds or a private equity fund to purchase a stake or promote an insurance company either as investor or as promoter. This investment is subject to the conditions as set out under such guidelines.

During fiscal 2017, the new business weighted individual premium underwritten by the life insurance sector declined by 3.5 per cent. year-on-year from ₹532.2 billion during fiscal 2017 to ₹513.6 billion during fiscal 2018. The share of the private sector increased from 51.5 per cent. during fiscal

2016 to 53.9 per cent. during fiscal 2017. The gross premium underwritten in the general insurance sector (excluding specialised insurance institutions) amounted to ₹1,192.2 billion during fiscal 2017 as against ₹915.7 billion during fiscal 2016, representing a year-on-year growth of 30.2 per cent. (excluding the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited). The share of the private sector increased from 45.5 per cent. during fiscal 2016 to 46.7 per cent. during fiscal 2017.

The financial inclusion initiatives of the Government include providing insurance cover for people belonging to low-income or below poverty segments and are enrolled through the Government's financial inclusion programme. A life insurance cover and accident insurance cover of up to ₹200,000 each are provided to the beneficiaries at very low premiums. The Government has also launched separate schemes for providing pension and insurance products to the larger population.

Mutual Funds

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India at the initiative of the Government and the RBI. From 1963 to 1987, Unit Trust of India 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. The AUM of the Indian mutual fund industry has grown from ₹5.41 trillion as on 31 July 2008 to ₹23.06 trillion as on 31 July 2018, representing a more than fourfold increase in a span of ten years.

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 February 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. The valuation guidelines are effective from 1 August 2010. Further, the Union Budget for fiscal 2014 allowed mutual fund distributors 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.

As at October 2017, SEBI had classified mutual funds into five broad categories:

1. Equity Schemes;

2. Debt Schemes;

3. Hybrid Schemes;

4. Solution oriented schemes; and

5. Other Schemes.

Mutual Fund houses are required to rebalance their portfolios to the above categories.

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, non-performing assets were comparatively high, capital adequacy was diminished, and operational flexibility was hindered.

Committee on the Financial System (Narasimham Committee I)

The Committee on the Financial System (**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' net demand and time liabilities that was required to be invested in Government securities was reduced from 38.5 per cent. in the pre-reform period to 25.0 per cent. in October 1997. The RBI currently requires banking companies to maintain a liquidity ratio of 20.50 per cent. with effect from 7 January 2017;

- similarly, the cash reserve ratio (CRR) or the proportion of a bank's net demand and time liabilities that was required to be deposited with the RBI was reduced from 15.0 per cent. in the pre-reform period to a low of 4.5 per cent. The CRR effective from 9 February 2013 is 4.00 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 ₹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 second Committee on Banking Sector Reform (**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

The growth in the SCBs' credit started decelerating from November 2016 and reached an all-time low of 3.7 per cent. on 3 March 2017. Although credit growth recovered in the subsequent fortnights, it trailed well below its trajectory in the previous year through April-October 2017. Besides the aftershock of demonetisation, weak demand for new bank financing and deleveraging by banks struggling with provisions for mounting loan delinquency also took their toll. Non-banks replaced bank credit as sources of funding for the commercial sector during this phase. From 10 November 2017, credit growth picked up as the quickening of economic activity spurred a hesitant recovery and levels of non-performing assets started plateauing albeit at elevated levels. By 22 December 2017, credit growth touched double digits – 10.3 per cent. for the first time since 30 September 2016. As on 31 March 2018, credit growth stood at 10.0 per cent. significantly higher than 4.5 per cent. last year. SCBs' credit growth stood at 12.8 per cent. as on 22 June 2018 (5.6 per cent. during the corresponding fortnight in the previous year). The recovery in credit growth from November 2017 onwards benefited mainly from a favourable base effect as credit levels a year ago were dampened by demonetisation effects. Nonetheless, momentum also provided tailwinds, indicating an upswing in credit in tune with gradually improving domestic demand conditions. However, the credit to GDP gap continued to be negative through 2017-18, implying that actual credit demand remained lower than its potential. Non-food credit growth accelerated to 10.2 per cent. by March 2018 from 5.2 per cent. a year ago. Bank loans to industry picked up slowly on a brightening outlook. Shifts into bank credit were also incentivised by the tightening of financing conditions in respect of non-bank sources of finance on account of the hardening of bond yields from October 2017 onwards. Credit growth was largely driven by private sector banks, which were resilient in the face of these tectonic shifts, with their credit portfolio growing at 18.7 per cent. during the year as compared to 5.3 per cent. by public sector banks (**PSBs**) and 3.8 per cent. by foreign banks. Among PSBs, those under prompt corrective action (**PCA**) turned out to be laggards, though signs of revival were evident in this category as well during 2018-19 so far. During Q1:2018-19, non-food credit has maintained its momentum, with credit accelerating to 12.9 per cent. as on 22 June 2018 as compared to a meagre 6.3 per cent. a year ago.

The total flow of financial resources to the commercial sector increased by 27.1 per cent. during 2017-18 as compared to an increase of 3.8 per cent. in the previous year. While non-food bank credit flows more than doubled to ₹7,959 billion, the resource flow from non-banks decreased by 2.8 per cent., mainly on account of the decline in gross private placements by non-financial entities, sharp fall in commercial paper (CP) issuances and lower credit disbursement by systemically important non-deposit taking NBFCs. The hardening of corporate bond yields in H2:2017-18 led to lesser issuances of corporate bonds, bringing down mobilisation through this route. However, there was a significant increase in public issuance of equities by non-financial entities, credit disbursement by housing finance companies and accommodation by four All India Financial Institutions (AIFIs) regulated by the Reserve Bank. Among foreign sources, external commercial borrowings (ECB)/foreign currency convertible bonds (FCCB) recorded net outflows for the third consecutive year albeit of a much lower magnitude during the year. Foreign direct investment (FDI) flows declined by 10.3 per cent. during the year, mainly due to higher repatriation in the second half of the year. Short-term credit from abroad, however, more than doubled to ₹896 billion during the year as import growth accelerated. Barring the sell-offs in equities and bonds in February and March 2018 that ricocheted across the world, including in India, global financial markets remained generally upbeat in 2017-18 on improving growth prospects and a gradual pace of normalisation by the U.S. Fed. Valuations rose through the greater part of the year amidst subdued volatility, except for brief flares. Fears in February 2018 about a faster pace of policy normalisation by the U.S. Fed on the arrival of strong jobs/wages data and again in March 2018 in response to U.S. trade policies, clouded the outlook as volatility returned amidst considerable flux in asset prices and capital flows with implications for emerging markets. Currencies were boosted by the generally weak U.S. dollar over the greater part of the year, interrupted by idiosyncratic but short-lived reversals on safe haven effects.

Interest rates and Inflation

As regards the price situation, inflation eased to its lowest level in the new consumer price index (CPI) series in June 2017, with food prices going into deflation. Thereafter, a confluence of domestic and global developments pushed inflation up – an unseasonal spike in the prices of vegetables during October-November 2017, disbursement of house rent allowance (HRA) for central government employees under the 7th Central Pay Commission's award and firming up of global commodity prices. The delayed softening of food prices in Q4 brought relief as it got prolonged and, in the event, the year ended with the lowest annual average inflation of 3.6 per cent. since 2012-13. Turning to the setting of monetary policy, the significant fall in inflation excluding food and fuel during Q1:2017-18 and the dynamics of the output gap opened up space for the Monetary Policy Committee (**MPC**) to reduce the policy repo rate by 25 basis points (bps) in August 2017. In the ensuing months, however, the rising inflation trajectory accentuated growth-inflation trade-offs. In response, the MPC kept the policy rate on hold for the rest of the year, while continuing with a neutral stance. Consistent with the monetary policy stance, liquidity management operations sought to modulate systemic liquidity from persisting surplus conditions to a position closer to neutrality. Multiple instruments were deployed, including repo/reverse repo operations of various tenors under the liquidity adjustment facility, and outright open market operations. Eventually, the liquidity situation turned into a deficit during February-March 2018 on account of moderation of government spending and large tax collections, resulting in the Reserve Bank briefly switching to an injection mode. Monetary transmission from the policy rate to banks' deposit and lending rates improved during 2017-18, facilitated by the demonetisation-induced slosh of liquidity, but it remained uneven across sectors and bank groups. In particular, the pace of reduction in lending rates for fresh Rupee loans was impeded by asset quality concerns and risk-averse behaviour in lending activity. As regards fiscal policy, the combined fiscal position of the centre and states deteriorated somewhat in relation to budgeted levels due to subdued growth in revenues and elevated revenue expenditure. For the centre, revenues were affected by lower collections from indirect taxes due to late implementation of GST; shortfall in non-tax revenue due to deferment of spectrum auctions; and lower dividend receipts. In the event, cutbacks in capital expenditure were necessitated, with implication for the quality of fiscal adjustment. While state finances were budgeted to improve in 2017-18, revised estimates have been impacted by a shortfall in revenue receipts – mainly lower own tax revenue – and higher revenue expenditure due to implementation of farm loan waivers and the pay commission recommendations on salaries and pensions. These developments, together with global bond sell-offs, fuelled a persistent hardening of ten-year bond yield in the government securities market from 7.40 per cent. on 30 January 2018 to a high of 7.78 per cent. on 5 March 2018 with spillover to the corporate bond market.

India's CPI growth was measured at 5.0 per cent. year-on-year in June 2018, compared with a rate of 4.9 per cent. in the previous month. India's Consumer Price Index growth data is updated monthly, available from Jan 1958 to Jun 2018, with an averaged number of 6.9 per cent. year-on-year. Consumer Price Index CPI in India increased to 140.40 Index Points in August from 139.80 Index Points in July of 2018. Consumer Price Index CPI in India averaged 116.77 Index Points from 2011 until 2018, reaching an all time high of 140.40 Index Points in August of 2018 and a record low of 86.81 Index Points in February of 2011. In 2013, the consumer price index replaced the wholesale price index (WPI) as a main measure of inflation. In India, the most important category in the consumer price index is Food and beverages (45.86 percent of total weight), of which Cereals and products (9.67 percent), Milk and products (6.61 percent), Vegetables (6.04 percent), Prepared meals, snacks, sweets, etc. (5.55 percent), Meat and fish (3.61 percent), and Oils and fats (3.56 percent). Miscellaneous accounts for 28.32 percent, of which Transport and communication (8.59 percent), health (5.89 percent), and education (4.46 percent). Housing accounts for 10.07 percent; Fuel and light for 6.84 percent; Clothing and footwear for 6.53 percent; and Pan, tobacco and intoxicants for 2.38 percent. This page provides - India Consumer Price Index (CPI) - actual values, historical data, forecast, chart, statistics, economic calendar and news.

Asset quality

Stressed assets (i.e., gross non-performing assets plus restructured standard advances) in the banking system remained elevated at 12.1 per cent. of gross advances at the end of March 2018. The combined impact of the increase in provisioning against NPAs and mark-to-market (**MTM**) treasury losses on account of the hardening of yields eroded the profitability of banks, resulting in net losses. In a pre-emptive response, the Reserve Bank allowed banks to spread their MTM losses over four quarters – starting from Q3. Going forward, the stress tests carried out by the Reserve Bank suggest that under the baseline assumption of the current economic situation prevailing, the GNPA ratio of scheduled commercial banks may increase further in 2018-19. The SCBs' gross non-performing advances (**GNPA**) ratio rose from 10.2 per cent. in September 2017 to 11.6 per cent. in March 2018. However, their net non-performing advances (**NNPA**) ratio registered a smaller increase during the period due to an increase in provisioning. The GNPA ratio in the industry sector rose from 19.4 per cent. to 22.8 per cent. during the same period whereas the stressed advances ratio increased from 23.9 per cent. to 24.8 per cent. Within the industry, the stressed advances ratio of sub-sectors such as 'gems and jewellery', 'infrastructure', 'paper and paper products', 'cement and cement products' and 'engineering' registered increases in March 2018 from their levels in September 2017. The asset quality of the 'food processing', and 'textiles' sub-sectors improved during the same period. The provision coverage ratio increased across all bank groups in March 2018 from its level in September 2017. Among the bank groups, foreign banks had the highest provision coverage ratio (88.7 per cent.) followed by private sector banks (51.0 per cent.) and PSBs (47.1 per cent.). The share of large borrowers in the SCBs' total loan portfolios as well as their share in GNPAs declined marginally between September 2017 and March 2018. In March 2018, large borrowers accounted for 54.8 per cent. of gross advances and 85.6 per cent. of GNPAs. The category 2 of special mention accounts (**SMA-2**) as percentage of gross advances decreased across bank groups. The top 100 large borrowers accounted for 15.2 per cent. of gross advances and 26 per cent. of GNPAs of SCBs.

Income and profitability

The banking stability indicator **(BSI)** showed that deteriorating profitability as well as asset quality posed elevated risks to the banking sector stability. Weak profitability of SCBs is a concern as low profits can prevent banks from building cushions against unexpected losses and make them vulnerable to adverse shocks. Median return on assets (**RoA**) of SCBs came down further in March 2018. There are several structural issues resulting in low profitability of SCBs, viz., high loan loss provisions, debt overhang, increasing costs and declining revenues. Profitability of weak banks on an average has been worsening since September 2016 and more efforts will be needed to improve their resilience. Though such weak banks had higher pre-provisions operating profits (EBPT), the higher risk-provisioning against NPAs on their balance sheets resulted in their low profitability.

Recent Structural Reforms

Amendments to the Banking Regulation Act

In August 2017, the Banking Regulation Act, 1949, was amended to empower the Reserve Bank of India to participate in the resolution of stressed assets. The Banking Regulation (Amendment) Act, 2017 was promulgated on 25 August 2017. The Act amended section 35A of the Banking Regulation Act, 1949 and inserted two new sections, 35AA and 35AB. Through this amendment, the Reserve Bank of India is authorised to intervene and instruct banks to resolve specific stressed assets and initiate insolvency resolution process where required. The Reserve Bank of India is also empowered to issue other directions for resolution, and appoint or approve for appointment, authorities or committees to advise banking companies for resolution of stressed assets.

The Reserve Bank of India constituted an Internal Advisory Committee comprising its independent board members to advise on stressed accounts. On the recommendations of the Committee, in June 2017 the Reserve Bank of India issued directions to banks to file for resolution under the Insolvency and Bankruptcy Code with the National Company Law Tribunal in respect of 12 large stressed accounts. With respect to other identified stressed accounts, the banks are required to finalise a resolution plan within six months. In cases where a viable resolution plan is not agreed upon within six months, banks must be required to file for insolvency proceedings under the Insolvency and Bankruptcy Code. Further, in August 2017, the Reserve Bank of India identified an additional list of stressed accounts and directed banks to initiate an insolvency resolution process under the provisions of the Insolvency and Bankruptcy Code by 31 December 2017 if a resolution plan where the residual debt is rated investment grade by two external credit rating agencies is not implemented by 13 December 2017. In December 2012, the Indian Parliament further amended the laws governing the banking sector by way of the Banking Laws (Amendment Act), 2012. This Act seeks to strengthen the regulatory powers of the RBI and to further develop the banking sector in India.

The main amendments are as follows:

- permit all private banking companies to issue preference shares that will not carry any voting rights, subject to RBI guidelines;

- make prior approval of the RBI mandatory for the acquisition of more than 5.00 per cent. of a banking company's paid-up capital or voting rights by any individual, firm or group, and empower the RBI to impose conditions while granting approval for such acquisitions;

- empower the RBI, after consultations with the Government, to supersede the board of a private sector bank for a total period not exceeding 12 months, during which time the RBI will have the power to appoint an administrator to manage the bank;

- give the RBI the right to inspect affiliates of enterprises or banking entities (affiliates include subsidiaries, holding companies or any joint ventures of banks); and

- restrict the maximum voting power exercisable by a shareholder in a private banking company to 26.00 per cent. irrespective of its total shareholding and raise the ceiling for voting rights of shareholders of a nationalised bank from 1.00 per cent. to 10.00 per cent.

The Banking Laws (Amendment) Act, 2012 was notified in January 2013.

Under the Banking Regulation (Amendment) Act, 2017, the Central Government may, by order, authorise the RBI to issue directions to any banking company or banking companies to initiate an insolvency resolution process under the Insolvency and Bankruptcy Code, 2016. In addition, the RBI may issue directions to any banking company or banking companies for resolution of stressed assets and specify one or more authorities or committees with such members as the RBI may appoint or approve for appointment to advise any banking company or banking companies on resolution of stressed assets.

Legislative Framework for Recovery of Debts due to Banks

In fiscal 2003, the Indian Parliament passed the SARFAESI Act. The SARFAESI Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with RBI guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. The SARFAESI Act also provides for the setting-up of asset reconstruction companies regulated by the RBI to acquire assets from banks and financial institutions. The RBI has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by the RBI, and operations. Asset Reconstruction Company (India) Limited, set up by the Industrial Development Bank of India, State Bank of India and certain other banks and institutions, received registration from the RBI and commenced operation in August 2003. Foreign direct investment is now permitted in the equity capital of asset reconstruction companies and investment in security receipts issued by asset reconstruction companies by foreign institutional investors registered with SEBI is permitted, subject to certain conditions and restrictions.

Several petitions challenging the constitutional validity of the SARFAESI Act were filed before the Indian Supreme Court. The Supreme Court, in April 2004, upheld the constitutionality of the SARFAESI Act, other than the requirement originally included in the Act that the borrower deposit 75.0 per cent. of the dues with the debt recovery tribunal as a pre-condition for appeal by the borrower against the enforcement measures. In November 2004, the Government issued an ordinance amending the SARFAESI Act. The Indian Parliament has subsequently passed this ordinance as an Act. This Act, as amended, now provides that a borrower may make an objection or representation to a secured creditor after a notice is issued by the secured creditor to the borrower under the Act demanding payment of dues. The secured creditor must give reasons to the borrower for not accepting the objection or representation. The Act also introduces a deposit requirement for borrowers if they wish to appeal the decision of the debt recovery tribunal. Further, the Act permits a lender to take over the business of a borrower under the SARFAESI Act under certain circumstances (unlike the earlier provisions under which only assets could be taken over). See also "*Supervision and Regulation – Regulations Relating to Sale of Assets to Asset Reconstruction Companies.*"

Earlier, following the recommendations of the Narasimham Committee, the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. The Act created tribunals before which banks or financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. This protection from creditor action ceases if the secured creditor takes action under the SARFAESI Act. While presenting its budget for fiscal 2002, the Government announced measures to set up additional debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. While the Indian Parliament has repealed this Act, the notification to make the repeal effective has not yet been issued.

The Central Registry of Securitisation Asset Reconstruction and Security Interest of India, a Government company licensed under the Companies Act, has been incorporated to operate and maintain the "central registry" under the provisions of the SARFAESI Act. With the existence of a central registry, it would be very difficult for a borrower to raise loans twice against the same property, or to raise loans using forged documents, since the central registry holds details of all properties against which loans have been taken.

The Resolution of Stressed Assets Framework

Until recently, banks in India followed a voluntary corporate debt restructuring mechanism known as the Corporate Debt Restructuring Mechanism (**CDR Mechanism**), set out by the RBI. The CDR system was a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements. In February 2014, the RBI announced the "Framework for Revitalising Distressed Assets in the Economy" (**Revitalising Distressed Assets Framework**) that outlined a corrective action plan to incentivise early identification of problem cases, timely restructuring of accounts that are considered to be viable, and taking prompt steps by banks for recovery of sale of unviable accounts. In December 2014, the RBI issued a circular on flexible structuring of existing long term project loans (**Project Loan Restructuring Framework**). In June 2015, the RBI introduced the Strategic Debt Restructuring Scheme (**SDR Scheme**) by enabling conversion, by the Joint Lenders' Forum (**JLF**) formed for the purpose of addressing distressed assets, of the whole or part of the loan and interest outstanding into equity shares of the borrower company. Further, in June 2016, the RBI issued a circular on "Scheme for Sustainable Structuring of Stressed Assets" (**S4A Scheme**).

On 12 February 2018, the Reserve Bank of India modified the regulatory framework for resolution of stressed assets in India (**Resolution of Stressed Assets Framework**). The existing RBI instructions on resolution of stressed assets such as the Revitalising Distressed Assets Framework, Project Loan Restructuring Framework, CDR Mechanism, flexible structuring of existing long term project loans, SDR Scheme, change in ownership outside strategic debt restructuring and S4A Scheme have been withdrawn. Accordingly, the Joint Lenders' Forum as an institutional mechanism for resolution of stressed accounts is discontinued. All accounts, including such accounts where any of the above schemes have been invoked but not yet implemented, are governed by the revised framework.

Framework for Recognition of Financial Distress

On 12 February 2018, the RBI introduced the "Resolution of Distressed Assets Revised Framework". The framework outlines a corrective action plan to incentivise the following:

- Early identification and reporting of Stress
- Implementation of resolution plan
- Timelines for large accounts to be referred under the IBC
- Focus on banks to make appropriate disclosures in their financial statements, under 'Notes of Accounts', relating to resolution plans implemented
- Stringent supervisory/enforcement actions by the RBI on failure on the part of lenders in meeting the prescribed timelines.

Prompt Corrective Action (PCA) Framework

The Reserve Bank has specified certain regulatory trigger points, as a part of its PCA framework, in terms of three parameters, i.e. capital to risk weighted assets ratio (**CRAR**), net non-performing assets (**NPA**) and RoA, for initiation of certain structured and discretionary actions in respect of banks hitting such trigger points. The PCA framework is applicable only to commercial banks and does not extend to co-operative banks, non-banking financial companies (**NBFCs**) and FMIs and would help to identify the banks which have stretched balance sheets by having some trigger points that help in assessing, monitoring, controlling and taking corrective actions. The salient features of the PCA framework for banks are as below:

- Capital, asset quality and profitability are the key areas for monitoring in the revised framework.
- 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.
- A bank will be placed under the PCA framework based on the audited Annual Financial Results and the Supervisory Assessment made by the RBI. However, the RBI may impose PCA on any bank during the course of a year (including migration from one threshold to another) in case the circumstances so warrant.

PCA matrix – Areas, indicators and risk thresholds:

Area	Indicator	Risk Threshold 1	Risk Threshold 2	Risk Threshold 3
Capital (Breach of either CRAR or CET I ratio to trigger PCA)	CRAR – Minimum regulatory prescription for capital to risk assets ratio + applicable capital conservation buffer (**CCB**)	Up to 250 bps below Indicator	More than 250 bps but not exceeding 400 bps below Indicator	In excess of 312.50 bps below Indicator
	Current minimum RBI prescription of 10.25 per cent. (9 per cent. minimum total capital plus 1.25 per cent.* of CCB as on 31 March 2017)	<10.25 per cent. but >=7.75 per cent.	<7.75 per cent. but >=6.25 per cent.	<3.625 per cent.
	Regulatory pre-specified trigger of Common Equity Tier I (CET I min) + applicable capital conservation buffer (CCB)	Up to 162.50 bps below Indicator	More than 162.50 bps below but not exceeding 312.50 bps below Indicator	
	Current minimum RBI prescription of 6.75 per cent. (5.5 per cent. plus 1.25 per cent.* of CCB as on 31 March 2017) Breach of either CRAR or CET I ratio to trigger PCA	<6.75 per cent. but >= 5.125 per cent.	<5.125 per cent. but >=3.625 per cent.	
Asset Quality	Net Non-performing advances (NNPA) ratio	>=6.0 per cent. but <9.0 per cent.	>=9.0 per cent. but <12.0 per cent.	>=12.0 per cent.
Profitability	Return on assets (ROA)	Negative ROA for two consecutive years	Negative ROA for three consecutive years	Negative ROA for four consecutive years
Leverage	Tier I Leverage ratio	<=4.0 per cent. but >=3.5 per cent. (leverage is over 25 times the Tier I capital)	<3.5 per cent. (leverage is over 28.6 times the Tier I capital)	

The Insolvency and Bankruptcy Code (Amendment) Act, 2017

The Insolvency and Bankruptcy Code (Amendment) Act, 2017 was passed by the Lok Sabha on 29 December 2017, and by the Rajya Sabha on 2 January 2018. It received the assent of the President on 18 January 2018.

In the Corporate Insolvency Resolution Process, the Committee of Creditors (**CoC**) invites resolution plans from resolution applicants, and may select one of the following plans. The Code originally does not specify any restrictions on who these resolution applicants might be. The Bill has declared that some persons are ineligible to submit resolution plans:

(i) an undischarged insolvent;

(ii) a "wilful defaulter";

(iii) a borrower whose account has been identified as a non-performing asset for over a year and who has not repaid the amount before submitting a plan;

(iv) a person convicted of an offence punishable with two or more years of imprisonment;

(v) a person disqualified as a director under the Companies Act, 2013;

(vi) a person prohibited by SEBI from trading or accessing in securities market;

(vii) a person who is the promoter or in the management or control of a corporate debtor which has indulged in undervalued, preferential, or fraudulent transactions in respect of which an order has been made by the Adjudicating Authority under the code;

(viii) a person who has executed an enforceable guarantee in favour of a creditor in respect of a corporate debtor against which an application for insolvency resolution made by such creditor has been admitted under this code;

(ix) a person who is subject to any of the above disabilities in any jurisdiction outside India; or

(x) a person who has a connected person disqualified in any manner above.

The thrust of the Act is to prevent a range of undesirable persons from bidding for the debtor. The Act may prevent promoters from bidding for their own firms. A resolution plan would typically involve significant haircuts on the parts of the financial and operational creditors. Thus, allowing a promoter to bid without restriction would mean countenancing a situation where an owner, having driven a firm into insolvency, is now able to purchase it back at a discount. This can lead to a situation of moral hazard, where incompetent or fraudulent promoters are effectively rewarded with the control of their company, leaving the creditors to write off their debts.

The Act, thus, seeks to achieve a balanced approach, enabling the CoC to avoid imprudent transactions, while preserving its freedom to choose the best resolution plan from amongst all the applicants.

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 Statement for 2017-18

First Bi-Monthly Monetary Policy Statement for Fiscal 2018 held on 6 April 2017

Monetary and Liquidity Measures

- Kept the policy repo rate under the liquidity adjustment facility (**LAF**) unchanged as 6.25 per cent

Second Bi-Monthly Monetary Policy Statement for Fiscal 2018 held on 7 June 2017

Monetary and Liquidity Measures

- Kept the policy repo rate under the LAF unchanged at 6.25 per cent

Third Bi-Monthly Monetary Policy Statement for Fiscal 2018 held on 2 August 2017

Monetary and Liquidity Measures

- Reduced the policy repo rate under the LAF by 25 basis points from 6.25 per cent to 6.0 per cent

- The reverse repo rate under the LAF stands adjusted to 5.75 per cent, and the MSF rate and the Bank Rate to 6.25 per cent.

Fourth Bi-Monthly Monetary Policy Statement for Fiscal 2018 held on 4 October 2017

Monetary and Liquidity Measures

- Kept the policy repo rate under the LAF unchanged at 6.0 per cent

- The reverse repo rate under the LAF remained unchanged at 5.75 per cent., and the MSF rate and the Bank Rate at 6.25 per cent.

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 6.0 per cent.

- 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 6.25 per cent

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 6.0 per cent.

- The reverse repo rate under the LAF remained unchanged at 5.75 per cent., and the MSF rate and the Bank Rate at 6.25 per cent.

Monetary Policy Statement for 2018-19

First Bi-Monthly Monetary Policy Statement for Fiscal 2019 held on 5 April 2018

Monetary and Liquidity Measures

- The policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.0 per cent.

- The reverse repo rate under the LAF remained at 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.25 per cent.

- The banking system as a whole maintained excess SLR by 8.2 per cent of their net demand and time liabilities (NDTL) as on 2 March 2018

Second Bi-Monthly Monetary Policy Statement for Fiscal 2019 held on 5 April 2018

Monetary and Liquidity Measures

- Increased the policy repo rate under the LAF by 25 basis points from 6.00 per cent to 6.25 per cent

- The reverse repo rate under the LAF stands adjusted to 6.0 0 per cent from 6.5 per cent, and the MSF rate and the Bank Rate to 6.50 per cent.

Third Bi-Monthly Monetary Policy Statement for Fiscal 2019 held on 1 August 2018

Monetary and Liquidity Measures

- The policy repo rate was increased under the liquidity adjustment facility (LAF) by 25 basis points to 6.5 per cent.

- The reverse repo rate under the LAF stands adjusted to 6.25 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 6.75 per cent.

Monetary Policy Statement for 2017-18

Monetary and Liquidity Measures

- Policy repo rate under the LAF unchanged at 6.25 per cent.

- CRR of scheduled banks unchanged at 4.0 per cent. of NDTL.

- Continued with daily variable rate repos and reverse repos for smooth liquidity.

- Reverse repo rate under the LAF remained unchanged at 6.00 per cent. MSF rate and Bank Rate have been kept unchanged at 6.50 per cent.

Monetary Policy Statement for 2018-19

Monetary and Liquidity Measures

- Policy repo rate under the LAF increased by 25 bps to 6.25 per cent. in June 2018 and to 6.50 per cent. in August 2018.

- CRR of scheduled banks unchanged at 4.0 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 6.25 per cent. MSF rate and Bank Rate have been increased to 6.75 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 should not be less than 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 ₹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 ₹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 ₹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.

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.

In November 2014, the RBI introduced a revised regulatory framework for NBFCs in view of the increasing complexities of services offered by NBFCs, making it mandatory for all NBFCs to attain a minimum net-owned fund (**NOF**) of ₹20 million by the end of March 2017 in a phased manner, with a minimum NOF of ₹10 million by March 2016 and ₹20 million by March 2017. The RBI amended disclosure requirements in the financial statements applicable to all NBFCs and all non-deposit-taking NBFCs. In addition, the RBI made changes to the prudential norms, board committees of the NBFCs, criteria for the appointment of directors, offsite reporting and exemptions.

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 Basel Committee on Banking Supervision (**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 liquidity coverage ratio (**LCR**) and the net stable funding ratio 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 are scheduled to be fully implemented on 31 March 2019. 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 financial year.

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 offsite and onsite 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 managing director, the chief risk officer 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 RBI for migrating to the IRB approach. Following the submission of additional information and further interaction with RBI officials, the Bank has been allowed by 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 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 (**SMM**)) 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 institutional placements and a public offering of American depositary shares each representing three equity shares. The aggregate funds received from these issuances was ₹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.

Small Finance Banks and Payment Banks

RBI on 17 July 2014 issued draft guidelines for the licensing of payment banks and on 27 November 2014 issued guidelines for small finance banks in the private sector. The primary objective of setting up the payment banks and small finance banks 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 small finance banks 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 ten entities were provided "in-principle" approval for the setting up of small finance banks. As at 31 March 2018, there were six active payment banks.

Key features of the Small Finance Bank guidelines are as follows:

Eligible promoters:

Resident individuals/professionals with ten years of experience in banking and finance and companies and societies "owned and controlled by residents" will be eligible to set up small finance banks. Existing NBFCs, micro finance institutions, and local area banks that are "owned and controlled by residents" can also opt for conversion into small finance banks. 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 small finance banks.

Scope of activities:

- The small finance banks 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 small finance banks.

Capital requirement:

The minimum paid-up equity capital for small finance banks shall be ₹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 from the date of commencement of business of the bank.

Foreign shareholding:

The foreign shareholding in small finance banks would be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.

Prudential norms:

- The small finance banks 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 small finance banks 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 ₹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.

Other

On 6 October 2016, the RBI issued 'Operating Guidelines for Small Finance Banks'. These relate to prudential regulations; risk management; CRR, SLR, disclosures and statutory/regulatory reports;

ownership and control regulations; corporate governance; banking operations covering (i) branch authorisation policy, (ii) regulation of business correspondents, (iii) bank charges, lockers, nominations, facilities to disabled persons, etc., (iv) MCLR, other related regulations on interest rates and fair practice code for lenders, and (v) financial inclusion and development; bank deposits; KYC requirements; foreign exchange business; currency distribution; customer education and protection; credit information reporting; outsourcing of operations; internet banking and mobile banking; and implementation of IND-AS.

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 cooperatives 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 scheduled commercial bank to set up a payments bank. However, a scheduled commercial bank can take an equity stake in a payments bank to the extent permitted under Section 19 (2) of the Banking Regulation Act, 1949.

- 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 ₹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 up to one year and to hold a maximum 25 per cent. in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.

Capital requirement:

- The minimum paid-up equity capital for payments banks shall be ₹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.

Other

On 6 October 2016, the RBI issued the 'Operating Guidelines for Payments Banks'. These relate to prudential regulations; risk management; CRR, SLR, disclosures and statutory/regulatory reports; ownership and control regulations; corporate governance; banking operations covering (i) authorisation of access points, (ii) regulation of business correspondents, and (iii) bank charges, lockers, nominations, facilities to disabled persons, etc.; bank deposits; KYC requirements; foreign exchange business; currency distribution; customer education and protection; outsourcing of operations; internet banking and mobile banking; and implementation of IND-AS.

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 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 9.00 per cent. of RWAs (8.00 per cent. as specified by the BCBS), Tier I capital must be at least 7.00 per cent. of RWAs (6.00 per cent. as specified by the BCBS) and Common Equity Tier 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 capital conservation buffer (**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 period 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 3.00 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 a 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 risk-weighted assets. 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 90.00 per cent. from 1 April 2013, with the cap reducing by 10.00 per cent. points in each subsequent year.

On 31 August 2015, the Reserve Bank of India 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 on 31 March 2015, the State Bank of India and ICICI Bank Ltd. will have to provide Additional Common Equity Tier I (CET I) requirements as a percentage of risk weighted assets of 0.6 per cent. and 0.2 per cent. respectively. In addition, on 4 September 2017, the RBI identified HDFC Bank as a D-SIB under the same bucketing structure as the aforesaid banks. The CET I 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 I requirements will be in addition to the capital conservation buffer.

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 had, through its circular on 'Utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer' dated 7 February 2014 (**February 2014 circular**), 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 NPA 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 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 at 31 December 2014 for making specific provisions for non-performing assets, as per the policy approved by the bank's Board of Directors.

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, amongst 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.

The Master Direction issued by the RBI on 21 April 2016 being "Master Direction – Issue and Pricing of shares by Private Sector Banks, Directions, 2016" provides that private sector banks in India have the RBI's general permission to issue shares through the following routes: (i) public issues through an initial public offer and further public offer; and (ii) private placement through (a) preferential issue, (b) qualified institutional placement, (c) rights issue and (d) bonus issue. This issue of shares is subject to the certain conditions as set out therein.

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.

During fiscals 2015 and 2016, NPAs rose. The slippage ratio of the banking system, which showed a declining trend during fiscals 2005 to 2008, further increased during fiscals 2009 to 2016. Banks need to not only utilise effectively the various measures put in place by the RBI and the Government for the resolution and recovery of bad loans, but also strengthen their due diligence, credit appraisal and post sanction loan monitoring systems to minimise and mitigate the problem of increasing NPAs in fiscal 2017 and beyond.

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 obtained 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 designed 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 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 as applicable. Banks listed on a stock exchange in India are also subject to various regulations of the SEBI.

The RBI Regulations

Commercial banks in India are required under the Banking Regulation Act to obtain a licence from the RBI to carry on banking business in India. Before granting the licence, the RBI must be satisfied that certain conditions are complied with, including, but not limited to, (i) the bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) the affairs of the bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) the bank has adequate capital and earnings prospects; and (iv) the public interest will be served if such licence is granted to the bank. The RBI can cancel the licence if the bank, at any point, fails to meet the above conditions or if the bank ceases to carry on banking operations in India.

The Bank, being licensed by the RBI, is regulated and supervised by the RBI. The RBI requires the Bank to furnish statements, information and certain details relating to its business. It has issued guidelines for commercial banks on recognition of income, classification of assets, exposure norms on concentration risk, valuation of investments, maintenance of capital adequacy and provisioning for non-performing and restructured assets. The RBI has set up a Board for Financial Supervision (the **BFS),** under the chairmanship of the Governor of the RBI. The BFS is assisted by the Department of Banking Supervision of the RBI in supervising commercial banks and financial institutions. The appointment of the statutory auditors of the banks is subject to the approval of the RBI. The RBI can direct a special audit in the interest of the depositors or in the public interest.

Regulations Relating to the Opening of Branches

On 18 May 2017, the RBI released the final guidelines in relation to the rationalisation of its branch authorisation policy, the opening of new places of business and transfer of existing places of business (Section 23 of the Banking Regulation Act, 1949) Revised Guidelines (**Revised Branch Authorisation Guidelines**). Salient features of the Revised Branch Authorisation Guidelines are as follows:

(i) **Banking Outlets/Other Outlets**: Instead of a 'branch', the Branch Authorisation Guidelines define a 'banking outlet' (which includes a branch as well as a business correspondent outlet, amongst others) as follows: A 'Banking Outlet' for a domestic scheduled commercial bank, a payment bank or a small finance bank is a fixed point service delivery unit, manned by either the bank's staff or its business correspondent where services of acceptance of deposits, encashment of cheques/cash withdrawal or lending of money are provided for a minimum of four hours per day for at least five days a week. 'Part time Banking Outlets' have been defined to include any fixed point service delivery unit of the bank which does not comply with the prescription regarding minimum working hours/days.

(ii) **Unbanked rural centre redefined**: An unbanked rural centre has been redefined as a rural (Tier 5 and 6) centre that does not have a CBS-enabled 'Banking Outlet' of a scheduled commercial bank, a payment bank, a small finance bank or a regional rural bank nor a branch of a local area bank or licensed co-operative bank for carrying out customer based banking transactions.

(iii) **Condition for opening of 25 per cent. branches**: At least 25 per cent. of the total number of 'Banking Outlets' opened during a financial year must be opened in unbanked rural centres (Tier 5 and Tier 6). Pro-rata benefit for part-time banking outlets will be given.

(iv) **Restriction on Tier I branches removed, simplifying the regulations obviating the need to provide the lists of underbanked districts/underbanked States**: Incentive for opening banking outlets in North Eastern States and Sikkim (as well as left-wing extremism (**LWE**) districts) has been modified. The opening of a 'Banking Outlet/part-time Banking Outlet' in any Tier 3 to Tier 6 centre of North Eastern States and Sikkim as well as in any Tier 3 to 6 centres of LWE affected districts, notified by the Government of India, will be considered as equivalent to opening a 'Banking Outlet'/'part-time Banking Outlet', as the case may be, in an unbanked rural centre. A bank opening a 'brick and mortar' branch in a rural (Tier 5 and 6) centre which – owing to the presence of a business correspondent outlet by another bank – may not be defined as an unbanked rural centre, will also be eligible for the same incentive. Similar treatment shall be given for opening a Banking Outlet in a rural centre which is served only by a Banking Outlet of a payment bank.

(v) **Front loading of branches in Unbanked Rural Centres**: Banks may avail of the incentive for front loading of 'Banking Outlets', if any 'Banking Outlets' are opened in the unbanked rural centres/Tier 3 to 6 centres of North Eastern States, Sikkim and LWE affected districts in excess of minimum 25 per cent 'Banking Outlets' requirement for a maximum period of next two years.

(vi) **Back Offices (central processing centres/service branches)**: No customer interface shall be allowed. Banks which currently have specific permission to allow limited customer interface at central processing centres will be given a period of one year to align with the requirements of the Revised Branch Authorisation Guidelines.

(vii) **Guidelines on satellite offices, part shifting of branches, extension counters, ultra small branches, specialised branches subsumed**: No separate guidelines required as all these outlets will be considered as Banking Outlets or part-time Banking Outlets, as the case may be.

(viii) **Role of Board of Directors**: Financial Inclusion being the overarching objective and the operational flexibility being given to banks, the board of directors has been given overall responsibility to ensure that arrangements are in place for strict compliance with the Revised Branch Authorisation Guidelines, in letter and spirit.

Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector

On 5 May 2016, the RBI released draft guidelines for the on-tap licensing of universal banks in the private sector seeking feedback, comments and suggestions from banks, non-banking financial institutions, industrial houses, other institutions and the general public. Based on examination of the comments/suggestions received, the RBI finalised the new framework for granting licences for universal banks on a continuous basis and released the Guidelines for "on-tap" Licensing of Universal Banks in the Private Sector on 1 August 2016 (**On-tap Licensing Guidelines**). The salient features of On-tap Licensing Guidelines are as follows: (i) resident individuals and professionals having ten years of experience in banking and finance would be eligible to promote universal banks; (ii) entities/groups in the private sector that are "owned and controlled by residents" and have a successful track record for at least ten years, provided if such entity/group has total assets of 50 billion or more, and the non-financial business of the group does not account for 40 per cent. or more in terms of total assets or gross income, would be recognized as eligible promoters; (iii) large industrial or business houses have been permitted to invest in the banks to the extent of up to 10.00 per cent. and shall not have a controlling interest in the bank; (iv) the Non-Operative Financial Holding Company (**NOFHC**) has now been made non-mandatory in case of promoters being individuals or standalone promoting/converting entities who/which do not have other group entities; (v) the NOFHC is now required to be at least 51.00 per cent. owned by the promoter/promoter group instead of the requirement to be wholly owned by the promoter group; and (vi) existing specialised activities have been permitted to be continued from a separate entity proposed to be held under the NOFHC subject to prior approval from the RBI and subject to it being assured that similar activities are not conducted through the bank as well.

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 2019. 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 common Equity Tier I risk-based capital ratio of 5.50 per cent. and require banks to maintain a minimum capital to risk-weighted asset ratio of 9.00 per cent. on an ongoing basis, of which a minimum of 7.00 per cent. must be Tier I capital.

The Basel III regulations focus on enhancing quality and quantity of capital, introduction of capital conservation buffer, and leverage ratio. The guideline also enhances the risk coverage by increasing capital requirement for certain asset classes (e.g. claims on banks, securitisation etc.) and introducing credit value adjustment on the derivatives portfolio. The Basel III Guidelines require, among other things, higher levels of Tier I capital, including common equity, deductions from common equity Tier I capital for investments in subsidiaries (with minority interest), changes in the structure of debt instruments and preference shares eligible for inclusion in Tier I and Tier II 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 10.00 per cent.). The Basel III Guidelines also stipulate that non-equity Tier I and Tier II 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 I 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 2019)
i.	Minimum Common Equity Tier I Ratio	5.5%
ii.	Capital Conservation Buffer (Comprising of Common Equity)	2.5%
iii.	Minimum Common Equity Tier I Ratio plus Capital Conservation Buffer [(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 Capital Conservation Buffer [(vii)+(ii)]	11.5%

To ensure a smooth transition to Basel III, appropriate 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 at 31 March 2019. 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 2019
Minimum Common Equity Tier I (CET I)	4.5%	5.0%	5.5%	5.5%	5.5%	5.5%	5.5%
Capital Conservation Buffer (CCB)	–	–	–	0.625%	1.25%	1.875%	2.5%
Minimum CET I + CCB	4.5%	5.0%	5.5%	6.125%	6.75%	7.375%	8.0%
Minimum Tier I Capital	6.0%	6.5%	7.0%	7.0%	7.0%	7.0%	7.0%
Minimum Total Capital*	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 deductions from CET I# (in %)	20	40	60	80	100	100	100

* 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.

\# 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 Tier I capital (**Common Equity Tier I Capital**), while additional Tier I capital (the **Additional Tier I Capital)** and Tier II 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 Common Equity Tier I capital. Additional Tier I capital comprises perpetual debt and any other instrument generally notified by the Reserve Bank from time to time for inclusion in Additional Tier I capital as reduced by regulatory adjustments/deductions applied in the calculation of Tier I capital.

Tier II capital consists of undisclosed reserves, revaluation reserves (at a discount of 55 per cent.), 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.

The Banking Regulation Act does not allow banks established on or after 15 January 1937 to issue preferred equity.

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 domestic systemically important banks (**D-SIB**s). 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.

The RBI also released a draft report of the Internal Working Group on the implementation of a countercyclical capital buffer (**CCCB**). On 21 July 2014, the RBI released the final report of the Internal Working Group on implementation of CCCB. The final guidelines for the implementation of CCCB in India were released on 5 February 2015. The key recommendations are (i) usage of the credit-to-GDP gap (a 3 per cent. to 15 per cent. range) and gross non-performing assets growth for CCCB decisions in India; (ii) increase of the CCCB from 0.00 per cent. to 2.50 per cent. of the risk-weighted assets of the bank, (iii) the RBI discretion in terms of the use of indicators when activating or adjusting the buffer; and (iv) CCCB maintenance on an unconsolidated and consolidated basis in India.

In addition, the Basel Committee published a guidance report titled "Principles for Sound Liquidity Risk Management and Supervision" in September 2008, which was followed by the publication of "Basel III: International framework for liquidity risk measurement, standards and monitoring" in December 2010, which introduced two minimum global regulatory standards; namely, the liquidity coverage ratio (**LCR**) and the net stable funding ratio (**NSFR**). The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high-quality liquid assets to survive an acute stress scenario lasting 30 days. The NSFR promotes resilience over longer-term time horizons by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing structural basis. On 7 November 2012, the RBI issued guidelines on liquidity risk management in line with the "Principles for Sound Liquidity Risk Management and Supervision" as well as the Basel III Guidelines. This included enhanced guidance on liquidity risk governance, the measurement, monitoring and reporting of liquidity positions to the RBI.

On 9 June 2014, the RBI issued final guidelines on LCR, Liquidity Risk Monitoring Tools and LCR Disclosure Standards. Accordingly, 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. The draft guidelines on NSFR were issued by the RBI by its circular dated 28 May 2015. The RBI on 17 May 2018 issued the final guidelines on the 'Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (**NSFR**)'. The NSFR are applicable for Indian banks at an unconsolidated as well as consolidated level.

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:

(a) Revaluation reserves arising from change in the carrying amount of a bank's property consequent upon its revaluation would be considered as common equity tier I capital (CET I) instead of Tier II capital as hitherto. These would continue to be reckoned at a discount of 55 per cent.

(b) 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 I capital. These will be reckoned at a discount of 25 per cent.

(c) Deferred tax assets arising due to timing differences may be recognised as CET I capital up to 10 per cent. of a bank's CET I capital.

The RBI had on 2 August 2017, issued guidelines on 'Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (**LCR**), Liquidity Risk Monitoring Tools and LCR Disclosure Standard', amending the provisions on level 1 assets of banks, and clarifying that these would comprise of the following and these assets can be included in the stock of liquid assets without any limit as also without applying any haircut:

- Cash including cash reserves in excess of required CRR.

- For banks incorporated in India,

  (i) Reserves held with foreign Central Banks in excess of the reserve requirement, where a foreign sovereign has been assigned a 0% risk weight as per rating by an international rating agency.

  (ii) 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% risk weight as per rating by an international rating agency, but a 0% risk weight has been assigned at national discretion under Basel II Framework.

- Government securities in excess of the minimum SLR requirement.

- Within the mandatory SLR requirement, Government securities to the extent allowed by RBI, under marginal standing facility.

- Marketable securities issued or guaranteed by foreign sovereigns satisfying all the following conditions:

  (i) assigned a 0% risk weight under the Basel II standardized approach for credit risk;

  (ii) 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.

  (iii) not issued by a bank/financial institution/NBFC or any of its affiliated entities.

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 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" which is issued annually, the latest one dated 1 July 2015. These guidelines are also revised from time to time.

Non-Performing Assets

Stressed Assets

The stressed assets of the Bank are classified into the following two main categories:

i. The Non-Performing Assets (**NPAs**); and

ii. The Special Mention Accounts (**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 loans, 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.

Special Mention Accounts:

In January 2014, the RBI introduced 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 onset of stress
SMA-1	Principal or interest payment overdue between 31 to 60 days
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 (NPA) 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 banks 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 the RBI inspection but the amount has not been written off fully. Furthermore, in October 2008, the RBI issued guidelines requiring the banks to classify derivatives contract receivables overdue for 90 days or more as NPAs.

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.

To put in place an institutional mechanism for the restructuring of corporate debt, the RBI has devised a revised framework for resolution of stressed assets. See "*The Indian Financial Sector – Recent Structural Reforms*".

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 where the divergences in asset classification and provisioning exceed a specified threshold as per the RBI norms.

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. The first such disclosure with respect to the divergences observed by RBI for fiscal 2016 is required to be made in the notes to accounts of financial statements for the year ended 31 March 2017.

The RBI has issued guidelines, 'Additional provisions for standard advances at higher than the Prescribed Rates' on 18 April 2017 advising all scheduled commercial banks 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 observed that the telecom sector is facing stressed financial conditions as the current interest coverage ratio for the sector is less than one and advised banks to review exposure to the telecom sector.

The RBI Framework for Revitalising Distressed Assets

The RBI has, by its circular dated 12 February 2018 established a new regulatory framework for resolution of stressed assets (**Resolution of Stressed Assets- Revised Framework**). Pursuant to the Revised Framework, existing guidelines and schemes for debt resolution such as Corporate Debt Restructuring, Flexible Structuring of Existing Long Term Project Loans, Strategic Debt Restructuring, Change in Ownership Outside the Strategic Debt Restructuring and the Scheme for Sustainable

Restructuring of Stressed Asset have been withdrawn (hereinafter collectively referred to as the "**Old Schemes**" and the circular/guidelines under which such Old Schemes were issued are referred to as the "**Old Circulars**"). In addition, the guidelines/framework for Joint Lenders' Forum has also been discontinued.

Early Identification and Reporting

The Revised Framework requires lenders to identify incipient stress in loan dues, immediately on default and classify such loans under prescribed categories. Lenders are required to report all borrower entities in default (with aggregate exposure of ₹50 million and above on a weekly basis, beginning 23 February 2018). The Revised Framework also provide for an indicative list of signs of financial difficulty including: (a) irregularities in cash credit/overdraft accounts such as inability to maintain stipulated margin basis or drawings exceeding sanctioned limits, periodic interest debited remaining unrealised; (b) failure/anticipated failure to make timely payment of instalments of principal and interest on term loans; (c) delay in meeting commitments towards payments of installments due, crystallized liabilities under LC/BGs, etc. (d) excessive leverage; (e) inability to adhere to financial loan covenants; and (f) failure to pay statutory liabilities, non- payment of bills to operational creditors, etc.

Resolution Plan

The Revised Framework requires all lenders, including us, to put in place policies, approved by the board of directors of the lender, for resolution of stressed assets under the Revised Framework, including the timelines for resolution. As soon as there is a default in the borrower entity's account with any lender, all lenders, singly or jointly, are required to initiate steps to cure the default. The resolution plan may involve any actions / plans / reorganization including, but not limited to, regularization of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership, or restructuring.

The Revised Framework also prescribes additional conditions for "large" accounts (i.e. accounts where the aggregate exposure to lenders is ₹1 billion and above) and requires an independent credit evaluation of the residual debt (i.e aggregate debt envisaged to be held by all the lenders as per the proposed resolution plan) by credit rating agencies and only resolution plans that acquire a minimum credit rating shall be considered for implementation Specifically, in respect of accounts to which the lenders have an aggregate exposure of more than ₹20 billion, the lenders are required to implement a resolution plan within 180 days of 1 March 2018 (Reference Date), if the default exists as of the Reference Date or within 180 days of the default. The lenders shall file an insolvency application, singly or jointly, under the Insolvency and Bankruptcy Code, 2016 within 15 days from the expiry of the timelines mentioned above.

Asset Classification under the Revised Framework

In case of restructuring, the accounts classified as 'standard' shall be immediately downgraded as non-performing assets (**NPAs**) i.e., 'sub-standard' to begin with. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring. Such accounts may be upgraded only when all the outstanding loan/facilities in the account demonstrate 'satisfactory performance' (i.e., payments in respect of the borrower entity are in default at any point of time) during the 'specified period' as defined in the Revised Framework. For large accounts (i.e. where the aggregate exposure of the lenders is more than ₹1 billion), any upgrade shall be subject to additional requirement of an 'investment grade' credit rating of the borrower's credit facilities. Further, if the satisfactory performance is not demonstrated during the 'specified period', the account shall, immediately on default, be reclassified as per the repayment schedule that existed before the restructuring. Any future upgrade for such accounts shall be contingent on implementation of a fresh resolution plan and demonstration of satisfactory performance thereafter.

Floating Provisions

The RBI issued prudential norms on the creation and utilisation of floating provisions (i.e. provisions that are not made in respect of specific non-performing assets 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 non-performing assets to compute the net non-performing assets. Alternatively, floating provisions could be treated as part of Tier II capital within the overall ceiling of 1.25 per cent. of total risk-weighted assets. 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 non-performing assets to arrive at net non-performing assets or reckon it as part of Tier II capital subject to the overall ceiling of 1.25 per cent. of total risk-weighted assets.

In October 2009, the RBI advised Indian banks to increase their total provisioning coverage ratio, including floating provisions, to 70 per cent. by 30 September 2010. In April 2011, the RBI stipulated that banks would be required to maintain their provisioning coverage ratios with reference to their gross non-performing assets position at 30 September 2010 and not on an ongoing basis. The RBI further clarified that any surplus provisioning should not be written back but should be segregated into a "countercyclical provisioning buffer" and that banks will be allowed to use this buffer to make specific provisions for non-performing assets during a system-wide downturn.

To limit the volatility of loan loss provisioning over the course of an economic cycle, the RBI released a discussion paper on a dynamic loan loss provisioning framework in March 2012. Under the proposed framework, banks are expected to either compute parameters such as probability of default, loss given default, etc. for different asset classes to arrive at long-term average annual expected loss or use the standardised parameters prescribed by the RBI towards computation of a dynamic provisioning requirement. A dynamic loan loss provisioning framework is expected to be designed to make improvements to the system. Meanwhile, banks have been asked to develop the necessary capabilities to compute their long-term average annual expected loss for different asset classes, for inclusion and improvement to the dynamic provisioning framework.

In November 2012, the RBI released draft guidelines on liquidity risk management and the Basel III liquidity standards. The RBI has proposed the monitoring and reporting of the Basel III liquidity coverage ratio, which is designed to ensure that a bank maintains an adequate level of liquid assets to survive an acute liquidity stress scenario lasting one month. It has also proposed a Basel III net stable funding ratio designed to ensure a minimum amount of funding that is expected to be stable over a one-year time horizon.

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, 1.00 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 ECGC 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 100 per cent. to 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 a valid recourse In 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

  - 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 of principal, whichever is later, on the credit facility with longest period of moratorium under the terms of the restructuring package, subject to satisfactory performance during the 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 date of commencement of commercial operations 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 5.00 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. Recovery of Debts Due to Banks and Financial Institutions (RDDBFI) Act, 1993:

The RDDBFI 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 0.1 million or more. Under RDDBFI 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 the RDDBFI Act, except the higher courts in India in certain circumstances. Appeals against orders passed by the DRT lie before the DRAT.

ii. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (SARFAESI Act):

The SARFAESI Act, empowers the banks to enforce their security interest over secured assets without the intervention of the courts or tribunals.

iii. Negotiable Instruments Act, 1881:

Section 138 Negotiable Instruments Act, 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 Insolvency and Bankruptcy Code, 2016 to provide a consolidated framework to address the concerns of lenders and to provide corporate debtors with an exit mechanism. The Banking Regulation (Amendment) Act 2017 states that the Central Government may by order authorise the RBI to issue directions to banking companies to initiate insolvency proceedings under the Insolvency and Bankruptcy Code, 2016. Further, the RBI may issue directions to banking companies for the resolution of stressed assets.

v. **Arrangement under 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 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.

Regulations Relating to Making Loans

The provisions of the Banking Regulation Act govern the making of loans by banks in India. The RBI issues directions covering the loan activities of banks. These guidelines and directions issued by the RBI are consolidated by the RBI annually under the market circular on "Loans and Advances – Statutory and Other Restrictions", the latest one being dated 1 July 2015. Some of the major guidelines of the RBI, which are now in effect, are as follows:

- The RBI has prescribed norms for bank lending to NBFCs.

- Banks are free to determine their own lending rates but each bank must declare its prime base rate as approved by its board of directors. Each bank should also indicate the maximum spread over the prime lending rate for all credit exposures other than retail loans. However, in February 2010, the RBI released a draft circular recommending revision to the present Benchmark Prime Lending Rate (**BPLR**) system. A proposal to replace the BPLR with a "Base Rate" system effective 1 April 2010 was made. The recommendations include calculating the Base Rate taking into consideration cost elements that can be clearly identified and are common across borrowers. The final guidelines on Base Rate, which replaces the BPLR, became effective as at 1 July 2010. Banks have been permitted to arrive at the Base Rate for a specific tenor that would be needed to be disclosed transparently. Furthermore, 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 considered appropriate.

- Pursuant to Section 19(2) of the Banking Regulation Act, banks must not hold shares in any company except as provided in sub-section (1) of Section 19 of the Banking Regulation Act whether as pledgee, mortgagee or absolute owner of an amount exceeding 30.0 per cent. of the paid-up share capital of that company or 30.0 per cent. of its own paid-up share capital and reserves, whichever is less. Further, pursuant to Section 19(3) of the Act, banks must not hold shares whether as pledgee, mortgagee or absolute owner, in any company in the management of which any managing director or manager of the bank is in any manner concerned or interested.

- Section 20(1) of the Banking Regulation Act, 1949 lays down the restrictions on loans and advances to the directors and the firms in which they hold substantial interest. Purchase of or discount of bills from directors and their concerns, which is in the nature of clean accommodation, is reckoned as 'loans and advances' for the purpose of section 20 of the Banking Regulation Act, 1949. A bank cannot grant any loans and advances against the security of its own shares, a bank 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 bank or a company registered under section 8 of the Companies Act, 2013, or a Government company 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 that the RBI may specify by general or special order as not being a loan or advance for the purpose of such section.

In June 2005, the RBI issued guidelines requiring banks to put in place a policy to deal with exposure to real estate with the approval of their boards. The policy is required to include exposure limits, collaterals to be considered, collateral cover and margins and credit authorisation. The RBI has also permitted banks to extend financial assistance to Indian companies for the acquisition of equity in overseas joint ventures or wholly owned subsidiaries or in other overseas companies, new or existing, as strategic investment in terms of a board-approved policy, duly incorporated in the loan policy of the Bank. Banks are not permitted to finance acquisitions by companies in India. However, under certain circumstances, an exception may be made by financing the acquisition of the promoters' shares in an existing company that is engaged in implementing or operating an infrastructure project in India, subject to certain conditions as stipulated in the RBI master circular on "Loans and Advances – Statutory and Other Restrictions".

There are guidelines on loans against equity shares in respect of amount, margin requirement and purpose.

The RBI has prohibited banks from granting any loans or advances for subscription to Indian depository receipts. Banks are also prohibited from granting any loans or advances against security/collateral of Indian depository receipts issued in India.

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 provides for the sale of financial assets by banks and financial institutions to asset reconstruction companies. The RBI has issued guidelines to banks on the process to be followed, which provides that a bank may sell financial assets to an asset reconstruction company provided the asset is a NPA. These assets are to be sold on a "without recourse" basis only. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangement, at least 75 per cent. by value of the total loans to the borrower are classified as non-performing and at least 60 per cent. of the lenders by number and holding at least 75 per cent. in value of the borrower's debt agree to the sale. The banks selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Furthermore, banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. Whilst each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements, where more than 75 per cent. by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass-through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

The RBI has issued guidelines on Securitisation of Standard Assets with effect from 1 February 2006. The guidelines provide that for a transaction to be treated as a securitisation, a two-stage process must be followed. In the first stage there should be pooling and transferring of assets to a bankruptcy remote vehicle (**SPV**) and in the second stage repackaging and selling the security interests representing claims on incoming cash flows from the pool of assets to the third party investors should be effected.

Furthermore, to enable the transferred assets to be removed from the balance sheet of the seller in a securitisation structure, the isolation of assets or "true sale" from the seller or originator to the SPV is an essential prerequisite. Also, an arm's length relationship shall be maintained between the originator and seller and the SPV.

Certain regulatory norms for capital adequacy, valuation, profit and loss on sale of assets, income recognition and prudential norms for investment in securities issued by an SPV, provisioning for originators and service providers like credit enhancers, liquidity support providers, underwriters, as well as investors and also the accounting treatment for securitisation transactions and disclosure norms have been prescribed. Quarterly reporting to the audit sub-committee of the Board by originating banks of the securitisation transactions has also been prescribed. Apart from banks, these guidelines are also applicable to financial institutions and NBFCs. The RBI, in its circular dated 7 May 2012, revised the guidelines applicable to securitisation of standard assets. The revised guidelines are applicable to on-balance sheet standard assets, subject to certain exceptions. Among other things, the circular introduced minimum holding and retention requirements applicable to securitisation transactions and expressly laid down requirements applicable to direct assignment transactions. Some of the key provisions of the circular are as follows:

(i) Banks can securitise loans only after a Minimum Holding Period (**MHP**) counted from the date of full disbursement of the loans. The MHP varies depending on the number of instalments to be paid prior to securitisation and the tenor and repayment frequency of the loan, so that greater the frequency of repayment of a loan, the greater the numbers of instalments before which the loan can be securitised.

(ii) The originating banks are required to adhere to the Minimum Retention Requirements (**MRR**) prescribed in the circular depending on the type of loan and the maturity date. The MRR are designed to ensure that the originating banks continue to hold a stake in the performance of the securitised assets. MRR varies between 5.00-10.00 per cent. depending on the tenure of the loan and is required to be satisfied by the entity securitising the loans (and not by other group entities of the actual originator).

(iii) The total exposure of banks to the loans securitised in the following forms should not exceed 20.00 per cent. of the total securitised instruments issued:

  a) investments in equity/subordinate/senior tranches of securities issued by the SPV including through underwriting commitments;

  b) credit enhancements including cash and other forms of collaterals including over-collateralisation, but excluding the credit-enhancing interest-only strip; and

  c) liquidity support.

(iv) If a bank exceeds the above limit, the excess amount would be risk-weighted at 1,111.00 per cent.

In case of direct assignments, the revised guidelines introduce certain criteria around up-front booking of profits, disclosure requirements, loan origination standards, standards of due diligence and requirements to be met by the banks purchasing portfolios under the direct assignment route. The guidelines also lay down that in case of a true sale, the selling bank shall transfer all risks or rewards and rights or obligations pertaining to the asset and shall not hold any beneficial interest in the asset after its sale except those specifically permitted under the guidelines. The buyer should have the unfettered right to pledge, sell, transfer or exchange or otherwise dispose of the assets free of any restraining condition. The buyer shall not have any recourse to the selling bank for any expenses or losses except those specifically permitted under the guidelines.

The RBI, on 21 August 2012, extended the application of these guidelines to NBFCs with certain modifications. On 1 July 2013, the RBI has issued guidelines on the reset of credit enhancement in securitisation transactions, which provide conditions subject to which the amount of the external credit enhancement provided can be reset and the excess amount of credit enhancement can be released. The original amount of external credit enhancements provided at the time of initiation of securitisation transaction can be reset by the credit enhancement provider if it fulfils certain conditions including the rating of any of the tranches has not deteriorated, consent of all the trustees has been obtained, reset of credit enhancement is provided for in the contractual terms of the transaction and the initial rating of the transaction takes into account the likelihood of resets, and the pool of underlying loans has demonstrated satisfactory performance before reset is permitted. The excess credit enhancement can be released subject to certain conditions, which include that credit enhancement provided should not go below a reserve floor (which is a percentage of the initial credit enhancement) and in no event should be less than 30.00 per cent. of the initial credit enhancement and the release cannot cause the exposures retained by originators along with credit enhancements offered by them to fall below the prescribed level of MRR.

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 NPA 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.

Sale and Purchase of NPAs

These guidelines have been consolidated into the Master Circular dated 1 July 2015 on "Income Recognition, Asset Classification and Provisioning pertaining to Advances".

Directed Lending

Priority Sector Lending

(a) The RBI has linked the priority sector lending targets to adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposure, whichever is higher. Commercial banks are required to lend a certain percentage of their adjusted net bank credit to specific sectors (the priority sectors), such as agriculture, Micro Small & Medium Enterprises, Export Credit, Education, Housing, Social Infrastructure and Renewable Energy. Total priority sector advances should be 40 per cent. of adjusted net bank credit or credit equivalent amount of off-balance sheet exposure, whichever is higher, with agricultural advances required to be 18 per cent. of adjusted net bank credit 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, 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 adjusted net bank credit or credit equivalent amount of off-balance sheet exposure, whichever is higher.

(b) The currently applicable RBI guidelines specify that housing loans to individuals of up to ₹3.5 million in metropolitan centres with a population above one million and housing loans of up to ₹2.5 million in other centres for purchase/construction of a dwelling unit per family (provided the overall cost of the dwelling unit in the metropolitan centre and at other centres should not exceed 4.5 million and 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 should not exceed ₹1 million and the family income should be limited to Rs0.20 million. The guidelines have removed the distinction between direct and indirect agriculture. The indirect agri sub-target has been removed and lending to small and marginal farmers included in a phased manner.

(c) The incremental export credit over the corresponding date of the preceding year will be reckoned up to 2 per cent. of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher.

(d) Educational loans eligible for classification under PSL has been capped at ₹1 million.

(e) A new category has been introduced entitled “Social Infrastructure”. Loans up to a limit of ₹50 million per borrower for building social infrastructure may be made.

(f) Loans to renewable energy have been introduced, up to a limit of ₹150 million for solar based power generators, biomass power generators, wind mills etc. For individuals a limit of ₹1 million has been set as a limit for setting up off-grid solar and other off-grid renewable energy solutions for households.

(g) 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 MFI to medium enterprises, if eligible, can be classified under a priority sector lending.

Any shortfall in the amount required to be lent to the priority sectors may be required to be allocated to the Rural Infrastructure Development Fund established with the NABARD or other funds with the NABARD or NHB or 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 at 31 March 2016. From fiscal 2017 onwards, the achievement is being arrived at the end of financial 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. The Bank had a portfolio of ₹1,334.73 billion in priority sector lending, as at 31 March 2018.

Export Credit

The Reserve Bank of India 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. Pursuant to existing guidelines, 12.0 per cent. of a bank's adjusted net bank credit is required to be in the form of export credit. This target is in addition to the priority sector lending mandate of 40.0 per cent. of adjusted net bank credit.

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 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 of India, 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. and in addition, banks include forward contracts in foreign exchange and other derivative products, such as currency swaps and options, at their replacement cost value in determining individual or group borrower exposure ceilings, effective from 1 April 2003. 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.

Credit Exposure

On 25 August 2016 the RBI released the 'Guidelines on Enhancing Credit Supply for Large Borrowers through Market Mechanism', which, inter alia, focuses on limiting banks providing credit to borrowers exceeding a specific size so as to reduce credit concentration risk in the banking system. In the guidelines, a "specified borrower" has been defined as a borrower whose aggregate fund based credit limit sanctioned or outstanding, whichever is higher, extended to it by the banking system (including through privately placed debt instruments) exceeds ₹250 billion in financial year 2017-18, ₹150 billion in 2018-19, and ₹100 billion from 1 April 2019 onwards. The guidelines applied from financial year 2017-18. RBI is due to review one year from the entire guidelines being fully implemented i.e., financial year 2019-20.

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 Non-Banking Finance Companies

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 NBFC-Asset Financing Company (**NBFC-AFC**) should not exceed 10.00 per cent. and 15.00 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 15.00 per cent. and 20.00 per cent. respectively, of their capital funds provided the exposure in excess of 10.00 per cent. and 15.00 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 Infrastructure Finance Companies (**IFC**s) should not exceed 15.00 per cent. of its capital funds according to its last audited balance sheet, with a provision to increase it to 20.00 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 banks 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 its 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 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, with a sub-ceiling of 5 per cent. for investments in bonds of public sector undertakings. These guidelines do not apply to investments in security receipts 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, upper 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.

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 capital adequacy ratio (CRAR) of 10 per cent. or more and also have made a net profit in the previous fiscal.

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, the RBI finalised its guidelines on categorisation and valuation of banks' investment portfolio. 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. 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 investments include (a) recapitalisation bonds received from the Government, (b) investments in the equity of subsidiaries and joint ventures, (c) investments in long-term bonds issued by companies engaged in infrastructure activities and (d) investment in RIDF, SIDBI and Rural Housing Development Fund deposits. HTM investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25 per cent. of the total investment excluding recapitalisation bonds. Banks can exceed the limit of 25 per cent. of investments for HTM category provided the excess comprises only SLR investments, and the total SLR securities in the HTM category is not more than 22.50 per cent. with effect from 11 July 2015 and 22.0 per cent. with effect from 19 September 2015 of their DTL as on the last Friday of the second preceding fortnight.

- Profit on the sale of investments in the HTM category is appropriated to the capital reserve account after being taken in the profit and loss account. Loss on any sale is recognised in the profit and loss account.

- The market price of the security available from the stock exchange or prices declared by the PDAI jointly with the FIMMDA serves as the "market value" for investments in AFS and HFT securities.

- Investments under the HFT category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the AFS category. The securities need not be re-valued on the date of transfer and the provisions for the accumulated depreciation, if any, held are to be transferred to the provisions for depreciation against the AFS securities.

- Profit or loss on the sale of investments in both HFT and AFS categories is taken in the profit and loss account.

- Shifting of investments from or to the HTM category may be done with the approval of the board of directors once a year, normally at the beginning of the accounting year. No further shifting to/from HTM is allowed during the remaining part of that accounting year, except when explicitly permitted by the RBI. Shifting of investments from AFS to HFT may be done with the approval of the board of directors, the ALCO or the investment committee; shifting from HFT to AFS is generally not permitted.

The one-time transfer of securities to/from HTM category with the approval of board of directors is permitted to be undertaken by banks at the beginning of the accounting year. Furthermore, additional shifting of securities explicitly permitted by the RBI from time to time, direct sales from HTM for bringing down SLR holdings in HTM category, sales to the RBI under pre-announced OMO auctions and repurchase of Government securities by the Government of India from banks will be excluded from the 5 per cent. cap prescribed for value of sales and transfers of securities to/from HTM category under para 2.3(ii) of the master circular on "Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks".

RBI may, from time to time, decide to grant banks the option to spread provisioning for mark to market losses on investments held in AFS and HFT for several quarters.

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 security receipts or pass-through certificates 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

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.

Pursuant to the 'Master Direction - Reserve Bank of India (Financial Services provided by Banks) Directions, 2016' dated 26 May 2016 and as updated as on 25 September 2017, investments by banks is subject to the following restrictions:

- Equity investment by a bank in a subsidiary company, or a financial services company, not being a subsidiary, individually, shall not exceed 10 per cent of the bank's paid-up share capital and reserves as per the last audited balance sheet or a subsequent balance sheet, whichever is lower.

- The aggregate of equity investment in factoring subsidiaries and factoring companies shall not exceed 10% of the bank's paid up capital and reserves.

- No bank shall contribute more than 49 per cent of the equity of Infrastructure Debt Fund set up as a Non-banking Finance Company (IDF-NBFC).

- A bank contributing less than 30 per cent of the equity of IDF-NBFC shall not be a sponsor.

- No bank shall:

  (i) hold more than 10 per cent in the equity of a deposit taking NBFC. However, this provision does not apply to a housing finance company.

  (ii) make an investment of more than 10 per cent of the unit capital of a Real Estate Investment Trust/Infrastructure Investment Trust subject to overall ceiling of 20 per cent of its net worth permitted for direct investments in shares, convertible bonds/ debentures, units of equity oriented mutual funds and exposures to Alternative Investment Funds.

- No bank shall hold more than 10 per cent of the paid up capital of a company, not being its subsidiary engaged in non-financial services or 10 per cent of the bank's paid up capital and reserve, whichever is lower. However, investments in excess of 10 per cent but not exceeding 30 per cent of the paid up share capital of such investee company is permissible in the following circumstances:

  (i) the investee company is engaged in non-financial activities permitted for banks in terms of Section 6(1) of the Banking Regulation Act, 1949; or

  (ii) the additional acquisition is through restructuring of debt or to protect the banks' interest on loans/investments made to a company. The bank shall submit a time bound action plan for disposal of such shares within a specified period to RBI.

- No bank shall hold along with its subsidiaries, associates or joint ventures or entities directly or indirectly controlled by the bank; and mutual funds managed by Asset Management Companies (AMCs) controlled by the bank, more than 20 per cent of the investee company's paid up share capital engaged in non-financial services. However, this cap does not apply to the cases mentioned in the point immediately above.

- No bank shall make any investment in a Category III Alternative Investment Fund (AIF). Investment by a bank's subsidiary in a Category III AIF shall be restricted to the regulatory minima prescribed by SEBI.

Cap on Investments in Debt Oriented Mutual Funds

The RBI Monetary Policy Statement of 2011-12 provides that the investment in liquid/short-term debt schemes of Debt Oriented Mutual Funds (**DoMF**s) by banks will be subject to a prudential cap of 10 per cent. of their net worth as at 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 (**ITE**s) 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 5.00 per cent. of paid-up capital and reserves for non-financial services companies and unregulated financial services companies at a standalone level, and a 10.00 per cent. limit at a group level for these companies. For regulated financial companies, the limit is set at 10.00 per cent. of paid-up capital and reserves on a standalone basis and 20.00 per cent. at the aggregate group level. These guidelines have been effective from 1 October 2014.

Directions on Short-Selling

The Statement on Developmental and Regulatory Policies released by RBI on 6 June 2018, proposes to liberalise the eligible short sale participant base and increase the entity-wise and security category-wise (liquid/other securities) limits for short selling in Government Securities. Accordingly, a comprehensive review of the existing directions/circulars on 'Short Sale' transactions has been carried out and the revised directions, (**Directions**) were issued. The Directions came into effect from 26 July 2018.

The Directions define a short sale as a sale of a security one does not own. Banks may treat sale of a security held in the investment portfolio as a short sale and follow the process laid down in the Directions. These transactions shall be referred to as 'notional' short sales. For the purpose of these Directions, short sale would include 'notional' short sale.

The maximum amount of a security (face value) that can be short sold shall be as follows:

- For Liquid Securities- 2 per cent. of the total outstanding stock of each security, or, ₹500 billion, whichever is higher;

- For other securities- 1 per cent. of the total outstanding stock of each security, or, ₹2.50 billion, whichever is higher.

Introduction of credit default swaps for corporate bonds

On 23 May 2011, the RBI issued guidelines on credit default swaps (**CDS**s) 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:

a) minimum CRAR of 11.00 per cent. with core CRAR (Tier I) of at least 7 per cent.; and

b) net NPAs of less than 3.00 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:

(i) CDS have been permitted on unlisted but rated corporate bonds even for issues other than infrastructure companies; and

(ii) CDS 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, on 24 July 2018 issued the 'Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018'. These directions are be applicable to repurchase transactions, undertaken on recognized stock exchanges, electronic trading platforms and over-the-counter to the extent stated herein. The directions clarify that in case of exchange traded repurchase transactions, procedure for execution and settlement of trades shall be in accordance with the rules and regulations issued by the recognized stock exchange/SEBI.

Marginal Cost of Funds Methodology for Interest Rates on Advances

The RBI by way of a master direction dated 3 March 2016 released directions for computing base rate formula by using marginal cost of funds methodology for interest rates on advances. The final norms on marginal costs for banks are effective from 1 April 2016.

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 rate 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. Currently, the Bank is offering savings bank interest rate of 4 per cent. p.a. across all deposit amounts.

The RBI deregulated the interest rates on NRE deposits 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 premature withdrawal facility, subject to the following guidelines:

- All term deposits of individuals (held singly or jointly) of ₹1.5 million and below should, necessarily, have a premature withdrawal facility.

- For all term deposits above ₹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.

- 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.

For customer convenience and to provide benefit of the higher differential rate of interest on term deposit, the Bank offers a fixed deposit called the "Fixed Deposit Plus" product for term deposits above ₹1.5 million, which provides a higher differential rate of interest without a premature withdrawal option.

The RBI on 3 March 2016 issued the Master Direction on Interest Rates on Deposits. The master direction is applicable to all Scheduled Commercial Banks 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.

Deposit Insurance

Demand and time deposits of up to ₹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 Know Your Customer 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 risk perceived. 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 reporting 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 'Know Your Customer (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 'designated director' to ensure compliance with the obligations mentioned thereunder.

The PMLA and the rules made thereunder stipulates 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. 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 (3.0 per cent. and 20.0 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 4.0 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 'Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (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. The minimum daily maintenance of the CRR should be 90 per cent. effective from the fortnight beginning 16 April 2016. The RBI may impose penal interest at the rate of 3.00 per cent. above the bank rate on the amount by which the reserve falls short of the CRR required to be maintained on a particular day and if the shortfall continues further the penal interest charged shall be increased to a rate of 5 per cent. above the bank rate in respect of each subsequent day during which the default continues in case of default in the maintenance of CRR on average basis during the fortnight. Penal interest will be recovered as envisaged under Section 42(3) of the RBI Act.

Statutory Liquidity Ratio

In addition to the CRR, a bank is required to maintain a specified percentage of its NDTL by way of liquid assets like cash, gold or approved unencumbered securities. Consequent upon amendment to section 24 of the Banking Regulation Act, 1949 through the Banking Regulation (Amendment) Act, 2007 replacing the Regulation (Amendment) Ordinance, 2007, effective 23 January 2007, the RBI can prescribe the Statutory Liquidity Ratio (**SLR**) for scheduled commercial banks in specified assets. The value of such assets of a scheduled commercial banks shall not be less than such percentage not exceeding 40 per cent. of its total DTL in India as on the last Friday of the second preceding fortnight as the RBI may, by notification in the Official Gazette, specify from time to time. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to section 23 of the Banking Regulation Act.

At present, the RBI requires banks to maintain a SLR of 19.50 per cent. and the RBI requires the banks to create a reserve fund to which it must transfer not less than 25.00 per cent. of the profits of 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.

Regulations on Asset Liability Management

At present, the RBI's regulations for asset liability management 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 1-14 day and 15-28 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 14 days into day 1, 2-7 days, 8-14 days and 15-28 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, euros, 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 Liquidity Coverage Ratio (**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's 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.

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 amended on 12 June 2015), 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 of India securities with residual maturity between four and eight years, eight and 11 years and 11 and 15 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 Foreign Exchange Management Act. All branches should monitor all non-resident accounts to prevent money laundering.

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. The Bank plans for the proceeds of any Notes issued under the Programme to be used as follows:

(i) to meet the funding requirements of the foreign offices of the Issuer, which includes, without limitation, the Issuer's Singapore branch, Hong Kong branch, DIFC branch, any other foreign branch or its GIFT City Branch through which Notes may be issued under the Programme, and to develop and expand business in these offices; and/or

(ii) for its general corporate purposes and/or to augment its capital in accordance with relevant regulatory guidelines.

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 circular on 'Risk Management and Inter-Bank Dealings' dated 1 July 2015 (**Inter-Bank Dealings Guidelines**) and the ECB Master Directions. According to the Inter-Bank Dealings Guidelines and the ECB Master Directions, overseas foreign currency borrowings of AD category I banks cannot exceed 100.00 per cent. of unimpaired Tier I capital or U.S.$10 million (or its equivalent), whichever is higher. Under the ECB Master Directions, a branch of an authorised dealer outside India may borrow in the normal course of its banking business outside India, subject to the directions or guidelines issued RBI from time to time, and the regulatory authority of the country where the branch is located.

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 which have shareholding 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, 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 20 per cent. of its profits of 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 NPA 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.

- 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 40.0 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 case the profit for the relevant period includes any extraordinary profits/income, the payout ratio shall be computed after excluding such extraordinary items for reckoning compliance with the prudential payout ratio. The financial statements pertaining to the financial 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 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

Banks can issue only ordinary shares. 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, any discount exceeding 2.50 per cent. of the paid-up value of the said shares. 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 Managing Director 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 report of proceedings of meetings to the RBI and order the Bank to make changes in 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 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.

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 the bills and the 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 in 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 "*– The RBI Regulations – Restrictions on Investments in a Single Company*"). 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, 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.

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.

Regulations Governing Offshore Banking Units (OBUs)

The Government and the RBI have permitted banks to set up OBUs in special economic zones, which are specially delineated duty-free enclaves deemed to be foreign territory for the purpose of trade operations, duties and tariffs. OBUs are exempt from CRR requirements. Although OBUs are required to maintain SLR norms, the RBI may exempt a bank's OBU from SLR requirements on specific application by the bank. All prudential norms applicable to overseas branches of Indian banks apply to OBUs. The OBUs are also required to follow the best international practice of 90 days' payment delinquency norm for income recognition, asset classification and provisioning. OBUs may operate and maintain balance sheets only in foreign currency and are not allowed to deal in Indian rupees except for having a special rupee account out of the convertible funds in order to meet their daily expenses. The exposures of an OBU in the domestic tariff area should not exceed 25.00 per cent. of its total liabilities as of the close of business of the previous working day, at any point in time. Furthermore, a bank cannot borrow from its OBU.

The Insolvency and Bankruptcy Code, 2016

The Insolvency and Bankruptcy Code, 2016 (the **Code**) 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 Code seeks to repeal the Presidency Towns Insolvency Act, 1909, and Provincial Insolvency Act, 1920. The Code also amends 11 other laws, including, *inter alia*, the Companies Act, the RDDBFI Act and the Sick Industrial Companies (Special Provisions) Repeal Act, 2003. The Code 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 Code classifies creditors into financial creditors and operational creditors which includes financial loans for interest and loans arising from the operational nature of the debtor, respectively. According to the Code, the insolvency resolution process may be initiated by either the debtor or the creditors. Some of the new concepts introduced by this Code include, *inter alia*, 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 Code 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 56.00 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 states that the Government may by order authorise the RBI to issue directions to banking companies to initiate insolvency proceedings under the Insolvency and Bankruptcy Code, 2016. Furthermore, the RBI, on 12 February 2018, had issued directions to banking companies for the resolution of stressed assets.

Regulations and Guidelines of the Securities and Exchange Board of India

The 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 capital issuances, as well as its underwriting, custodial, depositary participant, investment banking, registrar and transfer agents, brokering and debenture trusteeship activities. These regulations provide for its registration with the 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 Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**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. Listing Regulations also help in implementing better corporate governance in listed companies and are an important instrument of investor protection. The Listing Regulations were made to complement the corporate governance provisions of the New Companies Act.

Foreign Ownership Restriction

The Government of India 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 on 28 February 2005 released a "Roadmap for Presence of Foreign Banks in India and Guidelines on Ownership and Governance in Private Sector Banks" (the **Roadmap**).

The Roadmap envisages two phases. During the first phase, between March 2005 and March 2009, foreign banks were permitted to establish their presence in India by setting up a wholly owned subsidiary or converting their existing branches into wholly owned subsidiaries. The wholly owned subsidiary would have a minimum capital requirements of 300 crore (i.e. 3 billion) and would have to ensure sound corporate governance.

Initially, equity participation by foreign banks was permitted only in the private sector banks that were identified for restructuring by the RBI. On an application made by a foreign bank for acquisition of 5 per cent. or more in any private bank, the RBI would consider the standing and reputation of the foreign bank and would permit such acquisition only if it was satisfied that the investment by such foreign bank was in the long-term interest of all the stakeholders of the investee bank.

The second phase was commenced in April 2009 after a review of the experience gained in the first phase and after due consultation with all the stakeholders in the banking sector. On completion of a minimum prescribed period, foreign banks were allowed to list and dilute their stakes in their wholly owned subsidiary so that resident Indians held at least 26 per cent. of its paid-up capital. Foreign banks were also able to enter into merger and acquisition transactions with any private sector bank in India, subject to the overall investment limit of 74 per cent. and other regulatory approvals.

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 multilayered structure will also be taken into account.

The Ministry of Commerce & Industry, Department of Industrial Policy & Promotion has in the consolidated foreign direct investment policy dated 28 August 2018, set out its guidelines for calculation of total direct and indirect foreign investment in Indian companies.

Guidelines for Merger and Amalgamation of Private Sector Banks

On 21 April 2016, the RBI issued the Master Directions on the Amalgamation of Private Banks Directions 2016. The master directions relate to: (i) an amalgamation of two banks and (ii) an amalgamation of a NBFC with a bank.

In the case of an amalgamation of two banks, section 44A of 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 NBFC before it submits an application to the National Company Law Tribunal. 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 5.0 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 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 5.0 per cent. and above) on an ongoing basis.

Credit Information Bureaus

The Parliament of India has enacted the Credit Information Companies (Regulation) Act, 2005, pursuant to which every credit institution, including banks, has 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. Furthermore, in January 2015 the RBI directed all credit institutions to become members of all credit information companies (**CIC**s) and submit data (including historical data) to it. Presently, four CICs – Transunion CIBIL 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.

Storage of Payment System Data

The RBI on 6 April 2018 issued a notification on storage of information relating to the payment ecosystem as not all system providers store the payments data in India. In accordance with the notification, all system providers shall ensure that data relating to payment systems operated by them are stored in a system only in India. Data should include the full end-to-end transaction details, information collected, carried, processed as part of the message or payment instruction. For the foreign leg of the transaction, if any, the data can also be stored in the foreign country, if required. System providers have to comply within six months and report compliance and do a system audit report.

Prohibition on dealing in virtual currency

On 6 April 2018, the RBI prohibited RBI regulated entities from dealing in, settling or facilitating virtual currencies. A window of three months from the date of the circular was provided to such entities to exit any relationship with virtual currency providers.

Special Status of Banks in India

The special status of banks is recognised under various statutes including the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and the SARFAESI Act. The Bank is entitled to certain benefits under the Recovery of Debts Due to Banks and Financial Institutions 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.

Income Tax Benefits

The Bank is entitled to certain tax benefits under the Income Tax Act, 1961 including but not limited to an entitlement to a tax deduction on the provisioning towards bad and doubtful debts equal to 7.5 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 proposed three major reforms to Indian tax laws, namely the Goods and Services Tax, the direct taxes code 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 has been introduced. The Goods and Services Tax replaces the indirect taxes on goods and services such as central excise duty, service tax, central sales tax, state VAT, surcharge and excise, which were collected by the central and state governments prior to implementation of the GST 1 July 2017. The Government has also proposed the direct tax code, which aims to reduce distortions in the tax structure, introduce moderate levels of taxation and expand the tax base. It also aims to provide greater tax clarity and stability to investors who invest in Indian projects and companies. It seeks to consolidate and amend laws relating to all direct taxes such as income tax, dividend distribution tax, fringe benefit tax and wealth tax and facilitates voluntary compliance. The GAAR provisions have come into effect from 1 April 2017.

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 RDDBFI Act and the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (**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 RDDBFI 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 seeks to replace the Income Tax Act, 1961 for the taxation of foreign income. It 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 Amendment Act was passed by both houses of Parliament on 9 August 2016 and received the assent of the President on 12 August 2016. The Amendment Act shall come into force as and when notified by the central government. The Amendment Act amends four laws: (i) the SARFAESI Act; (ii) the RDDBFI Act; (iii) the Indian Stamp Act, 1899; and (iv) the Depositories Act, 1996. Under the SARFAESI Act, secured creditors can take possession of a collateral, against which a loan had been provided, upon a default in repayment which can also be done with the assistance of the district magistrate. The Amendment Act provides that this process will have to be completed within 30 days by the district magistrate. In addition, it: (i) empowers a district magistrate to assist banks in taking over the management of a company, in the case where the company is unable to repay loans, by converting debt into equity shares and consequently holding a 51 per cent. stake or more in the company; (ii) creates a central database to integrate records of property registered under various registration systems with this central registry and secured creditors will not be able to take possession over the collateral unless it is registered with the central registry; and (iii) provides that stamp duty will not be charged on transactions for transfer of financial assets in favour of asset reconstruction companies. In relation to the RDDBFI Act, the Amendment Act: (a) allows banks to file cases with tribunals having jurisdiction over the bank branch and where the debt is pending; and (b) provides further details of procedures that the tribunals will follow in case of debt recovery proceedings.

ECB Policy on issuance of rupee denominated bonds overseas

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 (the **ECB Master Direction**), 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 from such FATF compliant jurisdiction can invest in such rupee denominated bonds if they are also compliant with other restrictions under the ECB Master Directions.

In November 2016, the RBI, with a view to develop the market for Rupee denominated bonds overseas, allowed Indian banks to issue perpetual debt instruments qualifying for inclusion as additional Tier I capital, debt capital instruments qualifying for inclusion as Tier II capital and long-term bonds for financing infrastructure and affordable housing pursuant to the RBI circular on "Guidelines on Issue of Long Term Bonds by Banks – Financing of Infrastructure and Affordable Housing" dated 15 July 2014, as amended, by way of issuance of Rupee denominated bonds overseas and additionally allowed Indian banks to issue Rupee denominated bonds for purposes of financing infrastructure and affordable housing. Furthermore, Indian banks are permitted to act as arrangers, underwriters, market makers or traders for such Rupee denominated issuances subject to applicable prudential norms. The all-in-cost ceiling for such bonds will be 450 basis points over the prevailing yield of the Government of India securities of corresponding maturity. Issuers can raise up to U.S.$750 million under the automatic route, beyond which they will require RBI approval. The proceeds of such issuance can be used for all purposes except: (a) real estate projects other than development of integrated township or affordable housing projects; (b) investment in capital markets and equity investments domestically; (c) prohibited activities under the FDI guidelines; (d) land acquisition; and (e) on-lending to other entities for any of the above objectives.

The foreign currency to Rupee conversion will be at the market rate on the date of settlement. Further, investors are allowed to hedge their Rupee exposure through permitted derivative products with: (i) an AD Bank in India; (ii) the offshore branches or subsidiaries of Indian banks; or (iii) branches of foreign banks with a presence in India.

Further, in June 2017, the RBI, with a view to harmonise various elements of the ECB framework, decided that any proposal of borrowing by eligible Indian entities by issuance of Rupee denominated bonds will be examined at the Foreign Exchange Department, Central Office, Mumbai.

Revised ECB Framework

Pursuant to the ECB Master Direction, eligible resident entities can raise ECBs. The new ECB framework brings in more resident entities as eligible borrowers, recognising more entities as lenders, expanding end-uses, etc. as well as periodic reviews of all-in-cost ceilings for such borrowings. Special carve-outs were also made to take care of sector specific needs. Recent changes include:

a. Housing Finance Companies, regulated by the National Housing Bank, as eligible borrowers to avail of ECBs under all tracks. Such entities shall have a board approved risk management policy and shall keep their ECB exposure hedged 100 per cent at all times for ECBs raised under Track I.

b. Port Trusts constituted under the Major Port Trusts Act, 1963 or Indian Ports Act 1908 to avail of ECBs under all tracks. Such entities shall have a board approved risk management policy and shall keep their ECB exposure hedged 100 per cent at all times for ECBs raised under Track I.

c. Companies engaged in the business of maintenance, repair and overhaul and freight forwarding to raise ECBs denominated in Rupee only.

d. Companies in the manufacturing sector, as eligible borrowers to raise ECB up to USD 50 million or its equivalent with a minimum average maturity of one year.

Discontinuance of Letters of Undertaking and Letters of Comfort

On 13 March 2018, the RBI decided to discontinue the practice of issuance of letters of undertaking and letters of credit in respect of trade credits for imports into India by authorised dealer category I banks with immediate effect. Letters of credit and bank guarantees for trade credits for imports into India are still permissible instruments and may be issued subject to compliance with the RBI master direction on ‘Guarantees and Co-acceptances’, as amended from time to time.

Regulations governing International Operations

The Bank’s international operations are governed by regulations in the countries in which the Bank has a presence.

In Singapore, the Bank has a merchant banking licence with an Asian currency unit limit, regulated by the MAS. The Singapore branch engages in corporate and institutional banking and treasury-related activities. The Bank’s branch in Hong Kong is regulated by the HKMA and is engaged in banking activities, including acceptance of deposits providing credit and treasury services. The Bank has a branch in DIFC, which is regulated by the Dubai Financial Services Authority and is licensed to engage in the activities of accepting deposits, providing credit, and the arrangement of credit or investment and to provide advice on financial products and services subject to regulatory guidelines. The Bank’s branch in Colombo is regulated by the Central Bank of Sri Lanka, which has authorised it to engage in domestic banking business and offshore banking business. The branch is permitted to engage in all or any of the activities enumerated in Schedule II of the Banking Act, No. 30 of 1988 of

Sri Lanka with regard to domestic banking business and is approved to engage in all or any of the businesses mentioned in section 25 of the Banking Act, N30 of 1988 of Sri Lanka with regard to offshore banking business. The Shanghai branch is regulated by the China Banking Regulatory Commission (**CBRC**), and engages in activities such as accepting deposits, providing working capital finance and corporate loans in permitted foreign currencies, buying and selling foreign currencies, and other authorised activities. The Bank's subsidiary in the United Kingdom is authorised by the Prudential Regulation Authority (**PRA**) and regulated by the FCA and the PRA. The PRA is responsible for prudential regulation and supervision of banks, building societies, credit unions and major investment firms. The FCA regulates the conduct of firms that provide financial products and services. The Bank's subsidiary in the United Kingdom has been permitted to accept deposits, make investments and undertake lending activities other than regulated mortgages. The subsidiary of Axis Capital, Axis Capital USA LLC in the USA provides financial services relating to equity capital market, institution stock broking to institutional investors in USA and as of the date of this Offering Circular, is in process of completing registration formalities with Financial Industry Regulatory Authority, Inc. (FINRA) and Securities and Exchange Commission, USA.

Representative Offices

The Bank has two representative offices, in Dubai, Sharjah and Abu Dhabi, UAE, both of which are regulated by Central Bank of the United Arab Emirates. The representative office in Dubai is permitted to carry out marketing and promotion of permitted products, providing banking, financial and investment consultation services along with other representational activities.

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 or 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, Singapore, Hong Kong, UAE and each country of which they are residents. This information relates to the Issuer acting through its Singapore, Hong Kong or DIFC branch. In the case where the Issuer acts through any other foreign office, the tax laws in the relevant jurisdiction would apply.

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 the event the tax authorities in India decide that exemption from tax is not available under the Income Tax Act, 1961, 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, education cess and secondary and higher education cess), in accordance with conditions 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 Income Tax Act, 1961.

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 (except monies borrowed by IBUs of Indian Bank). If the proceeds raised are utilised in India, there may be a requirement to withhold tax upto 20 per cent. (plus applicable surcharge, education tax and secondary and higher education cess) 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 Income Tax Act, 1961.

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 situs 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, education cess and secondary and higher 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 40.0 per cent. of the capital gains (plus applicable surcharge, education cess and secondary and higher education cess), depending on the legal status of the Non-resident Investor, and his taxable income in India;

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

(c) 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 40.0 per cent. (plus applicable surcharge, education cess and secondary and higher education cess), depending on the legal status of the Non-resident Investor and his taxable income in India.

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, education cess and secondary and higher education cess) and short-term capital gains at 30 per cent. or 40 per cent. (plus applicable surcharge, education cess and secondary and higher education cess), depending on the legal status of the recipient of income, subject to any lower rate provided for by a 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, 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.

Singapore Taxation

General

Individual taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore. Foreign-sourced income received in Singapore on or after 1 January 2004 by a Singapore tax resident individual (except for income received through a partnership in Singapore) is exempt from Singapore income tax if the Comptroller of Income Tax (the **Comptroller**) is satisfied that the tax exemption would be beneficial to the individual.

Non-resident individuals, subject to certain exemptions, are subject to Singapore income tax on income accruing in or derived from Singapore.

An individual is a tax resident in Singapore in a year of assessment if in the preceding year such individual was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if such individual resides in Singapore.

Corporate taxpayers are subject to Singapore income tax on income accruing in or derived from Singapore and, subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore.

Interest and Other Payments

Subject to the following paragraph, under section 12(6) of the Income Tax Act, Chapter 134 of Singapore (the **ITA**), the following payments are deemed to be derived from Singapore:

(a) any interest, commissions, fees or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee or service relating to any loan or indebtedness which is:

  (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore); or

  (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to be a resident in Singapore for tax purposes, are generally subject to withholding of Singapore tax. The rate at which tax is withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons other than non-resident individuals is currently 17 per cent. The applicable rate for non-residents is currently 22 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from its trade, business, profession or vocation carried on or exercised in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax rate of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

Certain Singapore-sourced investment income derived by individuals, including interest, discount income (not including discount income from secondary trading), prepayment fees, redemption premium and break cost from debt securities, is exempt from tax, except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

Barclays Bank PLC, Singapore Branch, Citigroup Global Markets Singapore Pte. Ltd. and Deutsche Bank AG, Singapore Branch, each of which was at the relevant time a Financial Sector Incentive (Bond Market) (**FSI-BM**) Company (as defined in the ITA), were appointed as the first arrangers of the Programme from the date of its establishment. At the time when the Programme was set up, Barclays Bank PLC, Singapore Branch, Citigroup Global Markets Singapore Pte. Ltd. and Deutsche Bank AG, Singapore Branch were the arrangers. As the setting up of the Programme was arranged by FSI-BM Companies, any tranche of Notes issued under the Programme during the period from the date of this Offering Circular to 31 December 2023 (**Relevant Notes**) would be, pursuant to the ITA and the MAS Circular FDD Cir 11/2018 entitled "Extension of Tax Concessions for Promoting the Debt Market" issued by the MAS on 31 May 2018 (the **MAS Circular**), "qualifying debt securities" for the purposes of the ITA to which the following treatments shall apply:

(a) (in the case where the Bank is acting through its Singapore Branch or is acting through its Head Office or a Branch outside Singapore in circumstances where the payments would be deemed to be derived from Singapore pursuant to Section 12(6) of the ITA) subject to certain conditions having been fulfilled (including:

(1) the furnishing to the MAS of a Return on Debt Securities for the Relevant Notes within a specified period; and

(2) the inclusion by the Bank in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption shall not apply if the non-resident person acquires the Relevant Notes using funds from that person's operations through the Singapore permanent establishment,

interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, **Qualifying Income**) from the Relevant Notes derived by a Noteholder who is not resident in Singapore and:

(i) who does not have any permanent establishment in Singapore; or

(ii) carries on any operation in Singapore through a permanent establishment in Singapore but where the funds used by that person to acquire the Relevant Notes are not obtained from the operation of the Singapore permanent establishment,

are exempt from Singapore tax;

(b) subject to certain conditions having been fulfilled (including the furnishing to the MAS of a Return on Debt Securities for the Relevant Notes within a specified period), Qualifying Income from the Relevant Notes derived by any company or a body of persons (as defined in the ITA) in Singapore is subject to tax at a concessionary rate of 10 per cent.;

(c) (in the case where the Bank is acting through its Singapore Branch or is acting through its Head Office or a Branch outside Singapore in circumstances where the payments would be deemed to be derived from Singapore pursuant to Section 12(6) of the ITA) subject to:

   (i) the Bank including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax shall declare and include such income in a return of income made under the ITA; and

   (ii) the furnishing to the MAS of a Return on Debt Securities for the Relevant Notes within a specified period,

   Qualifying Income derived from the Relevant Notes is not subject to the withholding of tax by the Bank.

The 10 per cent. concessionary rate of tax referred to in sub-paragraph (b) above will not apply to holders of Relevant Notes which are Financial Sector Incentive (Standard-Tier) Companies (within the meaning of section 43Q of the ITA) (**FSI-ST**) or which are otherwise subject to a special tax regime. Holders of the Notes who may be subject to the tax treatment for FSI-STs or which are otherwise subject to any special tax regime should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Relevant Notes.

However, notwithstanding the foregoing:

(a) if during the primary launch of the Relevant Notes, the Relevant Notes are issued to fewer than four persons and 50 per cent. or more of the issue of the Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Bank, the Relevant Notes would not qualify as "qualifying debt securities"; and

(b) even though the Relevant Notes qualify as "qualifying debt securities", if, at any time during the tenure of the Relevant Notes, 50.0 per cent. or more of the issue of the Relevant Notes is held beneficially or funded, directly or indirectly, by any related party(ies) of the Bank, Qualifying Income derived by:

   (i) any related party of the Bank; or

   (ii) any other person where the funds used by such person to acquire the Relevant Notes are obtained, directly or indirectly, from any related party of the Bank,

shall not be eligible for the tax exemption or the concessionary rate of tax of 10 per cent. described in the preceding paragraphs.

The term **related party**, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms **break cost**, **prepayment fee** and **redemption premium** are defined in the ITA in relation to debt securities and qualifying debt securities, as follows:

break cost means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

prepayment fee means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

redemption premium, in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

These terms have the same meanings in this Singapore tax disclosure as in the ITA.

All foreign-sourced income received in Singapore on or after 1 January 2004 by Singapore tax-resident individuals will be exempt from income tax, provided such foreign-sourced income is not received through a partnership in Singapore.

Notwithstanding that the Bank is permitted to make payments of interest, discount income, prepayment fee, redemption premium and break cost in respect of the Relevant Notes without deduction or withholding for tax under Sections 45 and 45A of the ITA, any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax is required to declare and include such income in a return of income made under the ITA.

Enhanced tax incentives for certain long-term qualifying debt securities

Under the Qualifying Debt Securities Plus Scheme (**QDS Plus Scheme**), subject to certain conditions having been fulfilled (including the submission of a Return on Debt Securities in respect of the qualifying debt securities within a specified period), income tax exemption is granted on Qualifying Income derived by any investor from qualifying debt securities (excluding Singapore Government Securities) which:

(a) are issued on or before 31 December 2018;

(b) have an original maturity of not less than ten years;

(c) cannot have their tenure shortened to less than ten years from the date of their issue, except where:

   (i) the shortening of the tenure is a result of any early termination pursuant to certain specified early termination clauses which the issuer included in any offering document for such qualifying debt securities; and

   (ii) the qualifying debt securities do not contain any call, put, conversion, exchange or similar option that can be triggered at specified dates or at specified prices which have been priced into the value of the qualifying debt securities at the time of their issue; and

(d) cannot be re-opened with a resulting tenure of less than ten years to the original maturity date.

For the QDS Plus Scheme, it was announced that with effect from 28 June 2013, debt securities with "standard" redemption clauses would be allowed to qualify for the QDS Plus Scheme at the point of issuance. Examples of "standard" redemption clauses referred to in the Schedule to the Income Tax (Qualifying Debt Securities) Regulations (the **Regulations**) are a: (a) change in tax law event, (b) default event, (c) change of control or change of shareholding event, (d) change in listing status of an issuer or trading disruption event, (e) change of qualification event due to regulatory capital requirements, (f) change in accounting classification, (g) change in rating, (h) repurchase upon a non-compliance event, (i) purchase provision and (j) modification and amendment provision. Please refer to the Regulations for further details on the "standard" redemption clauses.

Subsequently, should the debt securities be redeemed prematurely due to a permitted early redemption clauses (i.e. before the 10th year), the tax benefits conferred by the QDS Plus Scheme on qualifying income accrued prior to the redemption will not be clawed back. Instead, qualifying debt securities status under the QDS Plus Scheme will be revoked prospectively for outstanding debt securities (if any) and the Issuer must inform the MAS and holders of the debt securities of such revocation The outstanding debt securities may still enjoy tax benefits under the QDS Scheme if the other conditions under the scheme continues to be met.

However, even if Relevant Notes are qualifying debt securities which quality under the QDS Plus Scheme, if, at any time during the tenure of such Relevant Notes, 50.0 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by any related party(ies) of the Bank, Qualifying Income from such Relevant Notes derived by:

(aa) any related party of the Bank; or

(bb) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Bank,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above.

Pursuant to the Singapore Budget Statement 2018 and the MAS Circular, the QDS Plus Scheme will be allowed to lapse after 31 December 2018, but debt securities with tenure of at least 10 years which are issued on or before 31 December 2018 can continue to enjoy the tax concessions under the QDS Plus Scheme if the conditions of such scheme as set out above are satisfied.

Capital gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains from the sale of Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who are applying FRS 39 – Financial Instruments: Recognition and Measurement (**FRS 39**) or Financial Reporting Standard 109 – Financial Instruments (**FRS 109**) for

Singapore income tax purposes may be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39 or FRS 109. Please see the section below on "*– Adoption of FRS 39 or FRS 109 treatment for Singapore income tax purposes*".

Adoption of FRS 39 or FRS 109 treatment for Singapore income tax purposes

Subject to certain "opt-out" provisions, Section 34A of the ITA requires taxpayers who adopt or are required to adopt FRS 39 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 39, subject to certain exceptions provided in that section. The IRAS has also issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement" to provide guidance on the Singapore income tax treatment of financial instruments.

FRS 109 is mandatorily effective for annual periods beginning on or after 1 January, 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who adopt or who are required to adopt FRS 109 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109, subject to certain exceptions provided in that section. In contrast to the position under the FRS 39 tax regime, taxpayers will not have the choice to opt out from the FRS 109 tax regime. The IRAS has also issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments".

Holders of the Notes who may be subject to the tax treatment under the FRS 39 tax regime or FRS 109 tax regime should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

Withholding tax exemption for Section 12(6) payments by banks

Payments falling within Section 12(6) of the ITA and made by certain specified financial institutions (including a bank licensed under the Banking Act, Chapter 19 of Singapore or merchant banks approved under the Monetary Authority of Singapore Act, Chapter 186 of Singapore) to persons who are not tax-residents (excluding permanent establishments in Singapore) and which are:

(a) liable to be made between 1 April 2011 and 31 March 2021 on contracts that take effect before 1 April 2011; or

(b) liable to be made under a contract which takes effect between 1 April 2011 and 31 March 2021 (both dates inclusive),

are exempt from income tax, provided that the payments:

(i) are made for the purpose of the trade or business of the specified financial institutions; and

(ii) do not arise from transactions to which the general anti-avoidance provision in Section 33 of the ITA applies.

With effect from 17 February 2012, the specified financial institutions are no longer required to withhold tax on payments falling within Section 12(6) of the ITA which they are liable to make to permanent establishments in Singapore of a non-resident person:

(a) between 17 February 2012 and 31 March 2021 on contracts that take effect before 17 February 2012; and

(b) on or after 17 February 2012 on contracts that take effect between 17 February 2012 to 31 March 2021.

With effect from 21 February 2014, the expiry date of 31 March 2021 referred to in the immediately preceding paragraph does not apply to payments to Singapore branches of non-resident persons as the requirement to withhold tax from payments to Singapore branches has been lifted.

Notwithstanding the preceding paragraph, permanent establishments in Singapore of a non-resident person are required to declare such payments in their annual income tax returns and will be assessed for tax on such payments (unless specifically exempt from tax).

Hong Kong Taxation

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of the Laws of Hong Kong) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Pursuant to the Exemption from Profits Tax (Interest Income) Order (Cap. 112T) of the Laws of Hong Kong, interest income accruing to a person other than a financial institution, on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, *inter alia,* an authorised institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of the Laws of Hong Kong) is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no prospectus involving the issue of the Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the Laws of Hong Kong, the issue of the Notes by the Bank is expected to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to profits tax.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

(i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of the Laws of Hong Kong).

If stamp duty is payable it is payable by the Issuer on issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of Registered Notes provided that either:

(i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the value of the consideration. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to ten times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

Estate Duty

No estate duty will be payable in respect of the Notes.

DIFC Taxation

Pursuant to Article 14 of Law No. (9) of 2004 in respect of the Dubai International Financial Centre (the **DIFC Law**), entities licensed, registered or otherwise authorised to carry on financial services in the DIFC and their employees shall be subject to a zero rate of tax for a period of 50 years from 13 September 2004. This zero rate of tax applies to income, corporation and capital gains tax. In addition, this zero rate of tax will also extend to repatriation of capital and to transfers of assets or profits or salaries to any party outside the DIFC. Article 14 of the DIFC Law also provides that it is possible to renew the 50-year period to a similar period upon issuance of a resolution by the Ruler of the Emirate of Dubai. As a result no payments by the Issuer under the Notes are subject to any DIFC tax, whether by withholding or otherwise.

UAE Taxation

There is currently in force in Dubai legislation establishing a general corporate taxation regime, the Dubai Income Tax Decree 1969 (as amended). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Dubai taxation in respect of payments made under the Notes. In the event of the imposition of any such withholding, the Issuer has undertaken to gross-up any payments subject as described under Condition 7 of the Terms and Conditions of the Notes.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

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 very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulations (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 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: (a) by transacting with a person established in a participating Member State; or (b) 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 Notes are advised to seek their own professional advice in relation to the FTT.

United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs' (**HMRC**) practice relating only to United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of Interest on the Notes

Payments of interest on the Notes that do not have a United Kingdom source may be made without deduction or withholding on account of United Kingdom income tax. If interest paid on the Notes does have a United Kingdom source, then payments may be made without deduction or withholding on account of United Kingdom income tax in any of the following circumstances.

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the ITA 2007. The Singapore Stock Exchange is a recognised stock exchange. The Notes will satisfy the requirement to be listed on a "recognised stock exchange" if they are officially listed in Singapore in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Singapore Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without deduction of or withholding on account of United Kingdom tax.

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be "admitted to trading on a multilateral trading facility operated by an EEA-regulated recognised stock exchange" within the meaning of section 987 of the ITA 2007. The International Securities Market is a multilateral trading facility for this purpose. It is operated by the London Stock Exchange which is an EEA-regulated recognised stock exchange. Provided, therefore, that the Notes carry a right to interest and are and remain admitted to trading on EEA-regulated recognised stock exchange, interest on the Notes will be payable without deduction of or withholding on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, where the relevant payments of interest are treated as having a United Kingdom source, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. However where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

An amount may also be required to be withheld from payments on the Notes that have a United Kingdom source and are not interest, but are nevertheless treated as annual payments for United Kingdom tax purposes, on account of United Kingdom income tax at the basic rate. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay those amounts to the Noteholder without deduction of tax (or for those amounts to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

United States Federal Income Tax Considerations

The following is a general summary of the principal U.S. federal income tax consequences that may be relevant with respect to the purchase, ownership and disposition of the Notes. In general, this summary assumes that holders acquire the Notes at original issuance at their issue price (as defined below) and will hold the Notes as capital assets. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Notes. In particular, it does not discuss special tax considerations that may apply to certain types of taxpayers, including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, notional principal contracts or currencies; (iv) tax-exempt entities; (v) real estate investment trusts; (vi) regulated investment companies; (vii) persons that will hold the Notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" or as part of a "synthetic security" or other integrated transaction for U.S. federal income tax purposes; (viii) persons that own (or are deemed to own) 10 per cent. or more of the equity of the Issuer; (ix) partnerships, pass-through entities, or persons that hold Notes through partnerships or pass-through entities; (x) U.S. Holders (as defined below) that have a "functional currency" other than the U.S. dollar; and (xi) certain U.S. expatriates and former long-term residents of the United States. In addition, this summary does not address alternative minimum tax or Medicare contribution tax consequences or the indirect effects on the holders of interests in a holder of Notes. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the U.S. federal Government.

Each prospective investor should consult its own tax adviser with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning or disposing of the Notes. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the **Code**), U.S. Treasury regulations and judicial and administrative interpretations thereof, in each case as in effect or available on the date of this Offering Circular. All of the foregoing is subject to change, and any such change may apply retroactively and could affect the tax consequences described below.

As used in this section, the term **U.S. Holder** means a beneficial owner of Notes that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) any estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust. A **Non-U.S. Holder** is a beneficial owner of Notes that is not a U.S. Holder. If a partnership holds Notes, the tax treatment of a partner generally will depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes should consult their own tax advisers.

Under the Tax Cuts and Jobs Act of 2017 (the Tax Cuts and Jobs Act), a U.S. Holder that uses an accrual method of accounting for U.S. federal income tax purposes generally would be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements. This rule generally would be effective for tax years beginning after 31 December 2017 (although for Notes issued with original issue discount, the effective date is for tax years beginning after 31 December 2018). The application of this rule thus may require the accrual of income earlier than would be the case prior to 31 December 2017, although the precise application of this rule is unclear at this time. Prospective investors in the Notes that use an accrual method of accounting for tax purposes or that are required to accrue original issue discount (as discussed below) are urged to consult with their tax advisers regarding the potential applicability of the Tax Cuts and Jobs Act to their particular situation.

This discussion applies only to holders of Registered Notes. Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under U.S. federal income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

Characterisation of the Notes

This summary should be read in conjunction with any discussion of U.S. federal income tax consequences to holders in the applicable Pricing Supplement. To the extent there is any inconsistency in the discussion of the U.S. federal income tax consequences to holders between this Offering Circular and the applicable Pricing Supplement, holders should rely on the tax consequences described in the applicable Pricing Supplement instead of this Offering Circular. Any special U.S. federal income tax consequences relevant to a particular issue of Notes, including any such as Index Linked Notes, Dual Currency Notes, Instalment Notes, Hybrid Tier I Notes and Partly Paid Notes may be specified in the applicable Pricing Supplement. The balance of this discussion, unless otherwise specified, assumes that the Notes will be treated as debt and will not be treated as contingent payment debt instruments for U.S. federal income tax purposes. A prospective investor in the Notes should consult its tax adviser in determining the tax consequences of an investment in the Notes, including the application of state, local or other tax laws and the proper characterisation of the Notes for tax purposes.

Taxation of U.S. Holders of the Notes

Payments of Interest

Interest paid on a Note, including the payment of any additional amounts whether payable in U.S. dollars or a currency other than U.S. dollars (a **foreign currency**), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "Original Issue Discount"), will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest income on the Notes, original issue discount (**OID**) if any, accrued with respect to the Notes (as described below under "Original Issue Discount") and payments of additional amounts will be treated as foreign source income for U.S. federal income tax purposes, which may be relevant in calculating a U.S. Holder's foreign tax credit limitation for U.S. federal income tax purposes. The U.S. foreign tax credit limitation is calculated separately with respect to specific classes of income. The foreign tax credit rules are complex, and U.S. Holders should consult their tax advisers regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

Original Issue Discount

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with OID. In the event the Issuer issues contingent payment debt instruments, the applicable Pricing Supplement may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a **Short-Term Note**), will be treated as issued with OID (a **Discount Note**) if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an **instalment obligation**) will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest." A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "Variable Interest Rate Notes"), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must generally include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period, and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the Internal Revenue Service (the **IRS**).

Variable Interest Rate Notes

Notes that provide for interest at variable rates (**Variable Interest Rate Notes**) generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under U.S. Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant-yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as at the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as at the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as at the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the “equivalent” fixed rate debt instrument by applying the general OID rules to the “equivalent” fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the “equivalent” fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a “variable rate debt instrument”, then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations may be more fully described in the applicable Pricing Supplement.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, may elect to treat the excess as “amortisable bond premium”, in which case the amount required to be included in the U.S. Holder’s income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note’s yield to maturity) to that year. Any election to amortise bond premium will apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also “Election to Treat All Interest as Original Issue Discount”.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under “Original Issue Discount”, with certain modifications. For purposes of this election, interest includes stated interest, OID and *de minimis* OID as adjusted by any amortisable bond premium (described above under “Notes Purchased at a Premium”). This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Sale, Exchange or Other Disposition

A U.S. Holder’s tax basis in a Note will generally equal its cost, increased by the amount of any OID included in the U.S. Holder’s income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID included in the U.S. Holder’s income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. A U.S. Holder will generally recognise gain or loss on the sale, exchange or other disposition of a Note in an amount equal to the difference between the amount realised on the sale, exchange or other disposition and the tax basis in the Note. The amount realised does not include the amount attributable to accrued but unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "Short-Term Notes" or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be U.S.-source capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. Prospective investors should consult their own tax advisers with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that hold the Notes for more than one year) and capital losses (the deductibility of which is subject to limitations).

Foreign Currency Notes

Interest

If a qualified stated interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder will generally recognise U.S.-source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale or disposition of the Note), a U.S. Holder may recognise U.S.-source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Bond Premium

Bond premium on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognise U.S.-source exchange gain or loss (taxable as ordinary income or loss) equal to the amount offset multiplied by the difference between the spot rate in effect on the date of the offset, and the spot rate in effect on the date the Notes were acquired by the U.S. Holder.

Sale or Retirement

As discussed above under "Sale, Exchange or other Disposition", a U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or, in the case of Notes traded on an established securities market, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S.-source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S.-source ordinary income or loss.

Taxation of Non-U.S. Holders of the Notes

Subject to the discussion under "*Backup Withholding and Information Reporting", "Foreign Account Tax Compliance Act"* and *"Hiring Incentives to Restore Employment Act"* below, a Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on a Note or gain from the sale, exchange or other disposition of a Note unless: (i) that payment or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realised on the sale, exchange or other disposition of a Note by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition and certain other conditions are met. Non-U.S. Holders should consult their own tax advisers regarding the U.S. federal income and other tax consequences of purchasing, owning and disposing of Notes.

IRS Disclosure Reporting Requirements

Certain U.S. Treasury regulations (the **Disclosure Regulations**) meant to require the reporting of certain tax shelter transactions (**Reportable Transactions**) could be interpreted to cover transactions generally not regarded as tax shelters. Under the Disclosure Regulations, it may be possible that certain transactions with respect to the Notes may be characterised as Reportable Transactions requiring a holder of Notes to disclose such transaction, such as a sale, exchange, retirement or other taxable disposition of a Note that results in a loss that exceeds certain thresholds and other specified conditions are met. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a U.S. Holder realises a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to the penalties described above. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective investors in the Notes should consult their tax advisers to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Statement).

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments on the Notes and proceeds of the sale, exchange or other disposition of the Notes to U.S. Holders. A U.S. Holder may be subject to backup withholding if it fails to furnish (usually on IRS Form W-9) the U.S. Holder's taxpayer identification number to certify that such U.S. Holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain U.S. Holders are not subject to the backup withholding and information reporting requirements. Non-U.S. Holders may be required to comply with applicable certification procedures (usually on IRS Form W-8BEN or W-8BEN-E) to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder generally may be claimed as a credit against such U.S. Holder's U.S. federal income tax liability or refunded, provided that the required information is furnished to the IRS.

Prospective investors in the Notes should consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Foreign Financial Asset Reporting

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. dollar thresholds generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Notes.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. PROSPECTIVE INVESTORS IN THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the Code (**FATCA**) impose a 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 and its Singapore Branch, Hong Kong Branch, GIFT City Branch and DIFC Branch (the **Relevant Branches**) are classified as FFIs.

The withholding regime is now in effect for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of (i) 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 (A) with respect to Notes that give rise solely to foreign passthru payments, is 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 (B) 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, is six months after the date on which obligations of their type are first treated as giving rise to dividend equivalents, or (in each case) which are materially modified after the grandfathering date, and (ii) 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 United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, 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. Furthermore, 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 a **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 United States has entered into agreements with India, Singapore and the UAE based largely on the Model 1 IGA, and an agreement with Hong Kong based largely on the Model 2 IGA (together, the **Relevant IGAs**).

If the Issuer and the Relevant Branches are treated as Reporting FIs pursuant to the Relevant IGAs they do not anticipate that they will be obliged to deduct any FATCA Withholding on payments they make. There can be no assurance, however, that the Issuer and the Relevant Branches will be treated as Reporting FIs, or that they would not in the future be required to deduct FATCA Withholding from payments they make. The Issuer, the Relevant Branches and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) 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 (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the ICSDs, 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 ICSDs 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 ICSDs. 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 Code which treats a "dividend equivalent" payment as a dividend from sources within the United States. Under Section 871(m), such payments generally will 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 United States, (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 United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) or (ii) above. The final U.S. Treasury regulations issued under Section 871(m) and applicable guidance (the **Section 871(m) Regulations**) 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 (**871(m) Withholding**). Under the Section 871(m) Regulations, only a Note that has an expected economic return sufficiently similar to that of the underlying U.S. security, 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. Additionally, the Issuer may withhold the full 30 per cent. tax on any payment on the Notes in respect of any dividend equivalent arising with respect to such Notes regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law (including, for the avoidance of doubt, where a Noteholder is eligible for a reduced tax rate under an applicable tax treaty with the United States). A Noteholder may be able to claim a refund of any excess withholding provided the required information is timely furnished to the IRS. 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 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 the date of such subsequent sale or issuance. Consequently, a previously out of scope Note, might be treated as a Specified Note following such modification or further issuance.

In addition, payments on the Specified Notes may be calculated by reference to dividends on underlying U.S. securities that are reinvested at a rate of 70 per cent. In such case, in calculating the relevant payment amount, the holder will be deemed to receive, and the Issuer will be deemed to withhold, 30 per cent. of any dividend equivalent payments (as defined in Section 871(m) of the Code) in respect of the relevant U.S. securities. The Issuer will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld.

The applicable Pricing Supplement will indicate whether the Issuer has determined that Notes are Specified Notes and may specify contact details for obtaining additional information regarding the application of Section 871(m) to Notes. If Notes are Specified Notes, a non-U.S. holder of the 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 the 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.

TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or *vice versa,* will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that either: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (ii) it is outside the United States;

(b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States;

(c) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (i) to the Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(d) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (c) above, if then applicable;

(e) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(f) that the Notes in registered form, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY

OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A FOR RESALES OF THE SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)"; and

(g) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$100,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$100,000 (or its foreign currency equivalent).

SUBSCRIPTION AND SALE

The Dealers have, in an Amended and Restated Programme Agreement dated 1 October 2018 (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 Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

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 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 credit default swaps) 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 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.

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 that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

United States

The selling restrictions in the following paragraph shall be applicable to Notes offered and sold in reliance on Regulation S as specified in the applicable Pricing Supplement.

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, subject to certain exceptions, may not be offered or sold within the United States. The Notes are being offered and sold outside of the United States in reliance on Regulation S.

The selling restrictions in the following paragraphs shall be applicable to Notes offered and sold in reliance on Rule 144A as specified in the applicable Pricing Supplement.

> Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuer has undertaken in the Trust Deed to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) of the Securities Act if, at the time of the request, any of the Notes remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.
>
> Application may also be made to have certain Series of Notes accepted for trading in the Private Offerings, Resales and Trading through Automated Linkages System of the Financial Industry Regulatory Authority.

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 a United States person, except in certain transactions permitted by U.S. tax regulations and guidance. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) 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 (ii) 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 business or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their business where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (**FSMA**) by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated 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

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

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 (*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 (a) the Offering Circular has not been and will not be registered, produced or published as an offer document (whether a prospectus or a statement in lieu of a prospectus in respect of a public offer or information memorandum or private placement offer letter or any other offering material under the Companies Act, 2013 to the extent notified, or any other applicable Indian laws) with any Registrar of Companies or the Securities and Exchange Board of India or any other statutory or regulatory body of like nature in India, save and except any information from any part of the Offering Circular which is mandatorily required to be disclosed or filed in India under any applicable Indian laws, including but not limited to the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 or pursuant to the sanction of any regulatory or adjudicatory body in India, and (b) the Notes have not been and will not be offered or sold in India by means of any document and the 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 the public 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 Indian laws. This Offering Circular has not been and will not be reviewed or approved by any regulatory authority in India or by the Indian stock exchange. If any person purchases any of the Notes, such person will be deemed to have acknowledged, represented and agreed that such person is eligible to purchase the Notes under applicable laws and regulations and that there is no prohibition under any applicable law or regulation from acquiring, owning or selling the Notes.

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. 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) 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 is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (however so described) in that trust shall not be transferable for six months after that corporation or trust has acquired the Notes pursuant to an offer under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, to any person arising from any offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is given 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 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notification under Section 309B(1)(c) of the SFA – Unless otherwise stated in the Pricing Supplement in respect of any Note, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) 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).

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**). 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 in 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, FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

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 the Hong Kong Special Administrative Region of the People's Republic of China (**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 of 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.

The People's Republic of China

Each Dealer represents and agrees and each further Dealer appointed under the Programme will be required to represent and agree that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the PRC (excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan) as part of the initial distribution of the Notes.

Prohibition of sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression retail investor means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, 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; or

(iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the Prospectus Directive); and

(b) 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a Relevant Member State), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms 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 Notes to the public in that Relevant Member State:

(A) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(B) 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

(C) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (A) to (C) 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 Notes to the public in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, 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 the Relevant Member State.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold, or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the DIFC unless such offer is:

a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the DFSA rulebook; and

b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA.

Denmark

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been offered or sold and will not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark by way of a public offering, unless in compliance with the Danish Securities Trading Act, Consolidation Act No. 831 of 2 December 2015 as amended from time to time and any Orders issued thereunder.

Sweden

Each Dealer has confirmed and agreed, and each further Dealer appointed under the Programme will be required to confirm and agree that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy Notes or distribute any draft or final document in relation to any such offer, invitation or sale except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (lag (1991:980) (*om handel med finansiella instrument*).

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 nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee, the Arrangers 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.

GENERAL INFORMATION

Authorisation

1. The establishment and maintenance of the Programme and the issue of Notes, and the increase in the size of the Programme to U.S.$5,000,000,000 have been duly authorised by resolutions of the Board of Directors of the Issuer dated 14 October 2005, 17 April 2007, 15 October 2012, 26 April 2014, 29 April 2015 and 25 July 2017.

2. Currently the issuance of any Notes by the Issuer acting through its Singapore branch, Hong Kong Branch, DIFC branch, GIFT City Branch, any other 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; (ii) comply with the requirements specified under the guidelines issued by the RBI in relation to Subordinated Notes and Hybrid Tier I Notes); and (iii) reporting as part of the overseas liabilities and DSBO Returns with respect to operation of foreign branches of Indian banks, as amended, modified or supplemented from time to time.

Listing

3. Application has been made to the London Stock Exchange for the Notes to be admitted to the ISM. The ISM is not a regulated market for the purposes of Directive 2014/65/EU.

   The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the UKLA. The London Stock Exchange has not approved or verified the contents of this Offering Circular. The listing of the Programme in respect of the Notes is expected to be granted on or around 3 October 2018.

4. Notes may be issued pursuant to the Programme which will not be admitted to the Singapore Official List or to trading on the ISM or listed on any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree. 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 Singapore Official List. Admission to the Singapore 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, 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, 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.

Clearing systems

5. The Bearer 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 Bearer Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for any Registered Notes to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, 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

6. Save as disclosed in the Offering Circular, there has been no significant change in the financial or trading position of the Bank since 30 June 2018 and there has been no material adverse change in the prospects of the Bank since 31 March 2018.

Litigation

7. The Group is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer and/or Group's financial position or profitability.

Accounts

8. The statutory independent auditor for the Issuer for the years ended 31 March 2017 and 2018 is S.R. Batliboi & Co. LLP who audited the Issuer's standalone and consolidated accounts, in accordance with generally accepted standards of auditing in India, for the years mentioned above. The audit reports issued by the statutory independent auditor for the standalone and consolidated accounts for the years mentioned above did not contain any qualification.

   The statutory independent auditor for the Issuer for the quarter ended 30 June 2018 is Haribhakti & Co. LLP who reviewed the Issuer's unaudited standalone accounts, in accordance with generally accepted standards of auditing in India, for the period ended 30 June 2018. The review report issued by the statutory independent auditor for the standalone accounts for the period mentioned above did not contain any qualification.

Trustee's Reliance on Certificates

9. The Trust Deed provides that the Trustee may rely on certificates or reports from any person in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein whether or not called for by or addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and such person in connection therewith contains a monetary or other limit on the liability of such person. However, the Trustee will have no recourse to such person in respect of such certificates or reports unless such person has agreed to address such certificates or reports to the Trustee.

Dealers transacting with the Issuer

11. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

Documents Available

12. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the corporate office of the Issuer and from the specified office of the Principal Paying Agent:

    (a) the audited financial statements of the Issuer in respect of the financial years ended 31 March 2017 and 2018;

    (b) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited standalone interim financial results of the Issuer (the Issuer 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 Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

    (d) a copy of this Offering Circular;

    (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 and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

    (f) the Memorandum and Articles of Association of the Issuer.

Third Party Information

13. Where information has been sourced from a third party, the source of such information (wherever available) has been identified in the relevant section of the Offering Circular and such information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

AXIS BANK LIMITED

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HARIBHAKTI & CO. LLP
Chartered Accountants

Limited Review Report

Review Report to
The Board of Directors
Axis Bank Limited

1. We have reviewed the accompanying Statement of Unaudited Standalone Financial Results of Axis Bank Limited ('the Bank') for the quarter ended June 30, 2018 ("the Statement"), being submitted by the Bank pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The disclosures relating to "Pillar 3 under Basel III Capital Regulations", "Leverage Ratio" and "Liquidity Coverage Ratio" as have been disclosed on the Bank's website and in respect of which a link have been provided in aforesaid Statement have not been reviewed by us. This Statement which is the responsibility of the Bank's Management and approved by the Board of Directors, has been prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting" as prescribed under Sec 133 of Companies Act, 2013 read with relevant rules issued there under, other accounting principles generally accepted in India ("Indian GAAP") and the prudential norms issued by Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters ("RBI Directives"). Our responsibility is to issue a report on the Statement based on our review.

2. We conducted our review in accordance with the Standard on Review Engagement (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 Statement is free of material misstatement. A review is limited primarily to inquiries of Bank personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. Wd have 'not performed an audit and accordingly, we do not express an audit opinion.

3. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with Indian GAAP have not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including the manner in which it is to be disclosed or that it contains any material misstatement or that it has not been prepared in accordance with the RBI Directives.

4. The comparative financial information of the Bank for periods upto year ended March 31, 2018 included in the Statement have been reviewed /audited by the predecessor auditor. The report of the predecessor auditor on comparative financial information for the quarter ended June 30, 2017 dated July 25, 2017 and for the quarter and year ended March 31, 2018 dated April 26, 2018 expressed an unmodified opinion.

For Haribhakti & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 103523W/W100048

Purushottam Nyati
Partner
Membership No.: 118970

Place: Mumbai
Date: July 30, 2018

Axis Bank Limited

Regd. Office: 'Trishul', 3rd floor, Opp. Samartheshwar Temple, Near Law Garden, Ellisbridge, Ahmedabad - 380 006.
Corporate Office: 'Axis House', C-2, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai - 400 025.
CIN: L65110GJ1993PLC020769, Phone: 079-26409322, Fax: 079-26409321, Email: shareholders@axisbank.com

UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER ENDED 30TH JUNE, 2018

	PARTICULARS	FOR THE QUARTER ENDED 30.06.2018	FOR THE QUARTER ENDED 31.03.2018	FOR THE QUARTER ENDED 30.06.2017	FOR THE YEAR ENDED 31.03.2018
		(Unaudited)	(Audited refer note 2)	(Unaudited)	(Audited)
			(₹ in millions)		
1.	Interest earned (a)+(b)+(c)+(d)	1,277,70	1,177,12	1,105,25	4,578,03
(a)	Interest/discount on advances/bills	961,15	875,30	821,06	3,413,75
(b)	Income on Investments	268,25	257,44	241,79	998,33
(c)	Interest on balances with Reserve Bank of India and other inter-bank funds	12,46	10,79	11,27	38,78
(d)	Others	35,84	33,59	31,13	127,17
2.	Other Income (Refer note 3)	292,50	278,87	299,98	1,096,71
3.	TOTAL INCOME (1+2)	1,570,20	1,455,99	1,405,23	5,674,74
4.	Interest Expended	761,02	704,08	643,63	2,716,26
5.	Operating expenses (i)+(ii)	371,98	384,69	332,48	1,399,03
(i)	Employees cost	122,78	107,89	108,83	431,29
(ii)	Other operating expenses	249,20	276,80	223,65	967,74
6.	TOTAL EXPENDITURE (4+5) (Excluding Provisions and Contingencies)	1,133,00	1,088,77	976,11	4,115,29
7.	OPERATING PROFIT (3-6) (Profit before Provisions and Contingencies)	437,20	367,22	429,12	1,559,45
8.	Provisions (other than tax) and Contingencies (Net)	333,77	717,95	234,19	1,547,29
9.	Exceptional Items	–	–	–	–
10.	Profit/(Loss) from Ordinary Activities before Tax (7-8-9)	103,43	(350,73)	194,92	12,16
11.	Tax expense	33,33	(131,86)	64,36	(15,41)
12.	Net Profit/(Loss) from Ordinary Activities after Tax (10-11)	70,11	(218,87)	130,56	27,57
13.	Extraordinary Items (net of tax expense)	–	–	–	–
14.	Net Profit/(Loss) for the period (12-13)	70,11	(218,87)	130,56	27,57
15.	Paid-up equity share capital (Face value ₹2/- per share)	51,36	51,33	47,94	51,33
16.	Reserves excluding revaluation reserves				6,293,20
17.	Analytical Ratios				
(i)	Percentage of Shares held by Government of India	Nil	Nil	NIL	Nil
(ii)	Capital Adequacy Ratio				
	- Basel III	16.57%	16.57%	16.36%	16.57%
(iii)	Earnings per Share (EPS) for the period/year (before and after extraordinary items)				
	- Basic	2.73	(8.53)	5.45	1.13
	- Diluted	2.72	(8.51)	5.43	1.12
(iv)	NPA Ratios				
	(a) Amount of Gross Non Performing assets	3,266,24	3,424,86	2,203,09	3,424,86
	(b) Amount of Net Non Performing assets	1,490,16	1,659,17	976,60	1,659,17
	(c) % of Gross NPAs	6.52	6.77	5.03	6.77
	(d) % of Net NPAs	3.09	3.40	2.30	3.40
(v)	Return on Assets (annualized)	0.40	(1.31)	0.87	0.04

Notes:

1. Statement of Assets and Liabilities as on 30th June, 2018 is given below.

Particulars	As on 30.06.2018	As on 31.03.2018	As on 30.06.2017
	(Unaudited)	(Audited)	(Unaudited)
		(₹ in millions)	
CAPITAL AND LIABILITIES			
Capital	51,36	51,33	47,94
Reserves and Surplus	6,367,25	629,320	5,663,32
Deposits	44,707,93	45,362,27	39,374,08
Borrowings	15,222,71	14,801,61	1,295,277
Other Liabilities and Provisions	2,919,34	2,624,55	2,633,72
TOTAL	**69,268,59**	**69,132,96**	**60,671,83**
ASSETS			
Cash and Balances with Reserve Bank of India	2,763,78	3,548,11	2435,07
Balances with Banks and Money at Call and Short Notice	1,214,87	797,38	756,92
Investments	15,461,36	15,387,61	14,183,88
Advances	44,107,45	43,965,03	38,548,05
Fixed Assets	396,85	397,17	385,97
Other Assets	5,324,28	5,037,66	4,361,94
TOTAL	**69,268,59**	**69,132,96**	**60,671,83**

2. The figures of last quarter for the previous year are the balancing figures between the audited figures in respect of the full financial year and the published year to date figures up to the end of third quarter of the previous year.

3. 'Other income' includes gains from securities' transactions, commission earned from guarantees/letters of credit, fees earned from providing services to customers, selling of third party products, ATM sharing fees.

4. During the quarter ended 30th June, 2018, the Bank has allotted 14,01,750 equity shares pursuant to the exercise of options under its Employee Stock Option Scheme.

5. In accordance with RBI circular DBR.No.BP.BC.1/21.06.201/2015-16 dated 1st July, 2015 on 'Basel III Capital Regulations' and RBI circular DBR.No.BP.BC.80/21.06.201/2014-15 dated 31st March, 2015 on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards Amendments', banks are required to make Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel III framework. The Bank has made these disclosures which are available on its website at the following link: http://www.axisbank.com/investor-corner/baselIII-disclosures.aspx. The disclosures have not been subjected to audit or limited review by the statutory auditors of the Bank.

6. The above results have been approved by the Board of Directors of the Bank at its meeting held at Mumbai today.

7. These results for the quarter ended 30th June, 2018 have been subjected to a "Limited Review" by the statutory auditors of the Bank.

8. Previous period figures have been regrouped and reclassified, where necessary, to make them comparable with current period figures.

Axis Bank Limited
Segmental Results

		FOR THE QUARTER ENDED 30.06.2018	FOR THE QUARTER ENDED 31.03.2018	FOR THE QUARTER ENDED 30.06.2017	FOR THE YEAR ENDED 31.03.2018
		(Unaudited)	(Audited refer note 2 above)	(Unaudited)	(Audited)
			(₹ in millions)		
1	**Segment Revenue**				
A	Treasury	1,725,88	1,656,56	1,587,51	6,430,06
B	Corporate/Wholesale Banking	674,71	589,42	559,49	2,282,19
C	Retail Banking	1,107,50	1,045,80	970,63	4,063,40
D	Other Banking Business	20,50	31,57	22,98	107,76
	Total	**3,528,59**	**3,323,35**	**3,140,61**	**12,883,41**
	Less : Inter segment revenue	1,958,39	1,867,36	1,735,38	7,208,67
	Income from Operations	**1,570,20**	**1,455,99**	**1,405,23**	**5,674,74**
2	**Segment Results After Provisions & Before Tax**				
A	Treasury	32,79	20,57	126,59	308,98
B	Corporate/Wholesale Banking	2,65	(432,24)	15,01	(592,50)
C	Retail Banking	56,28	33,26	33,36	200,10
D	Other Banking Business	11,71	27,68	19,96	95,58
	Total Profit Before Tax	**103,43**	**(350,73)**	**194,92**	**12,16**
3	**Segment Assets**				
A	Treasury	22,955,97	22,832,22	20,264,91	22,832,22
B	Corporate/Wholesale Banking	22,139,05	22,375,46	20,461,31	22,375,46
C	Retail Banking	23,245,40	22,971,08	19,316,52	22,971,08
D	Other Banking Business	48,86	69,06	67,79	69,06
E	Unallocated	879,31	885,14	561,30	885,14
	Total	**69,268,59**	**69,132,96**	**60,671,83**	**69,132,96**
4	**Segment Liabilities**				
A	Treasury	25,258,50	23,081,88	20,854,77	23,081,88
B	Corporate/Wholesale Banking	10,116,02	13,283,68	10,076,05	13,283,68
C	Retail Banking	27,399,25	26,338,05	24,024,13	26,338,05
D	Other Banking Business	5,20	2,51	4,09	2,51
E	Unallocated	71,01	82,31	1,53	82,31
	Total	**62,849,98**	**62,788,43**	**54,960,57**	**62,788,43**
5	**Capital and Other Reserves**	**6,418,61**	**6,344,53**	**5,711,26**	**6,344,53**
6	**Total (4 + 5)**	**69,268,59**	**69,132,96**	**60,671,83**	**69,132,96**

Note:

1. Previous period figures have been regrouped and reclassified, where necessary, to make them comparable with current period figures.

For and on behalf of the Board

Place: Mumbai
Date: 30th July, 2018

SHIKHA SHARMA
MD & CEO

www.axisbank.com

INDEPENDENT AUDITOR'S REPORT

To the Members of Axis Bank Limited

Report on the Financial Statements

We have audited the accompanying standalone financial statements of Axis Bank Limited (the 'Bank'), which comprise the Balance Sheet as at March 31, 2018, the Profit and Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, provision of section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Bank has in place an adequate internal financial controls system over financial reporting and the effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements together with the notes give the information required by the Banking Regulation Act, 1949 as well as the Act, in the manner so required 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, its profit and cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.

2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated 3 August 2017, we report that:

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

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

    (c) The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; we have visited 220 branches for the purpose of our audit.

3. Further, as required by section 143 (3) of the Companies Act, 2013, we further report that:

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

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

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

    (d) 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 and the Companies (Accounting Standards) Amendment Rules, 2016;

(e) On the basis of written representations received from the directors as on March 31, 2018, and 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;

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

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

   i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Schedule 12.I and 18.1.2.15 (a) to the standalone financial statements;

   ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 18.1.2.15 (b) to the standalone financial statements; and

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank;

For **S.R. Batliboi & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749

Place of Signature: Mumbai
Date: 26 April 2018

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF AXIS BANK LIMTED

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

To the Members of Axis Bank Limited

We have audited the internal financial controls over financial reporting of Axis 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

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

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

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 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 S.R. Batliboi & CO. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749

Place of Signature: Mumbai

Date: 26 April 2018

BALANCE SHEET AS AT 31 MARCH, 2018

	Schedule No.	As at 31-03-2018 (₹ in millions)	As at 31-03-2017 (₹ in millions)
CAPITAL AND LIABILITIES			
Capital	1	**5,133**	4,790
Reserves & Surplus	2	**629,320**	552,835
Deposits	3	**4,536,227**	4,143,788
Borrowings	4	**1,480,161**	1,050,309
Other Liabilities and Provisions	5	**262,455**	262,955
TOTAL		**6,913,296**	6,014,677
ASSETS			
Cash and Balances with Reserve Bank of India	6	**354,811**	308,579
Balances with Banks and Money at Call and Short Notice	7	**79,738**	193,983
Investments	8	**1,538,761**	1,287,934
Advances	9	**4,396,503**	3,730,693
Fixed Assets	10	**39,717**	37,469
Other Assets	11	**503,766**	456,019
TOTAL		**6,913,296**	6,014,677
Contingent Liabilities	12	**7,352,977**	6,696,258
Bills for Collection		**495,656**	810,554
Significant Accounting Policies and Notes to Accounts	17 & 18		

Schedules referred to above form an integral part of the Balance Sheet

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2018

		Schedule No.	Year ended 31-03-2018	Year ended 31-03-2017
			(₹ in millions)	(₹ in millions)
I	**INCOME**			
	Interest earned	13	**457,803**	445,421
	Other income	14	**109,671**	116,913
	TOTAL		**567,474**	562,334
II	**EXPENDITURE**			
	Interest expended	15	**271,626**	264,490
	Operating expenses	16	**139,903**	121,999
	Provisions and contingencies	18 (2.1.1)	**153,188**	139,052
	TOTAL		**564,717**	525,541
III	**NET PROFIT FOR THE YEAR (I – II)**		**2,757**	36,793
	Balance in Profit & Loss Account brought forward from previous year		**244,484**	237,665
IV	**AMOUNT AVAILABLE FOR APPROPRIATION**		**247,241**	274,457
V	**APPROPRIATIONS:**			
	Transfer to Statutory Reserve		**689**	9,198
	Transfer to/(from) Investment Reserve		**1,035**	(872)
	Transfer to Capital Reserve	18 (2.2.1)	**1,017**	7,556
	Transfer to Reserve Fund	18 (2.2.2)	**16**	18
	Dividend paid (includes tax on dividend)	18 (2.2.5)	**14,053**	14,074
	Balance in Profit & Loss Account carried forward		**230,431**	244,484
	TOTAL		**247,241**	274,458
VI	**EARNINGS PER EQUITY SHARE**	18 (2.2.3)		
	(Face value ₹2/- per share) (Rupees)			
	Basic		**1**	15
	Diluted		**1**	15
	Significant Accounting Policies and Notes to Accounts	17 & 18		

Schedules referred to above form an integral part of the Profit and Loss Account

In terms of our report attached.

For S. R. Batliboi & Co. LLP
ICAI Firm Registration No.: 301003E/
E300005
Chartered Accountants

Viren H. Mehta
Partner

Date : 26 April, 2018

Place: Mumbai

For Axis Bank Ltd.

Sanjiv Misra
Chairman

Shikha Sharma
Managing Director & CEO

V. Srinivasan
Deputy Managing Director

Rajiv Anand
Executive Director (Retail Banking)

Rajesh Dahiya
Executive Director (Corporate Centre)

Prasad R. Menon

Samir K. Barua

Som Mittal

Rohit Bhagat

Usha Sangwan

S. Vishvanathan

Rakesh Makhija

Ketaki Bhagwati

B. Babu Rao

Girish V. Koliyote
Company Secretary

Jairam Sridharan
Chief Financial Officer

Stephen Pagliuca
Directors

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH, 2018

	Year ended 31-03-2018 (₹ in millions)	Year ended 31-03-2017 (₹ in millions)
Cash flow from operating activities		
Net profit before taxes	**1,216**	54,676
Adjustments for:		
Depreciation on fixed assets	**5,681**	5,088
Depreciation on investments	**(2,110)**	2,387
Amortisation of premium on Held to Maturity investments	**2,819**	1,353
Provision for Non Performing Assets (including bad debts)	**165,987**	111,571
Provision on standard assets	**(1,350)**	3,484
Provision on unhedged foreign currency exposure	**(93)**	(139)
(Profit)/loss on sale of fixed assets (net)	**164**	36
Provision for country risk	**(199)**	199
Provision for restructured assets/strategic debt restructuring/sustainable structuring	**(3,072)**	2,905
Provision for other contingencies	**(4,434)**	762
	164,609	182,322
Adjustments for:		
(Increase)/Decrease in investments	**(174,381)**	132,717
(Increase)/Decrease in advances	**(811,748)**	(444,184)
Increase /(Decrease) in deposits	**392,439**	564,112
(Increase)/Decrease in other assets	**(16,147)**	(96,324)
Increase/(Decrease) in other liabilities & provisions	**8,354**	54,111
Direct taxes paid	**(30,059)**	(50,831)
Net cash flow from operating activities	**(466,933)**	341,923
Cash flow from investing activities		
Purchase of fixed assets	**(8,224)**	(7,427)
(Increase)/Decrease in Held to Maturity investments	**(89,689)**	(117,858)
Purchase of Freecharge business	**(3,955)**	–
Increase in Investment in Subsidiaries	**(3,250)**	(1,168)
Decrease in Investment in Subsidiaries	**–**	84
Proceeds from sale of fixed assets	**115**	65
Net cash used in investing activities	**(105,003)**	(126,304)

	Year ended 31-03-2018 (₹ in millions)	Year ended 31-03-2017 (₹ in millions)
Cash flow from financing activities		
Proceeds from issue of subordinated debt, perpetual debt & upper Tier II instruments (net of repayment)	81,109	55,459
Increase/(Decrease) in borrowings (excluding subordinated debt, perpetual debt & upper Tier II instruments)	348,744	(90,954)
Proceeds from issue of share capital	343	24
Proceeds from share premium (net of share issue expenses)	87,865	3,256
Payment of dividend	(14,053)	(14,074)
Net cash generated from financing activities	504,008	(46,289)
Effect of exchange fluctuation translation reserve	(85)	(22)
Net increase in cash and cash equivalents	(68,013)	169,308
Cash and cash equivalents at the beginning of the year	502,562	333,254
Cash and cash equivalents at the end of the year	434,549	502,562

Notes to the Cash Flow Statement:

1. Cash and cash equivalents includes the following

	Year ended 31-03-2018	Year ended 31-03-2017
Cash and Balances with Reserve Bank of India (Refer Schedule 6)	354,811	308,579
Balances with Banks and Money at Call and Short Notice (Refer Schedule 7)	79,738	193,983
Cash and cash equivalents at the end of the year	434,549	502,562

2. Amount of Corporate Social Responsibility related expenses spent during the year in cash ₹1,265 millions (previous year ₹1,096 millions)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2018

SCHEDULE 1 – CAPITAL

	As at 31-03-2018 (₹ in millions)	As at 31-03-2017 (₹ in millions)
Authorised Capital		
4,250,000,000 (Previous year - 4,250,000,000) Equity Shares of ₹2/- each	**8,500**	8,500
Issued, Subscribed and Paid-up capital		
2,566,538,936 (Previous year - 2,395,036,109) Equity Shares of ₹2/- each fully paid-up [refer Schedule 18 (1.1)]	**5,133**	4,790

SCHEDULE 2 – RESERVES AND SURPLUS

		As at 31-03-2018 (₹ in millions)	As at 31-03-2017 (₹ in millions)
I.	**Statutory Reserve**		
	Opening Balance	**115,071**	105,873
	Additions during the year	**689**	9,198
		115,760	115,071
II.	**Share Premium Account**		
	Opening Balance	**170,026**	166,770
	Additions during the year	**88,123**	3,256
	Less: Share issue expenses	**(258)**	–
		257,891	170,026
III.	**Investment Reserve Account**		
	Opening Balance	**–**	872
	Additions during the year	**1,035**	–
	Deductions during the year	**–**	(872)
		1,035	–
IV.	**General Reserve**		
	Opening Balance	**3,543**	3,543
	Additions during the year	**–**	–
		3,543	3,543
V.	**Capital Reserve**		
	Opening Balance	**18,656**	11,100
	Additions during the year [Refer Schedule 18 (2.2.1)]	**1,017**	7,556
		19,673	18,656

	As at 31-03-2018 (₹ in millions)	As at 31-03-2017 (₹ in millions)
VI. Foreign Currency Translation Reserve [Refer Schedule 17 (4.5)]		
Opening Balance	**996**	1,019
Additions during the year	**–**	–
Deductions during the year	**(84)**	(23)
	912	996
VII. Reserve Fund		
Opening Balance	**59**	42
Additions during the year [Refer Schedule 18 (2.2.2)]	**16**	17
	75	59
VIII. Balance in Profit & Loss Account	**230,431**	244,484
TOTAL	**629,320**	552,835

SCHEDULE 3 – DEPOSITS

	As at 31-03-2018 (₹ in millions)	As at 31-03-2017 (₹ in millions)
A. I. Demand Deposits		
(i) From banks	**58,821**	47,949
(ii) From others	**897,674**	822,068
II. Savings Bank Deposits	**1,482,021**	1,260,483
III. Term Deposits		
(i) From banks	**125,624**	112,243
(ii) From others	**1,972,087**	1,901,045
TOTAL	**4,536,227**	4,143,788
B. I. Deposits of branches in India	**4,513,154**	4,108,879
II. Deposits of branches outside India	**23,073**	34,909
TOTAL	**4,536,227**	4,143,788

SCHEDULE 4 – BORROWINGS

		As at 31-03-2018	As at 31-03-2017
		(₹ in millions)	**(₹ in millions)**
I.	Borrowings in India		
	(i) Reserve Bank of India	**61,000**	–
	(ii) Other banks #	**12,017**	22,265
	(iii) Other institutions & agencies **	**687,948**	488,558
II.	Borrowings outside India $	**719,196**	539,486
	TOTAL	**1,480,161**	1,050,309
	Secured borrowings included in I & II above	**65,837**	13,811

Borrowings from other banks include Subordinated Debt of ₹350 millions (previous year ₹350 millions) in the nature of Non-Convertible Debentures and Perpetual Debt of ₹500 millions (previous year NIL) [Also refer Note 18 (2.1.2)]

** Borrowings from other institutions & agencies include Subordinated Debt of ₹2,11,700 millions (previous year ₹1,61,700 millions) in the nature of Non-Convertible Debentures and Perpetual Debt of ₹69,500 millions (previous year ₹35,000 millions) [Also refer Note 18 (2.1.2)]

$ Borrowings outside India include Upper Tier II instruments of Nil (previous year ₹3,891 millions) [Also refer Note 18 (2.1.2)]

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

		As at 31-03-2018	As at 31-03-2017
		(₹ in millions)	**(₹ in millions)**
I.	Bills payable	**49,176**	39,525
II.	Inter-office adjustments (net)	**–**	–
III.	Interest accrued	**30,349**	19,615
IV.	Proposed dividend (includes tax on dividend) [Refer Schedule 18(2.2.5)]	**–**	–
V.	Contingent provision against standard assets	**22,075**	23,386
VI.	Others (including provisions)	**160,855**	180,429
	TOTAL	**262,455**	262,955

SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA

		As at 31-03-2018	As at 31-03-2017
		(₹ in millions)	**(₹ in millions)**
I.	Cash in hand (including foreign currency notes)	**52,581**	63,579
II.	Balances with Reserve Bank of India		
	(i) in Current Account	**208,230**	183,000
	(ii) in Other Accounts	**94,000**	62,000
	TOTAL	**354,811**	308,579

SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

	As at 31-03-2018 (₹ in millions)	As at 31-03-2017 (₹ in millions)
I. In India		
(i) Balance with Banks		
(a) in Current Accounts	**1,199**	1,424
(b) in Other Deposit Accounts	**30,987**	19,595
(ii) Money at Call and Short Notice		
(a) With banks	**–**	–
(b) With other institutions	**–**	143,222
TOTAL	**32,186**	164,241
II. Outside India		
(i) in Current Accounts	**20,263**	9,689
(ii) in Other Deposit Accounts	**11,538**	14,755
(iii) Money at Call & Short Notice	**15,751**	5,298
TOTAL	**47,552**	29,742
GRAND TOTAL (I+II)	**79,738**	193,983

SCHEDULE 8 – INVESTMENTS

	As at 31-03-2018 (₹ in millions)	As at 31-03-2017 (₹ in millions)
I. Investments in India in -		
(i) Government Securities ##	**1,013,546**	905,981
(ii) Other approved securities	**–**	–
(iii) Shares	**15,255**	13,228
(iv) Debentures and Bonds	**306,538**	264,849
(v) Investment in Subsidiaries/Joint Ventures	**17,931**	10,727
(vi) Others (Mutual Fund units, CD/CP, PTC etc.)	**152,548**	64,196
Total Investments in India	**1,505,818**	1,258,981
II. Investments outside India in -		
(i) Government Securities (including local authorities)	**26,984**	24,098
(ii) Subsidiaries and/or joint ventures abroad	**2,996**	2,996
(iii) Others (Equity Shares and Bonds)	**2,963**	1,859
Total Investments outside India	**32,943**	28,953
GRAND TOTAL (I+II)	**1,538,761**	1,287,934

Includes securities costing ₹2,75,884 millions (previous year ₹2,71,797 millions) pledged for availment of fund transfer facility, clearing facility and margin requirements

SCHEDULE 9 – ADVANCES

				As at 31-03-2018 (₹ in millions)	As at 31-03-2017 (₹ in millions)
A.	(i)	Bills purchased and discounted		**128,131**	67,496
	(ii)	Cash credits, overdrafts and loans repayable on demand		**1,381,342**	1,042,273
	(iii)	Term loans #		**2,887,030**	2,620,924
	TOTAL			**4,396,503**	3,730,693
B.	(i)	Secured by tangible assets $		**3,094,017**	2,840,548
	(ii)	Covered by Bank/Government Guarantees &&		**37,503**	63,995
	(iii)	Unsecured		**1,264,983**	826,150
	TOTAL			**4,396,503**	3,730,693
C.	I.	Advances in India			
		(i)	Priority Sector	**986,081**	938,738
		(ii)	Public Sector	**48,271**	29,135
		(iii)	Banks	**32,205**	7,234
		(iv)	Others	**2,792,293**	2,273,892
	TOTAL			**3,858,850**	3,248,999
	II.	Advances Outside India			
		(i)	Due from banks	**78,991**	26,861
		(ii)	Due from others -		
			(a) Bills purchased and discounted	**32,721**	25,448
			(b) Syndicated loans	**77,652**	91,278
			(c) Others	**348,289**	338,107
	TOTAL			**537,653**	481,694
	GRAND TOTAL (CI+CII)			**4,396,503**	3,730,693

\# Net of borrowings under Inter Bank Participation Certificate (IBPC) ₹13,990 millions (previous year Nil), includes lending under IBPC ₹13,033 millions (previous year Nil)

$ Includes advances against book debts

&& Includes advances against L/Cs issued by banks

SCHEDULE 10 – FIXED ASSETS

		As at 31-03-2018 (₹ in millions)	As at 31-03-2017 (₹ in millions)
I.	**Premises**		
	Gross Block		
	At cost at the beginning of the year	**18,331**	18,290
	Additions during the year	**–**	42
	Deductions during the year	**–**	–
	TOTAL	**18,331**	18,332
	Depreciation		
	As at the beginning of the year	**1,165**	861
	Charge for the year	**305**	305
	Deductions during the year	**–**	–
	Depreciation to date	**1,470**	1,166
	Net Block	**16,861**	17,166
II.	**Other fixed assets (including furniture & fixtures)**		
	Gross Block		
	At cost at the beginning of the year	**45,796**	39,665
	Additions during the year	**7,573**	6,646
	Deductions during the year	**(1,165)**	(515)
	TOTAL	**52,204**	45,796
	Depreciation		
	As at the beginning of the year	**28,303**	23,932
	Charge for the year	**5,376**	4,783
	Deductions during the year	**(870)**	(413)
	Depreciation to date	**32,809**	28,302
	Net Block	**19,395**	17,494
III.	**CAPITAL WORK-IN-PROGRESS (including capital advances)**	**3,461**	2,809
	GRAND TOTAL (I+II+III)	**39,717**	37,469

SCHEDULE 11 – OTHER ASSETS

		As at 31-03-2018 (₹ in millions)	As at 31-03-2017 (₹ in millions)
I.	Inter-office adjustments (net)	–	–
II.	Interest Accrued	56,655	52,440
III.	Tax paid in advance/tax deducted at source (net of provisions)	17,449	4,101
IV.	Stationery and stamps	4	20
V.	Non banking assets acquired in satisfaction of claims	22,086	22,086
VI.	Others #@	407,572	377,372
	TOTAL	**503,766**	456,019

Includes deferred tax assets of ₹68,764 millions (previous year ₹50,622 millions) [Refer Schedule 18 (2.2.10)]

@ Includes Priority Sector Shortfall Deposits of ₹2,14,793 millions (previous year ₹1,71,071 millions)

SCHEDULE 12 – CONTINGENT LIABILITIES

		As at 31-03-2018 (₹ in millions)	As at 31-03-2017 (₹ in millions)
I.	Claims against the Bank not acknowledged as debts	5,169	4,702
II.	Liability for partly paid investments	216	–
III.	Liability on account of outstanding forward exchange and derivative contracts:		
	a) Forward Contracts	3,148,019	2,681,952
	b) Interest Rate Swaps, Currency Swaps, Forward Rate Agreement & Interest Rate Futures	1,960,694	2,011,142
	c) Foreign Currency Options	593,426	493,833
	Total (a+b+c)	**5,702,139**	5,186,927
IV.	Guarantees given on behalf of constituents		
	In India	762,934	763,736
	Outside India	86,820	47,580
V.	Acceptances, endorsements and other obligations	324,101	335,367
VI.	Other items for which the Bank is contingently liable	471,598	357,946
	GRAND TOTAL (I+II+III+IV+V+VI) [Refer Schedule 18 (2.2.15)]	**7,352,977**	6,696,258

SCHEDULE 13 – INTEREST EARNED

		Year ended 31-03-2018 (₹ in millions)	Year ended 31-03-2017 (₹ in millions)
I.	Interest/discount on advances/bills	341,375	331,250
II.	Income on investments	99,833	96,228
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	3,878	5,038
IV.	Others	12,717	12,905
	TOTAL	**457,803**	445,421

SCHEDULE 14 – OTHER INCOME

		Year ended 31-03-2018 (₹ in millions)	Year ended 31-03-2017 (₹ in millions)
I.	Commission, exchange and brokerage	77,299	70,283
II.	Profit/(Loss) on sale of investments (net) [Refer Schedule 18(2.2.1)]	13,251	31,738
III.	Profit/(Loss) on sale of fixed assets (net)	(164)	(36)
IV.	Profit on exchange/derivative transactions (net)	14,287	10,802
V.	Income earned by way of dividends etc. from subsidiaries/companies and/or joint venture abroad/in India	2,561	1,833
VI.	Miscellaneous Income [including recoveries on account of advances/investments written off in earlier years ₹1,829 millions (previous year ₹1,819 millions) and net loss on account of portfolio sell downs/securitisation ₹6 millions (previous year net profit of ₹38 millions)]	2,437	2,293
	TOTAL	**109,671**	116,913

SCHEDULE 15 – INTEREST EXPENDED

		Year ended 31-03-2018 (₹ in millions)	Year ended 31-03-2017 (₹ in millions)
I.	Interest on deposits	191,735	196,396
II.	Interest on Reserve Bank of India/Inter-bank borrowings	17,983	18,358
III.	Others	61,908	49,736
	TOTAL	**271,626**	264,490

SCHEDULE 16 – OPERATING EXPENSES

		Year ended 31-03-2018 (₹ in millions)	Year ended 31-03-2017 (₹ in millions)
I.	Payments to and provisions for employees	43,130	38,919
II.	Rent, taxes and lighting	10,017	9,346
III.	Printing and stationery	1,646	1,860
IV.	Advertisement and publicity	1,536	1,303
V.	Depreciation on bank's property	5,681	5,088
VI.	Directors' fees, allowance and expenses	23	25
VII.	Auditors' fees and expenses	19	18
VIII.	Law charges	200	109
IX.	Postage, telegrams, telephones etc.	3,120	3,041
X.	Repairs and maintenance	8,292	8,565
XI.	Insurance	5,535	5,015
XII.	Other expenditure	60,704	48,710
	TOTAL	**139,903**	121,999

17 Significant accounting policies for the year ended 31 March, 2018

1 Background

Axis Bank Limited ('the Bank') was incorporated in 1993 and provides a complete suite of corporate and retail banking products. The Bank is primarily governed by the Banking Regulation Act, 1949. The Bank has overseas branches at Singapore, Hong Kong, DIFC – Dubai, Shanghai and Colombo. During the year, the Bank opened an Offshore Banking Unit at International Financial Service Centre (IFSC), Gujarat International Finance Tec-City (GIFT City), Gandhinagar, India.

2 Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles in India to comply with the statutory requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India.

3 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) at the date of the financial statements, revenues and expenses during the reporting period. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

4 Significant accounting policies

4.1 Investments

Classification

In accordance with the RBI guidelines, investments are classified at the time of purchase as:

- Held for Trading ('HFT');
- Available for Sale ('AFS'); and
- Held to Maturity ('HTM').

Investments that are held principally for sale within a short period are classified as HFT securities. As per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities.

Investments that the Bank intends to hold till maturity are classified under the HTM category. Investments in the equity of subsidiaries/joint ventures are categorised as HTM in accordance with the RBI guidelines.

All other investments are classified as AFS securities.

However, for disclosure in the Balance Sheet, investments in India are classified under six categories – Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/Joint Ventures and Others.

Investments made outside India are classified under three categories – Government Securities, Subsidiaries and/or Joint Ventures abroad and Others.

Transfer of security between categories

Transfer of security between categories of investments is accounted as per the RBI guidelines.

Acquisition cost

Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the Profit and Loss Account.

Broken period interest is charged to the Profit and Loss Account.

Cost of investments is computed based on the weighted average cost method.

Valuation

Investments classified under the HTM category are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period remaining to maturity on a constant yield to maturity basis. In terms of RBI guidelines, discount on securities held under HTM category is not accrued and such securities are held at the acquisition cost till maturity.

Investments classified under the AFS and HFT categories are marked to market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association of India ('FIMMDA')/Financial Benchmark India Private Limited ('FBIL'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in the Profit and Loss Account. The net appreciation if any, under each category of each investment classification is ignored. The depreciation on securities acquired by way of conversion of outstanding loans is provided in accordance with the RBI guidelines. The book value of individual securities is not changed consequent to the periodic valuation of investments. Non-performing investments are identified and provision is made thereon as per RBI guidelines.

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

Units of mutual funds are valued at the latest repurchase price/net asset value declared by the mutual fund.

Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

- the market/fair value of unquoted government securities which are in the nature of Statutory Liquidity Ratio ('SLR') securities included in the AFS and HFT categories is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA/FBIL

- in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the YTM for Government Securities as published by FIMMDA/PDAI/FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA/FBIL is adopted for this purpose;

- in case of bonds and debentures (including Pass Through Certificates) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;

- equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1 per company;

- units of Venture Capital Funds ('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. Investment in unquoted VCF after 23 August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines and

- In case of investments in security receipts on or after 1 April, 2017 which are backed by more than 50 percent of the stressed assets sold by the Bank, provision for depreciation in value is made at the is higher of – provisioning rate required in terms of net asset value declared by the Reconstruction Company ('RC')/Securitisation Company ('SC') or the provisioning rate as per the extant asset classification and provisioning norms as applicable to the underlying loans, assuming that the loan notionally continued in the books of the bank. All other investments in security receipts are valued as per the NAV obtained from the issuing RC/SCs.

Investments in subsidiaries/joint ventures are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.

Realised gains on investments under the HTM category are recognised in the Profit and Loss Account and subsequently appropriated to Capital Reserve account (net of taxes and transfer to statutory reserves) in accordance with the RBI guidelines. Losses are recognised in the Profit and Loss Account. Realised gains/losses on investments under the AFS and HFT category are recognised in the Profit and Loss Account.

All investments are accounted for on settlement date, except investments in equity shares which are accounted for on trade date.

Repurchase and reverse repurchase transactions

Repurchase and reverse repurchase transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The short positions are reflected in 'Securities Short Sold ('SSS') A/c', specifically created for this purpose. Such short positions are categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked-to-market along with the other securities under HFT portfolio and the resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of investments discussed earlier.

4.2 Advances

Advances are classified into performing and non-performing advances ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates, specific provisions made towards NPAs, interest in suspense for NPAs, claims received from Export Credit Guarantee Corporation, provisions for funded interest on term loan classified as NPAs, provisions in lieu of diminution in the fair value of restructured assets and floating provisions.

NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country. Provisions for NPAs are made for sub-standard and doubtful assets at rates as prescribed by the RBI with the exception for agriculture advances and schematic retail advances. In respect of schematic retail advances, provisions are made in terms of a bucket-wise policy upon reaching specified stages of delinquency (90 days or more of delinquency) under each type of loan, which satisfies the RBI prudential norms on provisioning. Provisions in respect of agriculture advances classified into sub-standard and doubtful assets are made at rates which are higher than those prescribed by the RBI. Provisions for advances booked in overseas branches, which are standard as per the RBI guidelines but are classified as NPAs based on host country guidelines, are made as per the host country regulations.

Restructured assets are classified and provided for in accordance with the guidelines issued by RBI from time to time. In addition to the above, the Bank on a prudential basis, makes provision for expected losses against advances or other exposures to specific assets/industry/sector either on a case-by-case basis or for a group of assets, based on specific information or general economic environment. These are classified as contingent provision and included under Schedule 5 – Other Liabilities in the Balance Sheet.

Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines.

Amounts recovered against debts written off are recognised in the Profit and Loss account.

The Bank holds provision in accordance with the RBI guidelines, on assets where change in ownership under Strategic Debt Restructuring (SDR) scheme/Outside SDR scheme has been implemented or Scheme for Sustainable Structuring of Stressed Asset (S4A) has been implemented. In respect of borrowers classified as non-cooperative and willful defaulters, the Bank makes accelerated provisions as per extant RBI guidelines.

For entities with Unhedged Foreign Currency Exposure (UFCE), provision is made in accordance with the guidelines issued by RBI, which requires to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position. This provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank maintains a general provision on standard advances at the rates prescribed by RBI. In case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or RBI.

Under its home loan portfolio, the Bank offers housing loans with certain features involving waiver of Equated Monthly Installments ('EMIs') of a specific period subject to fulfilment of a set of conditions by the borrower. The Bank makes provision against the probable loss that could be incurred in future on account of waivers to eligible borrowers in respect of such loans based on actuarial valuation conducted by an independent actuary. This provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

4.3 Country risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the net funded exposure of the Bank in respect of each country does not exceed 1% of the total assets, no provision is maintained on such country exposure in accordance with RBI guidelines.

4.4 Securitisation

The Bank enters into purchase/sale of corporate and retail loans through direct assignment/Special Purpose Vehicle ('SPV'). In most cases, post securitisation, the Bank continues to service the loans transferred to the assignee/SPV. The Bank also provides credit enhancement in the form of cash collaterals and/or by subordination of cash flows to Senior Pass Through Certificate ('PTC') holders. In respect of credit enhancements provided or recourse obligations (projected delinquencies, future servicing etc.) accepted by the Bank, appropriate provision/disclosure is made at the time of sale in accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.

In accordance with RBI guidelines of 7 May, 2012, on 'Guidelines on Securitisation of Standard Assets', gain on securitisation transaction is recognised over the period of the underlying securities issued by the SPV as prescribed under RBI guidelines. Loss on securitisation is immediately debited to the Profit and Loss Account.

4.5 Foreign currency transactions

In respect of domestic operations, transactions denominated in foreign currencies are accounted for at the rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated at the Balance Sheet date at rates notified by Foreign Exchange Dealers Association of India ('FEDAI'). All profits/losses resulting from year end revaluations are recognised in the Profit and Loss Account.

Financial statements of foreign branches classified as non-integral foreign operations as per the RBI guidelines are translated as follows:

- Assets and liabilities (both monetary and non-monetary as well as contingent liabilities) are translated at closing exchange rates notified by FEDAI at the Balance Sheet date.

- Income and expenses are translated at the rates prevailing on the date of the transactions.

- All resulting exchange differences are accumulated in a separate 'Foreign Currency Translation Reserve' till the disposal of the net investments. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Outstanding forward exchange contracts including tom/spot contracts (excluding currency swaps undertaken to hedge foreign currency assets/liabilities and funding swaps which are not revalued) are revalued at year end on PV basis by discounting the forward value till spot date and converting the FCY amount using the respective spot rates as notified by FEDAI. The resulting gains or losses on revaluation are included in the Profit and Loss Account in accordance with RBI/ FEDAI guidelines.

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

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

4.6 Derivative transactions

Derivative transactions comprise of forward contracts, swaps and options which are disclosed as contingent liabilities. The forwards, swaps and options are categorised as trading or hedge transactions. Trading derivative contracts are revalued at the Balance Sheet date with the resulting unrealised gain or loss being recognised in the Profit and Loss Account and correspondingly in other assets (representing positive Mark-to-Market) and in other liabilities (representing negative Mark-to-Market (MTM)) on a gross basis. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge swaps are accounted for on accrual basis except in case of swaps designated with an asset or liability that is carried at market value or lower of cost or market value in the financial statements. In such cases the swaps are marked-to-market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Pursuant to the RBI guidelines any receivables under derivative contracts comprising of crystallised receivables as well as positive Mark-to-Market (MTM) in respect of future receivables which remain overdue for more than 90 days are reversed through the Profit and Loss account and are held in separate Suspense Account.

Currency futures contracts are marked-to-market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed based on the last half an hour weighted average price of such contracts, the final settlement price is taken as the RBI reference rate on the last trading day of the futures contracts or as may be specified by the relevant authority from time to time. All open positions are marked-to-market based on the settlement price and the resultant marked-to-market profit/loss is daily settled with the exchange.

Valuation of Exchange Traded Currency Options (ETCO) is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures (IRF) is carried out on the basis of the daily settlement price of each contract provided by the exchange.

4.7 Revenue recognition

Interest income is recognised on an accrual basis in accordance with AS–9, Revenue Recognition as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014, the Companies (Accounting Standards) Amendment Rules, 2016 and the RBI guidelines, except in the case of interest income on non-performing assets and loans under Strategic Debt Restructuring (SDR) scheme and Scheme for Sustainable Structuring of Stressed Asset (S4A) of RBI, where it is recognised on receipt basis if overdue for more than 90 days,. Income on non-coupon bearing discounted instruments or low-coupon bearing instruments is recognised over the tenor of the instrument on a constant yield basis.

Guarantee commission is recognized on a pro-rata basis over the period of the guarantee. Locker rent and annual fees for credit cards are recognised on a straight-line basis over the period of contract. Arrangership/syndication fee is accounted for on completion of the agreed service and when right to receive is established. Other fees and commission income are recognised when due.

Interest income on investments in PTCs is recognized on a constant yield basis.

Dividend is accounted on an accrual basis when the right to receive the dividend is established.

Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.

Fees paid/received for Priority Sector Lending Certificates ('PSLC') is amortised on straight-line basis over the tenor of the certificate.

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e. book value less provisions held), the shortfall is charged to the Profit and Loss Account. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

The Bank deals in bullion business on a consignment basis. The difference between the price recovered from customers and cost of bullion is accounted for at the time of sale to the customers. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

4.8 *Fixed assets and depreciation/impairment*

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes initial handling and delivery charges, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Depreciation is provided over the estimated useful life of a fixed asset on the straight-line method from the date of addition. The management believes that depreciation rates currently used, fairly reflect its estimate of the useful lives and residual values of fixed assets based on historical experience of the Bank, though these rates in certain cases are different from lives prescribed under Schedule II of Companies Act, 2013.

Asset	Estimated useful life
Owned premises	60 years
Computer hardware including printers	3 years
Application software	5 years
Vehicles	4 years
EPABX, telephone instruments	8 years
CCTV and video conferencing equipment	3 years
Mobile phone	2 years
Locker cabinets/cash safe/strong room door	10 years
Modem, scanner, routers, hubs, switches, racks/cabinets for IT equipment	5 years
UPS, VSAT, fax machines	5 years
Cheque book/cheque encoder, currency counting machine, fake note detector	5 years
Assets at staff residence	3 years
All other fixed assets	10 years

Depreciation on assets sold during the year is recognised on a pro-rata basis to the Profit and Loss Account till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account (net of taxes and transfer to statutory reserve) in accordance with RBI instructions.

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

4.9 Non-banking assets

Non-banking assets ('NBAs') acquired in satisfaction of claims are carried at lower of net book value and net realizable value.

4.10 Lease transactions

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

4.11 Retirement and other employee benefits

Provident Fund

Retirement benefit in the form of provident fund is a defined benefit plan wherein the contributions are charged to the Profit and Loss Account of the year when the contributions to the fund are due and when services are rendered by the employees. Further, an actuarial valuation is conducted by an independent actuary using the Projected Unit Credit Method as at 31 March each year to determine the deficiency, if any, in the interest payable on the contributions as compared to the interest liability as per the statutory rate. Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Gratuity

The Bank contributes towards gratuity fund (defined benefit retirement plan) administered by various insurers for eligible employees. Under this scheme, the settlement obligations remain with the Bank, although various insurers administer the scheme and determine the contribution premium required to be paid by the Bank. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Bank. Liability with regard to gratuity fund is accrued based on actuarial valuation conducted by an independent actuary using the Projected Unit Credit Method as at 31 March each year. In respect of employees at overseas branches (other than expatriates) liability with regard to gratuity is provided on the basis of a prescribed method as per local laws, wherever applicable. Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Compensated Absences

The Bank provides for compensated absences based on actuarial valuation conducted by an independent actuary. The actuarial valuation is carried out as per the Projected Unit Credit Method as at 31 March each year. Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Superannuation

Employees of the Bank are entitled to receive retirement benefits under the Bank's Superannuation scheme either under a cash-out option through salary or under a defined contribution plan. Through the defined contribution plan, the Bank contributes annually a specified sum of 10% of the employee's eligible annual basic salary to LIC, which undertakes to pay the lump sum and annuity benefit payments pursuant to the scheme. Superannuation contributions are recognised in the Profit and Loss Account in the period in which they accrue.

New Pension Scheme ('NPS')

In respect of employees who opt for contribution to the 'NPS', the Bank contributes certain percentage of the total basic salary of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies. NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue.

4.12 Reward points

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. In addition, the Bank continues to grant reward points in respect of certain credit cards (not covered under the loyalty program). The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

4.13 Taxation

Income tax expense is the aggregate amount of current tax and deferred tax charge. Current year taxes are determined in accordance with the relevant provisions of Income tax Act, 1961. Deferred income 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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off assets against liabilities representing current tax and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws.

Deferred tax assets are recognised 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 realised. The impact of changes in the deferred tax assets and liabilities is recognised in the Profit and Loss Account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realised against future profits.

4.14 Share issue expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

4.15 Earnings per share

The Bank reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end except where the results are anti-dilutive.

4.16 Employee stock option scheme

The 2001 Employee Stock Option Scheme ('the Scheme') provides for grant of stock options on equity shares of the Bank to employees and Directors of the Bank and its subsidiaries. The Scheme is in accordance with the Securities and Exchange Board of India (SEBI) (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the Guidelines'). These Guidelines have been repealed in the month of October, 2014 and were substituted by Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Scheme is in compliance with the said regulations. The Bank follows the intrinsic value method to account for its stock based employee compensation plans as per the Guidelines. Options are granted at an exercise price, which is equal to/less than the fair market price of the underlying equity shares. The excess of such fair market price over the exercise price of the options as at the grant date, if any, is recognised as a deferred compensation cost and amortised on a straight-line basis over the vesting period of such options.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

4.17 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its 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.

A disclosure of contingent liability is made when there is:

- 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

- 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.

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.

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

4.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

(Currency: In Indian Rupees)

1.1 During the year, the Bank raised additional equity capital through a preferential allotment of 165,328,892 shares at a price of ₹525.00 per share. As a consequence, the paid-up share capital of the Bank has increased by ₹331 millions and the reserves of the Bank have increased by ₹86,207 millions after charging off issue related expenses. Further, the Bank also allotted 45,357,385 convertible warrants carrying a right to the convertible warrant holder to apply for, get issued and allotted one (1) equity share of the Bank of face value ₹2 each, for cash, at a price of ₹565.00 per share against which the Bank has received an amount of ₹6,407 millions upfront representing 25% of the warrant price. The convertible warrants are exercisable upto 18 months from the date of allotment. The funds mobilised from the equity raising were utilised for enhancing the capital adequacy ratio and for general corporate purposes.

2.1 Statutory disclosures as per RBI

2.1.1 'Provisions and contingencies' recognised in the Profit and Loss Account comprise of:

For the year ended	**31 March, 2018**	**31 March, 2017**
	(₹ in. millions)	
Provision for income tax		
– Current tax	**16,712**	49,889
– Deferred tax (Refer 2.2.10)	**(18,253)**	(32,006)
	(1,541)	17,883
Provision for non-performing assets (including bad debts written off and write backs)	**165,987**	111,571
Provision for restructured assets/strategic debt restructuring/sustainable structuring	**(3,072)**	2,905
Provision towards standard assets	**(1,350)**	3,485
Provision for depreciation in value of investments	**(2,110)**	2,387
Provision for unhedged foreign currency exposure	**(93)**	(139)
Provision for country risk	**(199)**	199
Provision for other contingencies*	**(4,434)**	761
Total	**153,188**	139,052

* includes contingent provision for advances/other exposures, legal cases and other contingencies

2.1.2 The capital adequacy ratio of the Bank, calculated as per the RBI guidelines (under Basel III) is set out below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Common Equity Tier I	**604,764**	525,558
Tier I	**674,763**	560,393
Tier II	**182,986**	145,659
Total capital	**857,749**	706,052
Total risk weighted assets and contingents	**5,176,308**	4,723,132
Capital ratios		
Common Equity Tier I	**11.68%**	11.13%
Tier I	**13.04%**	11.87%
Tier II	**3.53%**	3.08%
CRAR	**16.57%**	14.95%
Amount of equity capital raised	331*	–
Amount of additional Tier I capital raised of which:		
Perpetual Non-Cumulative Preference Shares (PNCPS)	–	–
Perpetual Debt Instruments (PDI) (details given below)	35,000	35,000
Amount of Tier II capital raised of which:		
Debt capital instrument (details given below)	50,000	42,300
Preferential capital instrument	–	–

* excluding securities premium of ₹86,467 millions

During the year ended 31 March, 2018, the Bank raised debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Subordinated debt	Tier-II	15 June, 2027	120 months	7.66%	₹50,000 million
Perpetual debt	Additional Tier I	–*	–	8.75%	₹35,000 million

* Call option on expiry of 60 months from the date of allotment

During the year ended 31 March, 2017, the Bank raised debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Perpetual debt	Additional Tier-I	–*	–	8.75%	₹35,000 million
Subordinated debt	Tier-II	27 May, 2026	120 months	8.50%	₹24,300 million
Subordinated debt	Tier-II	23 November, 2026	120 months	7.84%	₹18,000 million

* Call option on expiry of 60 months from the date of allotment

During the year ended 31 March, 2018, the Bank redeemed debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Upper Tier-II	Tier-II	28 June, 2017*	180 months	7.125%	$60 million

* represents call date

During the year ended 31 March, 2017, the Bank redeemed debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Subordinated debt	Tier-II	28 June, 2016	120 months	9.10%	₹1,049 million
Upper Tier-II	Tier-II	11 August, 2016*	180 months	7.25%	$150 million
Perpetual debt	Tier-I	30 September, 2016*	–	10.05%	₹2,140 million
Perpetual debt	Tier-I	16 November, 2016*	–	7.17%	$46 million
Upper Tier-II	Tier-II	24 November, 2016*	180 months	9.35%	₹2,000 million
Upper Tier-II	Tier-II	6 February, 2017*	180 months	9.50%	₹1,075 million
Subordinated debt	Tier-II	30 March, 2017	120 months	10.10%	₹2,509 million

* represents call date

2.1.3 The key business ratios and other information is set out below:

As at	31 March, 2018	31 March, 2017
	%	%
Interest income as a percentage to working funds#	**7.15**	7.88
Non-interest income as a percentage to working funds#	**1.71**	2.07
Operating profit as a percentage to working funds#	**2.43**	3.11
Return on assets (based on working funds#)	**0.04**	0.65
Business (deposits less inter-bank deposits plus advances) per employee**	**₹148 millions**	₹140 millions
Profit per employee**	**₹0.047 millions**	₹0.668 millions
Net non-performing assets as a percentage of net customer assets *	**3.40**	2.11

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

* Net Customer assets include advances and credit substitutes

** Productivity ratios are based on average employee numbers for the year

2.1.4 The provisioning coverage ratio of the Bank computed in terms of the RBI guidelines as on 31 March, 2018 was 65.05% (previous year 64.79%).

2.1.5 Asset Quality

i) Net non-performing advances to net advances is set out below:

	31 March, 2018	31 March, 2017
	%	%
Net non-performing advances as a percentage of net advances	**3.64**	2.27

ii) Movement in gross non-performing assets is set out below:

	31 March, 2018			
	Advances	**Investments**	**Others**	**Total**
	(₹ in millions)			
Gross NPAs as at the beginning of the year	200,457	12,348	–	212,805
Intra Category Transfer	(5,379)	5,379	–	–
Additions (fresh NPAs) during the year[@]	312,185	22,005	–	334,190
Sub-total (A)	**507,263**	**39,732**	**–**	**546,995**
Less:-				
(i) Upgradations[@]	47,401	1,697	–	49,098
(ii) Recoveries (excluding recoveries made from upgraded accounts)[#]	38,360	172	–	38,532
(iii) Technical/Prudential Write-offs	97,740	3,762	–	101,502
(iv) Write-offs other than those under (iii) above[#]	14,999	378	–	15,377
Sub-total (B)	**198,500**	**6,009**	**–**	**204,509**
Gross NPAs as at the end of the year (A-B)	**308,763**	**33,723**	**–**	**342,486**

[#] including sale of NPAs

[@] Over the quarters ended 31 December, 2017 and 31 March, 2018, the Bank has changed its practice of reporting additions and upgradations to NPAs considering the days past due status of an account at the end of each day as against at the end of each quarter of a financial year, followed hitherto. Accordingly, the additions/upgradations to NPAs for FY 2017-18 shown above reflect this change prospectively over the respective periods.

	31 March, 2017			
	Advances	**Investments**	**Others***	**Total**
	(₹ in millions)			
Gross NPAs as at the beginning of the year	58,485	2,390	–	60,875
Intra Category Transfer	(422)	457	(35)	–
Additions (fresh NPAs) during the year	198,578	19,205	35	217,818
Sub-total (A)	**256,641**	**22,052**	**–**	**278,693**
Less:-				
(i) Upgradations	18,065	5,593	–	23,658
(ii) Recoveries (excluding recoveries made from upgraded accounts)[#]	18,248	1,762	–	20,010
(iii) Technical/Prudential Write-offs	4,690	350	–	5,040
(iv) Write-offs other than those under (iii) above[#]	15,181	2,000	–	17,181
Sub-total (B)	**56,184**	**9,705**	**–**	**65,889**
Gross NPAs as at the end of the year (A-B)	**200,457**	**12,347**	**–**	**212,804**

* represents amount outstanding under application money classified as non-performing asset

[#] including sale of NPAs

iii) Movement in net non-performing assets is set out below:

	31 March, 2018			
	Advances	Investments	Others	Total
	(₹ in millions)			
Opening balance at the beginning of the year	84,872	1,394	–	86,266
Additions during the year	155,393	7,422	–	162,815
Effect of exchange rate fluctuation	(57)	(19)	–	(76)
Reductions during the year	(82,022)	(2,538)	–	(84,560)
Interest Capitalisation – Restructured NPA Accounts	1,858	(386)	–	1,472
Closing balance at the end of the year#	**160,044**	**5,873**	**–**	**165,917**

\# net of balance outstanding in interest capitalisation-restructured NPA accounts amounting to ₹3,010 millions

	31 March, 2017			
	Advances	Investments	Others	Total
	(₹ in millions)			
Opening balance at the beginning of the year	25,186	36	–	25,222
Additions during the year	100,007	11,386	–	111,393
Effect of exchange rate fluctuation	901	(6)	–	895
Reductions during the year	(39,775)	(8,707)	–	(48,482)
Interest Capitalisation – Restructured NPA Accounts	(1,447)	(1,315)	–	(2,762)
Closing balance at the end of the year#	**84,872**	**1,394**	**–**	**86,266**

\# net of balance outstanding in interest capitalisation-restructured NPA accounts amounting to ₹4,482 millions

iv) Movement in provisions for non-performing assets is set out below:

	31 March, 2018			
	Advances	Investments	Others	Total
	(₹ in millions)			
Opening balance at the beginning of the year	112,448	9,609	–	122,057
Intra-Category Transfer	(4,347)	4,347	–	–
Provisions made during the year	155,432	15,615	–	171,047
Effect of exchange rate fluctuation	57	19	–	76
Transfer from restructuring provision	329	–	–	329
Write-offs/(write back) of excess provision*	(116,478)	(3,471)	–	(119,949)
Closing balance at the end of the year	**147,441**	**26,119**	**–**	**173,560**

* includes provision utilised for sale of NPAs amounting to ₹5,521 millions

	31 March, 2017			
	Advances	Investments	Others	Total
	(₹ in millions)			
Opening balance at the beginning of the year	31,610	2,324	–	33,934
Intra-Category Transfer	(422)	457	(3.35)	–
Provisions made during the year	97,981	7,819	3.35	105,835
Effect of exchange rate fluctuation	(901)	06	–	(895)
Transfer from restructuring provision	591	–	–	591
Write-offs/(write back) of excess provision*	(16,410)	(997)	–	(17,407)
Closing balance at the end of the year	**112,449**	**9,609**	**–**	**122,058**

* includes provision utilised for sale of NPAs amounting to ₹9,642 millions

v) Movement in technical/prudential written off accounts is set out below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Opening balance at the beginning of the year	**32,211**	36,272
Add: Technical/Prudential write-offs during the year*	**101,501**	5,040
Sub-total (A)	**133,712**	41,312
Less: Recovery made from previously technical/prudential written-off accounts during the year	**913**	3,393
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	**586**	5,708
Sub-total (B)	**1,499**	9,101
Closing balance at the end of the year (A-B)	**132,213**	32,211

* includes effect of exchange fluctuation for foreign currency loans written off in earlier years

vi) Total exposure to top four non-performing assets is given below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Total exposure to top four NPA accounts	**53,401**	49,839

vii) Sector-wise advances:

(₹ in millions)

Sr. No.	Sector	31 March, 2018 Outstanding Total Advances	31 March, 2018 Gross NPAs	31 March, 2018 % of Gross NPAs to Total Advances in that sector	31 March, 2017 Outstanding Total Advances	31 March, 2017 Gross NPAs	31 March, 2017 % of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	**Agriculture and allied activities**	**276,364**	**10,864**	**3.93%**	**258,827**	**8,405**	**3.25%**
2	**Advances to industries sector eligible as priority sector lending**	**235,206**	**8,705**	**3.70%**	**203,010**	**6,305**	**3.11%**
	– Chemical & Chemical products	19,425	452	2.33%	–*	–*	–*
	– Basic Metal & Metal Products	20,767	561	2.70%	18,243	544	2.98%
	– Infrastructure	5,930	296	4.99%	5,492	220	4.00%
3	**Services**	**171,921**	**5,834**	**3.39%**	**159,046**	**4,280**	**2.69%**
	– Professional Services	–*	–*	–*	7,254	96	1.32%
	– Banking and Finance other than NBFCs and MFs	20,426	824	4.03%	34,965	1,071	3.06%
	– Non-banking financial companies (NBFCs)	13,600	–	–	17,991	–	–
	– Commercial Real Estate	2,424	459	18.93%	2,265	68	3.00%
	–Trade	103,430	3,928	3.80%	75,543	2,647	3.50%
4	**Personal loans**	**316,433**	**5,305**	**1.68%**	**329,033**	**2,503**	**0.76%**
	– Consumer Durables	28,838	577	2.00%	38019	260	0.68%
	– Housing	248,590	2,480	1.00%	231,733	1,235	0.53%
	– Vehicle Loans	32,265	1,781	5.52%	–*	–*	–*
	Sub-total (A)	**999,924**	**30,708**	**3.07%**	**949,916**	**21,493**	**2.26%**
B	**Non Priority Sector**						
1	**Agriculture and allied activities**	–	–	–	–	–	–
2	**Industry**	**1,326,777**	**228,655**	**17.23%**	**1,245,570**	**132,950**	**10.67%**
	– Chemical & Chemical products	138,693	7,790	5.62%	–*	–*	–*
	– Basic Metal & Metal Products	1,93,410	36,009	18.62%	236,508	41,033	17.35%
	– Infrastructure	378,865	112,113	29.59%	426,216	34,055	7.99%
3	**Services**	**906,360**	**35,637**	**3.93%**	**670,395**	**36,888**	**5.50%**
	– Professional Services	–*	–*	–*	77,197	15,946	20.66%
	– Banking and Finance other than NBFCs and MFs	310,244	–	–	115,258	–	–
	– Non-banking financial companies (NBRFs)	108,753	55	0.05%	87,626	–	–
	– Commercial Real Estate	160,949	14,691	9.13%	140,224	5,623	4.01%
	– Trade	122,399	5,149	4.07%	111,677	3,327	2.98%
4	**Personal loans**	**1,312,448**	**13,764**	**1.05%**	**981,354**	**9,127**	**0.93%**
	– Consumer Durables	135,777	1,277	0.94%	97,128	641	0.66%
	– Housing	591,791	7,855	1.33%	516,479	3,707	0.72%
	– Vehicle Loans	150,103	1,716	1.14%	–*	–*	–*
	Sub-total (B)	**3,545,584**	**278,056**	**7.84%**	**2,897,319**	**178,965**	**6.18%**
	Total (A+B)	**4,545,509**	**308,763**	**6.79%**	**3,847,235**	**200,458**	**5.21%**

Classification of advances into sector is based on Sector wise Industry Bank Credit return submitted to RBI

Figures in italics represent sub-sectors where the outstanding advance exceeds 10% of total outstanding advance to that sector.

* does not exceed 10% of total advances to sector as on 31st March

viii) Divergence in Asset Classification and Provisioning for NPAs

- The Bank classifies advances into performing and non-performing advances (NPAs) as per the RBI guidelines. NPAs are identified and provided for based on RBI's Prudential Norms on Income Recognition, Asset Classification and Provisioning.

- Based on application of RBI's prudential norms as stated above, the Bank classified and made the prescribed provisions against the NPAs as at the end of 31 March, 2017.

- As part of its Risk Based Supervision exercise for FY 2016-17 the RBI pointed out certain modifications in the Banks' asset classification and provisioning as detailed in the table below:

Sr. No.	**Particulars**	**(₹ in millions)**
1	Gross NPAs as on 31 March, 2017, as reported by the Bank	212,805
2	Gross NPAs as on 31 March, 2017, as assessed by RBI	269,133
3	**Divergence in Gross NPAs (2-1)**	56,328
4	Net NPAs as on 31 March, 2017, as reported by the Bank	86,266
5	Net NPAs as on 31 March, 2017, as assessed by RBI	129,437
6	**Divergence in Net NPAs (5-4)**	43,171
7	Provisions for NPAs as on 31 March, 2017, as reported by the Bank	122,057
8	Provisions for NPAs as on 31 March, 2017, as assessed by RBI	135,214
9	**Divergence in provisioning (8-7)**	13,157
10	**Reported Net Profit after Tax (PAT) for the year ended 31 March, 2017**	36,793
11	**Adjusted (notional) Net Profit after Tax (PAT) for the year ended 31 March, 2017 after taking into account the divergence in provisioning**	27,940

- The Bank has duly considered the impact of the above in the Financial Statements for the year ended 31 March, 2018.

2.1.6 During the years ended 31 March, 2018 and 31 March, 2017; none of the loans and advances held at overseas branches of the Bank have been classified as NPA by any host banking regulator for reasons other than record of recovery.

2.1.7 Movement in floating provision is set out below:

For the year ended	**31 March, 2018**	**31 March, 2017**
	(₹ in millions)	
Opening balance at the beginning of the year	**33**	33
Provisions made during the year	**–**	–
Draw down made during the year	**–**	–
Closing balance at the end of the year	**33**	33

The Bank has not made any draw down out of the floating provision during the current and the previous year.

2.1.8 Provision on Standard Assets

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Provision towards Standard Assets [includes ₹266 millions (previous year ₹37.60 crores) of standard provision on derivative exposures]	**22,075**	23,386

2.1.9 Details of Investments are set out below:

i) Value of Investments:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
1) Gross value of Investments		
a) In India	1,532,470	1,272,488
b) Outside India	34,954	29,154
2) (i) Provision for Depreciation		
a) In India	(2,545)	(4,099)
b) Outside India	–	–
(ii) Provision for Non-Performing Investments		
a) In India	(24,107)	(9,409)
b) Outside India	(2,012)	(200)
3) Net value of Investments		
a) In India	1,505,818	1,258,980
b) Outside India	32,943	28,954

ii) Movement of provisions held towards depreciation on investments:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Opening balance	4,098	2,226
Add: Provisions made during the year	1,016	3,162
Less: Write offs/write back of excess provisions during the year	(2,569)	(1,290)
Closing balance	2,545	4,098

iii) Details of category wise investments are set out below:

	31 March, 2018				31 March, 2017			
Particulars	**HTM**	**AFS**	**HFT**	**Total**	**HTM**	**AFS**	**HFT**	**Total**
				(₹ in millions)				
Government Securities	887,121	138,361	15,047	1,04,053	800,243	120,207	9,629	930,079
Other approved Securities	–	–	–	–	–	–	–	–
Shares	–	16,129	–	16,129	–	13,262	–	13,262
Debentures and Bonds	–	245,317	63,310	308,627	–	255,463	11,211	266,674
Subsidiary/Joint Ventures	20,927	–	–	20,927	13,723	–	–	13,723
Others	67	59,324	93,158	152,548	76	53,311	10,810	64,196
Total	908,115	459,131	171,515	1,538,761	814,042	442,243	31,650	1,287,934

2.1.10 A summary of lending to sensitive sectors is set out below:

As at	31 March, 2018	31 March, 2017
	(₹ in millions)	
A. Exposure to Real Estate Sector		
1) Direct Exposure		
(i) Residential mortgages	1,021,521	899,044
- of which housing loans eligible for inclusion in priority sector advances	264,145	235,057
(ii) Commercial real estate	293,289	253,303
(iii) Investments in Mortgage Backed Securities (MBS) and other securtised exposures –		
a. Residential	–	–
b. Commercial real estate	750	750
2) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	205,227	116,802
Total Exposure to Real Estate Sector	1,520,787	1,269,899
B. Exposure to Capital Market		0
1. Direct investments 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*	25,105	14,293
2. 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	47	29
3. 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	16,498	13,467
4. 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 primary security other than shares/convertible bonds/convertible debentures/units of equity-oriented mutual funds does not fully cover the advances	30,745	43,370
5. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	50,019	51,046
6. 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	61	2
7. Bridge loans to companies against expected equity flows/issues	61	252
8. Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds	–	–
9. Financing to stock brokers for margin trading	–	–
10. All exposures to Venture Capital Funds (both registered and unregistered)	1,182	268
Total exposure to Capital Market (Total of 1 to 10)	123,718	122,727

* excludes investment in equity shares on account of conversion of debt into equity as part of restructuring amounting to ₹18,380 millions as on 31 March, 2018 (previous year ₹12,581 millions) which are exempted from exposure to Capital Market

2.1.11 As on 31 March, 2018, outstanding receivables acquired by the Bank under factoring stood at ₹2,187 millions (previous year ₹71 millions) which are reported under 'Bills Purchased and Discounted' in Schedule 9 of the Balance Sheet.

2.1.12 During the years ended 31 March, 2018 and 31 March, 2017 there are no unsecured advances for which intangible securities such as charge over the rights, licenses, authority etc. has been taken as collateral by the Bank.

2.1.13 Details of Non-SLR investment portfolio are set out below:

i) Issuer composition as at 31 March, 2018 of non-SLR investments*:

No.	Issuer	Total Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated" securities	Extent of "unlisted" securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
				(₹ in millions)		
i.	Public Sector Units	82,878	72,905	6,613	–	5,052
ii.	Financial Institutions	32,938	14,873	3	–	3,477
iii.	Banks	39,520	15,374	1,494	–	28,752
iv.	Private Corporates	320,000	230,270	11,477	8,665	126,223
v.	Subsidiaries	20,927	20,927	–	–	20,927
vi.	Others	57,614	36,621	–	–	37,576
vii.	Provision held towards depreciation on investments	(2,543)				
viii	Provision held towards non performing investments	(26,119)				
	Total	**525,215**	**390,970**	**19,587**	**8,665**	**222,007**

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

Issuer composition as at 31 March, 2017 of non-SLR investments*:

No.	Issuer	Total Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated" securities	Extent of "unlisted" securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
				(₹ in millions)		
i.	Public Sector Units	85,870	75,339	1,755	–	65
ii.	Financial Institutions	59,012	42,476	3	–	39,071
iii.	Banks	24,210	15,824	1,028	–	–
iv.	Private Corporates	1,72,105	1,44,520	13,531	7,513	39,517
v.	Subsidiaries	14,294	14,294	–	–	13,723
vi.	Others	40,170	22,102	–	–	23,822
vii.	Provision held towards depreciation on investments	(4,099)				
viii	Provision held towards non performing investments	(9,609)				
	Total	**3,81,953**	**3,14,555**	**16,317**	**7,513**	**1,16,198**

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

* excludes investments in non-SLR government securities amounting to ₹425 millions (previous year ₹6,040 millions)

ii) Movement in non-performing non SLR investments are set out below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Opening balance	12,348	2,390
Additions during the year	27,384	19,662
Reductions during the year	(6,009)	(9,704)
Closing balance	33,723	12,348
Total provisions held	26,119	9,609

2.1.14 Details of securities sold/purchased (in face value terms) under repos/reverse repos including LAF and MSF transactions:

Year ended 31 March, 2018

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31 March, 2018
	(₹ in millions)			
Securities sold under repos				
i. Government Securities	–	1,26,831	35,785	64,884
ii. Corporate debt Securities	–	26,750	10,234	–
Securities purchased under reverse repos				
i. Government Securities	–	1,91,404	16,547	88,021
ii. Corporate debt Securities	–	500	3	–

There have been no defaults in making the same set of securities available at the time of 2nd leg settlement of the Term Reverse Repo during the year ended 31 March, 2018.

Year ended 31 March, 2017

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31 March, 2017
	(₹ in millions)			
Securities sold under repos				
i. Government Securities	–	3,13,728	82,206	445
ii. Corporate debt Securities	–	13,650	8,448	13,650
Securities purchased under reverse repos				
i. Government Securities	–	2,32,604	50,632	1,91,404
ii. Corporate debt Securities	–	–	–	–

There have been no defaults in making the same set of securities available at the time of 2nd leg settlement of the Term Reverse Repo during the year ended 31 March, 2017.

2.1.15 Details of financial assets sold to Securitisation/Reconstruction companies for Asset Reconstruction:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Number of accounts*	**43^**	39
Aggregate value (net of provisions) of accounts sold	419	29,604
Aggregate consideration#	675	24,756
Additional consideration realised in respect of accounts transferred in earlier years	–	–
Aggregate gain/(loss) over net book value	256	(4,848)

* Excludes 5 accounts already written-off (previous year 15 accounts)

^ Includes 1 account where debt has been acquired by Reconstruction company as a part of resolution plan under Insolvency and Bankruptcy Code

Value of security receipts received as a part of the consideration has been initially recognised at lower of net book value of the financial asset or redemption value of the security receipts as per RBI guidelines

In accordance with the RBI guidelines on sale of NPAs, banks have the dispensation of amortising the shortfall on sale of NPAs to Securitisation/Reconstruction companies, if the sale value is lower than the net book value, over the period specified therein. The Bank has not amortised any such shortfall arising during the years ended 31 March, 2018 and 31 March, 2017.

	Backed by NPAs sold by the Bank as underlying		Backed by NPAs sold by other banks/financial institutions/non-banking financial companies as underlying		Total	
Particulars	**As on 31 March, 2018**	**As on 31 March, 2017**	**As on 31 March, 2018**	**As on 31 March, 2017**	**As on 31 March, 2018**	**As on 31 March, 2017**
			(₹ in millions)			
Book value of investments in Security Receipts (‘SRs’)	29,184	15,178*	56	77	29,240	15,254

* excludes application money of ₹14,204 millions

	As on 31 March, 2018		
Particulars	**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**
		(₹ in millions)	
(i) Book value of SRs backed by NPAs sold by the bank as underlying	29,181	3	–
Provisions held against (i)	–	–	–
(ii) Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	43	13	–
Provisions held against (ii)	–	–	–
Total (i) + (ii)	**29,224**	16	–

	As at March 31, 2017		
Particulars	**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**
		(₹ in millions)	
(i) Book value of SRs backed by NPAs sold by the bank as underlying	15,175	3	–
Provisions held against (i)	–	–	–
(ii) Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	70	7	–
Provisions held against (ii)	–	–	–
Total (i) + (ii)	15,245	10	–

2.1.16 Details of the Non-Performing Financial Assets sold to other banks (excluding securitisation/reconstruction companies):

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Number of accounts sold	**2**	–
Aggregate outstanding*	7,341	–
Aggregate consideration received	6,153	–

* Represents principal outstanding as on date of sale

During the years ended 31 March, 2018 and 31 March, 2017 there were no Non-Performing Financial Assets purchased by the Bank from other banks (excluding securitisation/reconstruction companies).

2.1.17 Details of securitisation transactions undertaken by the Bank are as follows:

Sr. No.	Particulars	31 March, 2018	31 March, 2017
		(₹ in millions)	
1	No. of SPVs sponsored by the bank for securitisation transactions	–	–
2	Total amount of securitised assets as per books of the SPVs sponsored by the Bank	–	–
3	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	First loss	–	–
	Others	–	–
	b) On-balance sheet exposures		
	First loss	–	–
	Others	–	–
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitizations		
	First loss	–	–
	Loss	–	–
	ii) Exposure to third party securitisations		
	First loss	–	–
	Others	–	–
	b) On-balance sheet exposures		
	i) Exposure to own securitizations		
	First loss	–	–
	Loss	–	–
	ii) Exposure to third party securitisations		
	First loss	–	–
	Others	–	–

2.1.18 The information on concentration of deposits is given below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Total deposits of twenty largest depositors	5,18,866	4,80,818
Percentage of deposits of twenty largest depositors to total deposits	**11.44**	11.60

2.1.19 The information on concentration of advances* is given below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Total advances to twenty largest borrowers	6,65,974	6,50,554
Percentage of advances to twenty largest borrowers to total advances of the Bank	**10.27**	11.13

* Advances represent credit exposure (funded and non-funded) including derivative exposure as defined by RBI

2.1.20 The information on concentration of exposure* is given below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Total exposure to twenty largest borrowers/customers	9,56,104	8,32,299
Percentage of exposures to twenty largest borrowers/customers to total exposure on borrowers/customers	**13.21**	13.06

* Exposure includes credit exposure (funded and non-funded), derivative exposure, investment exposure (including underwriting and similar commitments) and deposits placed for meeting short fall in Priority Sector Lending

2.1.21 During the year ended 31 March, 2018, the Bank's credit exposure to single borrower was within the prudential exposure limits except in one case, where the single borrower limit was exceeded upto an additional exposure of 5% with the approval of the Committee of Directors.

The details of such case are set out below :

Name of the Borrower	Reliance Industries Limited
Period	August, 2017
Original exposure ceiling	1,18,658 millions
Limit Sanctioned	1,58,210 millions
% of excess limit sanctioned over original ceiling	33.33%
Exposure ceiling as on 31 March, 2018	1,31,655 millions
Exposure as on 31 March, 2018	1,12,457 millions

During the year ended 31 March, 2018, the Bank's credit exposure to group borrowers was within the prudential exposure limits prescribed by RBI.

During the year ended 31 March, 2017, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

2.1.22 Details of Risk Category wise Country Exposure:

Risk Category	**Exposure (Net) as at 31 March, 2018**	**Provision Held as at 31 March, 2018**	**Exposure (Net) as at 31 March, 2017**	**Provision Held as at 31 March, 2017**
	(₹ in millions)			
Insignificant	–	–	–	–
Low	2,53,910	–	2,91,448	199
Moderate	30,498	–	23,011	–
High	40,951	–	40,149	–
Very High	5,736	–	3,386	–
Restricted	3	–	3	–
Off-Credit	–	–	–	–
Total	3,31,098	–	3,57,997	199

2.1.23 A maturity pattern of certain items of assets and liabilities at 31 March, 2018 and 31 March, 2017 is set out below:

As at 31 March, 2018

	Deposits	Advances*	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
			(₹ in millions)			
1 day	93,066	26,629	3,31,161	–	47,695	2,165
2 days to 7 days	2,32,493	70,408	22,670	83,039	56,715	27,293
8 days to 14 days	80,901	33,117	56,077	12,451	15,605	15,179
15 days to 30 days	1,29,376	1,21,930	40,628	27,713	77,763	28,542
31 days and upto 2 months	2,40,116	1,01,345	59,208	64,682	42,942	72,301
Over 2 months and upto 3 months	2,56,958	1,09,196	75,380	67,960	32,858	79,228
Over 3 months and upto 6 months	3,51,968	1,88,350	79,919	1,98,466	65,428	1,74,142
Over 6 months and upto 1 year	6,69,590	2,60,286	1,70,636	2,26,315	87,592	1,95,175
Over 1 year and upto 3 years	3,55,698	7,47,759	1,67,845	3,01,127	1,41,997	2,10,082
Over 3 years and upto 5 years	1,64,364	5,82,335	96,534	2,31,990	1,11,541	96,644
Over 5 years	19,61,698	21,55,148	4,38,703	2,66,418	2,60,617	27,555
Total	45,36,227	43,96,503	15,38,761	14,80,161	9,40,753	9,28,306

As at 31 March, 2017

	Deposits	Advances*	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
			(₹ in millions)			
1 day	55,611	47,381	1,90,387	–	2,329	46,827
2 days to 7 days	1,61,546	29,425	41,197	8,310	15,124	15,792
8 days to 14 days	86,193	24,781	20,557	8,282	10,360	9,762
15 days to 30 days	1,27,067	1,13,828	27,766	34,292	35,474	64,590
31 days and upto 2 months	1,88,992	77,135	40,023	50,504	38,100	27,955
Over 2 months and upto 3 months	1,96,901	1,02,553	40,645	80,520	62,874	53,145
Over 3 months and upto 6 months	4,46,671	1,96,170	84,365	1,64,141	1,30,013	59,261
Over 6 months and upto 1 year	6,71,572	2,38,197	1,48,085	1,98,888	2,02,268	89,534
Over 1 year and upto 3 years	3,28,407	6,50,175	1,36,011	1,05,733	64,422	1,21,644
Over 3 years and upto 5 years	70,365	4,81,601	69,435	1,68,061	1,02,263	79,334
Over 5 years	18,10,464	17,69,447	4,89,463	2,31,578	31,882	1,27,595
Total	41,43,788	37,30,693	12,87,934	10,50,309	6,95,109	6,95,439

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities is excluding off balance sheet items.

* For the purpose of disclosing the maturity pattern, loans and advances that have been subject to risk participation vide Inter-Bank Participation Certificates ('IBPCs') and Funded Risk Participation ('FRPs') have been classified in the maturity bucket corresponding to the contractual maturities of such underlying loans and advances gross of any risk participation. The IBPC and FRP amounts have been classified in the respective maturities of the corresponding underlying loans.

2.1.24 Disclosure on Restructured Assets

Details of loans subjected to restructuring during the year ended 31 March, 2018 are given below:

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	15	–	16	9	40	–	–	–	–	–
	Amount Outstanding – Restructured facility	10,991	–	15,462	4,188	30,641	–	–	–	–	–
	Amount Outstanding – Other facility	4,420	–	3,583	3,285	11,288	–	–	–	–	–
	Provision thereon	367	–	489	–	856	–	–	–	–	–
Movement in balance for accounts appearing under opening balance	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	117	–	(1,088)	8	(963)	–	–	–	–	–
	Amount Outstanding – Other facility	(672)	–	137	–	(535)	–	–	–	–	–
	Provision thereon	(158)	–	(301)	–	(459)	–	–	–	–	–
Fresh Restructuring during the year [1,2]	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Other facility	500	–	–	–	500	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Upgradation to restructured standard category during the FY	No. of borrowers	1	–	(1)	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	357	–	(357)	–	–	–	–	–	–	–
	Amount Outstanding – Other facility	311	–	(311)	–	–	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(2)				(2)	–				–
	Amount Outstanding – Restructured facility	(224)				(224)	–				–
	Amount Outstanding – Other facility	–				–	–				–
	Provision thereon	(0.3)				(0.3)	–				–
Downgradation of restructured accounts during the FY[3]	No. of borrowers	(7)	–	8	1	2	–	–	–	–	–
	Amount Outstanding – Restructured facility	(6,217)	–	7,852	(1,378)	257	–	–	–	–	–
	Amount Outstanding – Other facility	(1,623)	–	1,659	34	70	–	–	–	–	–
	Provision thereon	(96)	–	96	–	–	–	–	–	–	–
Write-offs of restructured accounts during the FY[4,5,6]	No. of borrowers	–	–	(5)	(4)	(9)	–	–	–	–	–
	Amount Outstanding – Restructured facility	(745)	–	(8,161)	(1,572)	(10,478)	–	–	–	–	–
	Amount Outstanding – Other facility	(143)	–	(1,564)	(2,979)	(4,686)	–	–	–	–	–
Restructured accounts as on March 31 of the FY (closing figures)	No. of borrowers	7	–	18	6	31	–	–	–	–	–
	Amount Outstanding – Restructured facility	4,278	–	13,708	1,246	19,232	–	–	–	–	–
	Amount Outstanding – Other facility	2,793	–	3,503	341	6,637	–	–	–	–	–
	Provision thereon	113	–	284	–	397	–	–	–	–	–

Type of Restructuring		Others					Total				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
					(₹ in millions)						
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	350	3	373	91	817	365	3	389	100	857
	Amount Outstanding – Restructured facility	45,229	4,177	7,287	6,932	63,625	56,220	4,177	22,749	11,120	94,266
	Amount Outstanding – Other facility	12,595	0	1,556	3,028	17,179	17,014	0	5,139	6,314	28,467
	Provision thereon	392	220	108	–	720	758	220	597	–	1,575
Movement in balance for accounts appearing under opening balance	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	(2,307)	53	(178)	(6)	(2,438)	(2,190)	53	(1,266)	2	(3,401)
	Amount Outstanding – Other facility	3,576	–	(45)	(74)	3,457	2,904	–	92	(74)	2,922
	Provision thereon	(62)	(127)	(65)	–	(254)	(220)	(127)	(365)	–	(712)
Fresh Restructuring during the year[1,2]	No. of borrowers	401	15	–	–	416	401	15	–	–	416
	Amount Outstanding – Restructured facility	3,283	406	–	–	3,689	3,283	406	–	–	3,689
	Amount Outstanding – Other facility	197	–	–	–	197	697	–	–	–	697
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Upgradation to restructured standard category during the FY	No. of borrowers	1	–	(1)	–	–	2	–	(2)	–	–
	Amount Outstanding – Restructured facility	2,067	–	(2,067)	–	–	2,424	–	(2,424)	–	–
	Amount Outstanding – Other facility	144	–	(144)	–	–	456	–	(456)	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(23)				(23)	(25)				(25)
	Amount Outstanding – Restructured facility	(1,870)	–	–	–	(1,870)	(2,094)	–	–	–	(2,094)
	Amount Outstanding – Other facility	(349)	–	–	–	(349)	(349)	–	–	–	(349)
	Provision thereon	(23)	–	–	–	(23)	(23)	–	–	–	(23)
Downgradation of restructured accounts during the FY[3]	No. of borrowers	(167)	1	188	63	85	(174)	1	196	64	87
	Amount Outstanding – Restructured facility	(37,709)	(4,182)	38,917	3,350	376	(43,927)	(4,182)	46,769	1,973	633
	Amount Outstanding – Other facility	(13,276)	3	13,253	23	3	(14,899)	3	14,912	57	73
	Provision thereon	(233)	(94)	327	–	–	(328)	(94)	422	–	–
Write-offs of restructured accounts during the FY[4,5,6]	No. of borrowers	(46)	(1)	(369)	(67)	(483)	(46)	(1)	(374)	(71)	(492)
	Amount Outstanding – Restructured facility	(1,121)	(408)	(4,929)	(8,757)	(15,215)	(1,865)	(408)	(13,091)	(10,329)	(25,693)
	Amount Outstanding – Other facility	(199)	–	(719)	(2,939)	(3,857)	(341)	–	(2,284)	(5,918)	(8,543)
Restructured accounts as on March 31 of the FY (closing figures)	No. of borrowers	516	18	191	87	812	523	18	209	93	843
	Amount Outstanding – Restructured facility	7,573	45	39,030	1,519	48,167	11,851	45	52,738	2,766	67,400
	Amount Outstanding – Other facility	2,688	3	13,901	38	16,630	5,482	3	17,404	378	23,267
	Provision thereon	73	–	370	–	443	186	–	654	–	840

Amount outstanding under restructuring facilities and other facilities is as on 31 March, 2018:

1. Amount reported here represents outstanding as on 31 March, 2018. Actual amount subjected to restructuring determined as on the date of approval of restructuring proposal is ₹3,668 millions for the FY 2017-18

2. Includes ₹511 millions of fresh/additional sanction to existing restructured accounts (₹0.2 millions under restructured facility and ₹511 millions under other facility)

3. Includes accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of FY

4. Includes accounts partially written-off during the year

5. Amount outstanding under restructuring facilities and other facilities is as on the date of write-off in the books

6. Includes ₹3,635 millions of reduction from existing restructured accounts by way of sale/recovery (₹2,996 millions from restructured facility and ₹639 millions from other facility)

7. The cumulative value of net restructured advances after reducing the provision held for diminution in fair value and balance in interest capitalization account upto 31 March, 2018 aggregated ₹10,871 millions

8. Information appearing under substandard, doubtful and loss category also include accounts slipped into NPAs from restructured standard advances along with restructured NPAs

Details of loans subjected to restructuring during the year ended 31 March, 2017 are given below:

Type of Restructuring		**Under CDR Mechanism**					**Under SME Debt Restructuring Mechanism**				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
					(₹ in millions)						
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	37	–	10	6	53	–	–	–	–	–
	Amount Outstanding – Restructured facility	35,222	–	6,015	979	42,216	–	–	–	–	–
	Amount Outstanding – Other facility	11,706	–	486	266	12,458	–	–	–	–	–
	Provision thereon	1,225	–	271	–	1,496	–	–	–	–	–
Movement in balance for accounts appearing under opening balance	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	(3,659)	–	8	(0)	(3,651)	–	–	–	–	–
	Amount Outstanding – Other facility	445	–	0	–	445	–	–	–	–	–
	Provision thereon	(396)	–	(167)	–	(563)	–	–	–	–	–
Fresh Restructuring during the year [1,2]	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Other facility	606	–	–	–	606	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Upgradation to restructured standard category during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	–	–	–	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(7)				(7)	–				–
	Amount Outstanding – Restructured facility	(3,117)	–	–	–	(3,117)	–				–
	Amount Outstanding – Other facility	(283)	–	–	–	(283)	–				–
	Provision thereon	(78)	–	–	–	(78)	–				–
Downgradation of restructured accounts during the FY[3]	No. of borrowers	(15)	–	12	5	2	–	–	–	–	–
	Amount Outstanding – Restructured facility	(15,678)	–	14,450	3,391	2,163	–	–	–	–	–
	Amount Outstanding – Other facility	(6,825)	–	4,016	3,026	217	–	–	–	–	–
	Provision thereon	(385)	–	385	–	–	–	–	–	–	–
Write-offs of restructured accounts during the FY[4,5,6]	No. of borrowers	–	–	(6)	(2)	(8)	–	–	–	–	–
	Amount Outstanding – Restructured facility	(1,777)	–	(5,011)	(181)	(6,968)	–	–	–	–	–
	Amount Outstanding – Other facility	(1,229)	–	(919)	(7)	(2,155)	–	–	–	–	–
Restructured accounts as on March 31 of the FY (closing figures)	No. of borrowers	15	–	16	9	40	–	–	–	–	–
	Amount Outstanding – Restructured facility	10,991	–	15,462	4,188	30,641	–	–	–	–	–
	Amount Outstanding – Other facility	4,420	–	3,583	3,286	11,289	–	–	–	–	–
	Provision thereon	367	–	489	–	856	–	–	–	–	–

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
					(₹ in millions)						
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	821	1	281	31	1,134	858	1	291	37	1,187
	Amount Outstanding – Restructured facility	52,112	0	7,851	685	60,648	87,334	0	13,866	1,664	1,02,864
	Amount Outstanding – Other facility	12,166	–	1,231	109	13,506	23,872	–	1,717	375	25,964
	Provision thereon	615	–	172	–	787	1,840	–	443	–	2,283
Movement in balance for accounts appearing under opening balance	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	352	–	(4)	0	348	(3,307)	–	3	–	(3,304)
	Amount Outstanding – Other facility	4,297	0	(1)	0	4,296	4,742	0	(1)	0	4,741
	Provision thereon	(159)	–	(134)	–	(293)	(555)	–	(301)	–	(856)
Fresh Restructuring during the year[1,2]	No. of borrowers	43	2	1	–	46	43	2	1	–	46
	Amount Outstanding – Restructured facility	5,976	4,177	336	–	10,489	5,976	4,177	336	–	10,489
	Amount Outstanding – Other facility	1,616	–	0	–	1,616	2,221	–	0	–	2,221
	Provision thereon	–	220	6	–	226	–	220	6	–	226
Upgradation to restructured standard category during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	–	–	–	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(225)				(225)	(232)				(232)
	Amount Outstanding – Restructured facility	(3,492)	–	–	–	(3,492)	(6,609)	–	–	–	(6,609)
	Amount Outstanding – Other facility	(1,718)	–	–	–	(1,718)	(2,001)	–	–	–	(2,001)
	Provision thereon	–	–	–	–	–	(78)	–	–	–	(78)
Downgradation of restructured accounts during the FY[3]	No. of borrowers	(203)	–	165	67	29	(218)	–	177	72	31
	Amount Outstanding – Restructured facility	(8,217)	0	2,088	6,469	340	(23,896)	0	16,538	9,860	2,502
	Amount Outstanding – Other facility	(3,356)	0	437	2,921	2	(10,181)	–	4,453	5,947	219
	Provision thereon	(64)	–	64	–	–	(449)	–	449	–	–
Write-offs of restructured accounts during the FY[4,5,6]	No. of borrowers	(86)	–	(74)	(7)	(167)	(86)	–	(80)	(9)	(175)
	Amount Outstanding – Restructured facility	(1,502)	–	(2,984)	(223)	(4,709)	(3,279)	–	(7,995)	(404)	(11,678)
	Amount Outstanding – Other facility	(410)	–	(111)	(2)	(523)	(1,639)	–	(1,030)	(8)	(2,677)
Restructured accounts as on March 31 of the FY (closing figures)	No. of borrowers	350	3	373	91	817	365	3	389	100	857
	Amount Outstanding – Restructured facility	45,229	4,177	7,287	6,931	63,624	56,220	4,177	22,749	11,120	94,266
	Amount Outstanding – Other facility	12,595	0	1,556	3,028	17,179	17,014	0	5,139	6,314	28,467
	Provision thereon	391	220	108	–	719	758	220	597	–	1,575

Amount outstanding under restructuring facilities and other facilities is as on 31 March, 2017:

1. Amount reported here represents outstanding as on 31 March, 2017. Actual amount subjected to restructuring determined as on the date of approval of restructuring proposal is ₹10,014 millions for the FY 2016-17

2. Includes ₹2,135 millions of fresh/additional sanction to existing restructured accounts (₹36 millions under restructured facility and ₹2,100 millions under other facility)

3. Includes accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of FY

4. Includes accounts partially written-off during the year

5. Amount outstanding under restructuring facilities and other facilities is as on the date of write-off in the books

6. Includes ₹8,818 millions of reduction from existing restructured accounts by way of sale/recovery (₹7,166 millions from restructured facility and ₹1,652 millions from other facility)

7. The cumulative value of net restructured advances after reducing the provision held for diminution in fair value and balance in interest capitalization account upto 31 March, 2017 aggregated ₹53,791 millions

8. Information appearing under substandard, doubtful and loss category also include accounts slipped into NPAs from restructured standard advances along with restructured NPAs

2.1.25 Disclosure on Flexible Structuring of existing loans

Particulars	**Year ended 31 March, 2018**	**Year ended 31 March, 2017**
	(₹ in millions)	
No. of borrowers taken up for flexible structuring	**3**	8
Amount of loans taken up for flexible structuring#		
– Classified as Standard*	6,822	10,661
– Classified as NPA*	2,904	8,038
Exposure weighted average duration of loans taken up for flexible structuring (years)		
– Before applying flexible structuring	**9.43**	9.22
– After applying flexible structuring	**19.25**	20.72

\# represents outstanding as on date of sanction of the proposal

* asset classification represents position as on 31 March of the respective year

2.1.26 Disclosure on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

Particulars	**As at 31 March, 2018**	**As at 31 March, 2017**
	(₹ in millions)	
No. of accounts where SDR has been invoked	–	19
Amount outstanding#		
– Classified as Standard	–	38,072
– Classified as NPA	–	3,224
Amount outstanding with respect to accounts where conversion of debt to equity is pending		
– Classified as Standard	–	8,461
– Classified as NPA	–	2,147
Amount outstanding with respect to accounts where conversion of debt to equity has taken place#		
– Classified as Standard	–	29,611
– Classified as NPA	–	1,077

\# includes outstanding under equity investments post conversion under SDR

2.1.27 Disclosure on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

Particulars	As at 31 March, 2018	As at 31 March, 2017
	(₹ in millions)	
No. of accounts where banks have decided to effect change in ownership	–	–
Amount outstanding		
– Classified as Standard	–	–
– Classified as NPA	–	–
Amount outstanding with respect to accounts where conversion of debt to equity/ invocation of pledge of equity shares is pending		
– Classified as Standard	–	–
– Classified as NPA	–	–
Amount outstanding with respect to accounts where conversion of debt to equity/ invocation of pledge of equity shares has taken place		
– Classified as Standard	–	–
– Classified as NPA	–	–
Amount outstanding with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale if promoters equity		
– Classified as Standard	–	–
– Classified as NPA	–	–

2.1.28 Disclosure on Change in Ownership of Projects under Implementation (accounts which are currently under the stand-still period)

Particulars	As at 31 March, 2018	As at 31 March, 2017
	(₹ in millions)	
No. of project loan accounts where banks have decided to effect change in ownership	–	1
Amount outstanding		
– Classified as Standard	–	989
– Classified as standard restructured	–	–
– Classified as NPA	–	–

2.1.29 Disclosure on Scheme for Sustainable Structuring of Stressed Assets (S4A)

Particulars	As at 31 March, 2018	As at 31 March, 2017
	(₹ in millions)	
No. of accounts where S4A has been applied	5	2
Aggregate amount outstanding		
– Classified as Standard	4,862	3,235
– Classified as NPA	6,475	–
Amount outstanding in Part A		
– Classified as Standard	2,815	1,604
– Classified as NPA	4,092	–
Amount outstanding in Part B		
– Classified as Standard	2,048	1,631
– Classified as NPA	2,383	–
Provision Held		
– Classified as Standard	1,075	671
– Classified as NPA	5,678	–

2.1.30 Disclosure in respect of Interest Rate Swaps ('IRS'), Forward Rate Agreement ('FRA') and Cross Currency Swaps ('CCS') outstanding is set out below:

A 'FRA' is a financial contract between two parties to exchange interest payments for 'notional principal' amount on settlement date, for a specified period from start date to maturity date. Accordingly, on the settlement date cash payments based on contract rate and the settlement rate, which is the agreed bench-mark/reference rate prevailing on the settlement date, are made by the parties to one another. The benchmark used in the FRA contracts of the Bank is London Inter-Bank Offered Rate (LIBOR) of various currencies.

An 'IRS' is a financial contract between two parties exchanging or swapping a stream of interest payments for a 'notional principal' amount on multiple occasions during a specified period. The Bank deals in interest rate benchmarks like Mumbai Inter-Bank Offered Rate (MIBOR), Indian Government Securities Benchmark Rate (INBMK), Mumbai Inter-Bank Forward Offer Rate (MIFOR) and LIBOR of various currencies.

A 'CCS' is a financial contract between two parties exchanging interest payments and principal, wherein interest payments and principal in one currency would be exchanged for an equally valued interest payments and principal in another currency.

Sr. No.	Items	As at 31 March, 2018	As at 31 March, 2017
	(₹ in millions)		
i)	Notional principal of swap agreements	19,60,695	19,78,716
ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	28,722	25,587
iii)	Collateral required by the Bank upon entering into swaps	8,262	9,039
iv)	Concentration of credit risk arising from the swaps		
	Maximum single industry exposure with Banks (previous year with Banks)		
	– Interest Rate Swaps/FRAs	26,955	23,796
	– Cross Currency Swaps	29,479	20,865
v)	Fair value of the swap book (hedging & trading)		
	– Interest Rate Swaps/FRAs	(8,041)	(4,108)
	– Currency Swaps	12,287	10,564

The nature and terms of the IRS as on 31 March, 2018 are set out below:

Nature	Nos.	Notional Principal (₹ in millions)	Benchmark	Terms
Hedging	33	1,16,989	LIBOR	Fixed Receivable v/s Floating Payable
Trading	4	2,750	INBMK	Fixed Receivable v/s Floating Payable
Trading	250	3,67,270	LIBOR	Fixed Receivable v/s Floating Payable
Trading	319	2,22,016	MIBOR	Fixed Receivable v/s Floating Payable
Trading	350	1,71,070	MIFOR	Fixed Receivable v/s Floating Payable
Trading	21	16,590	INBMK	Floating Receivable v/s Fixed Payable
Trading	294	4,15,596	LIBOR	Floating Receivable v/s Fixed Payable
Trading	353	1,75,535	MIBOR	Floating Receivable v/s Fixed Payable
Trading	181	97,410	MIFOR	Floating Receivable v/s Fixed Payable
Trading	28	51,162	LIBOR	Floating Receivable v/s Floating Payable
Trading	5	2,291	LIBOR	Pay Cap
Trading	5	2,291	LIBOR	Receive Cap
	1,843	**1,640,970**		

The nature and terms of the IRS as on 31 March, 2017 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
		(₹ in millions)		
Hedging	39	1,21,788	LIBOR	Fixed Receivable v/s Floating Payable
Hedging	2	9,079	LIBOR	Floating Receivable v/s Fixed Payable
Trading	6	3,250	INBMK	Fixed Receivable v/s Floating Payable
Trading	259	3,27,730	LIBOR	Fixed Receivable v/s Floating Payable
Trading	467	2,96,453	MIBOR	Fixed Receivable v/s Floating Payable
Trading	341	1,67,240	MIFOR	Fixed Receivable v/s Floating Payable
Trading	25	19,090	INBMK	Floating Receivable v/s Fixed Payable
Trading	304	3,62,318	LIBOR	Floating Receivable v/s Fixed Payable
Trading	476	2,57,095	MIBOR	Floating Receivable v/s Fixed Payable
Trading	225	1,22,230	MIFOR	Floating Receivable v/s Fixed Payable
Trading	28	46,692	LIBOR	Floating Receivable v/s Floating Payable
Trading	3	661	LIBOR	Pay Cap
Trading	1	1,972	LIBOR	Pay Cap/Receive Floor
Trading	1	1,972	LIBOR	Pay Floor/Receive Cap
Trading	3	661	LIBOR	Receive Cap
	2,180	**17,38,231**		

The nature and terms of the FRA as on 31 March, 2018 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Hedging	1	3,259	LIBOR	Floating Receivable v/s Fixed Payable
	1	**3,259**		

The nature and terms of the FRA as on 31 March, 2017 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Hedging	2	21,076	LIBOR	Fixed Receivable v/s Floating Payable
	2	**21,076**		

The nature and terms of the CCS as on 31 March, 2018 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
		(₹ in millions)		
Trading	84	97,871	Principal & Coupon Swap	Fixed Payable v/s Fixed Receivable
Trading	70	60,473	LIBOR	Fixed Receivable v/s Floating Payable
Trading	65	70,615	LIBOR	Floating Receivable v/s Fixed Payable
Trading	6	24,451	LIBOR/MIFOR/ MIBOR	Floating Receivable v/s Floating Payable
Trading	37	36,139	Principal Only	Fixed Receivable
Trading	20	26,917	Principal Only	Fixed Payable
	282	**3,16,466**		

The nature and terms of the CCS as on 31 March, 2017 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
		(₹ in millions)		
Trading	85	50,951	Principal & Coupon Swap	Fixed Payable v/s Fixed Receivable
Trading	58	46,468	LIBOR	Fixed Receivable v/s Floating Payable
Trading	62	62,476	LIBOR	Floating Receivable v/s Fixed Payable
Trading	3	10,113	LIBOR/MIFOR/ MIBOR	Floating Receivable v/s Floating Payable
Trading	40	38,590	Principal Only	Fixed Receivable
Trading	6	10,811	Principal Only	Fixed Payable
	254	**2,19,409**		

Details of Exchange Traded Interest Rate Derivatives for the year ended 31 March, 2018 are set out below:

Sr. No.	Particulars	As at 31 March, 2018
		(₹ in millions)
i)	**Notional principal amount of exchange traded interest rate derivatives undertaken during the year**	
	679GS2027 - 6.79% GOI 2027	12,695
	697GS2026 - 6.97% GOI 2026	3,566
	759GS2026 -7.59% GOI 2026	297
	EDM7 - 90 Day Euro Future - June 2017	16,294
	EDM8 - 90 Day Euro Future - June 2018	16,294
	EDU7 - 90 Day Euro Future - September 2017	32,587
	EDU8 - 90 Day Euro Future - September 2018	32,587
	FFF8 - 30 Days FED Funds - January 2018	32,587
	TUM7 - 2 Years Treasury Note - June 2017	1,304
	TUU7 - 2 Years Treasury Note - September 2017	2,607
	TYM7 - 10 Years US Note - June 2017	1,629
	TYU7 - 10 Years US Note - September 2017	2,398
	FVZ7 - 5 Years US Note - December 2017	1,304
	FVH8 - 5 Years US Note - March 2018	1,304
	TYH8 - 10 Years US Note - March 2018	821
	TUH8 - 2 Years US Note - March 2018	2,607
	FVM8 - 5 Years US Note - June 2018	1,304
		1,62,185
ii)	**Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2018**	**Nil**
iii)	**Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2018 and "not highly effective"**	**N.A.**
iv)	**Mark-to-market value of exchange traded interest rate derivatives outstanding as on 31 March, 2018 and "not highly effective"**	**N.A.**

Details of Exchange Traded Interest Rate Derivatives for the year ended 31 March, 2017 are set out below:

Sr. No.	**Particulars**	**As at 31 March, 2017**
		(₹ in millions)
i)	**Notional principal amount of exchange traded interest rate derivatives undertaken during the year**	
	697GS2026 - 6.97% GOI 2026	1,524
	759GS2026 - 7.59% GOI 2026	46,781
	759GS2029 - 7.59% GOI 2029	1,870
	761GS2030 - 7.61% GOI 2030	1
	768GS2023 - 7.68% GOI 2023	20
	772GS2025 - 7.72% GOI 2025	32,198
	788GS2030 - 7.88% GOI 2030	15,314
	EDH7 - 90 Day Euro Future - March 2017	1,29,700
	EDH8 - 90 Day Euro Future - March 2018	1,29,700
	EDM7 - 90 Day Euro Future - June 2017	87,548
	EDM8 - 90 Day Euro Future - June 2018	87,548
	EDQ6 - 90 Day Euro $ Future - August 2016	12,970
	EDZ6 - 90 Day Euro Future - December 2016	96,627
	EDZ7 - 90 Day Euro Future - December 2017	9,079
	FVH7 - 5 Years US Note – March 2017	649
	FVM6 - 5 Years US Note – June 2016	20,428
	FVU6 - 5 Years US Note – September 2016	17,250
	TUM6 - 2 Years Treasury Note - June 2016	29,831
	TUM7 - 2 Years Treasury Note - June 2017	2,594
	TUU6 - 2 Years Treasury Note - September 2016	37,613
	TYH7 - 10 Years US Note - March 2017	4,540
	TYM6 - 10 Years US Note - June 2016	43,450
	TYM7 - 10 Years US Note - June 2017	1,362
	TYU6 - 10 Years US Note - September 2016	1,21,334
	TYZ6 - 10 Years US Note - December 2016	9,118
		9,39,049
ii)	**Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2017**	
	EDM7 - 90 Day Euro Future - June 2017	16,213
	EDM8 - 90 Day Euro Future - June 2018	16,213
		32,426
iii)	**Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2017 and "not highly effective"**	N.A.
iv)	**Mark-to-market value of exchange traded interest rate derivatives outstanding as on 31 March, 2017 and "not highly effective"**	N.A.

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended 31 March, 2018 and 31 March, 2017.

2.1.31 Disclosure on risk exposure in Derivatives

Qualitative disclosures:

(a) Structure and organisation for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants:

Derivatives are financial instruments whose characteristics are derived from an underlying asset, or from interest and exchange rates or indices. The Bank undertakes over the counter and Exchange Traded derivative transactions for Balance Sheet management and also for proprietary trading/market making whereby the Bank offers derivative products to the customers to enable them to hedge their interest rate and currency risks within the prevalent regulatory guidelines.

Proprietary trading includes Interest Rate Futures, Currency Futures and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR and INBMK), and Currency Options. The Bank also undertakes transactions in Cross Currency Swaps, Principal Only Swaps, Coupon Only Swaps and Long Term Forex Contracts (LTFX) for hedging its Balance Sheet and also offers them to its customers. These transactions expose the Bank to various risks, primarily credit, market, legal, reputation and operational risk. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

There is a functional separation between the Treasury Front Office, Treasury Mid Office and Treasury Back Office to undertake derivative transactions. The customer and interbank related derivative transaction are originated by Transaction Banking-Derivative sales and Treasury Front Office team respectively which ensures compliance with the trade origination requirements as per the bank's policy and the RBI guidelines. The derivative transactions are originated by Treasury Front Office, which ensures compliance with the trade origination requirements as per the Bank's policy and the RBI guidelines. The Market Risk Group within the Bank's Risk Department independently identifies measures and monitors the market risks associated with derivative transactions and apprises the Asset Liability Management Committee (ALCO) and the Risk Management Committee of the Board (RMC) on the compliance with the risk limits. The Treasury Back Office undertakes activities such as trade confirmation, settlement, ISDA documentation, accounting, valuation and other MIS reporting.

The derivative transactions are governed by the derivative policy, market risk management policy, hedging policy and the Asset Liability Management (ALM) policy of the Bank as well as by the extant RBI guidelines. The Bank has also implemented policy on customer suitability & appropriateness approved by the Board to ensure that derivatives transactions entered into are appropriate and suitable to the customer. The Bank has also put in place a detailed process flow on documentation for customer derivative transactions for effective management of operational risk/reputation risk.

Various risk limits are set up and actual exposures are monitored vis-à-vis the limits allocated. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. Risk limits are in place for risk parameters viz. PV01, VaR, Stop Loss, Delta, Gamma and Vega. Actual positions are monitored against these limits on a daily basis and breaches, if any, are dealt with in accordance with board approved Risk Appetite Statement. Risk assessment of the portfolio is undertaken periodically. The Bank ensures that the Gross PV01 (Price value of a basis point) position arising out of all non-option rupee derivative contracts are within 0.25% of net worth of the Bank as on Balance Sheet date.

Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item. These deals are accounted on an accrual basis except the swap designated with an asset/liability that is carried at market value or lower of cost or market value. In that case, the swap is marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. These transactions are tested for hedge effectiveness and in case any transaction fails the test, the same is re-designated as a trading deal with the approval of the competent authority and appropriate accounting treatment is followed.

(b) Accounting policy for recording hedge and non-hedge transactions, recognition of income, premiums and discounts, valuation of outstanding contracts

The Hedging Policy approved by the RMC governs the use of derivatives for hedging purpose. Subject to the prevailing RBI guidelines, the Bank deals in derivatives for hedging fixed rate and floating rate coupon or foreign currency assets/liabilities. Transactions for hedging and market making purposes are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge derivative transactions are accounted for in accordance with the hedge accounting principles. Derivatives for market making purpose are marked to market and the resulting gain/loss is recorded in the Profit and Loss Account. The premium on option contracts is accounted for as per FEDAI guidelines. Derivative transactions are covered under International Swaps and Derivatives Association (ISDA) master agreements with respective counterparties. The exposure on account of derivative transactions is computed as per the RBI guidelines and is marked against the credit limits approved for the respective counterparties.

(c) Provisioning, collateral and credit risk mitigation

Derivative transactions comprise of swaps, FRAs, futures and options which are disclosed as contingent liabilities. Trading swaps/FRAs/futures/options are revalued at the Balance Sheet date with the resulting unrealised gain or loss being recognised in the Profit and Loss Account and correspondingly in other assets or other liabilities respectively. Hedged swaps are accounted for as per the RBI guidelines. In accordance with RBI guidelines, any receivables (crystallised receivables and positive MTM) under derivatives contracts, which remain overdue for more than 90 days, are reversed through the Profit and Loss Account and are held in a separate Suspense account.

Collateral requirements for derivative transactions are laid down as part of credit sanction terms on a case by case basis. Such collateral requirements are determined, based on usual credit appraisal process. The Bank retains the right to terminate transactions as a risk mitigation measure in certain cases.

The credit risk in respect of customer derivative transactions is sought to be mitigated through a laid down policy on sanction of Loan Equivalent Risk (LER) limits, monitoring mechanism for LER limits and trigger events for escalation/margin calls/termination.

Quantitative disclosure on risk exposure in derivatives[$]:

		As at 31 March, 2018			
		Currency Derivatives			
Sr. No.	**Particulars**	**Forward Contracts^**	**CCS**	**Options**	**Interest rate Derivatives**
		(₹ in millions)			
1	**Derivatives (Notional Principal Amount)**				
	a) For hedging	4,03,359	–	–	1,20,248
	b) For trading	27,44,661	3,16,466	5,93,426	15,23,981
2	**Marked to Market Positions[#]**				
	a) Asset (+)	21,829	17,343	14,886	11,309
	b) Liability (-)	24,643	5,056	13,905	16,853
3	**Credit Exposure[@]**	1,30,740	47,992	16,706	29,913
4	**Likely impact of one percentage change in interest rate (100*PV01) (as at 31 March, 2018)**				
	a) on hedging derivatives	88	–	–	582
	b) on trading derivatives	73	37	978	473
5	**Maximum and Minimum of 100*PV01 observed during the year**				
	a) on hedging				
	i) Minimum	1	–	–	514
	ii) Maximum	128	53	–	857
	b) on Trading				
	i) Minimum	3	18	85	460
	ii) Maximum	102	37	1,087	647

\# Only on trading derivatives
@ Includes accrued interest
^ Excluding Tom/Spot contracts

Sr. No.	Particulars	Forward Contracts^	CCS	Options	Interest rate Derivatives
		As at 31 March, 2017			
			Currency Derivatives		
			(₹ in millions)		
1	**Derivatives (Notional Principal Amount)**				
	a) For hedging	2,71,545	–	–	1,51,943
	b) For trading	24,10,407	2,19,409	4,93,833	16,07,364
2	**Marked to Market Positions#**				
	a) Asset (+)	54,360	15,373	15,401	9,889
	b) Liability (-)	(54,297)	(4,808)	(13,748)	(13,612)
3	**Credit Exposure@**	1,56,064	40,798	17,933	30,159
4	**Likely impact of one percentage change in interest rate (100*PV01) (as at 31 March, 2018)**				
	a) on hedging derivatives	23	–	–	2,498
	b) on trading derivatives	22	18	124	631
5	**Maximum and Minimum of 100*PV01 observed during the year**				
	a) on hedging				
	i) Minimum	42	–	–	1,284
	ii) Maximum	11	38	–	2,727
	b) on Trading				
	i) Minimum	0	10	41	276
	ii) Maximum	130	37	949	973

\# Only on trading derivatives
@ Includes accrued interest
^ Excluding Tom/Spot contracts
$ only Over The Counter derivatives included

The outstanding notional principal amount of Exchange Traded Currency Options as at 31 March, 2018 was Nil (previous year Nil) and the mark-to-market value was Nil (previous year Nil).

2.1.32 Details of penalty/stricture levied by RBI during the year ended 31 March, 2018 is as under:

Amount (₹ in millions)	Reason for stricture issued/ levy of penalty by RBI	Date of payment of penalty
30	Non-compliance of RBI guidelines on income Recognition and Asset Classification (IRAC) norms. Penalty was imposed in terms of Section 47A(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949	7 March, 2018

Details of penalty/stricture levied by RBI during the year ended 31 March, 2017 is as under:

Amount (₹ in millions)	Reason for stricture issued/ levy of penalty by RBI	Date of payment of penalty
–	Warning issued by RBI on 27 July, 2016 for certain lapses in adherence to KYC/AML guidelines on monitoring of transactions in customer accounts and FEMA provisions	–

2.1.33 Disclosure of customer complaints

(a) Disclosure of customer complaints relating to Bank's customers on Bank's ATMs

		31 March, 2018	31 March, 2017
a.	No. of complaints pending at the beginning of the year	**143**	208
b.	No. of complaints received during the year	**51,096**	35,009
c.	No. of complaints redressed during the year	**50,955**	35,074
d.	No. of complaints pending at the end of the year	**284**	143

(b) Disclosure of customer complaints relating to Bank's customers on other bank's ATMs

		31 March, 2018	31 March, 2017
a.	No. of complaints pending at the beginning of the year	**1,233**	934
b.	No. of complaints received during the year	**88,301**	80,572
c.	No. of complaints redressed during the year	**87,174**	80,273
d.	No. of complaints pending at the end of the year	**2,360**	1,233

(c) Disclosure of customer complaints other than ATM transaction complaints

		31 March, 2018	31 March, 2017
a.	No. of complaints pending at the beginning of the year	**40,808**	8,357
b.	No. of complaints received during the year	**229,027**	222,092
c.	No. of complaints redressed during the year	**245,379**	189,641
d.	No. of complaints pending at the end of the year	**24,456**	40,808

(d) Total customer complaints

		31 March, 2018	31 March, 2017
a.	No. of complaints pending at the beginning of the year	**42,184**	9,499
b.	No. of complaints received during the year	**368,424**	337,673
c.	No. of complaints redressed during the year	**383,508**	304,988
d.	No. of complaints pending at the end of the year	**27,100**	42,184

The above information does not include complaints redressed within 1 working day and is as certified by the Management and relied upon by the auditors.

2.1.34 Disclosure of Awards passed by the Banking Ombudsman

		31 March, 2018	31 March, 2017
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	**–**	–

The above information is as certified by the Management and relied upon by the auditors.

2.1.35 Draw Down from Reserves

During the year ended 31 March, 2018 the Bank has not undertaken any draw down from reserves, except towards issue expenses incurred for the equity raising through the preferential issue, which have been adjusted against the share premium account.

During the year ended 31 March, 2017 the Bank has made a draw down out of the Investment Reserve account towards depreciation on investments in AFS and HFT categories in terms of RBI guidelines.

2.1.36 Letter of Comfort

The Bank has not issued any Letter of Comfort (LoC) on behalf of its subsidiaries during the current and previous year.

2.1.37 Disclosure on Remuneration

Qualitative disclosures

a) Information relating to the bodies that oversee remuneration:

- **Name, composition and mandate of the main body overseeing remuneration:**

  The Nomination and Remuneration Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank on behalf of the Board. The Committee works in close co-ordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks.

  As at 31 March, 2018, the Nomination and Remuneration Committee comprises of the following Non-Executive Directors:

  1. Shri Prasad R. Menon - Chairman
  2. Shri Rohit Bhagat
  3. Shri Rakesh Makhija
  4. Shri Som Mittal

  In respect of Remuneration/HR matters, the Nomination and Remuneration Committee of the Board, functions with the following main objectives:

  a. Review and recommend to the Board for approval, the overall remuneration framework and associated policy of the Bank (including remuneration policy for Directors and key managerial personnel) including the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock-based compensation and any other form of compensation as may be included from time to time to all the employees of the Bank including the Managing Director & CEO (MD & CEO), other Whole-Time Directors (WTD) and senior managers one level below the Board.

  b. Review and recommend to the Board for approval, the total increase in manpower cost budget of the Bank as a whole, at an aggregate level, for the next year.

  c. Recommend to the Board the compensation payable to the Chairman of the Bank.

  d. Review the Code of Conduct and HR strategy, policy and performance appraisal process within the Bank, as well as any fundamental changes in organisation structure which could have wide ranging or high risk implications.

  e. Review and recommend to the Board for approval, the talent management and succession policy and process in the Bank for ensuring business continuity, especially at the level of MD & CEO, the other WTDs, senior managers one level below the Board and other key roles and their progression to the Board.

  f. Review and recommend to the Board for approval:

     - the creation of new positions one level below MD & CEO
     - appointments, promotions and exits of senior managers one level below the MD & CEO

  g. Set the goals, objectives and performance benchmarks for the Bank and for MD & CEO, the other WTDs for the financial year and over the medium to long term.

  h. Review the performance of the MD & CEO and other WTDs at the end of each year.

  i. Review organisation health through feedback from employee surveys conducted on a regular basis.

  j. Perform such other duties as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, Reserve Bank of India or by any other regulatory or statutory body.

- **External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process:**

  The Nomination and Remuneration Committee has commissioned McLagan Aon Hewitt, a globally renowned compensation benchmarking firm, to conduct market benchmarking of employee compensation. The Bank participates in the salary benchmarking survey conducted by Aon Hewitt every year. Aon Hewitt collects data from multiple private sector peer banks across functions, levels and roles which is then used by the Bank to assess market competitiveness of remuneration offered to Bank employees.

- **A description of the scope of the Bank's remuneration policy, including the extent to which it is applicable to foreign subsidiaries and branches:**

  The Committee monitors the remuneration policy for both domestic and overseas branches of the Bank on behalf of the Board. However, it does not oversee the compensation policy for subsidiaries of the Bank.

- **A description of the type of employees covered and number of such employees:**

  Employees are categorised into following three categories from remuneration structure and administration standpoint:

  Category 1
  MD & CEO and WTDs. This category includes 4 employees.

  Category 2
  All the employees in the Grade of Vice President and above engaged in the functions of Risk Control and Compliance. This category includes 28 employees.

  Category 3: Other Staff
  'Other Staff' has been defined as a "group of employees who pose a material risk". This category includes all the employees of the Bank in the grade of Executive Vice President (EVP) and above and also few other key business roles in case they are below the grade of Executive Vice President. This category includes 34 employees.

b) Information relating to the design and structure of remuneration processes:

- **An overview of the key features and objectives of remuneration policy:**

  The compensation philosophy of the Bank aims to attract, retain and motivate professionals in order to enable the Bank to attain its strategic objectives and develop a strong performance culture in the competitive environment in which it operates. To achieve this, the following principles are adopted:

  – Affordability: Pay to reflect productivity improvements to retain cost-income competitiveness

  – Maintain competitiveness on fixed pay in talent market

  – Pay for performance to drive meritocracy through variable pay

  – Employee Stock Options for long-term value creation

  – Benefits and perquisites to remain aligned with market practices and provide flexibility

  Apart from the above, the compensation structure for MD & CEO and WTDs is aligned to RBI's guidelines for sound compensation practices (effective FY 2012-13) and addresses the general principles of:

  – Effective and independent governance and monitoring of compensation

  – Alignment of compensation with prudent risk-taking through well designed and consistent compensation structures

  – Clear and timely disclosure to facilitate supervisory oversight by all stakeholders

Accordingly, the compensation policy for MD & CEO and WTDs seeks to:

a) Ensure that the compensation, in terms of structure and total amount, is in line with the best practices, as well as competitive vis-à-vis that of peer banks

b) Establish the linkage of compensation with individual performance as well as achievement of the corporate objectives of the Bank

c) Include a significant variable pay component tied to the achievement of pre-established objectives in line with Bank's scorecard while ensuring that the compensation is aligned with prudent risk taking

d) Encourage attainment of long term shareholder returns through inclusion of equity linked long-term incentives as part of compensation

Compensation is structured in terms of fixed pay, variable pay and employee stock options (for selective employees), with a strong linkage of variable pay to performance. The compensation policy of the Bank is approved by the Nomination and Remuneration Committee. Additional approval from Shareholders and RBI is obtained specifically for compensation of MD & CEO and WTDs.

- **Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made:**

  The Nomination and Remuneration committee reviews the Bank's remuneration policy every year. There were no major changes made in the remuneration policy during the year.

- **A discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee:**

  The Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee and is guided by the individual employee performance. The remuneration is determined on the basis of relevant risk measures included in the Balanced Scorecard / key deliverables of staff in these functions. The parameters reviewed for performance based rewards are independent of performance of the business area they oversee and commensurate with their individual role in the Bank. Additionally, the ratio of fixed and variable compensation is weighed towards fixed compensation.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes:

- **An overview of the key risks that the Bank takes into account when implementing remuneration measures:**

  The business activity of the Bank is undertaken within the limits of the following risk measures to achieve the financial plan:

  - NPA – net slippages
  - Ratio of Risk Weighted Assets to Total Assets
  - Liquidity Coverage Ratio

- **An overview of the nature and type of key measures used to take account of these risks, including risk difficult to measure:**

  The Bank has a robust system of measuring and reviewing these risks. The risk parameters are a part of the Balanced Scorecard used for setting of performance objectives and for measuring performance which includes, besides financial performance, adherence to internal processes, compliance and people perspectives. Weightage is placed on not only financial or quantitative achievement of objectives but also on qualitative aspects detailing how the objectives were achieved.

- **A discussion of the ways in which these measures affect remuneration:**

  The relevant risk measures are included in the scorecards of MD & CEO and WTDs. Inclusion of the above mentioned measures ensures that performance parameters are aligned to risk measures at the time of performance evaluation. The Nomination and Remuneration Committee takes into consideration all the above aspects while assessing organisational and individual performance and making compensation related recommendations to the Board.

- **A discussion of how the nature and type of these measures have changed over the past year and reasons for the changes, as well as the impact of changes on remuneration:**

  During FY 2017-18, the risk measures were reviewed and certain additional metrics pertaining to stressed loans were incorporated in the Balanced Scorecards, in view of the asset quality challenges faced by the Banking industry in recent years.

d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration:

The Bank's performance management and compensation philosophies are structured to support the achievement of the Bank's on-going business objectives by rewarding achievement of objectives linked directly to its strategic business priorities. These strategic priorities are cascaded through annualised objectives to the employees.

The Bank follows the Balanced Scorecard approach in designing its performance management system. Adequate attention is given to the robust goal setting process to ensure alignment of individual objectives to support the achievement of business strategy, financial and non-financial goals across and through the organisation. The non-financial goals for employees includes customer service, process improvement, adherence to risk and compliance norms, operations and process control, learning and knowledge development.

- **An overview of main performance metrics for Bank, top level business lines and individuals:**

  The Bank follows a Balanced Scorecard approach for measuring performance for the Bank, top business lines and individuals. The approach broadly comprises financial, customer, internal processes, compliance and people perspectives and includes parameters on revenue and profitability, business growth, customer initiatives, operational efficiencies, regulatory compliance, risk management and people management.

- **A discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance:**

  The Bank's remuneration practices are underpinned by principles of meritocracy and fairness. The remuneration system strives to maintain the ability to attract, retain, reward and motivate the talent in order to enable the Bank to attain its strategic objectives within the increasingly competitive context in which it operates. The Bank's pay-for-performance approach strives to ensure both internal and external equity in line with emerging market trends. However, the business model and affordability form the overarching boundary conditions.

  The Bank follows a Balanced Scorecard approach for measuring individual performance at Senior levels. The Balanced scorecard parameters for individuals are cascaded from the Bank's Balanced Scorecard. The Management Committee or the Nomination and Remuneration Committee reviews the achievements against the set of parameters which determines the performance of the individuals. For all other employees, performance appraisals are conducted annually and initiated by the employee with self-appraisal. The immediate supervisor reviews the appraisal ratings in a joint consultation meeting with the employee and assigns the performance rating. The final ratings are discussed by a Moderation Committee comprising of senior officials of the Bank. Both relative and absolute individual performances are considered for the moderation process. Individual fixed pay increases, variable pay and ESOPs are linked to the final performance ratings. In addition, the fixed pay increase is also influenced by an employee's position in the salary range.

- **A discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak:**

  In cases where the performance metrics are weak or not well defined to measure the performance effectively, the Bank uses discretion to reward such employees. The remuneration is then influenced by the operational performance parameters of the Bank along with individual performance achievement.

  Whilst determining fixed and variable remuneration, relevant risk measures are included in scorecards of senior employees. Identified risk parameters that are taken into account are as under:

  - NPA – net slippages
  - Ratio of Risk Weighted Assets to Total Assets
  - Liquidity Coverage Ratio

As a prudent measure, a portion of variable pay if it exceeds a certain threshold is deferred and is paid proportionately over a period of 3 years. The deferred variable pay amount of reference year would be held back in case of any misrepresentation or gross inaccuracy resulting in a wrong risk assessment.

e) Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance:

- **A discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance:**

The deferral of the Variable Pay for the three categories of employees as stated earlier is given below:

Category 1: MD & CEO and WTDs

Variable Pay will not exceed 70% of the Fixed Pay

To ensure that risk measures do not focus only on achieving short term goals, variable payout is deferred. If the variable pay exceeds 40% of fixed pay, 45% of the variable pay to be deferred proportionately over a period of three years.

Category 2: All the employees in the Grade of Vice President and above engaged in the functions of Risk Control and Compliance

– Variable Pay will be paid on the basis of laid down risk control, compliance and process improvement parameters in the balanced scorecard / key deliverables of staff in this function

– The parameters will be independent of performance of the business area they oversee and will commensurate with their key role in the Bank

– The ratio of fixed and variable compensation will be weighed towards fixed compensation

– Percentage of variable pay to be capped at 70% of fixed pay

– Appropriate deferral structure as approved by the Nomination and Remuneration Committee will be applicable to this category of employees

Category 3: Other Staff

– Variable Pay will be paid on the basis of performance against key deliverables and overall business performance for the financial year

– Percentage of variable pay to be capped at 70% of fixed pay

– Appropriate deferral structure as approved by the Nomination and Remuneration Committee will be applicable to this category of employees

- **A discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements:**

The deferred portion of the variable pay may be delayed in the event of an enquiry determining gross negligence or breach of integrity. The deferred portion is withheld by the Bank till the completion of such enquiries, if any. As a result, no claw back arrangements are made on the deferred portion of the variable pay.

f) Description of the different forms of variable remuneration that the Bank utilizes and the rationale for using these different forms:

- **An overview of the forms of variable remuneration offered:**

  - Variable Pay: Variable Pay is linked to corporate performance, business performance and individual performance and ensures differential pay based on the performance levels of employees

- Employee Stock Options (ESOPs): ESOPs are given to selective set of employees at senior levels based on their level of performance and role. ESOP scheme has an inbuilt deferred vesting design which helps in directing long term performance orientation among employees

- **A discussion of the use of different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance:**

  Variable pay in the form of performance based bonus is paid out annually and is linked to performance achievement against balanced performance measures and aligned with the principles of meritocracy. The proportion of variable pay in total pay shall be higher at senior management levels. The payment of all forms of variable pay is governed by the affordability of the Bank and based on profitability and cost income ratios. At senior management levels (and for certain employees with potential to cause material impact on risk exposure), a portion of variable compensation may be paid out in a deferred manner in order to drive prudent behaviour as well as long term & sustainable performance orientation. Long term variable pay is administered in the form of ESOPs with an objective of enabling employee participation in the business as an active stakeholder and to usher in an 'owner-manager' culture. The quantum of grant of stock options is determined and approved by the Nomination and Remuneration Committee, in terms of the said Regulations and in line with best practices, subject to the approval of RBI. The current ESOP design has an inbuilt deferral intended to spread and manage risk.

Quantitative disclosures

a) The quantitative disclosures pertaining to the MD & CEO, Whole Time Directors and other risk takers for the year ended 31 March, 2018 and 31 March, 2017 are given below. Other risk takers include all employees in the grade of Executive Vice President (EVP) and above and also cover certain select roles in case they are below the grade of EVP.

		31 March, 2018	**31 March, 2017**
a.	i) Number of meetings held by the Remuneration Committee (main body overseeing remuneration) during the financial year	**8**	7
	ii) Remuneration paid to its members (sitting fees)	**₹2 millions**	₹1 million
b.	Number of employees having received a variable remuneration award during the financial year	**33***	38*
c.	Number and total amount of sign-on awards made during the financial year	**N.A.**	N.A.
d.	Number and total amount of guaranteed bonus awarded during the financial year, if any	**N.A.**	N.A.
e.	Details of severance pay, in addition to accrued benefits, if any	**N.A.**	N.A.
f.	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	**₹3 millions (cash bonus)**	₹10 millions (cash bonus)
g.	Total amount of deferred remuneration paid out in the financial year	**₹7 millions**	₹7 millions
h.	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred, different forms used	**Fixed – ₹410 millions#** **Variable – ₹98 millions*** **Deferred – Nil** **Non-deferred – ₹98 millions*** **Number of stock options granted during the financial year – 3,067,750**	Fixed – ₹382 millions# Variable – ₹112 millions* Deferred – Nil Non-deferred – ₹112 millions* Number of stock options granted during the financial year – 3,491,000
i.	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments	**N.A.**	N.A.
j.	Total amount of reductions during the financial year due to ex- post explicit adjustments	**N.A.**	N.A.
k.	Total amount of reductions during the financial year due to ex- post implicit adjustments	**N.A.**	N.A.

* pertains to FY 2016-17 paid to other risk takers (previous years pertains to MD & CEO, WTDs and other risk takers for FY 2015-16)

Fixed Remuneration includes basic salary, fixed allowance, leave fare concession, house rent allowance, super annuation allowance, certain other allowances and contribution towards provident fund

b) Disclosure for compensation of Non-executive Directors (Except Part-time Chairman):

		31 March, 2018	31 March, 2017
		(₹ in millions)	
a.	Amount of remuneration paid during the year (pertains to preceding year)	**10**	9

2.1.38 The details of fees / brokerage earned in respect of insurance broking, agency and bancassurance business undertaken by the Bank are as under:

Sr. No.	Nature of Income*	31 March, 2018	31 March, 2017
		(₹ in millions)	
1.	For selling life insurance policies	5,395	5,582
2.	For selling non-life insurance policies	564	330
3.	For selling mutual fund products	3,884	3,174
4.	Others (wealth advisory, RBI and other bonds etc.)	885	886
	Total	**10,728**	**9,972**

* includes receipts on account of marketing activities undertaken on behalf of bancassurance partners

2.1.39 The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms.

2.1.40 Amount of total assets, non-performing assets and revenue of overseas branches is given below:

Particulars	31 March, 2018	31 March, 2017
	(₹ in millions)	
Total assets	6,10,076	5,42,526
Total NPAs	43,110	46,952
Total revenue	23,807	26,364

2.1.41 During the year ended 31 March, 2018 the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) did not exceed 5% of the book value of investments held in HTM category at the beginning of the year.

During the year ended 31 March, 2017 the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) exceeded 5% of the book value of investments held in HTM category at the beginning of the year by ₹115,582 millions.

Market value of investments held in HTM category	Excess of book value over market value for which provision is not made
₹826,659 millions	Nil

2.1.42 Disclosure on transfers to Depositor Education and Awareness Fund (DEAF)

Particulars	**31 March, 2018**	**31 March, 2017**
	(₹ in millions)	
Opening balance of amounts transferred to DEAF	649	416
Add : Amounts transferred to DEAF during the year	341	242
Less : Amounts reimbursed by DEAF towards claims	(18)*	(9)*
Closing balance of amounts transferred to DEAF	971	649

* includes ₹4 millions (previous year ₹2 millions) of claim raised and pending settlement with RBI

2.1.43 Disclosure on Intra-Group Exposures

Particulars	**31 March, 2018**	**31 March, 2017**
	(₹ in millions)	
Total amount of intra-group exposures	49,548	32,322
Total amount of top-20 intra-group exposures	49,548	32,322
Percentage of intra-group exposures to total exposure of the Bank on borrowers/ customers	7	5

During the years ended 31 March, 2018 and 31 March, 2017, the intra-group exposures were within the limits specified by RBI.

2.1.44 Unhedged Foreign Currency Exposure

The Bank's Corporate Credit Policy lays down the framework to manage credit risk arising out of unhedged foreign currency exposures of the borrowers. Both at the time of initial approval as well as subsequent reviews/renewals, the assessment of credit risk arising out of foreign currency exposure of the borrowers include details of imports, exports, repayments of foreign currency borrowings, as well as hedges done by the borrowers or naturally enjoyed by them vis-a-vis their intrinsic financial strength, history of hedging and losses arising out of foreign currency volatility. The extent of hedge/cover required on the total foreign currency exposure including natural hedge and hedged positions, is guided through a matrix of internal ratings. The hedging policy is applicable for existing as well as new clients with foreign currency exposures above a predefined threshold. The details of un-hedged foreign currency exposure of customers for transactions undertaken through the Bank are monitored periodically. The Bank also maintains additional provision and capital, in line with RBI guidelines.

During the year ended 31 March, 2018, there is a write back of ₹93 millions (previous year write back of ₹139 millions) in provision for un-hedged foreign currency exposures. As on 31 March, 2018, the Bank held incremental capital of ₹2,201 millions (previous year ₹3,001 millions) towards borrowers having un-hedged foreign currency exposures.

2.1.45 Disclosure on provisioning pertaining to fraud accounts

	31 March, 2018	**31 March, 2017**
	(₹ in millions)	
Number of frauds reported during the year*	5,210	2,050
Amounts involved	3,540	729
Provisions held at the beginning of the year	1,255	486
Provisions made during the year	2,285	243
Provisions held at the end of the year		
Unamortised provision debited from 'other reserves' as at the end of the year	3,540	729

* Excluding 2 cases (previous year 4 cases) amounting to ₹990 millions(previous year ₹4,077 millions) reported as fraud during the year and subsequently prudentially written off

2.1.46 Detail of Priority Sector Lending Certificates (PSLC) purchased by the Bank are set out below:

Category	31 March, 2018	31 March, 2017
	(₹ in millions)	
PSLC – General	94,160	6,000
PSLC – Micro Enterprises	3,000	–
PSLC – Small/Marginal Farmers	–	50,000
Total	97,160	56,000

During the years ended 31 March, 2018 and 31 March, 2017, the Bank has not sold any Priority Sector Lending Certificates.

2.1.47 Disclosure on Liquidity Coverage Ratio

Qualitative disclosure

The Bank has adopted the Basel III framework on liquidity standards as prescribed by RBI and has put in place requisite systems and processes to enable periodical computation and reporting of the Liquidity Coverage Ratio (LCR). The mandated regulatory threshold as per the transition plan is embedded into the Risk Appetite Statement of the Bank thus subjecting LCR maintenance to Board oversight and periodical review. The Risk department computes the LCR and reports the same to the Asset Liability Management Committee (ALCO) every month for review as well as to the Risk Management Committee of the Board.

The Bank computes LCR on a daily basis and in accordance with RBI guidelines the quarterly disclosures of LCR contain data on the simple average calculated on daily observations over a period of 90 days.

The Bank follows the criteria laid down by RBI for calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-day period. HQLA predominantly comprises Government securities viz. Treasury Bills, Central and State Government securities. A relatively smaller part of HQLA is accounted for by the corporate bonds rated AA- and above with mandated haircuts applied thereto.

The Bank monitors the concentration of funding sources from significant counterparties, significant instruments/products as part of the asset liability management framework. The Bank adheres to the regulatory and internal limits on Inter-bank liability and call money borrowings which form part of the ALM policy. The Bank's funding sources are fairly dispersed across sources and maturities.

Expected derivative cash outflows and inflows are calculated for outstanding contracts in accordance with laid down valuation methodologies. Cash flows, if any, from collaterals posted against derivatives are not considered.

Apart from the LCR position in all currencies put together, the Bank monitors the LCR in US Dollar currency which qualifies as a significant currency as per RBI guidelines.

The liquidity risk management of the Bank is undertaken by the Asset Liability Management group in the Treasury in accordance with the Board approved policies and ALCO approved funding plans. The Risk department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits, for both domestic as well as overseas operations, on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and periodical liquidity stress testing. Periodical reports are placed before the Bank's ALCO for perusal and review.

All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation template.

		Quarter ended 31 March, 2018		Quarter ended 31 December, 2017		Quarter end 30 September, 2017		Quarter ended 30 June, 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 (HQLAs)	–	7,99,733	–	7,31,165	–	7,18,350	–	7,13,798
Cash Outflows									
2	Retail Deposits and deposits from small business customers, of which:	23,88,844	2,14,789	23,14,207	2,07,623	22,56,706	2,02,488	22,28,340	1,99,702
	(i) Stable Deposits	4,81,914	24,096	4,75,952	23,798	4,63,652	23,183	4,62,643	23,132
	(ii) Less Stable Deposits	19,06,930	1,90,693	18,38,255	1,83,826	17,93,054	1,79,305	17,65,697	1,76,570
3	Unsecured wholesale funding, of which :	13,40,363	7,15,324	13,61,675	6,87,092	12,99,944	6,42,111	12,53,774	6,33,949
	(i) Operational deposits (all counterparties)	4,06,564	1,01,585	4,43,789	1,10,894	4,00,991	1,00,194	3,63,897	90,918
	(ii) Non-operational deposits (all counterparties)	9,33,799	6,13,739	9,17,886	5,76,198	8,98,953	5,41,917	8,89,877	5,43,031
	(iii) Unsecured debt	–	–	–	–	–	–	–	–
4	Secured wholesale funding		8,050		4,783		6,739		6,181
5	Additional requirements, of which	3,73,899	282,997	491,958	3,81,504	3,44,030	2,29,451	3,06,618	2,26,324
	(i) Outflows related to derivative exposures and other collateral requirements	2,66,143	2,66,143	3,30,644	3,30,644	2,13,021	2,13,021	2,14,340	2,14,340
	(ii) Outflows related to loss of funding on debt products	3,117	3,117	29,811	29,811	1,865	1,865	1,622	1,622
	(iii) Credit and liquidity facilities	1,04,639	13,737	1,31,504	21,049	1,29,144	14,565	90,657	10,362
6	Other contractual funding obligations	41,285	40,385	40,038	39,138	40,357	39,457	35,918	35,018
7	Other contingent funding obligations	22,40,854	87,189	22,26,966	86,860	21,13,718	81,817	20,51,496	79,422
8	**TOTAL CASH OUTFLOWS**	–	13,48,733	–	14,07,000	–	12,02,063	–	11,80,597
Cash Inflows									
9	Secured lending (eg. reverse repo)	6,738	–	6,735	–	13,239	–	27,994	–
10	Inflows from fully performing exposures	3,68,205	2,29,567	3,57,999	2,18,985	3,09,011	2,02,337	3,04,306	1,90,190
11	Other cash inflows	2,64,885	2,64,885	3,34,856	3,32,893	2,13,157	2,13,157	2,14,129	2,14,128
12	TOTAL CASH INFLOWS	6,39,828	4,94,453	6,99,590	5,51,878	5,35,407	4,15,494	5,46,429	4,04,318
		Total adjusted Value		**Total adjusted Value**		**Total adjusted Value**		**Total adjusted Value**	
21	**TOTAL HQLA**		7,99,733	–	7,31,165	–	7,18,350	–	713,798
22	**TOTAL NET CASH OUTFLOWS**		8,54,280	–	8,55,122	–	7,86,569	–	7,76,279
23	**LIQUIDITY COVERAGE RATIO %**		**93.61%**		**85.50%**		**91.33%**		**91.95%**

Note:

1) Average for all the quarters is simple average of daily observations for the quarter.

2) Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

		Quarter ended 31 March, 2017		Quarter ended 31 December, 2016		Quarter end 30 September, 2016		Quarter ended 30 June, 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)
		(₹ in millions)							
	High Quality Liquid Assets								
1	Total High Quality Liquid Assets (HQLAs)		6,90,680	–	7,34,858	–	6,20,718	–	5,79,117
	Cash Outflows								
2	Retail Deposits and deposits from small business customers, of which:	22,30,622	1,98,765	22,73,350	2,03,222	21,47,219	1,94,440	20,67,256	1,87,001
	(i) Stable Deposits	4,85,953	24,298	4,82,256	24,113	4,05,648	20,283	3,94,492	19,725
	(ii) Less Stable Deposits	17,44,669	1,74,467	17,91,094	1,79,109	17,41,571	1,74,157	16,72,764	1,67,276
3	Unsecured wholesale funding, of which :	11,43,110	5,76,587	10,55,380	5,17,513	10,76,108	5,10,523	10,40,277	5,28,536
	(i) Operational deposits (all counterparties)	3,12,696	78,123	3,31,207	82,754	3,58,908	89,677	3,24,431	81,059
	(ii) Non-operational deposits (all counterparties)	8,30,414	4,98,464	7,24,173	4,34,759	7,17,200	4,20,846	7,15,846	4,47,477
	(iii) Unsecured debt	–	–	–	–	–	–	–	–
4	Secured wholesale funding		4,622		5,000		10,148		17,526
5	Additional requirements, of which	3,39,186	2,63,599	3,06,136	2,25,237	2,26,706	1,57,078	2,43,325	1,34,958
	(i) Outflows related to derivative exposures and other collateral requirements	2,45,788	2,45,788	1,91,945	1,91,945	1,49,277	1,49,277	1,23,541	1,23,541
	(ii) Outflows related to loss of funding on debt products	8,647	8,647	23,885	23,885	–	–	–	–
	(iii) Credit and liquidity facilities	84,751	9,164	90,306	9,407	77,429	7,801	1,19,784	11,417
6	Other contractual funding obligations	36,968	36,068	35,059	34,159	37,774	36,874	30,460	29,560
7	Other contingent funding obligations	19,98,795	77,353	19,65,611	76,590	18,17,555	71,103	18,02,975	69,948
8	**TOTAL CASH OUTFLOWS**		11,56,994		10,61,721		9,80,166		9,67,529
	Cash Inflows								
9	Secured lending (eg. reverse repo)	73,323	–	91,010	–	25,707	–	–	–
10	Inflows from fully performing exposures	2,35,181	1,85,755	2,72,009	1,87,678	2,62,145	1,78,048	2,45,950	1,73,074
11	Other cash inflows	2,46,058	2,46,058	1,90,639	1,90,640	1,49,130	1,49,130	1,24,013	1,24,013
12	**TOTAL CASH INFLOWS**	5,54,562	4,31,813	5,53,658	3,78,318	4,36,982	3,27,179	3,69,963	2,97,087
		Total adjusted Value		Total adjusted Value		Total adjusted Value		Total adjusted Value	
21	**TOTAL HQLA**		**6,90,680**		**7,34,858**		**6,20,718**		**5,79,117**
22	**TOTAL NET CASH OUTFLOWS**		**7,25,180**		**6,83,404**		**6,52,988**		**6,70,442**
23	**LIQUIDITY COVERAGE RATIO %**		**95.24%**		**107.53%**		**95.06%**		**86.38%**

Note:

1) Average for quarter ended 31 March, 2017 is simple average of daily observations for the quarter. Average for other quarters represents simple average of monthly observations for the respective quarters.

2) Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

2.2 *Other disclosures*

2.2.1 During the year, the Bank has appropriated ₹1,017 millions (previous year ₹7,556 millions) to the Capital Reserve, net of taxes and transfer to statutory reserve, being the gain on sale of HTM investments in accordance with RBI guidelines.

2.2.2 During the year, the Bank has appropriated an amount of ₹16 millions (previous year ₹18 millions) to Reserve Fund account towards statutory reserve in accordance with guidelines issued by Central Bank of Sri Lanka in respect of Colombo branch operations.

2.2.3 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

	31 March, 2018	31 March, 2017
Basic and Diluted earnings for the year (Net profit after tax) (₹ in crores)	**2,757**	**36,793**
Basic weighted average no. of shares (in crores)	**2,445**	**2,389**
Add: Equity shares for no consideration arising on grant of stock options under ESOP (in crores)	**8**	**9**
Diluted weighted average no. of shares (in crores)	**2,453**	**2,399**
Basic EPS (₹)	**1.13**	15.40
Diluted EPS (₹)	**1.12**	15.34
Nominal value of shares (₹)	**2.00**	2.00

Dilution of equity is on account of 7,517,504 (previous year 9,429,479) stock options.

2.2.4 Employee Stock Options Scheme ('the Scheme')

In February 2001, pursuant to the approval of the shareholders at the Extraordinary General Meeting, the Bank approved an Employee Stock Option Scheme. Under the Scheme, the Bank is authorised to issue upto 65,000,000 equity shares to eligible employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. Further, over the period June 2004 to July 2013, pursuant to the approval of the shareholders at Annual General Meetings, the Bank approved an ESOP scheme for additional options aggregating 175,087,000. The options vest in a graded manner over 3 years. The options can be exercised within three/five years from the date of the vesting as the case may be. Within the overall ceiling of 240,087,000 stock options approved for grant by the shareholders as stated earlier, the Bank is also authorised to issue options to eligible employees and Whole Time Directors of the subsidiary companies.

246,272,950 options have been granted under the Scheme till the previous year ended 31 March, 2017.

On 15 May, 2017, the Bank granted 6,885,700 stock options (each option representing entitlement to one equity share of the Bank) to its eligible employees/directors of the Bank/subsidiary companies at a price of ₹503.00 per option.

Stock option activity under the Scheme for the year ended 31 March, 2018 is set out below:

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	29,711,124	217.33 to 535.00	383.16	3.98
Granted during the year	6,885,750	503.00	503.00	–
Forfeited during the year	(810,120)	306.54 to 535.00	470.15	–
Expired during the year	(57,910)	217.33 to 289.51	275.32	–
Exercised during the year	(6,173,935)	217.33 to 535.00	270.47	–
Outstanding at the end of the year	**29,554,909**	**217.33 to 535.00**	**432.45**	**4.22**
Exercisable at the end of the year	16,062,159	217.33 to 535.00	378.40	2.85

The weighted average share price in respect of options exercised during the year was ₹524.51.

Stock option activity under the Scheme for the year ended 31 March, 2017 is set out below:

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	35,527,310	217.33 to 535.00	327.56	3.33
Granted during the year	7,153,000	469.90	469.90	–
Forfeited during the year	(6,900,50)	217.33 to 535.00	455.72	–
Expired during the year	(74,853)	217.33 to 289.51	257.56	–
Exercised during the year	(12,204,283)	217.33 to 535.00	268.81	–
Outstanding at the end of the year	**29,711,124**	**217.33 to 535.00**	**383.16**	**3.98**
Exercisable at the end of the year	15,934,524	217.33 to 535.00	319.45	2.41

The weighted average share price in respect of options exercised during the year was ₹507.67.

Fair Value Methodology

On applying the fair value based method in Guidance Note on 'Accounting for Employee Share-based Payments' the impact on reported net profit and EPS would be as follows:

	31 March, 2018	31 March, 2017
Net Profit (as reported) (₹ in millions)	2,757	36,793
Add: Stock based employee compensation expense included in net income (₹ in millions)	–	–
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in millions)	(1,029)	(1,015)
Net Profit (Proforma) (₹ in millions)	**1,728**	35,778
Earnings per share: Basic (in ₹)		
As reported	**1.13**	15.40
Proforma	**0.71**	14.97
Earnings per share: Diluted (in ₹)		
As reported	**1.12**	15.34
Proforma	**0.70**	14.92

During the years ended, 31 March, 2018 and 31 March, 2017, no cost has been incurred by the Bank on ESOPs issued to the employees of the Bank and employees of subsidiaries under the intrinsic value method.

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

	31 March, 2018	31 March, 2017
Dividend yield	**1.16%**	1.29%
Expected life	**2.57-4.57 years**	2.57-4.57 years
Risk free interest rate	**6.55% to 6.82%**	7.15% to 7.39%
Volatility	**31.80% to 33.56%**	32.92% to 35.75%

Volatility is the measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes options pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. For calculating volatility, the daily volatility of the stock prices on the National Stock Exchange, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.

The weighted average fair value of options granted during the year ended 31 March, 2018 is ₹155.53 (previous year ₹153.66).

2.2.5 Proposed Dividend

After making mandatory appropriations to Statutory Reserve, Investment Reserve, Reserve Fund and Capital Reserve, no profits are available for distribution as dividend for the year ended 31 March 2018. Accordingly, no dividend has been recommended by the Board of Directors for the year ended 31 March 2018.

Dividend paid during the year, represents dividend (₹5 per equity share) for the year ended 31 March, 2017 paid pursuant to approval of shareholders at Annual General Meeting held on 26 July, 2017.

2.2.6 Segmental reporting

The business of the Bank is divided into four segments: Treasury, Retail Banking, Corporate/Wholesale Banking and Other Banking Business. These segments have been identified based on the RBI's revised guidelines on Segment Reporting issued on 18 April, 2007 vide Circular No. DBOD.No.BP.BC.81/21.04.018/2006-07. The principal activities of these segments are as under.

Segment	**Principal Activities**
Treasury	Treasury operations include investments in sovereign and corporate debt, equity and mutual funds, trading operations, derivative trading and foreign exchange operations on the proprietary account and for customers. The Treasury segment also includes the central funding unit.
Retail Banking	Constitutes lending to individuals/small businesses through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Retail Banking activities also include liability products, card services, internet banking, mobile banking, ATM services, depository, financial advisory services and NRI services.
Corporate/Wholesale Banking	Includes corporate relationships not included under Retail Banking, corporate advisory services, placements and syndication, project appraisals, capital market related services and cash management services.
Other Banking Business	Includes para banking activities like third party product distribution and other banking transactions not covered under any of the above three segments.
Unallocated assets and liabilities	All items which are reckoned at an enterprise level are classified under this segment such as deferred tax, money received against share warrants, tax paid in advance net of provision etc.

Revenues of the Treasury segment primarily consist of fees and gains or losses from trading operations and interest income on the investment portfolio. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses.

Revenues of the Corporate/Wholesale Banking segment consist of interest and fees earned on loans given to customers falling under this segment and fees arising from transaction services and merchant banking activities such as syndication and debenture trusteeship. Revenues of the Retail Banking segment are derived from interest earned on loans classified under this segment, fees for banking and advisory services, ATM interchange fees and cards products. Expenses of the Corporate/Wholesale Banking and Retail Banking segments primarily comprise interest expense on deposits and funds borrowed from other internal segments, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

Segment income includes earnings from external customers and from funds transferred to the other segments. Segment result includes revenue as reduced by interest expense and operating expenses and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Inter segment interest income and interest expense represent the transfer price received from and paid to the Central Funding Unit (CFU) respectively. For this purpose, the funds transfer pricing mechanism presently followed by the Bank, which is based on historical matched maturity and internal benchmarks, has been used. Operating expenses other than those directly attributable to segments are allocated to the segments based on an activity-based costing methodology. All activities in the Bank are segregated segment-wise and allocated to the respective segment.

Segmental results are set out below:

	31 March, 2018				
	Treasury	**Corporate/ Wholesale Banking**	**Retail Banking**	**Other Banking Business**	**Total**
	(₹ in millions)				
Segment Revenue					
Gross interest income (external customers)	1,18,258	1,46,074	1,93,471	–	4,57,803
Other income	30,887	28,121	39,887	10,776	1,09,671
Total income as per Profit and Loss Account	**1,49,145**	**1,74,195**	**2,33,358**	**10,776**	**5,67,474**
Add/(less) inter segment interest income	4,93,861	54,024	1,72,982	–	7,20,867
Total segment revenue	6,43,006	2,28,219	4,06,340	10,776	12,88,341
Less: Interest expense (external customers)	133,058	8,100	130,468	–	271,626
Less: Inter segment interest expense	4,57,614	1,23,526	1,39,721	6	7,20,867
Less: Operating expenses	3,836	37,319	97,536	1,212	1,39,903
Operating profit	**48,498**	**59,274**	**38,615**	**9,558**	**1,55,945**
Less: Provision for non-performing assets/others*	17,600	1,18,524	18,605	–	1,54,729
Segment result	**30,898**	**(59,250)**	**20,010**	**9,558**	**1,216**
Less: Provision for tax					(1,541)
Extraordinary profit/loss					–
Net Profit					2,757
Segment assets	22,83,222	22,37,546	22,97,108	6,906	68,24,782
Unallocated assets					88,514
Total assets					69,13,296
					–
Segment liabilities	23,08,188	13,28,368	26,33,805	251	62,70,612
Unallocated liabilities					8,231
Total liabilities					62,78,843
Net assets	**(24,966)**	**9,09,178**	**(3,36,697)**	**6,655**	**6,34,453**
Capital expenditure for the year	152	2,253	5,017	151	7,573
Depreciation on fixed assets for the year	114	1,690	3,763	114	5,681

	31 March, 2017				
	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Total
	(₹ in millions)				
Segment Revenue					
Gross interest income (external customers)	1,16,530	1,57,677	1,71,215	–	4,45,422
Other income	46,422	29,586	30,884	10,021	1,16,913
Total income as per Profit and Loss Account	**1,62,952**	**1,87,263**	**2,02,099**	**10,021**	**5,62,335**
Add/(less) inter segment interest income	4,87,132	53,584	1,80,299	–	7,21,015
Total segment revenue	6,50,084	2,40,846	3,82,398	10,021	12,83,350
Less: Interest expense (external customers)	1,24,844	6,633	1,33,013	–	2,64,490
Less: Inter segment interest expense	4,79,745	1,19,379	1,21,885	6	7,21,015
Less: Operating expenses	4,569	33,180	83,078	1,172	1,21,999
Operating profit	**40,926**	**81,655**	**44,422**	**8,843**	**1,75,846**
Less: Provision for non-performing assets/others*	12,339	1,00,418	8,413	–	1,21,170
Segment result	28,587	(18,763)	36,009	8,843	54,676
Less: Provision for tax					17,883
Extraordinary profit/loss					–
Net Profit					**36,793**
Segment assets	20,98,657	19,83,315	18,69,374	7,469	59,58,815
Unallocated assets					55,862
Total assets					**60,14,677**
Segment liabilities	19,49,872	11,83,404	23,23,320	420	54,57,016
Unallocated liabilities					36
Total liabilities					**5,457,052**
Net assets	1,48,785	7,99,911	-(4,53,946)	7,049	5,57,625
Capital expenditure for the year	268	2,106	4,179	134	**6,687**
Depreciation on fixed assets for the year	204	1,603	3,180	102	**5,088**

* represents material non-cash items other than depreciation

Geographic Segments

	Domestic		International		Total	
	31 March, 2018	31 March, 2017	31 March, 2018	31 March, 2017	31 March, 2018	31 March, 2017
	(₹ in millions)					
Revenue	5,43,667	5,35,971	23,807	26,364	5,67,474	5,62,335
Assets	63,03,220	54,72,151	6,10,076	5,42,526	69,13,296	60,14,677
Capital Expenditure incurred	7,543	6,678	30	9	7,573	6,687
Depreciation provided	5,655	5,060	26	28	5,681	5,088

2.2.7 Related party disclosure

The related parties of the Bank are broadly classified as:

a) *Promoters*

The Bank has identified the following entities as its Promoters.

- Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI)
- Life Insurance Corporation of India (LIC)
- General Insurance Corporation and four Government-owned general insurance companies – New India Assurance Co. Limited, National Insurance Co. Limited, United India Insurance Co. Limited and The Oriental Insurance Co. Limited.

b) *Key Management Personnel*

- Ms. Shikha Sharma (Managing Director & Chief Executive Officer)
- Mr. V. Srinivasan (Deputy Managing Director)
- Mr. Rajiv Anand [Executive Director (Retail Banking)]
- Mr. Rajesh Dahiya [Executive Director (Corporate Centre)]

c) *Relatives of Key Management Personnel*

Mr. Sanjaya Sharma, Ms. Usha Bharadwaj, Mr. Tilak Sharma, Ms. Tvisha Sharma, Dr. Sanjiv Bharadwaj, Dr. Prashant Bharadwaj, Dr. Brevis Bharadwaj, Dr. Reena Bharadwaj, Ms. Gayathri Srinivasan, Mr. V. Satish, Ms. Camy Satish, Ms. Ananya Srinivasan, Ms. Anagha Srinivasan, Ms. Geetha N., Ms. Chitra R., Ms. Sumathi N., Mr. S. Ranganathan, Mr. R. Narayan, Ms. Gitanjali Anand, Ms. Tara Anand, Ms. Nandita Anand, Mr. P.L. Narain, Mr. P. Srinivas, Ms. Ratna Rao Shekar, Ms. P. Kamashi, Ms. Hemant Dahiya, Ms. Arooshi Dahiya, Ms. Mallika Dahiya, Ms. Jal Medha, Ms. Pooja Rathi, Mr. Jai Prakash Dahiya.

d) *Subsidiary Companies*

- Axis Capital Limited
- Axis Private Equity Limited
- Axis Trustee Services Limited
- Axis Asset Management Company Limited
- Axis Mutual Fund Trustee Limited
- Axis Bank UK Limited
- Axis Finance Limited
- Axis Securities Limited
- A.Treds Limited
- Accelyst Solutions Private Limited with effect from 6 October, 2017
- Freecharge Payment Technologies Private Limited with effect from 6 October, 2017

e) *Step down subsidiary companies*

- Axis Capital USA LLC with effect from 2 August, 2017

Based on RBI guidelines, details of transactions with step down subsidiaries are not disclosed since there is only one entity/party in this category.

The details of transactions of the Bank with its related parties during the year ended 31 March, 2018 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Dividend paid	3,435	11	–	–	3,446
Dividend received	–	–	–	2,561	2,561
Interest paid	5,456	2	2	155	5,615
Interest received	0	8	–	299	307
Investment of the Bank	–	–	–	3,250	3,250
Investment in non-equity instruments of related party	3,930	–	–	1,000	4,930
Investment of related party in the Bank	12,000	338	–	–	12,338
Investment of related party in Hybrid capital/Bonds of the Bank	–	–	–	–	–
Redemption of Hybrid capital/Bonds of the Bank	–	–	–	–	–
Purchase of investments	1,887	–	–	–	1,887
Sale of investments	8,688	11	–	–	8,699
Management contracts	–	122	–	156	278
Contribution to employee benefit fund	162	–	–	–	162
Placement of deposits	1	–	–	–	1
Non-funded commitments (issued)	2	–	–	1	3
Call/Term lending to related party	–	–	–	3,119	3,119
Swaps/Forward contracts	–	–	–	1,317	1,317
Advance granted (net)	–	80	–	8,582	8,662
Advance repaid	65	0	–	–	65
Purchase of loans	–	–	–	182	182
Sell down of loans (including undisbursed loan commitments)	–	–	–	649	649
Receiving of services	1,053	–	–	7,851	8,904
Rendering of services	174	1	–	2,644	2,819
Sale of foreign exchange currency to related party	–	13	–	–	13
Refund of Share Capital from related party	–	–	–	–	–
Other reimbursements from related party	–	–	–	81	81
Other reimbursements to related party	8	–	–	37	45

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2018 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Call/Term lending to related party	–	–	–	3,128	3,128
Deposits with the Bank	62,138	43	35	3,815	66,031
Placement of deposits	4	–	–	–	4
Advances	71	183	0	10,164	10,418
Investment of the Bank	–	–	–	20,927	20,927
Investment in non-equity instruments of related party	2,057	–	–	–	2,057
Investment of related party in the Bank	1,353	5	–	–	1,358
Non-funded commitments	33	–	–	1	34
Investment of related party in Hybrid capital/Bonds of the Bank	43,000	–	–	–	43,000
Payable under management contracts	–	37	–	–	37
Other receivables (net)	–	–	–	355*	355
Other payables (net)	–	–	–	519	519

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2018 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Deposits with the Bank	1,01,533	171	58	8,301	1,10,063
Placement of deposits	4	–	–	–	4
Advances	167	183	1	14,026	14,377
Investment of the Bank	–	–	–	20,927	20,927
Investment of related party in the Bank	1,378	5	–	–	1,383
Investment in non-equity instruments of the Bank	3,930	–	–	1,000	4,930
Non-funded commitments	33	–	–	1	34
Call lending	–	–	–	3,129	3,129
Swaps/Forward contracts	–	–	–	32	32
Investment of related party in Hybrid Capital/Bonds of the Bank	43,000	–	–	–	43,000
Payable under management contracts	–	37	–	–	37
Other receivables (net)	–	–	–	543	543
Other payables (net)	–	–	–	810	810

The details of transactions of the Bank with its related parties during the year ended 31 March, 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Dividend paid	3,547	7	–	–	**3,554**
Dividend received	–	–	–	1,833	**1,833**
Interest paid	6,663	1	2	249	**6,915**
Interest received	16	6	–	145	**167**
Investment of the Bank	–	–	–	1,168	**1,168**
Investment in non-equity instruments of related party	1,100	–	–	3,473	**4,573**
Investment of related party in the Bank	–	465	–	–	**465**
Investment of related party in Hybrid capital/Bonds of the Bank	10,500	–	–	–	**10,500**
Redemption of Hybrid capital/Bonds of the Bank	700	–	–	–	**700**
Purchase of investments	–	–	–	–	**–**
Sale of investments	7,588	35	1	–	**7,624**
Management contracts	–	114	–	169	**283**
Contribution to employee benefit fund	158	–	–	–	**158**
Purchase of fixed assets	–	–	–	–	**–**
Sale of fixed assets	–	–	–	–	**–**
Placement of deposits	–	–	–	–	**–**
Repayment of deposits	–	–	–	–	**–**
Non-funded commitments (issued)	1	–	–	310	**311**
Call/Term borrowing	–	–	–	–	**–**
Call/Term lending	–	–	–	101	**101**
Swaps/Forward contracts	–	–	–	976	**976**
Advance granted (net)	7	–	–	–	**7**
Advance repaid	–	2	–	972	**974**
Advance to related party against rendering of services	–	–	–	–	**–**
Receiving of services	1,007	–	–	6,106	**7,113**
Rendering of services	24	1	–	1,379	**1,404**
Purchase of equity shares from related party	–	–	–	–	**–**
Refund of Share Capital from related party	–	–	–	84	**84**
Other reimbursements from related party	–	–	–	104	**104**
Other reimbursements to related party	4	–	–	2	**6**

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Borrowings from the Bank	–	–	–	–	–
Call/Term lending to related party	–	–	–	–	–
Deposits with the Bank	79,511	19	30	8,301	**87,861**
Placement of deposits	4	–	–	–	**4**
Advances	136	104	0	1,624	**1,864**
Investment of the Bank	–	–	–	13,723	**13,723**
Investment in non-equity instruments of related party	561	–	–	572	**1,133**
Investment of related party in the Bank	1,378	4	–	–	**1,382**
Non-funded commitments	31	–	–	–	31
Investment of related party in Hybrid capital/Bonds of the Bank	43,000	–	–	–	43,000
Payable under management contracts	–	8	–	–	8
Other receivables (net)	–	–	–	506*	506
Other payables (net)	–	–	–	312	312
Swap/Forward contracts	–	–	–	–	–

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Deposits with the Bank	90,033	108	35	18,747	**1,08,923**
Placement of deposits	4	–	–	–	**4**
Advances	257	105	1	13,277	**13,640**
Investment of the Bank	–	–	–	13,913	**13,913**
Investment of related party in the Bank	1,419	4	–	–	**1,423**
Investment in non-equity instruments of the Bank	1,100	–	–	3,473	**4,573**
Non-funded commitments	32	–	–	310	**342**
Call borrowing	–	–	–	–	**–**
Call lending	–	–	–	678	**678**
Swaps/Forward contracts	–	–	–	51	**51**
Investment of related party in Hybrid Capital/ Bonds of the Bank	43,550	–	–	–	**43,550**
Payable under management contracts	–	14	–	–	**14**
Other receivables (net)	–	–	–	710	**710**
Other payables (net)	–	–	–	367	**367**

The transactions with Promoters and Key Management Personnel excluding those under management contracts are in nature of the banker-customer relationship.

Details of transactions with Axis Mutual Fund and Axis Infrastructure Fund-I, the funds floated by Axis Asset Management Company Ltd. and Axis Private Equity Ltd., the Bank's subsidiaries have not been disclosed since these entities do not qualify as Related Parties as defined under the Accounting Standard 18, Related Party Disclosure, as notified under Section 2(2) and Section 133 of the Companies Act, 2013 and as per RBI guidelines.

* Upto 31 December, 2014, the Bank had entered into an arrangement with Axis Asset Management Company Ltd. (Axis AMC), the Bank's subsidiary, in terms of which payment of brokerage in respect of distribution of certain schemes is scheduled over the period of the schemes. This arrangement, however, has no effect on the accounting policy of the Bank, as such brokerage income is recognised by the Bank as and when the same is due. Other receivables include such brokerage recoverable from Axis AMC as on the reporting date.

The significant transactions between the Bank and related parties during the year ended 31 March, 2018 and 31 March, 2017 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

Particulars	Year ended 31 March, 2018	Year ended 31 March, 2017
	(₹ in millions)	
Dividend paid		
Life Insurance Corporation of India	**1,650**	**1,744**
Administrator of the Specified Undertaking of the Unit Trust of India	**1,374**	**1,374**
Dividend received		
Axis Finance Limited	**1,213**	**949**
Axis Capital Limited	**1,029**	**515**
Axis Securities Limited	**195**	**177**
Axis Trustee Services Limited	**124**	**124**
Interest paid		
Life Insurance Corporation of India	**5,024**	**5,432**
Administrator of the Specified Undertaking of the Unit Trust of India	**102**	**731**
Interest received		
Axis Finance Limited	**153**	**49**
Axis Bank UK Limited	**125**	**89**
Life Insurance Corporation of India	**–**	**15**
Investment of the Bank		
Axis Finance Limited	**1,250**	**1,000**
Accelyst Solutions Private Limited	**1000**	N.A.
Freecharge Payment Technologies Private Limited	**1000**	N.A.
A.Treds Limited	**–**	168
Investment in non-equity instruments of related party		
United India Insurance Co. Limited	**3,930**	–
Axis Finance Limited	**1,000**	3,473
National Insurance Co. Limited	**–**	1,100
Investment of related party in the Bank	**–**	–
Life Insurance Corporation of India	**12,000**	–
Ms. Shikha Sharma	**174**	297
Mr. V. Srinivasan	**80**	120
Investment of related party in Hybrid capital/Bonds of the Bank		
Life Insurance Corporation of India	**–**	10,000
United India Insurance Co. Limited	**–**	500
Redemption of Hybrid capital/Bonds of the Bank		
General Insurance Corporation Co. Limited	**–**	500
United India Insurance Co. Limited	**–**	200
Purchase of investments		
United India Insurance Co. Limited	**1,887**	–
Sale of investments		
New India Assurance Co. Limited	**4,210**	2,000
General Insurance Corporation Co. Limited	**2,300**	3,900
United India Insurance Co. Limited	**1,574**	551
National Insurance Co. Limited	**350**	500
Management contracts		
Axis Securities Limited	**71**	62
Ms. Shikha Sharma	**48**	54
Axis Capital Limited	**35**	38
Mr. V. Srinivasan	**31**	34
Axis Trustee Services Limited	**31**	34
Axis Finance Limited	**–**	30
Contribution to employee benefit fund		
Life Insurance Corporation of India	**162**	158
Placement of deposits		
Life Insurance Corporation of India	**1**	–
Call/Term lending to related party		
Axis Bank UK Limited	**3,119**	101
Swaps/Forward contracts		
Axis Bank UK Limited	**1,317**	976

Particulars	Year ended 31 March, 2018	Year ended 31 March, 2017
	(₹ in millions)	
Advance granted (net)		
Life Insurance Corporation of India	**–**	7
Axis Finance Limited	**8,482**	–
Advance repaid		
Life Insurance Corporation of India	**65**	–
Axis Finance Limited	**–**	972
Purchase of loans		
Axis Bank UK Limited	**182**	–
Sell down of loans (including undisbursed loan commitments)		
Axis Bank UK Limited	**649**	–
Receiving of services		
Axis Securities Limited	**7,405**	5,838
The Oriental Insurance Co. Limited	**664**	750
Rendering of services		
Axis Asset Management Company Limited	**2,497**	1,214
Axis Capital Limited	**199**	74
Axis Bank UK Limited	**13**	12
Sale of foreign exchange currency to related party		
Ms. Shikha Sharma	**13**	–
Refund of Share Capital from related party		
Axis Securities Europe Limited	**N.A.**	84
Other reimbursements from related party		
Axis Capital Limited	**41**	47
Axis Asset Management Company Limited	**26**	31
Axis Securities Limited	**2**	5
Axis Bank UK Limited	**–**	4
Other reimbursements to related party		
Axis Securities Limited	**30**	0
Life Insurance Corporation of India	**8**	4
Accelyst Solutions Private Limited	**5**	N.A.
Axis Bank UK Limited	**1**	1

2.2.8 Leases

Disclosure in respect of assets taken on operating lease

This comprise of office premises/ATMs, cash deposit machines, staff quarters, electronic data capturing machines and IT equipment.

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Future lease rentals payable as at the end of the year:		
- Not later than one year	7,184	6,823
- Later than one year and not later than five years	22,243	21,109
- Later than five years	18,447	14,469
Total of minimum lease payments recognised in the Profit and Loss Account for the year	8,003	7,565
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	43	38
Sub-lease payments recognised in the Profit and Loss Account for the year	6	5

The Bank has sub-leased certain of its properties taken on lease.

There are no provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

2.2.9 Other Fixed Assets (including furniture & fixtures)

The movement in fixed assets capitalised as application software is given below:

Particulars	31 March, 2018	31 March, 2017
	(₹ in millions)	
At cost at the beginning of the year	**10,596**	8,529
Additions during the year	**2,321**	2,068
Deductions during the year	**0**	0
Accumulated depreciation as at 31 March	**(8,578)**	(6,917)
Closing balance as at 31 March	**4,339**	3,679
Depreciation charge for the year	**1,661**	1,309

2.2.10 The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

As at	31 March, 2018	31 March, 2017
	(₹ in millions)	
Deferred tax assets on account of provisions for loan losses	**66,267**	47,323
Deferred tax assets on account of amortisation of HTM investments	**113**	128
Deferred tax assets on account of provision for employee benefits	**927**	975
Deferred tax assets on account of other items	**2,737**	3,112
Deferred tax assets	**70,044**	51,538
Deferred tax liabilities on account of depreciation on fixed assets	**1,031**	915
Deferred tax liabilities on account of other items	**249**	–
Deferred tax liabilities	**1,280**	915
Net Deferred tax assets	**68,764**	50,623

2.2.11 Employee Benefits

Provident Fund

The rules of the Bank's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Bank. Based on an actuarial valuation conducted by an independent actuary, there is no deficiency as at the Balance Sheet date.

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the Provident Fund benefit plan.

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees)

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Current Service Cost	**885**	768
Interest on Defined Benefit Obligation	**1,280**	1,157
Expected Return on Plan Assets	**(1,710)**	(1,359)
Net Actuarial Losses/(Gains) recognised in the year	**431**	203
Total included in "Employee Benefit Expense" [Schedule 16(I)]	**885**	768
Actual Return on Plan Assets	**1401**	1365

Balance Sheet

Details of provision for provident fund

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Fair Value of Plan Assets	**20,046**	16,872
Present Value of Funded Obligations	**(20,046)**	(16,872)
Net Asset	–	–
Amounts in Balance Sheet		
Liabilities	–	–
Assets	–	–
Net Asset (included under Schedule 11 – Other Assets)	–	–

Changes in the present value of the defined benefit obligation are as follows:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	**16,872**	14,379
Current Service Cost	**885**	768
Interest Cost	**1,279**	1,157
Actuarial Losses/(Gains)	**121**	208
Employees Contribution	**2,008**	1,812
Liability transferred from/to other companies	**(146)**	(229)
Benefits Paid	**(973)**	(1,223)
Closing Defined Benefit Obligation	**20,046**	16,872

Changes in the fair value of plan assets are as follows:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Change in the Fair Value of Assets		
Opening Fair Value of Plan Assets	**16,872**	14,379
Expected Return on Plan Assets	**1,710**	1,359
Actuarial Gains/(Losses)	**(310)**	6
Employer contribution during the period	**885**	7,680
Employee contribution during the period	**2,008**	1,812
Assets transferred from/to other companies	**(146)**	(229)
Benefits Paid	**(973)**	(1,223)
Closing Fair Value of Plan Assets	**20,046**	16,872

Experience adjustments*

	31 March, 2018	31 March, 2017	31 March, 2016	31 March, 2015	31 March, 2014
			(₹ in millions)		
Defined Benefit Obligations	**20,046**	16,872	14,379	12,408	10,133
Plan Assets	**20,046**	16,872	14,379	12,408	10,133
Surplus/(Deficit)	–	–	–	–	–
Experience Adjustments on Plan Liabilities	**121**	208	121	(18)	530
Experience Adjustments on Plan Assets	**(310)**	6	(62)	(40)	414

* information provided to the extent available with the Bank

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets

	31 March, 2018	31 March, 2017
	%	%
Government securities	**53.75**	53.74
Bonds, debentures and other fixed income instruments	**42.16**	43.47
Equity shares	**3.79**	1.66
Others	**0.30**	1.13

	31 March, 2018	31 March, 2017
Discount rate for the term of the obligation	**7.95%**	7.40%
Average historic yield on the investment portfolio	**8.90%**	9.11%
Discount rate for the remaining term to maturity of the investment portfolio	**7.68%**	6.93%
Expected investment return	**9.17%**	9.58%
Guaranteed rate of return	**8.55%**	8.65%

The contribution to the employee's provident fund (including Employee Pension Scheme) amounted to ₹1,490 millions (previous year ₹1,337 millions) for the year.

Superannuation

The Bank contributed ₹159 millions (previous year ₹153 millions) to the employees' superannuation plan for the year.

National Pension Scheme (NPS)

During the year, the Bank has contributed ₹38 millions (previous year ₹25 millions) to the NPS for employees who had opted for the scheme.

Leave Encashment

The actuarial liability of compensated absences of accumulated privileged leave of the employees of the Bank is given below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Actuarial Liability – Privilege Leave	**2,438**	**2,475**
Total Expense included in Schedule 16(I)	**473**	**799**
Assumptions		
Discount rate	**7.95% p.a.**	7.40% p.a.
Salary escalation rate	**7.00% p.a.**	7.00% p.a.

Gratuity

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the Gratuity benefit plan.

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees)

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Current Service Cost	**391**	325
Interest on Defined Benefit Obligation	**228**	202
Expected Return on Plan Assets	**(217)**	(181)
Net Actuarial Losses/(Gains) recognised in the year	**(162)**	253
Past Service Cost	**283**	–
Total included in "Employee Benefit Expense" [Schedule 16(I)]	**523**	599
Actual Return on Plan Assets	**263**	164

Balance Sheet

Details of provision for gratuity

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Fair Value of Plan Assets	**3,237**	2,797
Present Value of Funded Obligations	**(3,425)**	(2,848)
Net Asset	**(188)**	(51)
Amounts in Balance Sheet		
Liabilities	**188**	51
Assets	–	–
Net Asset (included under Schedule 11 – Other Assets)	**(188)**	(51)

Changes in the present value of the defined benefit obligation are as follows:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	**2,849**	2,326
Current Service Cost	**391**	325
Interest Cost	**228**	202
Actuarial Losses/(Gains)	**(117)**	237
Past service cost	**283**	–
Benefits Paid	**(208)**	(241)
Closing Defined Benefit Obligation	**3,426**	2,849

Changes in the fair value of plan assets are as follows:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Change in the Fair Value of Assets		
Opening Fair Value of Plan Assets	**2,797**	2,326
Expected Return on Plan Assets	**216**	181
Actuarial Gains/(Losses)	**46**	(16)
Contributions by Employer	**386**	547
Benefits Paid	**(208)**	(241)
Closing Fair Value of Plan Assets	**3,237**	2,797

Experience adjustments

	31 March, 2018	31 March, 2017	31 March, 2016	31 March, 2015	31 March, 2014
			(₹ in millions)		
Defined Benefit Obligations	**3,426**	2,849	2,326	2,070	1,577
Plan Assets	**3,237**	2,797	2,326	2,095	1,634
Surplus/(Deficit)	**(188)**	(51)	0	25	56
Experience Adjustments on Plan Liabilities	**44**	66	28	11	77
Experience Adjustments on Plan Assets	**46**	(16)	(54)	13	23

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets

	31 March, 2018	31 March, 2017
	%	%
Government securities	**49.04**	37.30
Bonds, debentures and other fixed income instruments	**28.81**	47.98
Money market instruments	**19.71**	8.66
Equity shares	**2.22**	3.52
Others	**0.22**	2.54

Principal actuarial assumptions at the Balance Sheet date:

	31 March, 2018	31 March, 2017
Discount Rate	**7.95% p.a.**	7.40% p.a.
Expected Rate of Return on Plan Assets	**7.50% p.a.**	7.50% p.a.
Salary Escalation Rate	**7.00% p.a.**	7.00% p.a.
Employee Turnover		
– 18 to 30 (age in years)	**20.00%**	20.00%
– 31 to 44 (age in years)	**10.00%**	10.00%
– 45 to 59 (age in years)	**5.00%**	5.00%

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the plan during the annual period beginning after the balance sheet date is based on various internal/external factors, a best estimate of the contribution is not determinable.

The above information is as certified by the actuary and relied upon by the auditors.

2.2.12 Provisions and contingencies

a) Movement in provision for frauds included under other liabilities is set out below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Opening balance at the beginning of the year	**594**	398
Additions during the year	**20**	235
Reductions on account of payments during the year	**(1)**	–
Reductions on account of reversals during the year	**(3)**	(39)
Closing balance at the end of the year	**610**	594

b) Other liabilities include provision for reward points made on actuarial basis, the movement of which is set out below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Opening provision at the beginning of the year	**1,105**	1,274
Provision made during the year	**890**	322
Reductions during the year	**(556)**	(491)
Closing provision at the end of the year	**1,439**	1,105

c) Movement in provision for other contingencies is set out below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Opening provision at the beginning of the year	**5,956**	5,391
Provision made during the year	**3,423**	10,366
Reductions during the year	**(7,872)**	(9,801)
Closing provision at the end of the year	**1,507**	5,956

The above provision includes contingent provision for advances/other exposures, legal cases and other contingencies.

2.2.13 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2 October, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

2.2.14 Corporate Social Responsibility (CSR)

a) Amount required to be spent by the Bank on CSR during the year ₹1,868 millions (previous year ₹1,964 millions).

b) Amount spent towards CSR during the year and recognized as expense in the statement of profit and loss on CSR related activities is ₹1,338 millions (previous year ₹1,354 millions), which comprise of following -

	31 March, 2018			31 March, 2017		
	In cash	**Yet to be paid in cash (i.e. provision)**	**Total**	**In cash**	**Yet to be paid in cash (i.e. provision)**	**Total**
			(₹ in millions)			
Construction/ acquisition of any asset	**22**	**–**	**22**	28	104	132
On purpose other than above	**1,243**	**73**	**1,316**	1,068	154	1,222

2.2.15 Description of contingent liabilities

a) Claims against the Bank not acknowledged as debts

These represent claims filed against the Bank in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax authorities and disputed by the Bank. Apart from claims assessed as possible, the Bank holds provision of ₹427 millions as on 31 March, 2018 (previous year ₹262 millions) towards claims assessed as probable.

b) Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments.

c) Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options/swaps, interest rate/currency futures and forward rate agreements on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An Exchange Traded Currency Option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

d) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

e) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

f) Other items

Other items represent outstanding amount of bills rediscounted by the Bank, estimated amount of contracts remaining to be executed on capital account, notional principal on account of outstanding Tom/Spot foreign exchange contracts, commitments towards underwriting and investment in equity through bids under Initial Public Offering (IPO) of corporates as at the year end, demands raised by statutory authorities (other than income tax) and disputed by the Bank and amount transferred to Depositor Education and Awareness Fund (DEAF).

The Bank, through one of its overseas branches, had arranged Trade Credit (Buyers Credit loans) against Letters of Undertaking (LOUs) issued by Punjab National Bank (PNB), which were subsequently alleged as fraudulent by PNB. Prior to this declaration by PNB, such buyer's credit loans were sold down in the secondary market by the overseas branch to various participating banks under Risk Participation Agreements. As on 31 March 2018, there is no funded exposure outstanding in the overseas branch pursuant to such sell down. PNB has repaid the aggregate amount of all LOUs due upto 31 March 2018, pursuant to an undertaking issued to PNB, and made remittance to the overseas branch which has been passed on for onward payment to the participating banks. Based on the facts and circumstances of the case, internal findings and legal opinion, the Bank does not expect PNB has any valid right at this point in time, for refund by the Bank of the aggregate amount paid by PNB towards LOUs due upto 31 March 2018. However, as a matter of prudence, the aggregate amount of LOUs issued by PNB to the overseas branch against which buyer's credit was extended, aggregating to ₹38,473 millions has been disclosed as part of Contingent Liabilities in the Balance Sheet.

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

2.2.16 Previous year figures have been regrouped and reclassified, where necessary to conform to current year's presentation.

For Axis Bank Limited

Sanjiv Misra
Chairman

Shikha Sharma
Managing Director &CEO

V. Srinivasan
Deputy Managing Director

Rajiv Anand
Executive Director (Retail Banking)

Rajesh Dahiya
Executive Director (Corporate Centre)

Prasad R. Menon

Samir K. Barua

Som Mittal

Rohit Bhagat

Usha Sangwan

S. Vishvanathan

Rakesh Makhija

Ketaki Bhagwati

B. Babu Rao

Stephen Pagliuca
Directors

Girish Koliyote
Company Secretary

Jairam Sridharan
Chief Financial Officer

Date: 26 April, 2018
Place: Mumbai

INDEPENDENT AUDITOR'S REPORT

To the Members of Axis Bank Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Axis Bank Limited (the "Bank"), which comprise the Balance Sheet as at March 31, 2017, the Profit and Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, provision of section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements together with the notes give the information required by the Banking Regulation Act, 1949 as well as the Act, 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, its profit, and its profit and cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.

2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

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

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

    (c) The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; we have visited 220 branches for the purpose of our audit.

3. Further, as required by section 143 (3) of the Companies Act, 2013, we further report that:

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

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

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

    (d) 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 and the Companies (Accounting Standards) Amendment Rules, 2016;

    (e) On the basis of written representations received from the directors as on March 31, 2017, and 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;

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

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

   i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Schedule 12.I and 18.1.2.15 (a) to the standalone financial statements;

   ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 18.1.2.15 (b) to the standalone financial statements;

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank;

   iv. As per books of accounts of the Bank and represented by the management, the disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March 2017 is not applicable to the Bank – Refer Note 18.1.2.16 to the standalone financial statements.

For **S.R. Batliboi & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749

Place of Signature: Mumbai
Date: 26 April 2017

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF AXIS BANK LIMITED

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

To the Members of Axis Bank Limited

We have audited the internal financial controls over financial reporting of Axis 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

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

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

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 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 S.R. Batliboi & CO. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749

Place of Signature: Mumbai

Date: 26 April 2017

BALANCE SHEET AS AT 31 MARCH, 2017

	Schedule No.	As at 31-03-2017	As at 31-03-2016
		(₹ in Millions)	(₹ in Millions)
CAPITAL AND LIABILITIES			
Capital	1	4,790	4,766
Reserves & Surplus	2	5,52,835	5,26,883
Deposits	3	41,43,788	35,79,675
Borrowings	4	10,50,309	10,85,804
Other Liabilities and Provisions	5	2,62,955	2,01,082
TOTAL		60,14,677	53,98,210
ASSETS			
Cash and Balances with Reserve Bank of India	6	3,08,579	2,23,611
Balances with Banks and Money at Call and Short Notice	7	1,93,983	1,09,643
Investments	8	12,87,934	13,15,241
Advances	9	37,30,693	33,87,737
Fixed Assets	10	37,469	35,232
Other Assets	11	4,56,019	3,26,746
TOTAL		60,14,677	53,98,210
Contingent Liabilities	12	66,96,258	61,74,464
Bills for Collection		8,10,554	5,12,795
Significant Accounting Policies and Notes to Accounts	17 & 18		

Schedules referred to above form an integral part of the Balance Sheet

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2017

		Schedule No.	Year ended 31-03-2017 (₹ in Millions)	Year ended 31-03-2016 (₹ in Millions)
I	**INCOME**			
	Interest earned	13	4,45,421	4,09,880
	Other income	14	1,16,913	93,715
	TOTAL		5,62,334	5,03,595
II	**EXPENDITURE**			
	Interest expended	15	2,64,490	2,41,551
	Operating expenses	16	1,21,999	1,01,007
	Provisions and contingencies	18(1.1.1)	1,39,052	78,800
	TOTAL		5,25,541	4,21,358
III	**NET PROFIT FOR THE YEAR (I - II)**		36,793	82,237
	Balance in Profit & Loss Account brought forward from previous year		2,37,665	1,76,235
IV	**AMOUNT AVAILABLE FOR APPROPRIATION**		2,74,458	2,58,472
V	**APPROPRIATIONS:**			
	Transfer to Statutory Reserve		9,198	20,559
	Transfer to/(from) Investment Reserve		(872)	(418)
	Transfer to Capital Reserve	18(1.2.1)	7,556	620
	Transfer to/(from) Reserve Fund	18(1.2.2)	18	18
	Proposed dividend (includes tax on dividend)	18(1.2.5)	14,074	28
	Balance in Profit & Loss Account carried forward		2,44,484	2,37,665
	TOTAL		2,74,458	2,58,472
VI	**EARNINGS PER EQUITY SHARE**	18(1.2.3)		
	(Face value ₹2/- per share) (Rupees)			
	Basic		15.40	34.59
	Diluted		15.34	34.40
	Significant Accounting Policies and Notes to Accounts	17 & 18		

Schedules referred to above form an integral part of the Profit and Loss Account

In terms of our report attached.

For S. R. Batliboi & Co. LLP
Chartered Accountants

Viren H. Mehta
Partner

Date: 26 April, 2017

Place: Mumbai

For Axis Bank Ltd.

Sanjiv Misra
Chairman

Shikha Sharma
Managing Director & CEO

V. Srinivasan
Deputy Managing Director

V. R. Kaundinya

Prasad R. Menon

Samir K. Barua

Som Mittal

Rohit Bhagat

Usha Sangwan

S. Vishvanathan

Rakesh Makhija

Ketaki Bhagwati

B. Babu Rao
Directors

Girish V. Koliyote
Company Secretary

Jairam Sridharan
Chief Financial Officer

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH, 2017

	Year ended	
	31-03-2017	**31-03-2016**
	(₹ in Millions)	**(₹ in Millions)**
Cash flow from operating activities		
Net profit before taxes	54,676	1,23,937
Adjustments for:		
Depreciation on fixed assets	5,088	4,439
Depreciation on investments	2,387	840
Amortisation of premium on Held to Maturity investments	1,353	729
Provision for Non Performing Assets (including bad debts)	1,11,571	38,005
Provision on standard assets	3,484	3,870
Provision on unhedged foreign currency exposure	(139)	16
Provision for wealth tax	–	–
(Profit)/loss on sale of fixed assets (net)	36	(62)
Provision for country risk	199	–
Provision for restructured assets/strategic debt restructuring	2,905	(618)
Provision for other contingencies	762	(5,014)
	1,82,322	1,66,142
Adjustments for:		
(Increase)/Decrease in investments	1,32,717	(40,177)
(Increase)/Decrease in advances	(4,44,184)	(6,13,097)
Increase /(Decrease) in deposits	5,64,112	3,55,256
(Increase)/Decrease in other assets	(96,324)	(42,394)
Increase/(Decrease) in other liabilities & provisions	54,111	25,967
Direct taxes paid	(50,831)	(43,531)
Net cash flow from operating activities	3,41,923	(1,91,834)
Cash flow from investing activities		
Purchase of fixed assets	(7,427)	(14,637)
(Increase)/Decrease in Held to Maturity investments	(1,17,858)	(38,855)
Increase in Investment in Subsidiaries	(1,168)	(1,190)
Decrease in Investment in Subsidiaries	84	135
Proceeds from sale of fixed assets	65	192
Net cash used in investing activities	(1,26,304)	(54,355)

	Year ended	
	31-03-2017	31-03-2016
	(₹ in Millions)	(₹ in Millions)
Cash flow from financing activities		
Proceeds from issue of subordinated debt, perpetual debt & upper Tier II instruments (net of repayment)	55,459	12,264
Increase/(Decrease) in borrowings (excluding subordinated debt, perpetual debt & upper Tier II instruments)	(90,954)	2,16,597
Proceeds from issue of share capital	24	24
Proceeds from share premium (net of share issue expenses)	3,256	3,029
Payment of dividend	(14,074)	(13,084)
Net cash generated from financing activities	(46,289)	2,18,830
Effect of exchange fluctuation translation reserve	(22)	(378)
Net increase in cash and cash equivalents	1,69,308	(27,737)
Cash and cash equivalents at the beginning of the year	3,33,254	3,60,991
Cash and cash equivalents at the end of the year	5,02,562	3,33,254

Notes to the Cash Flow Statement:

1. Cash and cash equivalents includes the following		
Cash and Balances with Reserve Bank of India (Refer Schedule 6)	3,08,579	2,23,611
Balances with Banks and Money at Call and Short Notice (Refer Schedule 7)	1,93,983	1,09,643
Cash and cash equivalents at the end of the year	5,02,562	3,33,254

2. Amount of Corporate Social Responsibility related expenses spent during the year in cash ₹1,096 millions (previous year ₹1,051 millions)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2017

SCHEDULE 1 – CAPITAL

	As at 31-03-2017 (₹ in Millions)	As at 31-03-2016 (₹ in Millions)
Authorised Capital		
4,250,000,000 (Previous year - 4,250,000,000) Equity Shares of ₹2/- each	8,500	8,500
Issued, Subscribed and Paid-up capital		
2,395,036,109 (Previous year - 2,382,831,826) Equity Shares of ₹2/- each fully paid-up	4,790	4,766

SCHEDULE 2 – RESERVES AND SURPLUS

		As at 31-03-2017 (₹ in Millions)	As at 31-03-2016 (₹ in Millions)
I.	**Statutory Reserve**		
	Opening Balance	1,05,872	85,313
	Additions during the year	9,198	20,559
		1,15,070	1,05,872
II.	**Share Premium Account**		
	Opening Balance	1,66,770	1,63,741
	Additions during the year	3,256	3,029
	Less: Share issue expenses	–	–
		1,70,026	1,66,770
III.	**Investment Reserve Account**		
	Opening Balance	872	1,290
	Additions/(Deductions) during the year (net)	(872)	(418)
		–	872
IV.	**General Reserve**		
	Opening Balance	3,543	3,543
	Additions during the year	–	–
		3,543	3,543
V.	**Capital Reserve**		
	Opening Balance	11,100	10,480
	Additions during the year [Refer Schedule 18 (1.2.1)]	7,556	620
		18,656	11,100

		As at 31-03-2017	As at 31-03-2016
		(₹ in Millions)	(₹ in Millions)
VI.	**Foreign Currency Translation Reserve [Refer Schedule 17 (5.5)]**		
	Opening Balance	1,019	1,398
	Additions/(Deductions) during the year (net)	(22)	(379)
		997	1,019
VII.	**Reserve Fund**		
	Opening Balance	42	24
	Additions/(Deductions) during the year (net) [Refer Schedule 18 (1.2.2)]	17	18
		59	42
VIII.	**Balance in Profit & Loss Account**	2,44,484	2,37,665
	TOTAL	5,52,835	5,26,883

SCHEDULE 3 – DEPOSITS

			As at 31-03-2017	As at 31-03-2016
			(₹ in Millions)	(₹ in Millions)
A.	**I.**	**Demand Deposits**		
		(i) From banks	47,949	46,706
		(ii) From others	8,22,068	5,89,813
	II.	**Savings Bank Deposits**	12,60,483	10,57,931
	III.	**Term Deposits**		
		(i) From banks	1,12,243	74,025
		(ii) From others	19,01,045	18,11,200
		TOTAL	41,43,788	35,79,675
B.	**I.**	**Deposits of branches in India**	41,08,879	35,33,429
	II.	**Deposits of branches outside India**	34,909	46,246
		TOTAL	41,43,788	35,79,675

SCHEDULE 4 – BORROWINGS

			As at 31-03-2017 (₹ in Millions)	As at 31-03-2016 (₹ in Millions)
I.	**Borrowings in India**			
	(i)	Reserve Bank of India	–	93,540
	(ii)	Other banks #	22,265	14,078
	(iii)	Other institutions & agencies **	4,88,558	3,65,006
II.	**Borrowings outside India $**		5,39,486	6,13,180
	TOTAL		10,50,309	10,85,804
	Secured borrowings included in I & II above		13,811	93,540

Borrowings from other banks include Subordinated Debt of ₹350 millions (previous year ₹901 millions) in the nature of Non-Convertible Debentures, Perpetual Debt of Nil (previous year ₹250 millions) and Upper Tier II instruments of Nil (previous year ₹491 millions) [Also refer Note 18 (1.1.2)]

** Borrowings from other institutions & agencies include Subordinated Debt of ₹1,61,700 millions (previous year ₹1,22,407 millions) in the nature of Non-Convertible Debentures, Perpetual Debt of ₹35,000 millions (previous year ₹1,890 millions) and Upper Tier II instruments of Nil (previous year ₹2,584 millions) [Also refer Note 18(1.1.2)]

$ Borrowings outside India include Perpetual Debt of Nil (previous year ₹3,048 millions) and Upper Tier II instruments of 3,891 millions (previous year ₹13,911 millions) [Also refer Note 18 (1.1.2)]

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

		As at 31-03-2017 (₹ in Millions)	As at 31-03-2016 (₹ in Millions)
I.	Bills payable	39,525	36,454
II.	Inter-office adjustments (net)	–	–
III.	Interest accrued	19,615	25,608
IV.	Proposed dividend (includes tax on dividend) [Refer Schedule 18(1.2.5)]	–	–
V.	Contingent provision against standard assets	23,386	19,998
VI.	Others (including provisions)	1,80,429	1,19,022
	TOTAL	2,62,955	2,01,082

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

			As at 31-03-2017 (₹ in Millions)	As at 31-03-2016 (₹ in Millions)
I.	**Cash in hand (including foreign currency notes)**		63,579	41,205
II.	**Balances with Reserve Bank of India**			
	(i)	in Current Account	1,83,000	1,82,406
	(ii)	in Other Accounts	62,000	–
	TOTAL		3,08,579	2,23,611

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

			As at 31-03-2017 (₹ in Millions)	As at 31-03-2016 (₹ in Millions)
I.	**In India**			
	(i)	Balance with Banks		
		(a) in Current Accounts	1,424	1,956
		(b) in Other Deposit Accounts	19,595	11,742
	(ii)	Money at Call and Short Notice		
		(a) With banks	–	–
		(b) With other institutions	1,43,222	41,186
	TOTAL		1,64,241	54,884
II.	**Outside India**			
	(i)	in Current Accounts	9,689	15,425
	(ii)	in Other Deposit Accounts	14,755	26,821
	(iii)	Money at Call & Short Notice	5,298	12,513
	TOTAL		29,742	54,759
	GRAND TOTAL (I+II)		1,93,983	1,09,643

SCHEDULE 8 - INVESTMENTS

			As at 31-03-2017 (₹ in Millions)	As at 31-03-2016 (₹ in Millions)
I.	**Investments in India in -**			
	(i)	Government Securities ## **	9,05,981	9,45,609
	(ii)	Other approved securities	–	–
	(iii)	Shares	13,228	12,439
	(iv)	Debentures and Bonds	2,64,849	2,29,119
	(v)	Investment in Subsidiaries/Joint Ventures	10,727	9,559
	(vi)	Others (Mutual Fund units, CD/CP, PTC etc.)	64,196	93,689
	Total Investments in India		12,58,981	12,90,415
II.	**Investments outside India in -**			
	(i)	Government Securities (including local authorities)	24,098	19,766
	(ii)	Subsidiaries and/or joint ventures abroad	2,996	3,186
	(iii)	Others (Equity Shares and Bonds)	1,859	1,874
	Total Investments outside India		28,953	24,826
	GRAND TOTAL (I+II)		12,87,934	13,15,241

Includes securities costing 2,71,797 millions (previous year ₹2,90,209 millions) pledged for availment of fund transfer facility, clearing facility and margin requirements

SCHEDULE 9 – ADVANCES

				As at 31-03-2017	As at 31-03-2016
				(₹ in Millions)	(₹ in Millions)
A.	(i)	Bills purchased and discounted		67,496	47,107
	(ii)	Cash credits, overdrafts and loans repayable on demand@		10,42,273	9,65,581
	(iii)	Term loans#		26,20,924	23,75,049
	TOTAL			37,30,693	33,87,737
B.	(i)	Secured by tangible assets$		28,40,548	25,48,352
	(ii)	Covered by Bank/Government Guarantees&&		63,995	38,950
	(iii)	Unsecured		8,26,150	8,00,435
	TOTAL			37,30,693	33,87,737
C.	**I.**	**Advances in India**			
		(i)	Priority Sector	9,38,738	8,16,012
		(ii)	Public Sector	29,135	35,458
		(iii)	Banks	7,234	3,725
		(iv)	Others	22,73,892	20,32,044
	TOTAL			32,48,999	28,87,239
	II.	**Advances Outside India**			
		(i)	Due from banks	26,861	1,374
		(ii)	Due from others -		
			(a) Bills purchased and discounted	25,448	13,220
			(b) Syndicated loans	91,278	1,20,042
			(c) Others	3,38,107	3,65,862
	TOTAL			4,81,694	5,00,498
	GRAND TOTAL (CI+CII)			37,30,693	33,87,737

@ Net of borrowings under Inter Bank Participation Certificate/Funded Risk Participation Nil (previous year ₹6,626 millions)

Net of borrowings under Inter Bank Participation Certificate Nil (previous year ₹74,833 millions)

$ Includes advances against book debts

&& Includes advances against L/Cs issued by banks

SCHEDULE 10 - FIXED ASSETS

		As at 31-03-2017 (₹ in Millions)	As at 31-03-2016 (₹ in Millions)
I.	**Premises**		
	Gross Block		
	At cost at the beginning of the year	18,290	9,507
	Additions during the year	42	8,800
	Deductions during the year	–	(17)
	TOTAL	18,332	18,290
	Depreciation		
	As at the beginning of the year	861	709
	Charge for the year	305	159
	Deductions during the year		(7)
	Depreciation to date	1,166	861
	Net Block	17,166	17,429
II.	**Other fixed assets (including furniture & fixtures)**		
	Gross Block		
	At cost at the beginning of the year	39,665	35,464
	Additions during the year	6,646	4,779
	Deductions during the year	(515)	(578)
	TOTAL	45,796	39,665
	Depreciation		
	As at the beginning of the year	23,932	20,131
	Charge for the year	4,783	4,280
	Deductions during the year	(413)	(479)
	Depreciation to date	28,302	23,932
	Net Block	17,494	15,733
III.	**CAPITAL WORK-IN-PROGRESS (including capital advances)**	2,809	2,070
	GRAND TOTAL (I+II+III)	37,469	35,232

SCHEDULE 11 - OTHER ASSETS

		As at 31-03-2017 (₹ in Millions)	As at 31-03-2016 (₹ in Millions)
I.	Inter-office adjustments (net)	–	–
II.	Interest Accrued	52,440	43,875
III.	Tax paid in advance/tax deducted at source (net of provisions)	4,101	3,159
IV.	Stationery and stamps	20	8
V.	Non banking assets acquired in satisfaction of claims	22,086	–
VI.	Others #@	3,77,372	2,79,704
	TOTAL	4,56,019	3,26,746

\# Includes deferred tax assets of ₹50,622 millions (previous year ₹19,588 millions) [Refer Schedule 18 (1.2.10)]

@ Includes Priority Sector Shortfall Deposits of ₹1,71,071 millions (previous year ₹1,66,592 millions)

SCHEDULE 12 – CONTINGENT LIABILITIES

		As at 31-03-2017	As at 31-03-2016
		(₹ in Millions)	(₹ in Millions)
I.	Claims against the Bank not acknowledged as debts	4,702	2,635
II.	Liability for partly paid investments	–	–
III.	Liability on account of outstanding forward exchange and derivative contracts:		
	a) Forward Contracts	26,81,952	25,56,675
	b) Interest Rate Swaps, Currency Swaps, Forward Rate Agreement & Interest Rate Futures	20,11,142	17,96,649
	c) Foreign Currency Options	4,93,833	4,29,005
	Total (a+b+c)	51,86,927	47,82,329
IV.	Guarantees given on behalf of constituents		
	In India	7,63,736	5,58,340
	Outside India	47,580	1,28,193
V.	Acceptances, endorsements and other obligations	3,35,367	2,94,853
VI.	Other items for which the Bank is contingently liable	3,57,946	4,08,114
	GRAND TOTAL (I+II+III+IV+V+VI) [Refer Schedule 18 (1.2.15)]	66,96,258	61,74,464

SCHEDULE 13 – INTEREST EARNED

		Year ended	
		31-03-2017	31-03-2016
		(₹ in Millions)	(₹ in Millions)
I.	Interest/discount on advances/bills	3,31,250	3,00,406
II.	Income on investments	96,228	93,776
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	5,038	2,952
IV.	Others	12,905	12,746
	TOTAL	4,45,421	4,09,880

SCHEDULE 14 – OTHER INCOME

		Year ended	
		31-03-2017	31-03-2016
		(₹ in Millions)	(₹ in Millions)
I.	Commission, exchange and brokerage	70,283	67,076
II.	Profit/(Loss) on sale of investments (net) [Refer Schedule 18(1.2.1)]	31,738	10,186
III.	Profit/(Loss) on sale of fixed assets (net) [Refer Schedule 18(1.2.1)]	(36)	62
IV.	Profit on exchange/derivative transactions (net)	10,802	12,751
V.	Income earned by way of dividends etc. from subsidiaries/companies and/or joint venture abroad/in India	1,833	1,398
VI.	Miscellaneous Income #	2,293	2,242
	TOTAL	1,16,913	93,715

includes recoveries on account of advances/investments written off in earlier years ₹1,819 millions (previous year ₹1,605 millions) and net profit on account of portfolio sell downs/securitisation ₹38 millions (previous year ₹61 millions)

SCHEDULE 15 – INTEREST EXPENDED

		Year ended	
		31-03-2017	**31-03-2016**
		(₹ in Millions)	**(₹ in Millions)**
I.	Interest on deposits	1,96,396	1,85,402
II.	Interest on Reserve Bank of India/Inter-bank borrowings	18,358	20,673
III.	Others	49,736	35,476
	TOTAL	2,64,490	2,41,551

SCHEDULE 16 – OPERATING EXPENSES

		Year ended	
		31-03-2017	**31-03-2016**
		(₹ in Millions)	**(₹ in Millions)**
I.	Payments to and provisions for employees	38,919	33,760
II.	Rent, taxes and lighting	9,346	6,741
III.	Printing and stationery	1,860	1,384
IV.	Advertisement and publicity	1,303	883
V.	Depreciation on bank's property	5,088	4,439
VI.	Directors' fees, allowance and expenses	25	21
VII.	Auditors' fees and expenses	18	16
VIII.	Law charges	109	171
IX.	Postage, telegrams, telephones etc.	3,041	2,579
X.	Repairs and maintenance	8,565	7,143
XI.	Insurance	5,015	4,155
XII.	Other expenditure	48,710	39,715
	TOTAL	1,21,999	1,01,007

17 Significant accounting policies for the year ended 31 March, 2017

1 Background

Axis Bank Limited ('the Bank') was incorporated in 1993 and provides a complete suite of corporate and retail banking products. The Bank is primarily governed by the Banking Regulation Act, 1949. The Bank has overseas branches at Singapore, Hong Kong, DIFC – Dubai, Shanghai and Colombo.

2 Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles in India to comply with the statutory requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practises generally prevalent in the banking industry in India.

3 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, revenues and expenses during the reporting period and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

4 Changes in accounting policies

4.1 *Mark-to-market gain or loss on derivatives and foreign exchange contracts*

In terms the guidance note issued by ICAI on "Accounting for Derivative Contracts", the Bank has presented mark-to-market gain or loss on derivatives and foreign exchange contracts on a gross basis as against the erstwhile practice of presenting the same on a net basis under other assets and other liabilities. Previous year figures have been regrouped and reclassified to conform to current year's classification. The aforesaid change has no impact on the profit of the Bank for the year ended 31 March, 2017.

4.2 *Repurchase and reverse repurchase transactions with RBI under Liquidity Adjustment Facility/Marginal Standing Facility*

In terms of RBI circular no. FMRD.DIRD.10/14.03.002/2015-16 dated 19 May, 2016, repurchase and reverse repurchase transactions with RBI under Liquidity Adjustment Facility/Marginal Standing Facility are accounted for as borrowing and lending respectively as against the earlier practice of including the same under investments. Previous year figures have been regrouped and reclassified to conform to current year's classification. The aforesaid change has no impact on the profit of the Bank for the year ended 31 March, 2017.

5 Significant accounting policies

5.1 *Investments*

Classification

In accordance with the RBI guidelines, investments are classified at the time of purchase as:

- Held for Trading ('HFT');
- Available for Sale ('AFS'); and
- Held to Maturity ('HTM').

Investments that are held principally for sale within a short period are classified as HFT securities. As per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities.

Investments that the Bank intends to hold till maturity are classified under the HTM category. Investments in the equity of subsidiaries/joint ventures are categorised as HTM in accordance with the RBI guidelines.

All other investments are classified as AFS securities.

However, for disclosure in the Balance Sheet, investments in India are classified under six categories – Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/Joint Ventures and Others.

Investments made outside India are classified under three categories – Government Securities, Subsidiaries and/or Joint Ventures abroad and Others.

Transfer of security between categories

Transfer of security between categories of investments is accounted as per the RBI guidelines.

Acquisition cost

Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the Profit and Loss Account.

Broken period interest is charged to the Profit and Loss Account.

Cost of investments is computed based on the weighted average cost method.

Valuation

Investments classified under the HTM category are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period remaining to maturity on a constant yield to maturity basis. In terms of RBI guidelines, discount on securities held under HTM category is not accrued and such securities are held at the acquisition cost till maturity.

Investments classified under the AFS and HFT categories are marked to market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in the Profit and Loss Account. The net appreciation if any, under each category of each investment classification is ignored. The depreciation on securities acquired by way of conversion of outstanding loans is provided in accordance with the RBI guidelines. The book value of individual securities is not changed consequent to the periodic valuation of investments. Non-performing investments are identified and provision is made thereon as per RBI guidelines.

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

Units of mutual funds are valued at the latest repurchase price/net asset value declared by the mutual fund.

Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

- in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the YTM for Government Securities as published by FIMMDA/PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose;

- in case of bonds and debentures (including Pass Through Certificates) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;

- equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at Re 1 per company;

- units of Venture Capital Funds ('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 Re 1 per VCF. Investment in unquoted VCF after 23 August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines and

- security receipts are valued as per the NAV obtained from the issuing Reconstruction Company/Securitisation Company.

Investments in subsidiaries/joint ventures are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.

Realised gains on investments under the HTM category are recognised in the Profit and Loss Account and subsequently appropriated to Capital Reserve account (net of taxes and transfer to statutory reserves) in accordance with the RBI guidelines. Losses are recognised in the Profit and Loss Account. Realised gains/losses on investments under the AFS and HFT category are recognised in the Profit and Loss Account.

All investments are accounted for on settlement date, except investments in equity shares which are accounted for on trade date.

Repurchase and reverse repurchase transactions

Repurchase and reverse repurchase transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The short positions are reflected in 'Securities Short Sold ('SSS') A/c', specifically created for this purpose. Such short positions are categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked-to-market along with the other securities under HFT portfolio and the resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of investments discussed earlier.

5.2 ***Advances***

Advances are classified into performing and non-performing advances ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates, specific provisions made towards NPAs, interest in suspense for NPAs, claims received from Export Credit Guarantee Corporation, provisions for funded interest on term loan classified as NPAs, provisions in lieu of diminution in the fair value of restructured assets and floating provisions.

NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country. Provisions for NPAs are made for sub-standard and doubtful assets at rates as prescribed by the RBI with the exception for agriculture advances and schematic retail advances. In respect of schematic retail advances, provisions are made in terms of a bucket-wise policy upon reaching specified stages of delinquency (90 days or more of delinquency) under each type of loan, which satisfies the RBI prudential norms on provisioning. Provisions in respect of agriculture advances classified into sub-standard and doubtful assets are made at rates which are higher than those prescribed by the RBI. Provisions for advances booked in overseas branches, which are standard as per the RBI guidelines but are classified as NPAs based on host country guidelines, are made as per the host country regulations.

In addition to the above, the Bank on a prudential basis, makes provision for expected losses against advances or other exposures to specific assets/industry/sector either on a case-by-case basis or for a group of assets, based on specific information or general economic environment. These are classified as contingent provision and included under Schedule 5 – Other Liabilities in the Balance Sheet.

Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines.

Amounts recovered against debts written off are recognised in the Profit and Loss account.

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 Bank makes provision in accordance with the RBI guidelines, on assets subjected to Strategic Debt Restructuring (SDR) scheme and Scheme for Sustainable Structuring of Stressed Asset (S4A).

For entities with Unhedged Foreign Currency Exposure (UFCE), provision is made in accordance with the guidelines issued by RBI, which requires to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position. This provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank maintains a general provision on standard advances at the rates prescribed by RBI. In case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or RBI.

Under its home loan portfolio, the Bank offers housing loans with certain features involving waiver of Equated Monthly Installments ('EMIs') of a specific period subject to fulfilment of a set of conditions by the borrower. The Bank makes provision on an estimated basis against the probable loss that could be incurred in future on account of waivers to eligible borrowers in respect of such loans. This provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

5.3 ***Country risk***

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the net funded exposure of the Bank in respect of each country does not exceed 1% of the total assets, no provision is maintained on such country exposure.

5.4 ***Securitisation***

The Bank enters into purchase/sale of corporate and retail loans through direct assignment/Special Purpose Vehicle ('SPV'). In most cases, post securitisation, the Bank continues to service the loans transferred to the assignee/SPV. The Bank also provides credit enhancement in the form of cash collaterals and/or by subordination of cash flows to Senior Pass Through Certificate ('PTC') holders. In respect of credit enhancements provided or recourse obligations (projected delinquencies, future servicing etc.) accepted by the Bank, appropriate provision/disclosure is made at the time of sale in accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.

In accordance with RBI guidelines of 7 May, 2012, on 'Guidelines on Securitisation of Standard Assets', gain on securitisation transaction is recognised over the period of the underlying securities issued by the SPV as prescribed under RBI guidelines. Loss on securitisation is immediately debited to the Profit and Loss Account.

5.5 ***Foreign currency transactions***

In respect of domestic operations, transactions denominated in foreign currencies are accounted for at the rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated at the Balance Sheet date at rates notified by Foreign Exchange Dealers Association of India ('FEDAI'). All profits/losses resulting from year end revaluations are recognised in the Profit and Loss Account.

Financial statements of foreign branches classified as non-integral foreign operations as per the RBI guidelines are translated as follows:

- Assets and liabilities (both monetary and non-monetary as well as contingent liabilities) are translated at closing exchange rates notified by FEDAI at the Balance Sheet date.

- Income and expenses are translated at the rates prevailing on the date of the transactions.
- All resulting exchange differences are accumulated in a separate 'Foreign Currency Translation Reserve' till the disposal of the net investments. Any realised gains or losses are recognised in the Profit and Loss Account.

Outstanding forward exchange contracts including tom/spot contracts (excluding currency swaps undertaken to hedge foreign currency assets/liabilities and funding swaps which are not revalued) are revalued at year end on PV basis by discounting the forward value till spot date and converting the FCY amount using the respective spot rates as notified by FEDAI. The resulting gains or losses on revaluation are included in the Profit and Loss Account in accordance with RBI/ FEDAI guidelines.

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

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

5.6 ***Derivative transactions***

Derivative transactions comprise of forward contracts, swaps and options which are disclosed as contingent liabilities. The forwards, swaps and options are categorised as trading or hedge transactions. Trading derivative contracts are revalued at the Balance Sheet date with the resulting unrealised gain or loss being recognised in the Profit and Loss Account and correspondingly in other assets (representing positive Mark to Market) and in other liabilities (representing negative Mark to Market (MTM)) on a gross basis. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge swaps are accounted for on accrual basis except in case of swaps designated with an asset or liability that is carried at market value or lower of cost or market value in the financial statements. In such cases the swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. The premium on option contracts is accounted for as per FEDAI guidelines. Pursuant to the RBI guidelines any receivables under derivative contracts comprising of crystallised receivables as well as positive Mark to Market (MTM) in respect of future receivables which remain overdue for more than 90 days are reversed through the Profit and Loss account and are held in separate Suspense Account.

Currency futures contracts are marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed based on the last half an hour weighted average price of such contract, the final settlement price is taken as the RBI reference rate on the last trading day of the futures contract or as may be specified by the relevant authority from time to time. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss is daily settled with the exchange.

Valuation of Exchange Traded Currency Options (ETCO) is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures (IRF) is carried out on the basis of the daily settlement price of each contract provided by the exchange.

5.7 ***Revenue recognition***

Interest income is recognised on an accrual basis in accordance with AS – 9, Revenue Recognition as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014, the Companies (Accounting Standards) Amendment Rules, 2016 and the RBI guidelines, except in the case of interest income on non-performing assets and loans under Strategic Debt Restructuring (SDR) scheme and Scheme for Sustainable Structuring of Stressed Asset (S4A) of RBI, where it is recognised on receipt basis if overdue for more than 90 days,. Income on non-coupon bearing discounted instruments or low-coupon bearing instruments is recognised over the tenor of the instrument on a constant yield basis.

Guarantee commission is recognized on a pro-rata basis over the period of the guarantee. Locker rent and annual fees for credit cards are recognised on a straight-line basis over the period of contract. Arrangership/syndication fee is accounted for on completion of the agreed service and when right to receive is established. Other fees and commission income are recognised when due.

Dividend is accounted on an accrual basis when the right to receive the dividend is established.

Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e. book value less provisions held), the shortfall is charged to the Profit and Loss Account. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

The Bank deals in bullion business on a consignment basis. The difference between the price recovered from customers and cost of bullion is accounted for at the time of sale to the customers. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

5.8 ***Fixed assets and depreciation/impairment***

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes initial handling and delivery charges, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Depreciation is provided over the estimated useful life of a fixed asset on the straight-line method from the date of addition. The management believes that depreciation rates currently used, fairly reflect its estimate of the useful lives and residual values of fixed assets, though these rates in certain cases are different from lives prescribed under Schedule II of Companies Act, 2013.

Asset	Estimated useful life
Owned premises	60 years
Computer hardware including printers	3 years
Application software	5 years
Vehicles	4 years
EPABX, telephone instruments	8 years
CCTV and video conferencing equipment	3 years
Mobile phone	2 years
Locker cabinets/cash safe/strong room door	10 years
Modem, scanner, routers, hubs, switches, racks/cabinets for IT equipment	5 years
UPS, VSAT, fax machines	5 years
Cheque book/cheque encoder, currency counting machine, fake note detector	5 years
Assets at staff residence	3 years
All other fixed assets	10 years

Depreciation on assets sold during the year is recognised on a pro-rata basis to the Profit and Loss Account till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account (net of taxes and transfer to statutory reserve) in accordance with RBI instructions.

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

5.9 ***Lease transactions***

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

5.10 ***Retirement and other employee benefits***

Provident Fund

Retirement benefit in the form of provident fund is a defined benefit plan wherein the contributions are charged to the Profit and Loss Account of the year when the contributions to the fund are due and when services are rendered by the employees. Further, an actuarial valuation is conducted by an independent actuary using the Projected Unit Credit Method as at 31 March each year to determine the deficiency, if any, in the interest payable on the contributions as compared to the interest liability as per the statutory rate.

Gratuity

The Bank contributes towards gratuity fund (defined benefit retirement plan) administered by various insurers for eligible employees. Under this scheme, the settlement obligations remain with the Bank, although various insurers administer the scheme and determine the contribution premium required to be paid by the Bank. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Bank. Liability with regard to gratuity fund is accrued based on actuarial valuation conducted by an independent actuary using the Projected Unit Credit Method as at 31 March each year. In respect of employees at overseas branches (other than expatriates) liability with regard to gratuity is provided on the basis of a prescribed method as per local laws, wherever applicable.

Compensated Absences

Short term compensated absences are provided for based on estimates of encashment/availment of leave. The Bank provides long term compensated absences based on actuarial valuation conducted by an independent actuary. The actuarial valuation is carried out as per the Projected Unit Credit Method as at 31 March each year.

Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Superannuation

Employees of the Bank are entitled to receive retirement benefits under the Bank's Superannuation scheme either under a cash-out option through salary or under a defined contribution plan. Through the defined contribution plan, the Bank contributes annually a specified sum of 10% of the employee's eligible annual basic salary to LIC, which undertakes to pay the lumpsum and annuity benefit payments pursuant to the scheme. Superannuation contributions are recognised in the Profit and Loss Account in the period in which they accrue.

5.11 ***Reward points***

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. In addition, the Bank continues to grant reward points in respect of certain credit cards (not covered under the loyalty program). The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

5.12 ***Taxation***

Income tax expense is the aggregate amount of current tax and deferred tax charge. Current year taxes are determined in accordance with the relevant provisions of Income tax Act, 1961. Deferred income taxes reflects 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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off assets against liabilities representing current tax and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws.

Deferred tax assets are recognised 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 realised. The impact of changes in the deferred tax assets and liabilities is recognised in the Profit and Loss Account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realised against future profits.

5.13 ***Share issue expenses***

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

5.14 ***Earnings per share***

The Bank reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end except where the results are anti-dilutive.

5.15 ***Employee stock option scheme***

The 2001 Employee Stock Option Scheme ('the Scheme') provides for grant of stock options on equity shares of the Bank to employees and Directors of the Bank and its subsidiaries. The Scheme is in accordance with the Securities and Exchange Board of India (SEBI) (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the Guidelines'). These Guidelines have been repealed in the month of October, 2014 and were substituted by Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Scheme is in compliance with the said regulations. The Bank follows the intrinsic value method to account for its stock based employee compensation plans as per the Guidelines. Options are granted at an exercise price, which is equal to/less than the fair market price of the underlying equity shares. The excess of such fair market price over the exercise price of the options as at the grant date is recognised as a deferred compensation cost and amortised on a straight-line basis over the vesting period of such options.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

5.16 ***Provisions, contingent liabilities and contingent assets***

A provision is recognised when the Bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its 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.

A disclosure of contingent liability is made when there is:

- 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

- 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.

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.

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

5.17 ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

(Currency: In Indian Rupees)

1.1 Statutory disclosures as per RBI

1.1.1 'Provisions and contingencies' recognised in the Profit and Loss Account comprise of:

For the year ended	31 March, 2017	31 March, 2016
	(₹ in millions)	
Provision for income tax		
– Current tax	**49,889**	42,420
– Deferred tax (Refer 1.2.10)	**(32,006)**	(719)
	17,883	41,701
Provision for wealth tax	**–**	(1)
Provision for non-performing assets (including bad debts written off and write backs)	**1,11,571**	38,006
Provision for restructured assets/strategic debt restructuring/sustainable structuring	**2,905**	(618)
Provision towards standard assets	**3,485**	3,870
Provision for depreciation in value of investments	**2,387**	840
Provision for unhedged foreign currency exposure	**(139)**	16
Provision for country risk	**199**	–
Provision for other contingencies*	**761**	(5,014)
Total	**1,39,052**	**78,800**

* includes contingent provision for advances/other exposures, legal cases and other contingencies.

1.1.2 The capital adequacy ratio of the Bank, calculated as per the RBI guidelines (under Basel III) is set out below:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Common Equity Tier I	5,25,558	5,04,092
Tier I	5,60,393	5,05,175
Tier II	1,45,659	1,12,318
Total capital	**7,06,052**	6,17,493
Total risk weighted assets and contingents	47,23,132	40,39,492
Capital ratios		
Common Equity Tier I	**11.13%**	**12.48%**
Tier I	**11.87%**	**12.51%**
Tier II	**3.08%**	**2.78%**
CRAR	**14.95%**	15.29%
Amount of equity capital raised	–	–
Amount of additional Tier I capital raised of which:		
Perpetual Non-Cumulative Preference Shares (PNCPS)	–	–
Perpetual Debt Instruments (PDI) (details given below)	35,000	
Amount of Tier II capital raised of which:		
Debt capital instrument (details given below)	42,300	15,000
Preferential capital instrument	–	–

During the year ended 31 March, 2017, the Bank raised debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Perpetual debt	Additional Tier-I	–*	–	8.75%	₹35,000 million
Subordinated debt	Tier-II	27 May, 2026	120 months	8.50%	₹24,300 million
Subordinated debt	Tier-II	23 November, 2026	120 months	7.84%	₹18,000 million

* Call option on expiry of 60 months from the date of allotment

During the year ended 31 March, 2016, the Bank raised debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Subordinated debt	Tier-II	30 September, 2025	120 months	8.50%	15,000 million

During the year ended 31 March, 2017, the Bank redeemed debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Subordinated debt	Tier-II	28 June, 2016	120 months	9.10%	₹1,049 million
Upper Tier-II	Tier-II	11 August, 2016*	180 months	7.25%	$150 million
Perpetual debt	Tier-I	30 September, 2016*	–	10.05%	₹2,140 million
Perpetual debt	Tier-I	16 November, 2016*	–	7.17%	$46 million
Upper Tier-II	Tier-II	24 November, 2016*	180 months	9.35%	₹2,000 million
Upper Tier-II	Tier-II	6 February, 2017*	180 months	9.50%	₹1,075 million
Subordinated debt	Tier-II	30 March, 2017	120 months	10.10%	₹2,509 million

* represents call date

During the year ended 31 March, 2016, the Bank redeemed debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Subordinated debt	Tier-II	22 March, 2016	120 months	8.75%	₹3,600 million
Subordinated debt	Tier-II	22 March, 2016	120 months	8.56%	₹100 million

1.1.3 The key business ratios and other information is set out below:

As at	31 March, 2017	31 March, 2016
	%	%
Interest income as a percentage to working funds#	**7.88**	**8.59**
Non-interest income as a percentage to working funds#	**2.07**	**1.96**
Operating profit as a percentage to working funds#	**3.11**	**3.38**
Return on assets (based on working funds#)	**0.65**	**1.72**
Business (deposits less inter-bank deposits plus advances) per employee**	**₹140 million**	**₹148 million**
Profit per employee**	**₹0.7 million**	**₹1.8 million**
Net non-performing assets as a percentage of net customer assets *	**2.11**	**0.70**

#	Working funds represent average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the year
*	Net Customer assets include advances and credit substitutes
**	Productivity ratios are based on average employee numbers for the year

1.1.4 The provisioning coverage ratio of the Bank computed in terms of the RBI guidelines as on 31 March, 2017 was 64.79% (previous year 72.27%).

1.1.5 Asset Quality

i) Net non-performing advances to net advances is set out below:

	31 March, 2017	31 March, 2016
	%	%
Net non-performing advances as a percentage of net advances	**2.27**	**0.74**

ii) Movement in gross non-performing assets is set out below:

	31 March, 2017			
	Advances	**Investments**	**Others***	**Total**
	(₹ in millions)			
Gross NPAs as at the beginning of the year	58,485	2,390	–	60,875
Intra Category Transfer	(422)	457	(35)	–
Additions (fresh NPAs) during the year	1,98,578	19,205	35	2,17,818
Sub-total (A)	**2,56,641**	**22,052**	**–**	**2,78,693**
Less:-				
(i) Upgradations	18,065	5,593	–	23,658
(ii) Recoveries (excluding recoveries made from upgraded accounts)#	18,248	1,762	–	20,010
(iii) Technical/Prudential Write-offs	4,690	350	–	5,040
(iv) Write-offs other than those under (iii) above#	15,181	2,000	–	17,181
Sub-total (B)	**56,184**	**9,705**	**–**	**65,889**
Gross NPAs as at the end of the year (A-B)	**2,00,457**	**12,347**	**–**	**2,12,804**

* represents amount outstanding under application money classified as non-performing asset

\# including sale of NPAs

	31 March, 2016			
	Advances	Investments	Others*	Total
	(₹ in millions)			
Gross NPAs as at the beginning of the year	38,669	2,433	–	41,102
Intra Category Transfer	–	–	–	–
Additions (fresh NPAs) during the year	72,411	663	372	73,446
Sub-total (A)	**1,11,080**	**3,096**	**372**	**1,14,548**
Less:-				
(i) Upgradations	3,419	–	–	3,419
(ii) Recoveries (excluding recoveries made from upgraded accounts)#	16,833	90	105	17,028
(iii) Technical/Prudential Write-offs	14,705	616	20	15,341
(iv) Write-offs other than those under (iii) above#	17,638	–	247	17,885
Sub-total (B)	**52,595**	**706**	**372**	**53,673**
Gross NPAs as at the end of the year (A-B)	**58,485**	**2,390**	**0**	**60,875**

* represents amount outstanding under application money classified as non-performing asset

including sale of NPAs

iii) Movement in net non-performing assets is set out below:

	31 March, 2017			
	Advances	Investments	Others	Total
	(₹ in millions)			
Opening balance at the beginning of the year	25,186	36	–	25,222
Additions during the year	1,00,007	11,386	–	1,11,393
Effect of exchange rate fluctuation	901	(6)	–	895
Reductions during the year	(39,775)	(8,707)	–	(48,482)
Interest Capitalisation – Restructured NPA Accounts	(1,447)	(1,315)	–	(2,762)
Closing balance at the end of the year#	**84,872**	**1,394**	**–**	**86,266**

net of balance outstanding in interest capitalisation-restructured NPA accounts amounting to ₹4,482 millions

	31 March, 2016			
	Advances	Investments	Others	Total
	(₹ in millions)			
Opening balance at the beginning of the year	12,870	298	–	13,168
Additions during the year	44,009	(157)	211	44,063
Effect of exchange rate fluctuation	(104)	(6)	–	(110)
Reductions during the year	(30,881)	(99)	(211)	(31,191)
Interest Capitalisation – Restructured NPA Accounts	(708)	–	–	(708)
Closing balance at the end of the year#	**25,186**	**36**	**–**	**25,222**

net of balance outstanding in interest capitalisation-restructured NPA accounts amounting to ₹1,720 millions

iv) Movement in provisions for non-performing assets is set out below:

	31 March, 2017			
	Advances	Investments	Others	Total
	(in millions)			
Opening balance at the beginning of the year	31,610	2,324	–	33,934
Intra-Category Transfer	(422)	457	(35)	–
Provisions made during the year	97,981	7,819	35	1,05,835
Effect of exchange rate fluctuation	(901)	6	–	(895)
Transfer from restructuring provision	591		–	591
Write-offs/(write back) of excess provision*	(16,410)	(997)	–	(17,407)
Closing balance at the end of the year	**1,12,449**	**9,609**	**–**	**1,22,058**

* includes provision utilised for sale of NPAs amounting to ₹9,642 millions

	31 March, 2016			
	Advances	Investments	Others	Total
	(₹ in millions)			
Opening balance at the beginning of the year	24,818	2,105	–	26,923
Intra-Category Transfer	–	–	–	–
Provisions made during the year	27,866	819	161	28,846
Effect of exchange rate fluctuation	104	6	–	110
Transfer from restructuring provision	536	–	–	536
Write-offs/(write back) of excess provision*	(21,714)	(606)	(161)	(22,481)
Closing balance at the end of the year	**31,610**	**2,324**	**–**	**33,934**

* includes provision utilised for sale of NPAs amounting to ₹4,987 million

v) Movement in technical/prudential written off accounts is set out below:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Opening balance at the beginning of the year	**36,272**	**22,555**
Add: Technical/Prudential write-offs during the year*	**5,040**	**15,341**
Sub-total (A)	**41,312**	**37,896**
Less: Recovery made from previously technical/prudential written-off accounts during the year	**3,393**	**1,139**
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	**5,708**	**485**
Sub-total (B)	**9,101**	**1,624**
Closing balance at the end of the year (A-B)	**32,211**	**36,272**

* includes effect of exchange fluctuation for foreign currency loans written off in earlier years

vi) Total exposure to top four non-performing assets is given below:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Total exposure to top four NPA accounts	**49,839**	**11,211**

vii) Sector-wise advances:

(₹ in millions)

Sr. No.	Sector	31 March, 2017 Outstanding Total Advances	31 March, 2017 Gross NPAs	31 March, 2017 % of Gross NPAs to Total Advances in that sector	31 March, 2016 Outstanding Total Advances	31 March, 2016 Gross NPAs	31 March, 2016 % of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	**Agriculture and allied activities** . .	**2,58,827**	**8,405**	**3.25%**	**2,28,466**	**5,577**	**2.44%**
2	**Advances to industries sector eligible as priority sector lending** . . .	**2,03,010**	**6,305**	**3.11%**	**1,72,362**	**3,020**	**1.75%**
	– Basic Metal & Metal Products	18,243	544	2.98%	16,569	432	2.61%
	– Infrastructure . .	5,492	220	4.00%	6,462	154	2.39%
3	**Services**	**1,59,046**	**4,280**	**2.69%**	**1,53,188**	**2,720**	**1.78%**
	– Professional services	7,254	96	1.32%	–*	–*	–*
	– Banking and Finance other than NBFCs and MFs	34,965	1,071	3.06%	34,529	948	2.74%
	– Non-banking financial companies (NBFCs)	17,991	–	–	–*	–*	–*
	– Commercial Real Estate	2,265	68	3.00%	2,689	66	2.44%
	– Trade	75,543	2,647	3.50%	77,843	1,443	1.85%
4	**Personal loans** . . .	**3,29,033**	**2,503**	**0.76%**	**2,69,650**	**1,759**	**0.65%**
	– Consumer Durables	38,019	260	0.68%	–*	–*	–*
	– Housing	2,31,733	1,235	0.53%	2,36,207	907	0.38%
	Sub-total (A)	9,49,916	21,493	2.26%	8,23,665	13,076	1.59%
B	**Non Priority Sector**						
1	*Agriculture and allied activities*	–	–	–	–	–	–
2	**Industry**	**12,45,570**	**1,32,950**	**10.67%**	**12,30,169**	**28,178**	**2.29%**
	– Basic Metal & Metal Products	2,36,508	41,033	17.35%	1,86,374	1,728	0.93%
	– Infrastructure . .	4,26,216	34,055	7.99%	4,71,961	9,175	1.94%
3	**Services**	**6,70,395**	**36,888**	**5.50%**	**5,41,043**	**11,440**	**2.11%**
	– Professional services	77,197	15,946	20.66%	–*	–*	–*
	– Banking and Finance other than NBFCs and MFs	1,15,258	–	–	64,486	–	–
	– Non-banking financial companies (NBFCs)	87,626	–	–	–*	–*	–*
	– Commercial Real Estate	1,40,224	5,623	4.01%	1,53,022	1,438	0.94%
	-Trade	1,11,677	3,327	2.98%	1,03,807	3,902	3.76%
4	**Personal loans** . . .	**9,81,354**	**9,127**	**0.93%**	**8,28,243**	**5,791**	**0.70%**
	– Consumer Durables	97,128	641	0.66%	–*	–*	–*
	– Housing	5,16,479	3,707	0.72%	4,02,668	2,150	0.53%
	Sub-total (B)	**28,97,319**	**1,78,965**	**6.18%**	**25,99,455**	**45,409**	**1.75%**
	Total (A+B)	**38,47,235**	**2,00,458**	**5.21%**	**34,23,120**	**58,485**	**1.71%**

Classification of advances into sector is based on Sector wise Industry Bank Credit return submitted to RBI

Figures in italics represent sub-sectors where the outstanding advance exceeds 10% of total outstanding advance to that sector.

* does not exceed 10% of total advances to sector as on 31st March

viii) Divergence in Asset Classification and Provisioning for NPAs

- The Bank classifies advances into performing and non-performing advances (NPAs) as per the RBI guidelines. NPAs are identified and provided for based on RBI's Prudential Norms on Income Recognition, Asset Classification and Provisioning.

- Based on application of RBI's prudential norms as stated above, the Bank classified and made the prescribed provisions against the NPAs as at the end of 31 March, 2016.

- As part of its Risk Based Supervision exercise for FY 2015-16 completed in Q3 FY 2016-17, the RBI pointed out certain modifications in the Banks' asset classification and provisioning as detailed in the table below:

Sr. No.	Particulars	31 March, 2016
		(₹ in millions)
1	Gross NPAs as on 31 March, 2016, as reported by the Bank	**60,875**
2	Gross NPAs as on 31 March, 2016, as assessed by RBI	**1,55,654**
3	**Divergence in Gross NPAs (2-1)**	**94,779**
4	Net NPAs as on 31 March, 2016, as reported by the Bank	**25,221**
5	Net NPAs as on 31 March, 2016, as assessed by RBI	**96,852**
6	**Divergence in Net NPAs (5-4)**	**71,631**
7	Provisions for NPAs as on 31 March, 2016, as reported by the Bank	**33,934**
8	Provisions for NPAs as on 31 March, 2016, as assessed by RBI	**57,082**
9	**Divergence in provisioning (8-7)**	**23,148**
10	**Reported Net Profit after Tax (PAT) for the year ended 31 March, 2016**	**82,237**
11	**Adjusted (notional) Net Profit after Tax (PAT) for the year ended 31 March, 2016 after taking into account the divergence in provisioning**	**66,878**

- The Bank has duly considered the impact of the above in the Financial Statements for the year ended 31 March, 2017.

- Of the above:

  - Based on operations in the borrower accounts subsequent to 31 March, 2016, accounts with value of ₹52,600 million were recognized as NPAs in Q1 and Q2 of FY 2016-17, prior to the Risk Based Supervision exercise for 2016.

  - Based on operations in the borrower accounts subsequent to 31 March, 2016, accounts with value of ₹18,110 million were recognized as NPA in Q3 of FY 2016-17.

  - The balance accounts with value of ₹24,080 million continued to remain standard as on 31 March, 2017 upon resolution of irregularity in those accounts.

1.1.6 During the years ended 31 March, 2017 and 31 March, 2016; none of the exposures to Indian corporates at overseas branches of the Bank have been classified as NPA by any host banking regulator for reasons other than record of recovery.

1.1.7 Movement in floating provision is set out below:

For the year ended	**31 March, 2017**	**31 March, 2016**
	(₹ in millions)	
Opening balance at the beginning of the year	**33**	**33**
Provisions made during the year	–	–
Draw down made during the year	–	–
Closing balance at the end of the year	**33**	33

The Bank has not made any draw down out of the floating provision during the current and the previous year.

1.1.8 Provision on Standard Assets

	31 March, 2017	**31 March, 2016**
	(₹ in millions)	
Provision towards Standard Assets [includes ₹376 million (previous year ₹215 million) of standard provision on derivative exposures]	**23,386**	**19,998**

1.1.9 Details of Investments are set out below:

i) Value of Investments:

			31 March, 2017	**31 March, 2016**
			(₹ in millions)	
1)	Gross value of Investments			
	a)	In India	12,72,488	12,94,911
	b)	Outside India	29,154	24,880
2)	(i)	Provision for Depreciation		
	a)	In India	(4,099)	(2,226)
	b)	Outside India	–	–
	(ii)	Provision for Non-Performing Investments		
	a)	In India	(9,409)	(2,271)
	b)	Outside India	(200)	(54)
3)	Net value of Investments			
	a)	In India	12,58,980	12,90,414
	b)	Outside India	28,954	24,826

ii) Movement of provisions held towards depreciation on investments:

	31 March, 2017	**31 March, 2016**
	(₹ in millions)	
Opening balance	**2,226**	723
Add: Provisions made during the year	**3,162**	1,503
Less: Write offs/write back of excess provisions during the year	**(1,290)**	–
Closing balance	**4,098**	2,226

1.1.10 A summary of lending to sensitive sectors is set out below:

As at	31 March, 2017	31 March, 2016
	(₹ in millions)	
A. Exposure to Real Estate Sector		
1) *Direct Exposure*		
(i) Residential mortgages	**8,83,330**	**7,47,558**
- of which housing loans eligible for inclusion in priority sector advances	**2,35,057**	**2,09,535**
(ii) Commercial real estate	**2,53,302**	**2,52,410**
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential	**–**	**–**
b. Commercial real estate	**750**	**750**
2) *Indirect Exposure*		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	**1,16,802**	**1,23,439**
Total Exposure to Real Estate Sector	**12,54,184**	**11,24,157**
B. Exposure to Capital Market		
1. Direct investments 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*	14,293	12,656
2. 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	29	19
3. 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	13,467	11,890
4. 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 primary security other than shares/convertible bonds/convertible debentures/units of equity-oriented mutual funds does not fully cover the advances	43,370	44,590
5. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	51,046	45,566
6. 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	2	126
7. Bridge loans to companies against expected equity flows/issues	252	22
8. Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds	–	–
9. Financing to stock brokers for margin trading	–	–
10. All exposures to Venture Capital Funds (both registered and unregistered)	268	881
Total exposure to Capital Market (Total of 1 to 10)	1,22,727	1,15,750

* excludes investment in equity shares on account of conversion of debt into equity as part of Strategic Debt Restructuring (including application money ₹673 million, (previous year Nil)) amounting to ₹8129 million for the year ended 31 March, 2017 (previous year ₹272 million) which are exempted from exposure to Capital Market

1.1.11 As on 31 March, 2017, outstanding receivables acquired by the Bank under factoring stood at ₹71 million (previous year ₹130 million) which are reported under 'Bills Purchased and Discounted' in Schedule 9 of the Balance Sheet.

1.1.12 During the years ended 31 March, 2017 and 31 March, 2016 there are no unsecured advances for which intangible securities such as charge over the rights, licenses, authority etc. has been taken as collateral by the Bank.

1.1.13 Details of Non-SLR investment portfolio are set out below:

i) Issuer composition as at 31 March, 2017 of non-SLR investments*:

No.	Issuer	Total Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated" securities	Extent of "unlisted" securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
				(₹ in millions)		
i.	Public Sector Units	85,870	75,339	1,755	–	65
ii.	Financial Institutions	59,012	42,476	3	–	39,071
iii.	Banks	24,210	15,824	1,028	–	–
iv.	Private Corporates	1,72,105	1,44,520	13,531	7,513	39,517
v.	Subsidiaries	14,294	14,294	–	–	13,723
vi.	Others	40,170	22,102	–	–	23,822
vii.	Provision held towards depreciation on investments	(4,099)				
viii	Provision held towards non performing investments	(9,609)				
	Total	**3,81,953**	**3,14,555**	**16,317**	**7,513**	**1,16,198**

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

Issuer composition as at 31 March, 2016 of non-SLR investments*:

No.	Issuer	Total Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated" securities	Extent of "unlisted" securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
				(₹ in millions)		
i.	Public Sector Units	45,068	35,799	3,363	–	490
ii.	Financial Institutions	28,371	12,738	3	–	20
iii.	Banks	58,766	47,802	1,028	–	46,116
iv.	Private Corporates	2,00,592	1,66,663	29,958	7,500	63,674
v.	Subsidiaries	12,745	12,745	–	–	12,745
vi.	Others	28,640	15,697	–	2	16,760
vii.	Provision held towards depreciation on investments	(2,226)				
viii	Provision held towards non performing investments	(2,324)				
	Total	**3,69,632**	**2,91,444**	**34,352**	**7,502**	**1,39,805**

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

* excludes investments in non-SLR government securities amounting to ₹6,040 million (previous year ₹10,178 million)

ii) Movement in non-performing non SLR investments is set out below:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Opening balance	2,390	2,433
Additions during the year	19,662	662
Reductions during the year	(9,704)	(705)
Closing balance	12,348	2,390
Total provisions held	9,609	2,324

1.1.14 Details of securities sold/purchased (in face value terms) during the years ended 31 March, 2017 and 31 March, 2016 under repos/reverse repos including LAF and MSF transactions:

Year ended 31 March, 2017

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31 March, 2017
	(₹ in millions)			
Securities sold under repos				
i. Government Securities	–	313,728	82,206	445
ii. Corporate debt Securities	–	13,650	8,448	13,650
Securities purchased under reverse repos				
i. Government Securities	–	232,604	50,632	191,404
ii. Corporate debt Securities	–	–	–	–

There have been no defaults in making the same set of securities available at the time of 2[nd] leg settlement of the Term Reverse Repo during the year ended 31 March, 2017

Year ended 31 March, 2016

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31 March, 2016
	(₹ in millions)			
Securities sold under repos				
i. Government Securities	–	142,522	67,113	97,282
ii. Corporate debt Securities	–	5,800	1,984	–
Securities purchased under reverse repos				
i. Government Securities	–	158,566	19,445	39,382
iii. Corporate debt Securities	–	250	1	–

There have been no defaults in making the same set of securities available at the time of 2nd leg settlement of the Term Reverse Repo during the year ended 31 March, 2016

1.1.15 Details of financial assets sold to Securitisation/Reconstruction companies for Asset Reconstruction:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Number of accounts*	39	7
Aggregate value (net of provisions) of accounts sold	29,604	16,762
Aggregate consideration#	24,756	7,648
Additional consideration realised in respect of accounts transferred in earlier years	–	–
Aggregate gain/(loss) over net book value	(4,848)	(9,115)

* Excludes 15 accounts already written-off (previous year 1 account)

\# Value of security receipts received as a part of the consideration has been initially recognised at lower of net book value of the financial asset/ redemption value of the security receipts as per RBI guidelines

In accordance with the RBI guidelines on sale of NPAs, banks have the dispensation of amortising the shortfall on sale of NPAs to Securitisation/Reconstruction companies, if the sale value is lower than the net book value, over the period specified therein. The Bank has not amortised any such shortfall arising during the years ended 31 March, 2017 and 31 March, 2016.

Particulars	Backed by NPAs sold by the Bank as underlying		Backed by NPAs sold by other banks/financial institutions/non-banking financial companies as underlying		Total	
	As on 31 March, 2017	As on 31 March, 2016	As on 31 March, 2017	As on 31 March, 2016	As on 31 March, 2017	As on 31 March, 2016
	(₹ in millions)					
Book value of investments in security receipts	15,178*	7,910*	77	94	15,254	8,004

* excludes application money of ₹14,204 million (previous year ₹850 million)

1.1.16 During the years ended 31 March, 2017 and 31 March, 2016 there were no Non-Performing Financial Assets purchased/ sold by the Bank from/to other banks (excluding securitisation/reconstruction companies).

1.1.17 Details of securitisation transactions undertaken by the Bank are as follows:

Sr. No.	Particulars	31 March, 2017	31 March, 2016
		(₹ in millions)	
1	No. of SPVs sponsored by the bank for securitisation transactions	–	–
2	Total amount of securitised assets as per books of the SPVs sponsored by the Bank	–	–
3	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	First loss	–	–
	Others	–	–
	b) On-balance sheet exposures		
	First loss	–	–
	Others	–	–
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitizations		
	First loss	–	–
	Loss	–	–
	ii) Exposure to third party securitisations		
	First loss	–	–
	Others	–	–
	b) On-balance sheet exposures		
	i) Exposure to own securitizations		
	First loss	–	–
	Loss	–	–
	ii) Exposure to third party securitisations		
	First loss	–	–
	Others	–	–

1.1.18 The information on concentration of deposits is given below:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Total deposits of twenty largest depositors	480,818	390,231
Percentage of deposits of twenty largest depositors to total deposits	11.60	10.90

1.1.19 The information on concentration of advances* is given below:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Total advances to twenty largest borrowers	650,554	539,021
Percentage of advances to twenty largest borrowers to total advances of the Bank	11.13	10.21

* Advances represent credit exposure (funded and non-funded) including derivative exposure as defined by RBI

1.1.20 The information on concentration of exposure* is given below:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Total exposure to twenty largest borrowers/customers	832,299	719,429
Percentage of exposures to twenty largest borrowers/customers to total exposure on borrowers/customers	13.06	12.41

* Exposure includes credit exposure (funded and non-funded), derivative exposure, investment exposure (including underwriting and similar commitments) and deposits placed for meeting short fall in Priority Sector Lending

1.1.21 During the years ended 31 March, 2017 and 31 March, 2016, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

1.1.22 Details of Risk Category wise Country Exposure:

Risk Category	Exposure (Net) as at 31 March, 2017	Provision Held as at 31 March, 2017	Exposure (Net) as at 31 March, 2016	Provision Held as at 31 March, 2016
	(₹ in millions)			
Insignificant	–	–	–	–
Low	291,448	199	232,103	–
Moderate	23,011	–	16,056	–
High	40,149	–	28,048	–
Very High	3,386	–	12,122	–
Restricted	3	–	7	–
Off-Credit	–	–	–	–
Total	357,997	199	288,336	–

1.1.23 A maturity pattern of certain items of assets and liabilities at 31 March, 2017 and 31 March, 2016 is set out below:

Year ended 31 March, 2017

	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
	(₹ in millions)					
1 day	55,611	47,381	190,387	–	2,329	46,827
2 days to 7 days	161,546	29,425	41,197	8,310	15,124	15,792
8 days to 14 days	86,193	24,781	20,557	8,282	10,360	9,762
15 days to 30 days	127,067	113,828	27,766	34,292	35,474	64,590
31 days and upto 2 months	188,992	77,135	40,023	50,504	38,100	27,955
Over 2 months and upto 3 months	196,901	102,553	40,645	80,520	62,874	53,145
Over 3 months and upto 6 months	446,671	196,170	84,365	164,141	130,013	59,261
Over 6 months and upto 1 year	671,572	238,197	148,085	198,888	202,268	89,534
Over 1 year and upto 3 years	328,407	650,175	136,011	105,733	64,422	121,644
Over 3 years and upto 5 years	70,365	481,601	69,435	168,061	102,263	79,334
Over 5 years	1,810,463	1,769,447	489,463	231,578	31,882	127,595
Total	4,143,788	3,730,693	1,287,934	1,050,309	695,109	695,439

Year ended 31 March, 2016

	Deposits	Advances*	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
				(₹ in millions)		
1 day	38,929	42,060	167,099	108	53,801	1,759
2 days to 7 days	118,888	37,386	135,614	93,898	30,885	4,643
8 days to 14 days	59,858	31,567	27,869	11,435	16,657	14,002
15 days to 30 days	79,430	46,974	35,251	36,917	27,842	39,030
31 days and upto 2 months	156,503	63,960	43,995	85,271	26,748	87,467
Over 2 months and upto 3 months	149,792	104,805	41,977	46,679	50,409	56,766
Over 3 months and upto 6 months	331,121	134,193	70,699	97,814	46,087	86,481
Over 6 months and upto 1 year	682,636	281,924	187,343	214,649	125,562	321,184
Over 1 year and upto 3 years	367,678	605,211	135,081	227,712	125,670	152,590
Over 3 years and upto 5 years	117,135	437,647	54,006	99,707	98,519	75,527
Over 5 years	1,477,705	1,602,010	416,307	171,614	271,415	25,015
Total	3,579,675	3,387,737	1,315,241	1,085,804	873,595	864,464

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities is excluding off balance sheet items.

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* For the purpose of disclosing the maturity pattern, loans and advances that have been subject to risk participation vide Inter-Bank Participation Certificates ('IBPCs') and Funded Risk Participation ('FRPs') have been classified in the maturity bucket corresponding to the contractual maturities of such underlying loans and advances gross of any risk participation. The IBPC and FRP amounts have been classified in the respective maturities of the corresponding underlying loans.

1.1.24 Disclosure on Restructured Assets

Details of loans subjected to restructuring during the year ended 31 March, 2017 are given below:

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
					(₹ in millions)						
Restructured accounts as on 1 April of the FY (Opening Balance)	No. of borrowers	37	–	10	6	53	–	–	–	–	–
	Amount Outstanding – Restructured facility	35,222	–	6,015	979	42,216	–	–	–	–	–
	Amount Outstanding – Other facility	11,706	–	486	266	12,458	–	–	–	–	–
	Provision thereon	1,225	–	271	–	1,496	–	–	–	–	–
Movement in balance for accounts appearing under opening balance	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	(3,659)	–	8	(0)	(3,651)	–	–	–	–	–
	Amount Outstanding – Other facility	445	–	0	–	445	–	–	–	–	–
	Provision thereon	(396)	–	(167)	–	(563)	–	–	–	–	–
Fresh Restructuring during the year [1,2]	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Other facility	606	–	–	–	606	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Upgradation to restructured standard category during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	–	–	–	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(7)				(7)	–				–
	Amount Outstanding – Restructured facility	(3,117)				(3,117)	–				–
	Amount Outstanding – Other facility	(283)				(283)	–				–
	Provision thereon	(78)				(78)	–				–
Downgradation of restructured accounts during the FY[3]	No. of borrowers	(15)	–	12	5	2	–	–	–	–	–
	Amount Outstanding – Restructured facility	(15,678)	–	14,450	3,391	2,163	–	–	–	–	–
	Amount Outstanding – Other facility	(6,825)	–	4,016	3,026	217	–	–	–	–	–
	Provision thereon	(385)	–	385	–	–	–	–	–	–	–
Write-offs of restructured accounts during the FY[4,5,6]	No. of borrowers	–	–	(6)	(2)	(8)	–	–	–	–	–
	Amount Outstanding – Restructured facility	(1,777)	–	(5,011)	(181)	(6,969)	–	–	–	–	–
	Amount Outstanding – Other facility	(1,229)	–	(919)	(7)	(2,155)	–	–	–	–	–
Restructured accounts as on March 31 of the FY (closing figures)	No. of borrowers	15	–	16	9	40	–	–	–	–	–
	Amount Outstanding – Restructured facility	10,991	–	15,462	4,188	30,641	–	–	–	–	–
	Amount Outstanding – Other facility	4,420	–	3,583	3,286	11,289	–	–	–	–	–
	Provision thereon	367	–	489	–	856	–	–	–	–	–

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
					(₹ in millions)						
Restructured accounts as on 1 April of the FY (Opening Balance)	No. of borrowers	821	1	281	31	1,134	858	1	291	37	1,187
	Amount Outstanding – Restructured facility	52,112	0	7,851	685	60,648	87,334	0	13,866	1,664	1,02,864
	Amount Outstanding – Other facility	12,166	–	1,231	109	13,506	23,872	–	1,717	375	25,964
	Provision thereon	615	–	172	–	787	1,840	–	443	–	2,283
Movement in balance for accounts appearing under opening balance	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	352	–	(4)	0	348	(3,307)	–	3	–	(3,304)
	Amount Outstanding – Other facility	4,297	0	(1)	0	4,296	4,742	0	(1)	0	4,741
	Provision thereon	(159)	–	(134)	–	(293)	(555)	–	(301)	–	(856)
Fresh Restructuring during the year[1,2]	No. of borrowers	43	2	1	–	46	43	2	1	–	46
	Amount Outstanding – Restructured facility	5,976	4,177	336	–	10,489	5,976	4,177	336	–	10,489
	Amount Outstanding – Other facility	1,616	–	0	–	1,616	2,221	–	0	–	2,221
	Provision thereon	–	220	6	–	226	–	220	6	–	226
Upgradation to restructured standard category during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	–	–	–	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(225)				(225)	(232)				(232)
	Amount Outstanding – Restructured facility	(3,492)	0	0	0	(3,492)	(6,609)	0	0	0	(6,609)
	Amount Outstanding – Other facility	(1,718)	0	0	0	(1,718)	(2,001)	0	0	0	(2,001)
	Provision thereon	–	0	0	0	–	(78)	0	0	0	(78)
Downgradation of restructured accounts during the FY[3]	No. of borrowers	(203)	–	165	67	29	(218)	–	177	72	31
	Amount Outstanding – Restructured facility	(8,217)	–	2,088	6,469	340	(23,896)	–	16,538	9,860	2,502
	Amount Outstanding – Other facility	(3,356)	–	437	2,921	2	(10,181)	–	4,453	5,947	219
	Provision thereon	(64)	–	64	–	–	(449)	–	449	–	–
Write-offs of restructured accounts during the FY[4,5,6]	No. of borrowers	(86)	–	(74)	(7)	(167)	(86)	–	(80)	(9)	(175)
	Amount Outstanding – Restructured facility	(1,502)	–	(2,984)	(223)	(4,709)	(3,279)	–	(7,995)	(404)	(11,678)
	Amount Outstanding – Other facility	(410)	–	(111)	(2)	(523)	(1,639)	–	(1,030)	(8)	(2,677)
Restructured accounts as on March 31 of the FY (closing figures)	No. of borrowers	350	3	373	91	817	365	3	389	100	857
	Amount Outstanding – Restructured facility	45,229	4,177	7,287	6,931	63,624	56,220	4,177	22,749	11,120	94,266
	Amount Outstanding – Other facility	12,595	0	1,556	3,028	17,179	17,014	0	5,139	6,314	28,467
	Provision thereon	391	220	108	–	719	758	220	597	–	1,575

Amount outstanding under restructuring facilities and other facilities is as on 31 March, 2017:

1. Amount reported here represents outstanding as on 31 March, 2017. Actual amount subjected to restructuring determined as on the date of approval of restructuring proposal is ₹10,014 million for the FY 2016-17

2. Includes ₹2,135 million of fresh/additional sanction to existing restructured accounts (₹36 million under restructured facility and ₹2,100 million under other facility)

3. Includes accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of FY

4. Includes accounts partially written-off during the year

5. Amount outstanding under restructuring facilities and other facilities is as on the date of write-off in the books

6. Includes ₹8,818 million of reduction from existing restructured accounts by way of sale/recovery (₹7,166 million from restructured facility and ₹1,652 million from other facility)

7. The cumulative value of net restructured advances after reducing the provision held for diminution in fair value and balance in interest capitalisation account up to 31 March, 2017 aggregated ₹53,791 million

8. Information appearing under substandard, doubtful and loss category also include accounts slipped into NPAs from restructured standard advances along with restructured NPAs

Details of loans subjected to restructuring during the year ended 31 March, 2016 are given below:

Type of Restructuring		**Under CDR Mechanism**					**Under SME Debt Restructuring Mechanism**				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
					(₹ in millions)						
Restructured accounts as on 1 April of the FY (Opening Balance)	No. of borrowers	50	1	6	7	64	–	–	–	–	–
	Amount Outstanding – Restructured facility	54,602	211	3,145	1,819	59,777	–	–	–	–	–
	Amount Outstanding – Other facility	8,946	8	145	16	9,115	–	–	–	–	–
	Provision thereon	2,241	12	116	–	2,369	–	–	–	–	–
Movement in balance for accounts appearing under opening balance	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	(774)	–	(12)	–	(786)	–	–	–	–	–
	Amount Outstanding – Other facility	2,884	8	111	–	3,003	–	–	–	–	–
	Provision thereon	(681)	(3)	(28)	–	(712)	–	–	–	–	–
Fresh Restructuring during the year[1,2,3]	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	914	–	–	–	914	–	–	–	–	–
	Amount Outstanding – Other facility	3,334	–	–	–	3,334	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Upgradation to restructured standard category during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	–	–	–	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(5)	–	–	–	(5)	–				–
	Amount Outstanding – Restructured facility	(4,471)	–	–	–	(4,471)	–				–
	Amount Outstanding – Other facility	(1,503)	–	–	–	(1,503)	–				–
	Provision thereon	(161)	–	–	–	(161)	–				–
Downgradation of restructured accounts during the FY[4]	No. of borrowers	(7)	(1)	7	3	2	–	–	–	–	–
	Amount Outstanding – Restructured facility	(11,652)	(206)	9,330	3,087	559	–	–	–	–	–
	Amount Outstanding – Other facility	(946)	(15)	961	251	251	–	–	–	–	–
	Provision thereon	(174)	(9)	183	–	–	–	–	–	–	–
Write-offs of restructured accounts during the FY[5,6,7]	No. of borrowers	(1)	–	(3)	(4)	(8)	–	–	–	–	–
	Amount Outstanding – Restructured facility	(3,398)	(5)	(6,448)	(3,927)	(13,778)	–	–	–	–	–
	Amount Outstanding – Other facility	(1,009)	(1)	(730)	–	(1,740)	–	–	–	–	–
Restructured accounts as on March 31 of the FY (closing figures)	No. of borrowers	37	–	10	6	53	–	–	–	–	–
	Amount Outstanding – Restructured facility	35,221	–	6,015	979	42,215	–	–	–	–	–
	Amount Outstanding – Other facility	11,706	–	487	267	12,460	–	–	–	–	–
	Provision thereon	1,225	–	271	–	1,496	–	–	–	–	–

Type of Restructuring		Others					Total				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
						(₹ in millions)					
Restructured accounts as on 1 April of the FY (Opening Balance)	No. of borrowers	1,334	11	188	80	1,613	1,384	12	194	87	1,677
	Amount Outstanding – Restructured facility	37,490	5	1,501	2,484	41,480	92,092	216	4,646	4,303	101,257
	Amount Outstanding – Other facility	9,407	2	22	24	9,455	18,353	10	167	40	18,570
	Provision thereon	1,070	–	38	–	1,108	3,311	12	154	–	3,477
Movement in balance for accounts appearing under opening balance	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	2,149	–	(7)	(4)	2,138	1,375	–	(19)	(4)	1,352
	Amount Outstanding – Other facility	1,892	–	–	–	1,892	4,776	8	111	–	4,895
	Provision thereon	(400)	–	–	–	(400)	(1,081)	(3)	(28)	–	(1,112)
Fresh Restructuring during the year[1,2,3]	No. of borrowers	156	–	–	–	156	156	–	–	–	156
	Amount Outstanding – Restructured facility	21,497	–	–	–	21,497	22,411	–	–	–	22,411
	Amount Outstanding – Other facility	2,658	–	–	–	2,658	5,992	–	–	–	5,992
	Provision thereon	79	–	–	–	79	79	–	–	–	79
Upgradation to restructured standard category during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	–	–	–	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(171)	–	–	–	(171)	(176)	–	–	–	(176)
	Amount Outstanding – Restructured facility	(1,663)	–	–	–	(1,663)	(6,134)	–	–	–	(6,134)
	Amount Outstanding – Other facility	(25)	–	–	–	(25)	(1,528)	–	–	–	(1,528)
	Provision thereon	–	–	–	–	–	(161)	–	–	–	(161)
Downgradation of restructured accounts during the FY[4]	No. of borrowers	(344)	(9)	344	15	6	(351)	(10)	351	18	8
	Amount Outstanding – Restructured facility	(6,669)	(4)	6,568	272	167	(18,321)	(210)	15,898	3,359	726
	Amount Outstanding – Other facility	(1,272)	(2)	1,229	91	46	(2,218)	(17)	2,190	342	297
	Provision thereon	(134)	–	134	–	–	(308)	(9)	317	–	–
Write-offs of restructured accounts during the FY[5,6,7]	No. of borrowers	(154)	(1)	(251)	(64)	(470)	(155)	(1)	(254)	(68)	(478)
	Amount Outstanding – Restructured facility	(691)	(1)	(211)	(2,067)	(2,970)	(4,089)	(6)	(6,659)	(5,994)	(16,748)
	Amount Outstanding – Other facility	(494)	–	(20)	(7)	(521)	(1,503)	(1)	(750)	(7)	(2,261)
Restructured accounts as on March 31 of the FY (closing figures)	No. of borrowers	821	1	281	31	1,134	858	1	291	37	1,187
	Amount Outstanding – Restructured facility	52,113	–	7,851	685	60,649	87,334	–	13,866	1,664	102,864
	Amount Outstanding – Other facility	12,166	–	1,231	108	13,505	23,872	–	1,718	375	25,965
	Provision thereon	615	–	172	–	787	1,840	–	443	–	2,283

Amount outstanding under restructuring facilities and other facilities is as on 31 March, 2016:

Amount reported here represents outstanding as on 31 March, 2016. Actual amount subjected to restructuring determined as on the date of approval of restructuring proposal is ₹22,667 million for the FY 2015-16

1. Includes accounts on account of re-work of restructuring and these accounts are not included in opening balance of standard restructured accounts

2. Includes ₹4,972 million of fresh/additional sanction to existing restructured accounts (₹932 million under restructured facility and ₹4,040 million under other facility)

3. Includes accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of FY

4. Includes accounts partially written-off during the year

5. Amount outstanding under restructuring facilities and other facilities is as on the date of write-off in the books

6. Includes ₹8,027 million of reduction from existing restructured accounts by way of sale/recovery (₹6,238 million from restructured facility and ₹1,790 million from other facility)

7. The cumulative value of net restructured advances after reducing the provision held for diminution in fair value and balance in interest capitalisation account upto 31 March, 2016 aggregated ₹80,724 million

8. Information appearing under substandard, doubtful and loss category also include accounts slipped into NPAs from restructured standard advances along with restructured NPAs

1.1.25 Disclosure on Flexible Structuring of existing loans

Year ended	No. of borrowers taken up for flexible 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
		(₹ in millions)			
31 March, 2017	8	10,661	8,038	9.23	21.38
31 March, 2016	9	35,492	–	9.45	20.88

represents outstanding as on date of sanction of the proposal

* asset classification represents position as on 31 March of the respective year

1.1.26 Disclosure on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

No. of accounts where SDR has been invoked	Amount outstanding as at 31 March, 2017#		Amount outstanding as at 31 March, 2017 with respect to accounts where conversion of debt to equity is pending		Amount outstanding as at 31 March, 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
	(₹ in millions)					
19	38,072	3,224	8,461	2,147	29,611	1,077

includes outstanding under equity investments post conversion under SDR

No. of accounts where SDR has been invoked	Amount outstanding as at 31 March, 2016#		Amount outstanding as at 31 March, 2016 with respect to accounts where conversion of debt to equity is pending		Amount outstanding as at 31 March, 2016 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
	(₹ in millions)					
11	22,662	2,500	16,375	2,500	6,287	–

includes outstanding under equity investments post conversion under SDR

1.1.27 Disclosure on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as at 31 March, 2017		Amount outstanding as at 31 March, 2017 with respect to accounts where conversion of debt to equity/ invocation of pledge of equity shared is pending		Amount outstanding as at 31 March, 2017 with respect to accounts where conversion of debt to equity/ invocation of pledge of equity shared has taken place		Amount outstanding as at 31 March, 2017 with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale if 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
	(₹ in millions)							
–	–	–	–	–	–	–	–	–

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as at 31 March, 2016		Amount outstanding as at 31 March, 2016 with respect to accounts where conversion of debt to equity/invocation of pledge of equity shared is pending		Amount outstanding as at 31 March, 2016 with respect to accounts where conversion of debt to equity/invocation of pledge of equity shared has taken place		Amount outstanding as at 31 March, 2016 with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale if 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
	(₹ in millions)							
–	–	–	–	–	–	–	–	–

1.1.28 Disclosure on Change in Ownership of Projects under Implementation (accounts which are currently under the stand-still period)

No. of project loan accounts where banks have decided to effect change in ownership	Amount outstanding as at 31 March, 2017		
	Classified as standard	Classified as standard restructured	Classified as NPA
	(₹ in millions)		
1	989	–	–

No. of project loan accounts where banks have decided to effect change in ownership	Amount outstanding as at 31 March, 2016		
	Classified as standard	Classified as standard restructured	Classified as NPA
	(₹ in millions)		
–	–	–	–

1.1.29 Disclosure on Scheme for Sustainable Structuring of Stressed Assets (S4A) as at 31 March, 2017

	No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision held
			In Part A	In Part B	
	(₹ in millions)				
Classified as standard	2	3,235	1,604	1,631	671
Classified as NPA	–	–	–	–	–

1.1.30 Disclosure in respect of Interest Rate Swaps ('IRS'), Forward Rate Agreement ('FRA') and Cross Currency Swaps ('CCS') outstanding is set out below:

Sr. No.	Items	As at 31 March, 2017	As at 31 March, 2016
	(₹ in millions)		
i)	Notional principal of swap agreements	**19,78,716**	1,796,649
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	**25,587**	25,276
iii)	Collateral required by the Bank upon entering into swaps	**9,039**	6,529
iv)	Concentration of credit risk arising from the swaps		
	Maximum single industry exposure with Banks (previous year with Banks)		
	– Interest Rate Swaps/FRAs	**23,796**	24,828
	– Cross Currency Swaps	**20,865**	15,992
v)	Fair value of the swap book (hedging & trading)		
	– Interest Rate Swaps/FRAs	**(4,108)**	778
	– Currency Swaps	**10,564**	5,277

The nature and terms of the IRS as on 31 March, 2017 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
		(₹ in millions)		
Hedging	39	1,21,788	LIBOR	Fixed Receivable v/s Floating Payable
Hedging	2	9,079	LIBOR	Floating Receivable v/s Fixed Payable
Trading	6	3,250	INBMK	Fixed Receivable v/s Floating Payable
Trading	259	3,27,730	LIBOR	Fixed Receivable v/s Floating Payable
Trading	467	2,96,453	MIBOR	Fixed Receivable v/s Floating Payable
Trading	341	1,67,240	MIFOR	Fixed Receivable v/s Floating Payable
Trading	25	19,090	INBMK	Floating Receivable v/s Fixed Payable
Trading	304	3,62,318	LIBOR	Floating Receivable v/s Fixed Payable
Trading	476	2,57,095	MIBOR	Floating Receivable v/s Fixed Payable
Trading	225	1,22,230	MIFOR	Floating Receivable v/s Fixed Payable
Trading	28	46,692	LIBOR	Floating Receivable v/s Floating Payable
Trading	3	661	LIBOR	Pay Cap
Trading	1	1,972	LIBOR	Pay Cap/ Receive Floor
Trading	1	1,972	LIBOR	Pay Floor/ Receive Cap
Trading	3	661	LIBOR	Receive Cap
	2,180	1,738,231		

The nature and terms of the IRS as on 31 March, 2016 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
		(₹ in millions)		
Hedging	42	1,22,241	LIBOR	Fixed Receivable v/s Floating Payable
Hedging	2	13,251	LIBOR	Floating Receivable v/s Fixed Payable
Trading	21	7,750	INBMK	Fixed Receivable v/s Floating Payable
Trading	267	2,94,020	LIBOR	Fixed Receivable v/s Floating Payable
Trading	351	2,14,941	MIBOR	Fixed Receivable v/s Floating Payable
Trading	374	1,78,550	MIFOR	Fixed Receivable v/s Floating Payable
Trading	37	23,090	INBMK	Floating Receivable v/s Fixed Payable
Trading	304	3,21,700	LIBOR	Floating Receivable v/s Fixed Payable
Trading	355	2,27,841	MIBOR	Floating Receivable v/s Fixed Payable
Trading	282	1,56,710	MIFOR	Floating Receivable v/s Fixed Payable
Trading	22	27,165	LIBOR	Floating Receivable v/s Floating Payable
Trading	3	845	LIBOR	Pay Cap
Trading	1	2,876	LIBOR	Pay Cap/Receive Floor
Trading	1	2,876	LIBOR	Pay Floor/Receive Cap
Trading	3	845	LIBOR	Receive Cap
	2,065	**1,594,701**		

The nature and terms of the FRA as on 31 March, 2017 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Hedging	2	21,076	LIBOR	Fixed Receivable v/s Floating Payable
	2	**21,076**		

The nature and terms of the FRA as on 31 March, 2016 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Hedging	2	3,313	LIBOR	Fixed receivable v/s floating payable
	2	**3,313**		

The nature and terms of the CCS as on 31 March, 2017 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
		(₹ in millions)		
Trading	85	50,951	Principal & Coupon Swap	Fixed Payable v/s Fixed Receivable
Trading	58	46,468	LIBOR	Fixed Receivable v/s Floating Payable
Trading	62	62,476	LIBOR	Floating Receivable v/s Fixed Payable
Trading	3	10,113	LIBOR/MIFOR/ MIBOR	Floating Receivable v/s Floating Payable
Trading	40	38,590	Principal Only	Fixed Receivable
Trading	6	10,811	Principal Only	Fixed Payable
	254	2,19,409		

The nature and terms of the CCS as on 31 March, 2016 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
		(₹ in millions)		
Hedging	1	3,313	LIBOR	Fixed Receivable v/s Floating Payable
Trading	88	38,550	Principal & Coupon Swap	Fixed Payable v/s Fixed Receivable
Trading	41	31,314	LIBOR	Fixed Receivable v/s Floating Payable
Trading	74	55,986	LIBOR	Floating Receivable v/s Fixed Payable
Trading	3	6,994	LIBOR/MIFOR	Floating Receivable v/s Floating Payable
Trading	33	27,314	Principal Only	Fixed Receivable
Trading	40	35,164	Principal Only	Fixed Payable
	280	**1,98,635**		

Details of Exchange Traded Interest Rate Derivatives for the year ended 31 March, 2017 are set out below:

Sr. No.	Particulars	As at 31 March, 2017
		(₹ in millions)
i)	**Notional principal amount of exchange traded interest rate derivatives undertaken during the year**	
	697GS2026 - 6.97% GOI 2026	1,524
	759GS2026 - 7.59% GOI 2026	46,781
	759GS2029 - 7.59% GOI 2029	1,870
	761GS2030 - 7.61% GOI 2030	1
	768GS2023 - 7.68% GOI 2023	20
	772GS2025 - 7.72% GOI 2025	32,198
	788GS2030 - 7.88% GOI 2030	15,314
	EDH7 - 90 Day Euro Future - March 2017	1,29,700
	EDH8 - 90 Day Euro Future - March 2018	1,29,700
	EDM7 - 90 Day Euro Future - June 2017	87,548
	EDM8 - 90 Day Euro Future - June 2018	87,548
	EDQ6 - 90 Day Euro $ Future - August 2016	12,970
	EDZ6 - 90 Day Euro Future - December 2016	96,627
	EDZ7 - 90 Day Euro Future - December 2017	9,079
	FVH7 - 5Yrs US Note - March 2017	649
	FVM6 - 5Yrs US Note - June 2016	20,428
	FVU6 - 5Yrs US Note - September 2016	17,250
	TUM6 - 2Yrs Treasury Note - June 2016	29,831
	TUM7 - 2Yrs Treasury Note - June 2017	2,594
	TUU6 - 2Yrs Treasury Note - September 2016	37,613
	TYH7 - US 10Yrs Note - March 2017	4,540
	TYM6 - US 10Yrs Note - June 2016	43,450
	TYM7 - US 10Yrs Note - June 2017	1,362
	TYU6 - US 10Yrs Note - September 2016	1,21,334
	TYZ6 - US 10Yrs Note - December 2016	9,118
		9,39,049
ii)	**Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2017**	
	EDM7 - 90 Day Euro Future - June 2017	16,213
	EDM8 - 90 Day Euro Future - June 2018	16,213
		32,426
iii)	**Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2017 and "not highly effective"**	N.A.
iv)	**Mark-to-market value of exchange traded interest rate derivatives outstanding as on 31 March, 2017 and "not highly effective"**	N.A.

Details of Exchange Traded Interest Rate Derivatives for the year ended 31 March, 2016 are set out below:

Sr. No.	Particulars	As at 31 March, 2016
		(₹ in millions)
i)	**Notional principal amount of exchange traded interest rate derivatives undertaken during the year**	
	759GS2026 - 7.59% GOI 2026	350
	759GS2029 - 7.59% GOI 2029	41
	768GS2023 - 7.68% GOI 2023	44
	772GS2025 - 7.72% GOI 2025	60,039
	788GS2030 - 7.88% GOI 2030	35,452
	827GS2020 - 8.27% GOI 2020	48
	840GS2024 - 8.40% GOI 2024	1,43,641
		2,39,615
ii)	**Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2016**	Nil
iii)	**Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2016 and "not highly effective"**	N.A.
iv)	**Mark-to-market value of exchange traded interest rate derivatives outstanding as on 31 March, 2016 and "not highly effective"**	N.A.

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended 31 March, 2017 and 31 March, 2016.

1.1.31 Disclosure on risk exposure in Derivatives

Qualitative disclosures:

(a) Structure and organisation for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants:

Derivatives are financial instruments whose characteristics are derived from an underlying asset, or from interest and exchange rates or indices. The Bank undertakes over the counter and Exchange Traded derivative transactions for Balance Sheet management and also for proprietary trading/market making whereby the Bank offers derivative products to the customers to enable them to hedge their interest rate and currency risks within the prevalent regulatory guidelines.

Proprietary trading includes Interest Rate Futures, Currency Futures and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR and INBMK), and Currency Options. The Bank also undertakes transactions in Cross Currency Swaps, Principal Only Swaps, Coupon Only Swaps and Long Term Forex Contracts (LTFX) for hedging its Balance Sheet and also offers them to its customers. These transactions expose the Bank to various risks, primarily credit, market, legal, reputation and operational risk. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

There is a functional separation between the Treasury Front Office, Treasury Mid Office and Treasury Back Office to undertake derivative transactions. The derivative transactions are originated by Treasury Front Office, which ensures compliance with the trade origination requirements as per the Bank's policy and the RBI guidelines. The Market Risk Group within the Bank's Risk Department independently identifies measures and monitors the market risks associated with derivative transactions and apprises the Asset Liability Management Committee (ALCO) and the Risk Management Committee of the Board (RMC) on the compliance with the risk limits. The Treasury Back Office undertakes activities such as trade confirmation, settlement, ISDA documentation, accounting, valuation and other MIS reporting.

The derivative transactions are governed by the derivative policy, market risk management policy, hedging policy and the Asset Liability Management (ALM) policy of the Bank as well as by the extant RBI guidelines. The Bank has also implemented policy on customer suitability & appropriateness approved by the Board to ensure that derivatives transactions entered into are appropriate and suitable to the customer. The Bank has also put in place a detailed process flow on documentation for customer derivative transactions for effective management of operational risk/reputation risk

Various risk limits are set up and actual exposures are monitored vis-à-vis the limits allocated. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. Risk limits are in place for risk parameters viz. PV01, VaR, Stop Loss, Delta, Gamma and Vega. Actual positions are monitored against these limits on a daily basis and breaches, if any, are dealt with in accordance with board approved Risk Appetite Statement. Risk assessment of the portfolio is undertaken periodically. The Bank ensures that the Gross PV01 (Price value of a basis point) position arising out of all non-option rupee derivative contracts are within 0.25% of net worth of the Bank as on Balance Sheet date.

Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item. These deals are accounted on an accrual basis except the swap designated with an asset/liability that is carried at market value or lower of cost or market value. In that case, the swap is marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. These transactions are tested for hedge effectiveness and in case any transaction fails the test, the same is re-designated as a trading deal with the approval of the competent authority and appropriate accounting treatment is followed.

(b) Accounting policy for recording hedge and non-hedge transactions, recognition of income, premiums and discounts, valuation of outstanding contracts

The Hedging Policy approved by the RMC governs the use of derivatives for hedging purpose. Subject to the prevailing RBI guidelines, the Bank deals in derivatives for hedging fixed rate and floating rate coupon or foreign currency assets/liabilities. Transactions for hedging and market making purposes are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge derivative transactions are accounted for in accordance with the hedge accounting principles. Derivatives for market making purpose are marked to market and the resulting gain/loss is recorded in the Profit and Loss Account. The premium on option contracts is accounted for as per FEDAI guidelines. Derivative transactions are covered under International Swaps and Derivatives Association (ISDA) master agreements with respective counterparties. The exposure on account of derivative transactions is computed as per the RBI guidelines and is marked against the credit limits approved for the respective counterparties.

(c) Provisioning, collateral and credit risk mitigation

Derivative transactions comprise of swaps, FRAs, futures and options which are disclosed as contingent liabilities. Trading swaps/FRAs/futures/options are revalued at the Balance Sheet date with the resulting unrealised gain or loss being recognised in the Profit and Loss Account and correspondingly in other assets or other liabilities respectively. Hedged swaps are accounted for as per the RBI guidelines. In accordance with RBI guidelines, any receivables (crystallised receivables and positive MTM) under derivatives contracts, which remain overdue for more than 90 days, are reversed through the Profit and Loss Account and are held in a separate Suspense account.

Collateral requirements for derivative transactions are laid down as part of credit sanction terms on a case by case basis. Such collateral requirements are determined, based on usual credit appraisal process. The Bank retains the right to terminate transactions as a risk mitigation measure in certain cases.

The credit risk in respect of customer derivative transactions is sought to be mitigated through a laid down policy on sanction of Loan Equivalent Risk (LER) limits, monitoring mechanism for LER limits and trigger events for escalation/margin calls/termination.

Quantitative disclosure on risk exposure in derivatives:*

		As at 31 March, 2017			
		Currency Derivatives			
Sr. No.	**Particulars**	**Forward Contracts^**	**CCS**	**Options**	**Interest rate Derivatives**
		(₹ in millions)			
1	**Derivatives (Notional Principal Amount)**				
	a) For hedging	2,71,545	–	–	1,51,943
	b) For trading	24,10,407	2,19,409	4,93,833	16,07,364
2	**Marked to Market Positions#**				
	a) Asset (+)	54,360	15,373	15,401	9,889
	b) Liability (-)	(54,297)	(4,808)	(13,748)	(13,612)
3	**Credit Exposure@**	1,56,064	40,798	17,933	30,159
4	**Likely impact of one percentage change in interest rate (100*PV01) (as at 31 March, 2017)**				
	a) on hedging derivatives	23	–	–	2,498
	b) on trading derivatives	22	18	124	631
5	**Maximum and Minimum of 100*PV01 observed during the year**				
	a) on hedging				
	I) Minimum	42	–	–	1,284
	II) Maximum	11	38	–	2,727
	b) on Trading				
	I) Minimum	–	10	41	276
	II) Maximum	130	37	949	973

Only on trading derivatives
@ Includes accrued interest
^ Excluding Tom/Spot contracts

Sr. No.	Particulars	Forward Contracts^	CCS	Options	Interest rate Derivatives
		As at 31 March, 2016			
			Currency Derivatives		
			(₹ in millions)		
1	**Derivatives (Notional Principal Amount)**				
	a) For hedging	4,11,793	3,313	–	1,38,804
	b) For trading	21,44,883	1,95,322	4,29,005	14,59,210
2	**Marked to Market Positions#**				
	a) Asset (+)	22,755	11,838	12,274	12,375
	b) Liability (-)	(20,713)	(6,306)	(10,977)	(12,631)
3	**Credit Exposure@**	1,05,139	31,195	11,963	31,587
4	**Likely impact of one percentage change in interest rate (100*PV01) (as at 31 March, 2016)**				
	a) on hedging derivatives	17	42	–	1,216
	b) on trading derivatives	45	1,366	70	2,773
5	**Maximum and Minimum of 100*PV01 observed during the year**				
	a) on hedging				
	I) Minimum	17	17	–	1,216
	II) Maximum	64	47	–	2,828
	b) on Trading				
	I) Minimum	10	1,330	3	1,242
	II) Maximum	74	2,335	172	2,773

Only on trading derivatives
@ Includes accrued interest
^ Excluding Tom/Spot contracts
* only Over The Counter derivatives included

The outstanding notional principal amount of Exchange Traded Currency Options as at 31 March, 2017 was Nil (previous year Nil) and the mark-to-market value was Nil (previous year Nil).

1.1.32 Details of penalty/stricture levied by RBI during the year ended 31 March, 2017 is as under:

Sr. No.	Amount (₹ in millions)	Reason for stricture issued/ levy of penalty by RBI	Date of payment of penalty
1.	–	Warning issued by RBI on 27 July, 2016 for certain lapses in adherence to KYC/AML guidelines on monitoring of transactions in customer accounts and FEMA provisions	–

No penalty/stricture was levied by RBI during the year ended 31 March, 2016.

1.1.33 Disclosure of customer complaints

(a) Disclosure of customer complaints relating to Bank's customers on Bank's ATMs

		31 March, 2017	31 March, 2016
a.	No. of complaints pending at the beginning of the year	**208**	119
b.	No. of complaints received during the year	**35,009**	38,122
c.	No. of complaints redressed during the year	**35,074**	38,033
d.	No. of complaints pending at the end of the year	**143**	208

(b) Disclosure of customer complaints relating to Bank's customers on other bank's ATMs

		31 March, 2017	31 March, 2016
a.	No. of complaints pending at the beginning of the year	**934**	701
b.	No. of complaints received during the year	**80,572**	59,940
c.	No. of complaints redressed during the year	**80,273**	59,707
d.	No. of complaints pending at the end of the year	**1,233**	934

(c) Disclosure of customer complaints other than ATM transaction complaints

		31 March, 2017	31 March, 2016
a.	No. of complaints pending at the beginning of the year	**8,357**	8,693
b.	No. of complaints received during the year	**222,092**	129,614
c.	No. of complaints redressed during the year	**189,641**	129,950
d.	No. of complaints pending at the end of the year	**40,808**	8,357

(d) Total customer complaints

		31 March, 2017	31 March, 2016
a.	No. of complaints pending at the beginning of the year	**9,499**	9,513
b.	No. of complaints received during the year	**337,673**	227,676
c.	No. of complaints redressed during the year	**304,988**	227,690
d.	No. of complaints pending at the end of the year	**42,184**	9,499

The above information does not include complaints redressed within 1 working day and is as certified by the Management and relied upon by the auditors.

1.1.34 Disclosure of Awards passed by the Banking Ombudsman

		31 March, 2017	31 March, 2016
a.	No. of unimplemented awards at the beginning of the year	–	–
b.	No. of awards passed by the Banking Ombudsman during the year	–	3
c.	No. of awards implemented during the year	–	–
d.	No. of unimplemented awards at the end of the year	–	–*

* During the previous year, the Bank received 3 awards which got cancelled

The above information is as certified by the Management and relied upon by the auditors.

1.1.35 Draw Down from Reserves

During the years ended 31 March, 2017 and 31 March, 2016 the Bank has made a draw down out of the Investment Reserve account towards depreciation on investments in AFS and HFT categories in terms of RBI guidelines.

1.1.36 Letter of Comfort

The Bank has not issued any Letter of Comfort (LoC) on behalf of its subsidiaries during the current and previous year.

1.1.37 Disclosure on Remuneration

Qualitative disclosures

a) Information relating to the bodies that oversee remuneration:

- Name, composition and mandate of the main body overseeing remuneration:

  The Nomination and Remuneration Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank on behalf of the Board. The Committee works in close co-ordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks.

  As at 31 March, 2017, the Nomination and Remuneration Committee comprises of the following Non-Executive Directors:

  1. Shri Prasad R. Menon - Chairman
  2. Shri V. R. Kaundinya
  3. Shri Rohit Bhagat
  4. Shri Rakesh Makhija

  In respect of Remuneration/HR matters, the Nomination and Remuneration Committee of the Board, functions with the following main objectives:

  a. Review and recommend to the Board for approval, the overall remuneration framework and associated policy of the Bank (including remuneration policy for Directors and key managerial personnel) including the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock-based compensation and any other form of compensation as may be included from time to time to all the employees of the Bank including the Managing Director & CEO (MD & CEO), other Whole-Time Directors (WTD) and senior managers one level below the Board.

  b. Review and recommend to the Board for approval, the total increase in manpower cost budget of the Bank as a whole, at an aggregate level, for the next year.

  c. Recommend to the Board the compensation payable to the Chairman of the Bank.

  d. Review the Code of Conduct and HR strategy, policy and performance appraisal process within the Bank, as well as any fundamental changes in organisation structure which could have wide ranging or high risk implications.

  e. Review and recommend to the Board for approval, the talent management and succession policy and process in the Bank for ensuring business continuity, especially at the level of MD & CEO, the other WTDs, senior managers one level below the Board and other key roles and their progression to the Board.

  f. Review and recommend to the Board for approval:

     - the creation of new positions one level below MD & CEO
     - appointments, promotions and exits of senior managers one level below the MD & CEO

  g. Set the goals, objectives and performance benchmarks for the Bank and for MD & CEO, the other WTDs for the financial year and over the medium to long term.

  h. Review the performance of the MD & CEO and other WTDs at the end of each year.

  i. Review organisation health through feedback from employee surveys conducted on a regular basis.

  j. Perform such other duties as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, Reserve Bank of India or by any other regulatory or statutory body.

- **External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process:**

  The Nomination and Remuneration Committee has commissioned McLagan Aon Hewitt, a globally renowned compensation benchmarking firm, to conduct market benchmarking of employee compensation. The Bank participates in the salary benchmarking survey conducted by Aon Hewitt every year. Aon Hewitt collects data from multiple private sector peer banks across functions, levels and roles which is then used by the Bank to assess market competitiveness of remuneration offered to Bank employees.

- **A description of the scope of the Bank's remuneration policy, including the extent to which it is applicable to foreign subsidiaries and branches:**

  The Committee monitors the remuneration policy for both domestic and overseas branches of the Bank on behalf of the Board. However, it does not oversee the compensation policy for subsidiaries of the Bank.

- **A description of the type of employees covered and number of such employees:**

  Employees are categorised into following three categories from remuneration structure and administration standpoint:

  Category 1
  MD & CEO and WTDs. This category includes 4 employees.

  Category 2
  All the employees in the Grade of Vice President and above engaged in the functions of Risk Control and Compliance. This category includes 31 employees.

  Category 3: Other Staff
  'Other Staff' has been defined as a "group of employees who pose a material risk". This category includes all the employees of the Bank in the grade of Executive Vice President (EVP) and above and also few other key business roles in case they are below the grade of Executive Vice President. This category includes 35 employees.

b) Information relating to the design and structure of remuneration processes:

- **An overview of the key features and objectives of remuneration policy:**

  The compensation philosophy of the Bank aims to attract, retain and motivate professionals in order to enable the Bank to attain its strategic objectives and develop a strong performance culture in the competitive environment in which it operates. To achieve this, the following principles are adopted:

  – Affordability: Pay to reflect productivity improvements to retain cost-income competitiveness

  – Maintain competitiveness on fixed pay in talent market

  – Pay for performance to drive meritocracy through variable pay

  – Employee Stock Options for long-term value creation

  – Benefits and perquisites to remain aligned with market practises and provide flexibility

  Apart from the above, the compensation structure for MD & CEO and WTDs is aligned to RBI's guidelines for sound compensation practises (effective FY 2012-13) and addresses the general principles of:

  – Effective and independent governance and monitoring of compensation

  – Alignment of compensation with prudent risk-taking through well designed and consistent compensation structures

  – Clear and timely disclosure to facilitate supervisory oversight by all stakeholders

  Accordingly, the compensation policy for MD & CEO and WTDs seeks to:

  a) Ensure that the compensation, in terms of structure and total amount, is in line with the best practises, as well as competitive vis-à-vis that of peer banks

b) Establish the linkage of compensation with individual performance as well as achievement of the corporate objectives of the Bank

c) Include a significant variable pay component tied to the achievement of pre-established objectives in line with Bank's scorecard while ensuring that the compensation is aligned with prudent risk taking

d) Encourage attainment of long term shareholder returns through inclusion of equity linked long-term incentives as part of compensation

Compensation is structured in terms of fixed pay, variable pay and employee stock options (for selective employees), with the last two being highly contingent on employee performance. The compensation policy of the Bank is approved by the Nomination and Remuneration Committee. Additional approval from Shareholders and RBI is obtained specifically for compensation of MD & CEO and WTDs.

- **Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made:**

  The Nomination and Remuneration committee reviews the Bank's remuneration policy every year. There were no major changes made in the remuneration policy during the year.

- **A discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee:**

  The Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee and is guided by the individual employee performance. The remuneration is determined on the basis of relevant risk measures included in the Balanced Scorecard / key deliverables of staff in these functions. The parameters reviewed for performance based rewards are independent of performance of the business area they oversee and commensurate with their individual role in the Bank. Additionally, the ratio of fixed and variable compensation is weighed towards fixed compensation.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes:

- **An overview of the key risks that the Bank takes into account when implementing remuneration measures:**

  The business activity of the Bank is undertaken within the limits of the following risk measures to achieve the financial plan:

  - NPA – net slippages
  - Ratio of Risk Weighted Assets to Total Assets
  - Liquidity Coverage Ratio

- **An overview of the nature and type of key measures used to take account of these risks, including risk difficult to measure:**

  The Bank has a robust system of measuring and reviewing these risks. The risk parameters are a part of the Balanced Scorecard used for setting of performance objectives and for measuring performance which includes, besides financial performance, adherence to internal processes, compliance and people perspectives. Weightage is placed on not only financial or quantitative achievement of objectives but also on qualitative aspects detailing how the objectives were achieved.

- **A discussion of the ways in which these measures affect remuneration:**

  The relevant risk measures are included in the scorecards of MD & CEO and WTDs. Inclusion of the above mentioned measures ensures that performance parameters are aligned to risk measures at the time of performance evaluation. The Nomination and Remuneration Committee takes into consideration all the above aspects while assessing organisational and individual performance and making compensation related recommendations to the Board.

- **A discussion of how the nature and type of these measures have changed over the past year and reasons for the changes, as well as the impact of changes on remuneration:**

  During FY 2016-17, the risk measures were reviewed and no major changes were made to the performance parameters in the Balanced Scorecards.

d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration:

The Bank's performance management and compensation philosophies are structured to support the achievement of the Bank's on-going business objectives by rewarding achievement of objectives linked directly to its strategic business priorities. These strategic priorities are cascaded through annualized objectives to the employees.

The Bank follows the Balanced Scorecard approach in designing its performance management system. Adequate attention is given to the robust goal setting process to ensure alignment of individual objectives to support the achievement of business strategy, financial and non-financial goals across and through the organisation. The non-financial goals for employees includes customer service, process improvement, adherence to risk and compliance norms, self-capability development and behaviours such as integrity and team management.

- **An overview of main performance metrics for Bank, top level business lines and individuals:**

  The Bank follows a Balanced Scorecard approach for measuring performance for the Bank, top business lines and individuals. The approach broadly comprises financial, customer, internal processes, compliance and people perspectives and includes parameters on revenue and profitability, business growth, customer initiatives, operational efficiencies, regulatory compliance, risk management and people management.

- **A discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance:**

  Performance appraisals are conducted annually and initiated by the employee with self-appraisal. The immediate supervisor reviews the appraisal ratings in a joint consultation meeting with the employee and assigns the performance rating. The final ratings are discussed by a Moderation Committee comprising of senior officials of the Bank. Both relative and absolute individual performances are considered for the moderation process. Individual fixed pay increases, variable pay and ESOPs are linked to the final performance ratings. In addition, the fixed pay increase is also influenced by an employee's position in the salary range.

- **A discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak:**

  In cases where the performance metrics are weak or not well defined to measure the performance effectively, the Bank uses discretion to reward such employees. The remuneration is then influenced by the performance of previous years and supervisor reviews.

  Whilst determining fixed and variable remuneration, relevant risk measures are included in scorecards of senior employees. Identified risk parameters that are taken into account are as under:

  - NPA – net slippages
  - Ratio of Risk Weighted Assets to Total Assets
  - Liquidity Coverage Ratio

  As a prudent measure, a portion of variable pay if it exceeds a certain threshold is deferred and is paid proportionately over a period of 3 years. The deferred variable pay amount of reference year would be held back in case of any misrepresentation or gross inaccuracy resulting in a wrong risk assessment.

e) **Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance:**

- **A discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance:**

  The deferral of the Variable Pay for the three categories of employees as stated earlier is given below:

  Category 1: MD & CEO and WTDs

  Variable Pay will not exceed 70% of the Fixed Pay

  To ensure that risk measures do not focus only on achieving short term goals, variable payout is deferred. If the variable pay exceeds 40% of fixed pay, 45% of the variable pay to be deferred proportionately over a period of three years.

  Category 2: All the employees in the Grade of Vice President and above engaged in the functions of Risk Control and Compliance

  – Variable Pay will be paid on the basis of laid down risk control, compliance and process improvement parameters in the balanced scorecard / key deliverables of staff in this function

  – The parameters will be independent of performance of the business area they oversee and will commensurate with their key role in the Bank

  – The ratio of fixed and variable compensation will be weighed towards fixed compensation

  – Percentage of variable pay to be capped at 70% of fixed pay

  – Appropriate deferral structure as approved by the Nomination and Remuneration Committee will be applicable to this category of employees

  Category 3: Other Staff

  – Variable Pay will be paid on the basis of performance against key deliverables and overall business performance for the financial year

  – Percentage of variable pay to be capped at 70% of fixed pay

  – Appropriate deferral structure as approved by the Nomination and Remuneration Committee will be applicable to this category of employees

- **A discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements:**

  The deferred portion of the variable pay may be delayed in the event of an enquiry determining gross negligence or breach of integrity. The deferred portion is withheld by the Bank till the completion of such enquiries, if any. As a result, no claw back arrangements are made on the deferred portion of the variable pay.

f) **Description of the different forms of variable remuneration that the Bank utilises and the rationale for using these different forms:**

- **An overview of the forms of variable remuneration offered:**

  - Variable Pay: Variable Pay is linked to corporate performance, business performance and individual performance and ensures differential pay based on the performance levels of employees

  - Employee Stock Options (ESOPs): ESOPs are given to selective set of employees at senior levels based on their level of performance and role. ESOP scheme has an inbuilt deferred vesting design which helps in directing long term performance orientation among employees

- **A discussion of the use of different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance:**

  Variable pay in the form of performance based bonus is paid out annually and is linked to performance achievement against balanced performance measures and aligned with the principles of meritocracy. The proportion of variable pay in total pay shall be higher at senior management levels. The payment of all forms of variable pay is governed by the affordability of the Bank and based on profitability and cost income ratios. At senior management levels (and for certain employees with potential to cause material impact on risk exposure), a portion of variable compensation may be paid out in a deferred manner in order to drive prudent behaviour as well as long term & sustainable performance orientation. Long term variable pay is administered in the form of ESOPs with an objective of enabling employee participation in the business as an active stakeholder and to usher in an 'owner-manager' culture. The quantum of grant of stock options is determined and approved by the Nomination and Remuneration Committee, in terms of the said Regulations and in line with best practices, subject to the approval of RBI. The current ESOP design has an inbuilt deferral intended to spread and manage risk.

Quantitative disclosures

a) The quantitative disclosures pertaining to the MD & CEO, Whole Time Directors and other risk takers for the year ended 31 March, 2017 and 31 March, 2016 are given below. Other risk takers include all employees in the grade of Executive Vice President (EVP) and above and also cover certain select roles in case they are below the grade of EVP.

		31 March, 2017	**31 March, 2016**
a.	i) Number of meetings held by the Remuneration Committee (main body overseeing remuneration) during the financial year	**7**	8
	ii) Remuneration paid to its members (sitting fees)	**₹1 million**	₹2 million
b.	Number of employees having received a variable remuneration award during the financial year	**38***	31
c.	Number and total amount of sign-on awards made during the financial year	**N.A.**	N.A.
d.	Number and total amount of guaranteed bonus awarded during the financial year, if any	**N.A.**	N.A.
e.	Details of severance pay, in addition to accrued benefits, if any	**N.A.**	N.A.
f.	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	**₹10 million (cash bonus)**	**₹16 million (cash bonus)**
g.	Total amount of deferred remuneration paid out in the financial year	**₹7 million**	**₹3 million**
h.	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred, different forms used	**Fixed – ₹382 million#** **Variable – ₹112 million*** **Deferred – Nil** **Non-deferred – ₹112 million*** **Number of stock options granted during the financial year –34,91,000**	Fixed – ₹369 million# Variable – ₹118 million* Deferred – ₹10 million Non-deferred – ₹108 million* Number of stock options granted during the financial year –41,70,500
i.	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments	**N.A.**	N.A.
j.	Total amount of reductions during the financial year due to ex- post explicit adjustments	**N.A.**	N.A.
k.	Total amount of reductions during the financial year due to ex- post implicit adjustments	**N.A.**	N.A.

* pertains to FY 2015-16 paid to MD & CEO, WTDs and other risk takers (previous years pertains to FY 2014-15)

Fixed Remuneration includes basic salary, fixed allowance, leave fare concession, house rent allowance, super annuation allowance, certain other allowances and contribution towards provident fund

b) Disclosure for compensation of Non-executive Directors (Except Part-time Chairman):

		31 March, 2017	31 March, 2016
		(₹ in millions)	
a.	Amount of remuneration paid during the year	**10**	**9**

1.1.38 The details of fees / brokerage earned in respect of insurance broking, agency and bancassurance business undertaken by the Bank are as under:

Sr. No.	Nature of Income*	31 March, 2017	31 March, 2016
		(₹ in millions)	
1.	For selling life insurance policies	5,582	4,982
2.	For selling non-life insurance policies	330	234
3.	For selling mutual fund products	3,174	3,114
4.	Others (selling of gold coins, wealth advisory, RBI and other bonds etc.)	886	571
	Total	9,972	8,901

* includes receipts on account of marketing activities undertaken on behalf of bancassurance partners

1.1.39 The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms.

1.1.40 Amount of total assets, non-performing assets and revenue of overseas branches is given below:

Particulars	31 March, 2017	31 March, 2016
	(₹ in millions)	
Total assets	5,42,526	5,39,713
Total NPAs	46,952	9,034
Total revenue	26,364	27,777

1.1.41 During the year ended 31 March, 2017 the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) exceeded 5% of the book value of investments held in HTM category at the beginning of the year by ₹1,15,582 million.

Market value of investments held in HTM category	Excess of book value over market value for which provision is not made
₹8,26,659 million	Nil

During the year ended 31 March, 2016 the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities, sales to RBI under OMO auctions, repurchase of government securities by Government of India and sale/transfer of securities consequent to reduction of ceiling on SLR securities under HTM) did not exceed 5% of the book value of investments held in HTM category at the beginning of the year.

1.1.42 Disclosure on transfers to Depositor Education and Awareness Fund (DEAF)

Particulars	31 March, 2017	31 March, 2016
	(₹ in millions)	
Opening balance of amounts transferred to DEAF	416	267
Add : Amounts transferred to DEAF during the year	242	154
Less : Amounts reimbursed by DEAF towards claims	(9)*	(5)*
Closing balance of amounts transferred to DEAF	649	416

* includes ₹2 million (previous year ₹4 million) of claim raised and pending settlement with RBI

1.1.43 Disclosure on Intra-Group Exposures

Particulars	31 March, 2017	31 March, 2016
	(₹ in millions)	
Total amount of intra-group exposures	32,322	34,188
Total amount of top-20 intra-group exposures	32,322	34,188
Percentage of intra-group exposures to total exposure of the Bank on borrowers/ customers	5	6

During the year ended 31 March, 2017 and 31 March, 2016, the intra-group exposures were within the limits specified by RBI.

1.1.44 Unhedged Foreign Currency Exposure

The Bank's Corporate Credit Policy lays down the framework to manage credit risk arising out of unhedged foreign currency exposures of the borrowers. Both at the time of initial approval as well as subsequent reviews/renewals, the assessment of credit risk arising out of foreign currency exposure of the borrowers include details of imports, exports, repayments of foreign currency borrowings, as well as hedges done by the borrowers or naturally enjoyed by them vis-a-vis their intrinsic financial strength, history of hedging and losses arising out of foreign currency volatility. The extent of hedge/cover required on the total foreign currency exposure including natural hedge and hedged positions, is guided through a matrix of internal ratings. The hedging policy is applicable for existing as well as new clients with foreign currency exposures above a predefined threshold. The details of un-hedged foreign currency exposure of customers for transactions undertaken through the Bank are monitored periodically. The Bank also maintains additional provision and capital, in line with RBI guidelines.

During the year ended 31 March, 2017, there is a write back of ₹139 million (previous year incremental provision of ₹16 million) in provision for un-hedged foreign currency exposures. As on 31 March, 2017, the Bank held incremental capital of ₹3,001 million (previous year ₹2,492 million) towards borrowers having un-hedged foreign currency exposures.

1.1.45 Disclosure on provisioning pertaining to fraud accounts

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Number of frauds reported during the year*	**205**	135
Amounts involved	**729**	2,503
Provisions held at the beginning of the year	**486**	357
Provisions made during the year	**243**	2,146
Provisions held at the end of the year	**729**	2,503
Unamortised provision debited from 'other reserves' as at the end of the year	–	–

* Excluding 4 cases (previous year 1 case) amounting to ₹4,077 million (previous year ₹118 million) reported as fraud during the year and subsequently prudentially written off

1.1.46 During the year ended 31 March, 2017, the Bank purchased Priority Sector Lending Certificates (PSLC) amounting to ₹56,000 million, the details of which are set out below:

Date	Category	Amount
28 February, 2017	PSLC – General	₹2,000 million
01 March, 2017	PSLC – General	₹4,000 million
01 March, 2017	PSLC – Small/Marginal Farmers	₹50,000 million
	Total	**₹56,000 million**

The Bank has not sold any Priority Sector Lending Certificates during the year ended 31 March, 2017.

1.1.47 Disclosure on Liquidity Coverage Ratio

Qualitative disclosure

The Bank has adopted the Basel III framework on liquidity standards as prescribed by RBI and has put in place requisite systems and processes to enable periodical computation and reporting of the Liquidity Coverage Ratio (LCR). The mandated regulatory threshold as per the transition plan is embedded into the Risk Appetite Statement of the Bank thus subjecting LCR maintenance to Board oversight and periodical review. The Risk department computes the LCR and reports the same to the Asset Liability Management Committee (ALCO) every month for review as well as to the Risk Management Committee of the Board.

The Bank computes LCR on a daily basis and in accordance with RBI guidelines the quarterly disclosures of LCR commencing from March 2017 contains data on the simple average calculated on daily observations over a period of 90 days.

The Bank follows the criteria laid down by RBI for month-end calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-day period. HQLA predominantly comprises Government securities viz. Treasury Bills, Central and State Government securities. A relatively smaller part of HQLA is accounted for by the corporate bonds rated AA- and above with mandated haircuts applied thereto.

The Bank monitors the concentration of funding sources from significant counterparties, significant instruments/products as part of the asset liability management framework. The Bank adheres to the regulatory and internal limits on Inter-bank liability and call money borrowings which form part of the ALM policy. The Bank's funding sources are fairly dispersed across sources and maturities.

Expected derivative cash outflows and inflows are calculated for outstanding contracts in accordance with laid down valuation methodologies. Cash flows, if any, from collaterals posted against derivatives are not considered.

The Bank monitors the LCR in US Dollar currency which qualifies as a significant currency for monitoring LCR as per RBI guidelines.

The liquidity risk management of the Bank is undertaken by the Asset Liability Management group in the Treasury in accordance with the Board approved policies and ALCO approved funding plans. The Risk department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits, for both domestic as well as overseas operations, on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and periodical liquidity stress testing. Periodical reports are placed before the Bank's ALCO for perusal and review.

All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation template.

		Quarter ended 31 March, 2017		Quarter ended 31 December, 2016		Quarter ended 30 September, 2016		Quarter ended 30 June, 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 (HQLAs)		6,90,680		7,34,858		6,20,718		5,79,117
Cash Outflows									
2	Retail Deposits and deposits from small business customers, of which:	22,30,622	1,98,765	22,73,350	2,03,222	21,47,219	1,94,440	20,67,256	1,87,001
	(i) Stable Deposits	4,85,953	24,298	4,82,256	24,113	4,05,648	20,283	3,94,492	19,725
	(ii) Less Stable Deposits	17,44,669	1,74,467	17,91,094	1,79,109	17,41,571	1,74,157	16,72,764	1,67,276
3	Unsecured wholesale funding, of which:	11,43,110	5,76,587	10,55,380	5,17,513	10,76,108	5,10,524	10,40,277	5,28,536
	(i) Operational deposits (all counterparties)	3,12,696	78,123	3,31,207	82,754	3,58,908	89,678	3,24,431	81,059
	(ii) Non-operational deposits (all counterparties)	8,30,414	4,98,464	7,24,173	4,34,759	7,17,200	4,20,846	7,15,846	4,47,477
	(iii) Unsecured debt	–	–	–	–	–	–	–	–
4	Secured wholesale funding		4,622		5,000		10,148		17,526
5	Additional requirements, of which	3,39,186	2,63,599	3,06,136	2,25,237	2,26,706	1,57,078	2,43,325	1,34,958
	(i) Outflows related to derivative exposures and other collateral requirements	2,45,788	2,45,788	1,91,945	1,91,945	1,49,277	1,49,277	1,23,541	1,23,541
	(ii) Outflows related to loss of funding on debt products	8,647	8,647	23,885	23,885	–	–	–	–
	(iii) Credit and liquidity facilities	84,751	9,164	90,306	9,407	77,429	7,801	1,19,784	11,417
6	Other contractual funding obligations	36,968	36,068	35,059	34,159	37,774	36,874	30,460	29,560
7	Other contingent funding obligations	19,98,795	77,353	19,65,611	76,590	18,17,555	71,103	18,02,975	69,948
8	**TOTAL CASH OUTFLOWS**		**11,56,994**		**10,61,721**		**9,80,167**		**9,67,529**
Cash Inflows									
9	Secured lending (eg. reverse repo)	73,323	–	91,010	–	25,707	–	–	–
10	Inflows from fully performing exposures	2,35,181	1,85,754	2,72,009	1,87,678	2,62,145	1,78,048	2,45,950	1,73,074
11	Other cash inflows	2,46,058	2,46,058	1,90,640	1,90,640	1,49,131	1,49,131	1,24,013	1,24,013
12	**TOTAL CASH INFLOWS**	**5,54,562**	**4,31,812**	**5,53,659**	**3,78,318**	**4,36,983**	**3,27,179**	**3,69,963**	**2,97,087**
		Total adjusted Value		**Total adjusted Value**		**Total adjusted Value**		**Total adjusted Value**	
21	**TOTAL HQLA**		6,90,680	0	7,34,858	0	6,20,718	0	5,79,117
22	**TOTAL NET CASH OUTFLOWS**		7,25,182	0	6,83,403	0	6,52,988	0	6,70,442
23	**LIQUIDITY COVERAGE RATIO %**		**95.24%**		**107.53%**		**95.06%**		**86.38%**

Note:

1) Average for quarter ended 31 March, 2017 is simple average of daily observations for the quarter. Average for other quarters represents simple average of monthly observations for the respective quarters.

2) Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors

		Quarter ended 31 March, 2016		Quarter ended 31 December, 2015		Quarter ended 30 September, 2015		Quarter ended 30 June, 2015	
		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)
		(₹ in millions)							
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLAs)		5,68,030		4,65,631		4,76,274		4,45,705
Cash Outflows									
2	Retail Deposits and deposits from small business customers, of which:	19,60,065	1,76,849	17,80,872	1,59,303	17,36,277	1,55,301	17,02,494	1,52,234
	(i) Stable Deposits	3,83,156	19,158	3,75,690	18,785	3,66,617	18,335	3,60,310	18,016
	(ii) Less Stable Deposits	15,76,908	1,57,691	14,05,182	1,40,518	13,69,660	1,36,966	13,42,184	1,34,218
3	Unsecured wholesale funding, of which:	10,66,960	5,01,779	9,96,884	4,53,096	9,55,908	4,10,132	8,92,986	3,90,091
	(i) Operational deposits (all counterparties)	3,65,979	91,435	3,08,950	77,168	3,10,180	77,473	2,77,532	69,314
	(ii) Non-operational deposits (all counterparties)	7,00,981	4,10,343	6,87,934	3,75,928	6,45,728	3,32,659	6,15,454	3,20,777
	(iii) Unsecured debt	–	–	–	–	–	–	–	–
4	Secured wholesale funding		20,923		28,458		21,128		35,801
5	Additional requirements, of which	2,22,543	1,34,712	1,91,733	1,13,616	1,98,789	1,14,415	1,93,236	95,833
	(i) Outflows related to derivative exposures and other collateral requirements	1,25,519	1,25,519	1,05,658	1,05,658	1,05,771	1,05,771	85,706	85,706
	(ii) Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
	(iii) Credit and liquidity facilities	97,024	9,193	86,075	7,958	93,018	8,644	1,07,530	10,127
6	Other contractual funding obligations	23,454	22,554	22,988	22,988	24,605	24,605	23,865	23,865
7	Other contingent funding obligations	17,38,561	73,704	17,48,617	87,431	17,24,124	86,207	16,59,313	82,966
8	**TOTAL CASH OUTFLOWS**		9,30,521		8,64,892		8,11,788		7,80,790
Cash Inflows									
9	Secured lending (eg. reverse repo)	–	–	–	–	–	–	–	–
10	Inflows from fully performing exposures	2,18,474	1,42,434	1,73,877	1,22,538	1,58,651	1,10,873	1,52,384	1,00,991
11	Other cash inflows	1,25,642	1,25,642	1,05,809	1,05,809	1,07,539	1,06,431	85,417	85,417
12	**TOTAL CASH INFLOWS**	3,44,116	2,68,076	2,79,686	2,28,347	2,66,190	2,17,304	2,37,801	1,86,408
		Total adjusted Value		**Total adjusted Value**		**Total adjusted Value**		**Total adjusted Value**	
21	**TOTAL HQLA**		5,68,030	0	4,65,631	0	4,76,274	0	4,45,705
22	**TOTAL NET CASH OUTFLOWS**		6,62,445	0	6,36,545	0	5,94,484	0	5,94,382
23	**LIQUIDITY COVERAGE RATIO %**		**85.75%**		**73.15%**		**80.12%**		**74.99%**

Note:

1) The above data represents simple average of monthly observations for the respective quarters.

2) Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

1.2 ***Other disclosures***

1.2.1 During the year, the Bank has appropriated ₹7,556 million (previous year ₹558 million) to the Capital Reserve, net of taxes and transfer to statutory reserve, being the gain on sale of HTM investments in accordance with RBI guidelines. As advised by RBI, during the previous year, the Bank appropriated ₹62 million (net of taxes and transfer to statutory reserve) to the Capital Reserve, being the profit earned on sale of premises.

1.2.2 During the year, the Bank has appropriated an amount of ₹18 million (previous year ₹17 million) to Reserve Fund account towards statutory reserve in accordance with guidelines issued by Central Bank of Sri Lanka in respect of Colombo branch operations.

1.2.3 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

	31 March, 2017	**31 March, 2016**
Basic and Diluted earnings for the year (Net profit after tax) (₹ in million)	36,793	**82,237**
Basic weighted average no. of shares (in million)	2,389	**2,377**
Add: Equity shares for no consideration arising on grant of stock options under ESOP (in million)	9	**13**
Diluted weighted average no. of shares (in million)	2,398	**2,390**
Basic EPS (₹)	**15.40**	**34.59**
Diluted EPS (₹)	**15.34**	**34.40**
Nominal value of shares (₹)	**2.00**	**2.00**

Dilution of equity is on account of 9,429,479 (previous year 13,010,331) stock options.

1.2.4 Employee Stock Options Scheme ('the Scheme')

In February 2001, pursuant to the approval of the shareholders at the Extraordinary General Meeting, the Bank approved an Employee Stock Option Scheme. Under the Scheme, the Bank is authorised to issue upto 65,000,000 equity shares to eligible employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. Further, over the period June 2004 to July 2013, pursuant to the approval of the shareholders at Annual General Meetings, the Bank approved an ESOP scheme for additional options aggregating 175,087,000. The options vest in a graded manner over 3 years. The options can be exercised within three/five years from the date of the vesting as the case may be. Within the overall ceiling of 240,087,000 stock options approved for grant by the shareholders as stated earlier, the Bank is also authorised to issue options to employees and directors of the subsidiary companies.

239,119,950 options have been granted under the Scheme till the previous year ended 31 March, 2016.

On 26 April, 2016, the Bank granted 7,153,000 stock options (each option representing entitlement to one equity share of the Bank) to its eligible employees/directors of the Bank/subsidiary companies at a price of ₹469.90 per option.

Stock option activity under the Scheme for the year ended 31 March, 2017 is set out below:

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	**35,527,310**	**217.33 to 535.00**	**327.56**	**3.33**
Granted during the year	7,153,000	469.90	469.90	–
Forfeited during the year	(690,050)	217.33 to 535.00	455.72	–
Expired during the year	(74,853)	217.33 to 289.51	257.56	–
Exercised during the year	(12,204,283)	217.33 to 535.00	268.81	–
Outstanding at the end of the year	**29,711,124**	**217.33 to 535.00**	**383.16**	**3.98**
Exercisable at the end of the year	15,934,524	217.33 to 535.00	319.45	2.41

The weighted average share price in respect of options exercised during the year was ₹507.67.

Stock option activity under the Scheme for the year ended 31 March, 2016 is set out below:

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	**41,829,791**	**100.65 to 306.54**	**269.17**	**3.13**
Granted during the year	7,144,500	486.25 to 535.00	532.95	–
Forfeited during the year	(970,750)	100.65 to 535.00	350.00	–
Expired during the year	(166,604)	100.65 to 289.51	218.92	–
Exercised during the year	(12,309,627)	100.65 to 306.54	248.05	–
Outstanding at the end of the year	**35,527,310**	**217.33 to 535.00**	**327.56**	**3.33**
Exercisable at the end of the year	19,856,810	217.33 to 306.54	268.07	1.74

The weighted average share price in respect of options exercised during the year was ₹495.51.

Fair Value Methodology

On applying the fair value based method in Guidance Note on 'Accounting for Employee Share- based Payments' the impact on reported net profit and EPS would be as follows:

	31 March, 2017	31 March, 2016
Net Profit (as reported) (₹ in millions)	**36,793**	82,237
Add: Stock based employee compensation expense included in net income (₹ in millions)	**–**	–
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in millions)	**(1,015)**	(1,031)
Net Profit (Proforma) (₹ in millions)	**35,778**	81,206
Earnings per share: Basic (in ₹)		
As reported	**15.40**	34.59
Proforma	**14.97**	34.16
Earnings per share: Diluted (in ₹)		
As reported	**15.34**	34.40
Proforma	**14.92**	33.98

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

	31 March, 2017	31 March, 2016
Dividend yield	**1.29%**	1.40%
Expected life	**2.57-4.57 years**	2.57-4.57 years
Risk free interest rate	**7.15% to 7.39%**	7.61% to 7.78%
Volatility	**32.92% to 35.75%**	34.85% to 36.51%

Volatility is the measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes options pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. For calculating volatility, the daily volatility of the stock prices on the National Stock Exchange, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.

The weighted average fair value of options granted during the year ended 31 March, 2017 is ₹153.66 (previous year ₹178.22).

1.2.5 Proposed Dividend

The Board of Directors, in their meeting held on 26 April, 2017 have proposed a final dividend of ₹5 per equity share amounting to ₹14,040 million, inclusive of corporate dividend tax. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated 30 March, 2016, such proposed dividend has not been recognised as a liability as on 31 March, 2017.

Dividend paid during the year, represents dividend ('5 per equity share) for the year ended 31 March, 2016 paid pursuant to approval of shareholders at Annual General Meeting held on 22 July, 2016.

1.2.6 Segmental reporting

The business of the Bank is divided into four segments: Treasury, Retail Banking, Corporate/Wholesale Banking and Other Banking Business. These segments have been identified based on the RBI's revised guidelines on Segment Reporting issued on 18 April, 2007 vide Circular No. DBOD.No.BP.BC.81/21.04.018/2006-07. The principal activities of these segments are as under.

Segment	Principal Activities
Treasury	Treasury operations include investments in sovereign and corporate debt, equity and mutual funds, trading operations, derivative trading and foreign exchange operations on the proprietary account and for customers. The Treasury segment also includes the central funding unit.
Retail Banking	Constitutes lending to individuals/small businesses through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Retail Banking activities also include liability products, card services, internet banking, mobile banking, ATM services, depository, financial advisory services and NRI services.
Corporate/Wholesale Banking	Includes corporate relationships not included under Retail Banking, corporate advisory services, placements and syndication, project appraisals, capital market related services and cash management services.
Other Banking Business	Includes para banking activities like third party product distribution and other banking transactions not covered under any of the above three segments.

Revenues of the Treasury segment primarily consist of fees and gains or losses from trading operations and interest income on the investment portfolio. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses.

Revenues of the Corporate/Wholesale Banking segment consist of interest and fees earned on loans given to customers falling under this segment and fees arising from transaction services and merchant banking activities such as syndication and debenture trusteeship. Revenues of the Retail Banking segment are derived from interest earned on loans classified under this segment, fees for banking and advisory services, ATM interchange fees and cards products. Expenses of the Corporate/Wholesale Banking and Retail Banking segments primarily comprise interest expense on deposits and funds borrowed from other internal segments, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

Segment income includes earnings from external customers and from funds transferred to the other segments. Segment result includes revenue as reduced by interest expense and operating expenses and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Inter segment interest income and interest expense represent the transfer price received from and paid to the Central Funding Unit (CFU) respectively. For this purpose, the funds transfer pricing mechanism presently followed by the Bank, which is based on historical matched maturity and internal benchmarks, has been used. Operating expenses other than those directly attributable to segments are allocated to the segments based on an activity-based costing methodology. All activities in the Bank are segregated segment-wise and allocated to the respective segment.

Segmental results are set out below:

	31 March, 2017				
	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Total
	(₹ in millions)				
Segment Revenue					
Gross interest income (external customers)	1,16,530	1,57,677	1,71,215	–	4,45,422
Other income	46,422	29,586	30,884	10,021	1,16,913
Total income as per Profit and Loss Account	1,62,952	1,87,263	2,02,099	10,021	5,62,335
Add/(less) inter segment interest income	4,87,132	53,584	1,80,299	–	7,21,015
Total segment revenue	6,50,084	2,40,847	3,82,398	10,021	12,83,350
Less: Interest expense (external customers)	1,24,844	6,633	1,33,013	–	2,64,490
Less: Inter segment interest expense	4,79,745	1,19,379	1,21,885	6	7,21,015
Less: Operating expenses	4,569	33,180	83,078	1,172	1,21,999
Operating profit	40,926	81,655	44,422	8,843	1,75,846
Less: Provision for non-performing assets/others*	12,339	1,00,418	8,413	–	1,21,170
Segment result	28,587	(18,763)	36,009	8,843	54,676
Less: Provision for tax					17,883
Extraordinary profit/loss					–
Net Profit					36,793
Segment assets	20,98,657	19,83,315	18,69,374	7,469	59,58,815
Unallocated assets					55,862
Total assets					60,14,677
Segment liabilities	19,49,872	11,83,404	23,23,320	420	54,57,016
Unallocated liabilities					36
Total liabilities					54,57,052
Net assets	1,48,785	7,99,911	(4,53,946)	7,049	5,57,625
Capital expenditure for the year	268	2,106	4,179	134	6,687
Depreciation on fixed assets for the year	204	1,603	3,180	102	5,088

	31 March, 2016				
	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Total
	(₹ in millions)				
Segment Revenue					
Gross interest income (external customers)	111,914	152,765	145,201	–	409,880
Other income	25,238	32,551	26,979	8,947	93,715
Total income as per Profit and Loss Account	137,152	185,316	172,180	8,947	503,595
Add/(less) inter segment interest income	464,755	48,168	167,700	–	680,623
Total segment revenue	601,907	233,484	339,880	8,947	1,184,218
Less: Interest expense (external customers)	115,699	5,108	120,744	–	241,551
Less: Inter segment interest expense	447,341	117,432	115,848	2	680,623
Less: Operating expenses	3,912	25,290	70,720	1,085	101,007
Operating profit	34,955	85,654	32,568	7,860	161,037
Less: Provision for non-performing assets/others*	1,899	30,057	5,143	–	37,099
Segment result	33,056	55,597	27,425	7,860	123,938
Less: Provision for tax					41,701
Extraordinary profit/loss					–
Net Profit					82,237
Segment assets	18,92,563	1,908,318	1,566,580	7,315	53,74,776
Unallocated assets					23,434
Total assets					53,98,210
Segment liabilities	18,36,555	904,334	2,125,268	227	48,66,384
Unallocated liabilities					177
Total liabilities					48,66,561
Net assets	56,008	1,003,984	(558,688)	7,088	531,649
Capital expenditure for the year	600	4,151	8,573	256	13,580
Depreciation on fixed assets for the year	196	1,357	2,802	84	4,439

* represents material non-cash items other than depreciation

Geographic Segments

	Domestic		International		Total	
	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016
	(₹ in millions)					
Revenue	5,35,971	4,75,818	26,364	27,777	5,62,335	5,03,595
Assets	54,72,151	48,58,497	5,42,526	5,39,713	60,14,677	53,98,210
Capital Expenditure incurred	6,678	13,540	9	40	6,687	13,580
Depreciation provided	5,060	4,410	28	29	5,088	4,439

1.2.7 Related party disclosure

The related parties of the Bank are broadly classified as:

a) *Promoters*

The Bank has identified the following entities as its Promoters.

- Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI)
- Life Insurance Corporation of India (LIC)
- General Insurance Corporation and four Government-owned general insurance companies – New India Assurance Co. Limited, National Insurance Co. Limited, United India Insurance Co. Limited and The Oriental Insurance Co. Limited.

b) *Key Management Personnel*

- Ms. Shikha Sharma (Managing Director & Chief Executive Officer)
- Mr. V. Srinivasan (Deputy Managing Director)
- Mr. Rajesh Dahiya [Executive Director (Corporate Centre)] with effect from 4 August, 2016
- Mr. Rajiv Anand [Executive Director (Retail Banking)] with effect from 4 August, 2016
- Mr. Sanjeev K. Gupta [Executive Director (Corporate Centre)] up to 18 March, 2016

c) *Relatives of Key Management Personnel*

Mr. Sanjaya Sharma, Ms. Usha Bharadwaj, Mr. Tilak Sharma, Ms. Tvisha Sharma, Dr. Sanjiv Bharadwaj, Dr. Prashant Bharadwaj, Dr. Brevis Bharadwaj, Dr. Reena Bharadwaj, Ms. Gayathri Srinivasan, Ms. Vanjulam Varadarajan, Mr. V. Satish, Ms. Camy Satish, Ms. Ananya Srinivasan, Ms. Anagha Srinivasan, Ms. Geetha N., Ms. Chitra R., Ms. Sumathi N., Mr. S. Ranganathan, Mr. R. Narayan, Ms. Gitanjali Anand, Ms. Tara Anand, Ms. Nandita Anand, Mr. P.L. Narain, Mr. P. Srinivas, Ms. Ratna Rao Shekar, Ms. P. Kamashi, Ms. Hemant Dahiya, Ms. Arooshi Dahiya, Ms. Mallika Dahiya, Ms. Jal Medha, Ms. Pooja Rathi, Mr. Jai Prakash Dahiya.

d) *Subsidiary Companies*

- Axis Capital Limited
- Axis Private Equity Limited
- Axis Trustee Services Limited
- Axis Asset Management Company Limited
- Axis Mutual Fund Trustee Limited
- Axis Bank UK Limited
- Axis Finance Limited
- Axis Securities Limited
- A.Treds Limited with effect from 23 May, 2016
- Axis Securities Europe Limited (under voluntary winding up as on 31 March, 2017)

The significant transactions between the Bank and related parties during the year ended 31 March, 2017 and 31 March, 2016 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

- Dividend paid: Administrator of The Specified Undertaking of the Unit Trust of India ₹1,374 million (previous year ₹1,264 million), Life Insurance Corporation of India ₹1,744 million (previous year ₹1,309 million)
- Dividend received: Axis Securities Ltd. ₹177 million (previous year ₹145 million), Axis Trustee Services Ltd. ₹124 million (previous year ₹113 million), Axis Capital Ltd. ₹515 million (previous year ₹515 million), Axis Finance Ltd. ₹949 million (previous year ₹626 million)
- Interest paid: Administrator of The Specified Undertaking of the Unit Trust of India ₹731 million (previous year ₹710 million), Life Insurance Corporation of India ₹5,432 million (previous year ₹5,309 million)

- Interest received: Life Insurance Corporation of India ₹15 million (previous year ₹4 million), Axis Asset Management Company Ltd. Nil (previous year ₹23 million), Axis Bank UK Ltd. ₹89 million (previous year ₹79 million), Axis Finance Ltd. ₹49 million (previous year ₹18 million)

- Investment of the Bank: Axis Finance Ltd. ₹1,000 million (previous year 1,000 million), A.Treds Ltd. ₹168 milion (Previous year not applicable)

- Investment in non-equity instruments of related party: Axis Finance Ltd. ₹3,473 million (Previous year Nil), National Insurance Company Ltd. ₹1,100 million (previous year Nil)

- Investment of related party in the Bank: Ms. Shikha Sharma ₹297 million (previous year ₹161 million), Mr. V. Srinivasan ₹120 million (previous year ₹115 million) ,Mr. Sanjeev K. Gupta N.A. (previous year ₹114 million)

- Investment of related party in bonds of the Bank: Life Insurance Corporation of India ₹10,000 million (previous year Nil), United India Insurance Company Ltd. ₹500 million (previous year Nil)

- Redemption of debt: Life Insurance Corporation of India Nil (previous year ₹500 million), General Insurance Corporation ₹500 million (previous year Nil), United India Insurance Company Ltd. ₹200 million (previous year Nil)

- Sale of Investments: General Insurance Corporation of India ₹3,900 million (previous year ₹1,950 million), New India Assurance Company Ltd. ₹2,000 million (previous year Nil), National Insurance Company Ltd. ₹500 million (previous year ₹801 million), United India Insurance Company Ltd. ₹551 million (previous year ₹500 million)

- Management Contracts: Axis Securities Ltd. ₹62 million (previous year ₹50 million), Axis Trustee Services Ltd. ₹34 million (previous year ₹32 million), Axis Finance Ltd. ₹30 million (previous year ₹29 million), Axis Capital Ltd. ₹38 million (previous year ₹17 million), Ms. Shikha Sharma ₹54 million (previous year ₹54 million), Mr. V. Srinivasan ₹34 million(previous year ₹34 million) , Mr. Sanjeev K. Gupta N.A. (previous year ₹44 million)

- Contribution to employee benefit fund: Life Insurance Corporation of India ₹158 million (previous year ₹157 million)

- Placement of Deposit by the Bank (net): Life Insurance Corporation of India Nil (previous year ₹1 million)

- Call/Term lending to related party: Axis Bank UK Ltd. ₹101 million (previous year ₹660 million)

- Swap/forward contracts: Axis Bank UK Ltd. ₹976 million (previous year ₹482 million)

- Advance granted (net): Life Insurance Corporation of India ₹7 million (previous year Nil), Axis Finance Ltd. Nil (previous year ₹651 million)

- Advance repaid: Axis Finance Ltd. ₹972 million (previous year Nil), Axis Asset Management Company Ltd. Nil (previous year ₹447 million)

- Advance to related party against rendering of services: Axis Securities Ltd. Nil (previous year ₹240 million)

- Receiving of services: Oriental Insurance Company Ltd. ₹750 million (previous year ₹579 million) and Axis Securities Ltd. ₹5,838 million (previous year ₹4,186 million)

- Rendering of services: Axis Asset Management Company Ltd. ₹1214 million (previous year ₹636 million), Axis Bank UK Ltd. ₹12 million (previous year ₹8 million) and Axis Capital Ltd. ₹74 million (previous year ₹46 million)

- Purchase of equity shares from related party: Axis Capital Ltd. Nil (previous year ₹190 million)

- Refund of share capital from related party: Axis Securities Europe Ltd. ₹84 million (previous year Nil) Axis Private Equity Ltd. Nil (previous year ₹135 million)

- Other reimbursement from related party: Axis Securities Ltd. ₹5 million (previous year ₹7 million), Axis Asset Management Company Ltd. ₹31 million (previous year ₹19 million), Axis Bank UK Ltd. ₹4 million (previous year ₹7 million) and Axis Capital Ltd. ₹47 million (previous year ₹42 million)

- Other reimbursement to related party: Life Insurance Corporation of India ₹4 million (previous year ₹4 million) and Axis Bank UK Ltd. ₹1 million (previous year Nil)

The details of transactions of the Bank with its related parties during the year ended 31 March, 2017 are given below:

Items/Related Party	**Promoters**	**Key Management Personnel**	**Relatives of Key Management Personnel**	**Subsidiaries**	**Total**
			(₹ in millions)		
Dividend paid	3,547	7	–	–	3,554
Dividend received	–	–	–	1,833	1,833
Interest paid	6,663	1	2	249	6,915
Interest received	16	6	–	145	167
Investment of the Bank	–	–	–	1,168	1,168
Investment in non-equity instruments of related party	1,100	–	–	3,473	4,573
Investment of related party in the Bank	–	465	–	–	465
Investment of related party in Hybrid capital/Bonds of the Bank	10,500	–	–	–	10,500
Redemption of Hybrid capital/Bonds of the Bank	700	–	–	–	700
Purchase of investments	–	–	–	–	–
Sale of investments	7,588	35	1	–	7,624
Management contracts	–	114	–	169	283
Contribution to employee benefit fund	158	–	–	–	158
Purchase of fixed assets	–	–	–	–	–
Sale of fixed assets	–	–	–	–	–
Placement of deposits	–	–	–	–	–
Repayment of deposits	–	–	–	–	–
Non-funded commitments (issued)	1	–	–	310	311
Call/Term borrowing	–	–	–	–	–
Call/Term lending	–	–	–	101	101
Swaps/Forward contracts	–	–	–	976	976
Advance granted (net)	7	–	–	–	7
Advance repaid	–	2	–	972	974
Advance to related party against rendering of services	–	–	–	–	–
Receiving of services	1,007	–	–	6,106	7,113
Rendering of services	24	1	–	1,379	1,404
Purchase of equity shares from related party	–	–	–	–	–
Refund of Share Capital from related party	–	–	–	84	84
Other reimbursements from related party	–	–	–	104	104
Other reimbursements to related party	4	–	–	2	6

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Borrowings from the Bank	–	–	–	–	–
Call/Term lending to related party	–	–	–	–	–
Deposits with the Bank	79,511	19	30	8,301	87,861
Placement of deposits	4	–	–	–	4
Advances	136	104	0	1,624	1,864
Investment of the Bank	–	–	–	13,723	13,723
Investment in non-equity instruments of related party	561	–	–	572	1,133
Investment of related party in the Bank	1,378	4	–	–	1,382
Non-funded commitments	31	–	–	–	31
Investment of related party in Hybrid capital/Bonds of the Bank	43,000	–	–	–	43,000
Payable under management contracts	–	8	–	–	8
Other receivables (net)	–	–	–	506*	506
Other payables (net)	–	–	–	312	312
Swap/Forward contracts	–	–	–	–	–

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Deposits with the Bank	90,033	108	35	18,747	1,08,923
Placement of deposits	4	–	–	–	4
Advances	257	105	1	13,277	13,640
Investment of the Bank	–	–	–	13,913	13,913
Investment of related party in the Bank	1,419	4	–	–	1,423
Investment in non-equity instruments of the Bank	1,100	–	–	3,473	4,573
Non-funded commitments	32	–	–	310	342
Call borrowing	–	–	–	–	–
Call lending	–	–	–	678	678
Swaps/Forward contracts	–	–	–	51	51
Investment of related party in Hybrid Capital/Bonds of the Bank	43,550	–	–	–	43,550
Payable under management contracts	–	14	–	–	14
Other receivables (net)	–	–	–	710	710
Other payables (net)	–	–	–	367	367

The details of transactions of the Bank with its related parties during the year ended 31 March, 2016 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Dividend paid	2,992	4	–	–	2,996
Dividend received	–	–	–	1,398	1,398
Interest paid	6,449	1	3	289	6,742
Interest received	4	0	–	121	125
Investment of the Bank	–	–	–	1,000	1,000
Investment of related party in the Bank	–	390	–	–	390
Investment of related party in Hybrid capital/ Bonds of the Bank	–	–	–	–	–
Redemption of Hybrid capital/Bonds of the Bank	500	–	–	–	500
Purchase of investments	–	–	–	–	–
Sale of investments	3,251	–	–	–	3,251
Management contracts	–	132	–	131	263
Contribution to employee benefit fund	157	–	–	–	157
Purchase of fixed assets	–	–	–	–	–
Sale of fixed assets	–	–	–	–	–
Placement of deposits	1	–	–	–	1
Non-funded commitments (issued)	1	–	–	–	1
Call/Term borrowing	–	–	–	–	–
Call/Term lending	–	–	–	660	660
Swaps/Forward contracts	–	–	–	482	482
Advance granted (net)	11	–	–	651	662
Advance repaid	–	7	–	447	454
Purchase of loans	–	–	–	–	–
Sell down of loans (including undisbursed loan commitments)	–	–	–	–	–
Advance to related party against rendering of services	–	–	–	240	240
Receiving of services	792	–	–	4,337	5,129
Rendering of services	28	0	–	726	754
Purchase of equity shares from related party	–	–	–	190	190
Refund of Share Capital from related party	–	–	–	135	135
Other reimbursements from related party	–	–	–	85	85
Other reimbursements to related party	4	–	–	–	4

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2016 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Borrowings from the Bank	–	–	–	–	–
Call/Term lending to related party	–	–	–	663	663
Deposits with the Bank	78,391	10	20	5,706	84,127
Placement of deposits	4	–	–	–	4
Advances	129	4	0	2,631	2,764
Investment of the Bank	–	–	–	12,745	12,745
Investment of related party in the Bank	1,417	3	–	–	1,420
Non-funded commitments	32	–	–	190	222
Investment of related party in Hybrid capital/ Bonds of the Bank	33,200	–	–	–	33,200
Payable under management contracts	–	14	–	–	14
Other receivables (net)	–	–	–	710*	710
Other payables (net)	–	–	–	172	172
Swap/Forward contracts	–	–	–	–	–

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2016 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
			(₹ in millions)		
Deposits with the Bank	1,21,035	98	102	7,319	1,28,554
Placement of deposits	4	–	–	–	4
Advances	199	10	1	4,163	4,373
Investment of the Bank	–	–	–	12,880	12,880
Investment of related party in the Bank	1,434	3	–	–	1,437
Non-funded commitments	32	–	–	734	766
Call borrowing	–	–	–	–	–
Call lending	–	–	–	687	687
Swaps/Forward contracts	–	–	–	209	209
Investment of related party in Hybrid capital/ Bonds of the Bank	33,700	–	–	–	33,700
Payable under management contracts	–	16	–	–	16
Other receivables (net)	–	–	–	909	909
Other payables (net)	–	–	–	294	294

The transactions with Promoters and Key Management Personnel excluding those under management contracts are in nature of the banker-customer relationship.

Details of transactions with Axis Mutual Fund and Axis Infrastructure Fund-I, the funds floated by Axis Asset Management Company Ltd. and Axis Private Equity Ltd., the Bank's subsidiaries have not been disclosed since these entities do not qualify as Related Parties as defined under the Accounting Standard 18, Related Party Disclosure, as notified under Section 2(2) and Section 133 of the Companies Act, 2013 and as per RBI guidelines.

* Upto 31 December, 2014, the Bank had entered into an arrangement with Axis Asset Management Company Ltd. (Axis AMC), the Bank's subsidiary, in terms of which payment of brokerage in respect of distribution of certain schemes is scheduled over the period of the schemes. This arrangement, however, has no effect on the accounting policy of the Bank, as such brokerage income is recognised by the Bank as and when the same is due. Other receivables include such brokerage recoverable from Axis AMC as on the reporting date.

1.2.8 Leases

Disclosure in respect of assets taken on operating lease

This comprise of office premises/ATMs, cash deposit machines, staff quarters, electronic data capturing machines and IT equipment.

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Future lease rentals payable as at the end of the year:		
- Not later than one year	6,823	6,560
- Later than one year and not later than five years	21,109	20,803
- Later than five years	14,469	12,615
Total of minimum lease payments recognised in the Profit and Loss Account for the year	7,565	4,945
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	231	–
Sub-lease payments recognised in the Profit and Loss Account for the year	5	0

The Bank has sub-leased certain of its properties taken on lease.

There are no provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

1.2.9 Other Fixed Assets (including furniture & fixtures)

The movement in fixed assets capitalised as application software is given below:

Particulars	31 March, 2017	31 March, 2016
	(₹ in millions)	
At cost at the beginning of the year	8,529	7,138
Additions during the year	2,068	1,419
Deductions during the year	(0)	(28)
Accumulated depreciation as at 31 March	(6,917)	(5,608)
Closing balance as at 31 March	3,680	2,921
Depreciation charge for the year	1,309	1,018

1.2.10 The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

As at	31 March, 2017	31 March, 2016
	(₹ in millions)	
Deferred tax assets on account of provisions for loan losses	47,323	17,098
Deferred tax assets on account of amortisation of HTM investments	128	263
Deferred tax assets on account of provision for employee benefits	975	736
Deferred tax assets on account of other items	3,112	3,240
Deferred tax assets	51,538	21,337
Deferred tax liabilities on account of depreciation on fixed assets	915	482
Deferred tax liabilities on account of other items	–	1,267
Deferred tax liabilities	915	1,749
Net Deferred tax assets	50,623	19,588

1.2.11 Employee Benefits

Provident Fund

The rules of the Bank's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Bank. Based on an actuarial valuation conducted by an independent actuary, there is no deficiency as at the Balance Sheet date.

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the Provident Fund benefit plan.

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees)

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Current Service Cost	768	656
Interest on Defined Benefit Obligation	1,157	995
Expected Return on Plan Assets	(1,359)	(1,177)
Net Actuarial Losses/(Gains) recognised in the year	203	183
Total included in "Employee Benefit Expense" [Schedule 16(I)]	769	657
Actual Return on Plan Assets	1,365	990

Balance Sheet

Details of provision for provident fund

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Fair Value of Plan Assets	16,872	14,379
Present Value of Funded Obligations	(16,872)	(14,379)
Net Asset	–	–
Amounts in Balance Sheet		
Liabilities	–	–
Assets	–	–
Net Asset (included under Schedule 11 – Other Assets)	–	–

Changes in the present value of the defined benefit obligation are as follows:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	14,379	12,408
Current Service Cost	768	656
Interest Cost	1,157	995
Actuarial Losses/(Gains)	208	121
Employees Contribution	1,812	1,608
Liability transferred from/to other companies	(229)	(120)
Benefits Paid	(1,223)	(1,289)
Closing Defined Benefit Obligation	16,872	14,379

Changes in the fair value of plan assets are as follows:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Change in the Fair Value of Assets		
Opening Fair Value of Plan Assets	14,379	12,408
Expected Return on Plan Assets	1,359	1,177
Actuarial Gains/(Losses)	6	(62)
Employer contribution during the period	768	656
Employee contribution during the period	1,812	1,608
Assets transferred from/to other companies	(229)	(120)
Benefits Paid	(1,223)	(1,289)
Closing Fair Value of Plan Assets	16,872	14,379

Experience adjustments*

	31 March, 2017	31 March, 2016	31 March, 2015	31 March, 2014
	(₹ in milions)			
Defined Benefit Obligations	16,872	14,379	12,408	10,133
Plan Assets	16,872	14,379	12,408	10,133
Surplus/(Deficit)	–	–	–	–
Experience Adjustments on Plan Liabilities	208	121	(18)	530
Experience Adjustments on Plan Assets	6	(62)	(40)	414

* information provided to the extent available with the Bank

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets

	31 March, 2017	31 March, 2016
	%	%
Government securities	53.74	53.04
Bonds, debentures and other fixed income instruments	31.81	30.74
Equity shares	1.66	–
Others	12.79	16.22

	31 March, 2017	31 March, 2016
Discount rate for the term of the obligation	7.40%	7.95%
Average historic yield on the investment portfolio	9.11%	9.01%
Discount rate for the remaining term to maturity of the investment portfolio	6.93%	7.94%
Expected investment return	9.58%	9.02%
Guaranteed rate of return	8.65%	8.75%

The contribution to the employee's provident fund (including Employee Pension Scheme) amounted to ₹1337 million (previous year ₹1154 million) for the year.

Superannuation

The Bank contributed ₹153 million (previous year ₹153 million) to the employees' superannuation plan for the year.

Leave Encashment

The actuarial liability of compensated absences of accumulated privileged leave of the employees of the Bank is given below:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Actuarial Liability – Privilege Leave	2,475	2,091
Total Expense included in Schedule 16(I)	799	345
Assumptions		
Discount rate	7.40% p.a.	7.95% p.a.
Salary escalation rate	7.00% p.a.	7.00% p.a.

Gratuity

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the Gratuity benefit plan.

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees)

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Current Service Cost	325	301
Interest on Defined Benefit Obligation	202	179
Expected Return on Plan Assets	(181)	(157)
Net Actuarial Losses/(Gains) recognised in the year	253	92
Past Service Cost	–	–
Total included in "Employee Benefit Expense" [Schedule 16(I)]	599	415
Actual Return on Plan Assets	164	103

Balance Sheet

Details of provision for gratuity

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Fair Value of Plan Assets	2,797	2,326
Present Value of Funded Obligations	(2,848)	(2,326)
Net Asset	(51)	–
Amounts in Balance Sheet		
Liabilities	51	–
Assets	–	–
Net Asset (included under Schedule 11 – Other Assets)	51	–

Changes in the present value of the defined benefit obligation are as follows:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	2,326	2,069
Current Service Cost	325	301
Interest Cost	202	179
Actuarial Losses/(Gains)	237	38
Past service cost	–	–
Benefits Paid	(241)	(263)
Closing Defined Benefit Obligation	2,849	2,326

Changes in the fair value of plan assets are as follows:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Change in the Fair Value of Assets		
Opening Fair Value of Plan Assets	2,326	2,094
Expected Return on Plan Assets	181	157
Actuarial Gains/(Losses)	(16)	(54)
Contributions by Employer	548	390
Benefits Paid	(241)	(261)
Closing Fair Value of Plan Assets	2,798	2,326

Experience adjustments

	31 March, 2017	31 March, 2016	31 March, 2015	31 March, 2014	31 March, 2013
			(₹ in millions)		
Defined Benefit Obligations	2,848	2,326	2,070	1,577	1,376
Plan Assets	2,797	2,326	2,095	1,634	1,462
Surplus/(Deficit)	(51)	–	25	57	86
Experience Adjustments on Plan Liabilities	66	28	11	77	46
Experience Adjustments on Plan Assets	(16)	(54)	13	23	21

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets

	31 March, 2017	31 March, 2016
	%	%
Government securities	37.30	49.15
Bonds, debentures and other fixed income instruments	47.98	39.34
Money market instruments	8.66	5.69
Equity shares	3.52	2.62
Others	2.54	3.20

	31 March, 2017	31 March, 2016
Principal actuarial assumptions at the Balance Sheet date:		
Discount Rate	7.40% p.a.	7.95% p.a.
Expected Rate of Return on Plan Assets	7.50% p.a.	7.50% p.a.
Salary Escalation Rate	7.00% p.a.	7.00% p.a.
Employee Turnover		
– 21 to 30 (age in years)	20.00%	19.00%
– 31 to 44 (age in years)	10.00%	8.00%
– 45 to 59 (age in years)	5.00%	4.00%

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the plan during the annual period beginning after the balance sheet date is based on various internal/external factors, a best estimate of the contribution is not determinable.

The above information is as certified by the actuary and relied upon by the auditors.

1.2.12 Provisions and contingencies

a) Movement in provision for frauds included under other liabilities is set out below:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Opening balance at the beginning of the year	398	248
Additions during the year	235	158
Reductions on account of payments during the year	–	–
Reductions on account of reversals during the year	(39)	(8)
Closing balance at the end of the year	594	398

b) Other liabilities include provision for reward points made on actuarial basis, the movement of which is set out below:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Opening provision at the beginning of the year	1,274	832
Provision made during the year	322	622
Reductions during the year	(491)	(180)
Closing provision at the end of the year	1,105	1,274

c) Movement in provision for other contingencies is set out below:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Opening provision at the beginning of the year	5,391	10,587
Provision made during the year	10,366	13,422
Reductions during the year	(9,801)	(18,618)
Closing provision at the end of the year	5,956	5,391

The above provision includes contingent provision for advances/other exposures, legal cases and other contingencies.

1.2.13 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2 October, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

1.2.14 Corporate Social Responsibility (CSR)

a) Amount required to be spent by the Bank on CSR during the year ₹1,965 million (previous year ₹1,630 million).

b) Amount spent towards CSR during the year and recognized as expense in the statement of profit and loss on CSR related activities is ₹1,354 million (previous year ₹1,374 million), which comprise of following

	31 March, 2017			31 March, 2016		
	In cash	Yet to be paid in cash (i.e. provision)	Total	In cash	Yet to be paid in cash (i.e. provision)	Total
	(₹ in millions)					
Construction/ acquisition of any asset	28	104	132	81	150	231
On purpose other than above	1,068	154	1,222	970	174	1,144

1.2.15 Description of contingent liabilities

a) Claims against the Bank not acknowledged as debts

These represent claims filed against the Bank in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax authorities and disputed by the Bank. Apart from claims assessed as possible, the Bank holds provision of ₹262 million as on 31 March 2017 (previous year ₹257 million) towards claims assessed as probable.

b) Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options/swaps, interest rate/currency futures and forward rate agreements on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An Exchange Traded Currency Option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

c) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

d) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items

Other items represent outstanding amount of bills rediscounted by the Bank, estimated amount of contracts remaining to be executed on capital account, notional principal on account of outstanding Tom/Spot foreign exchange contracts, commitments towards underwriting and investment in equity through bids under Initial Public Offering (IPO) of corporates as at the year end, demands raised by statutory authorities (other than income tax) and disputed by the Bank and amount transferred to Depositor Education and Awareness Fund (DEAF).

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

1.2.16 Disclosure on Specified Bank Notes (SBNs)

As advised by RBI, the disclosure on SBNs as required in accordance with notification of Ministry of Corporate Affairs dated 30 March, 2017 is not applicable to banks. Accordingly, the same has not been disclosed.

1.2.17 Previous year figures have been regrouped and reclassified, where necessary to conform to current year's presentation.

For Axis Bank Limited

Sanjiv Misra
Chairman

Shikha Sharma
Managing Director &CEO

V. Srinivasan
Deputy Managing Director

Rajiv Anand
Executive Director (Retail Banking)

Rajesh Dahiya
Executive Director (Corporate Centre)

V. R. Kaundinya

Prasad R. Menon

Samir K. Barua

Som Mittal

Rohit Bhagat

Usha Sangwan

S. Vishvanathan

Rakesh Makhija

Ketaki Bhagwati

B. Babu Rao
Directors

Girish Koliyote
Company Secretary

Jairam Sridharan
Chief Financial Officer

Date: 26 April, 2017
Place: Mumbai

INDEPENDENT AUDITOR'S REPORT

To the Members of Axis Bank Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Axis Bank Limited (hereinafter referred to as "the Bank"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), comprising of the consolidated Balance Sheet as at March 31, 2018, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Bank's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, the Companies (Accounting Standards) Amendment Rules, 2016, the provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by the Reserve Bank of India ('RBI') from time to time. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

Auditor's Responsibility

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group, as at March 31, 2018, their consolidated profit, and their consolidated cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, we report, to the extent applicable, that:

(a) The other auditors whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

(b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss, and consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016;

(e) On the basis of the written representations received from the directors of the Bank as on March 31, 2018 taken on record by the Board of Directors of the Bank and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies incorporated in India, none of the directors of the Group's companies, incorporated in India is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

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

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

i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group – Refer Schedule 12.I, 18.2.1.14 (a) and 18.2.1.14 (f) to the consolidated financial statements;

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Schedule 18.2.1.14 (f) to the consolidated financial statements in respect of such items as it relates to the Group; and

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank, its subsidiaries, incorporated in India during the year ended March 31, 2018.

Other Matter

(a) The accompanying consolidated financial statements include total assets of Rs.8,628 crores as at March 31, 2018, and total revenues and net cash inflows of Rs.1,464 crores and Rs.112 crores respectively for the year ended on that date, in respect of subsidiaries, which have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion, in so far as it relates amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of such other auditors.

Our opinion above on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements.

For S.R. Batliboi & CO. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749

Place of Signature: Mumbai
Date: 16 May 2018

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AXIS BANK LIMTED

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

To the Members of Axis Bank Limited

In conjunction with our audit of the consolidated financial statements of Axis Bank Limited as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of Axis Bank Limited (hereinafter referred to as the "Bank") and its subsidiary companies, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Bank, its subsidiary companies which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company'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, in so far as they apply to the Bank and Guideline issued by the Reserve Bank of India

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank, its subsidiaries, which are companies incorporated in India, has maintained 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.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Bank, insofar as it relates to 3 subsidiaries companies which are incorporated in India, is based on the corresponding report of the auditor of such subsidiary incorporated in India.

For S.R. Batliboi & CO. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749

Place of Signature: Mumbai
Date: 16 May 2018

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2018

	Schedule No.	As at 31-03-2018	As at 31-03-2017
		(₹ in Millions)	(₹ in Millions)
CAPITAL AND LIABILITIES			
Capital	1	**5,133**	4,790
Reserves & Surplus	2	**636,941**	559,014
Minority Interest	2A	**695**	613
Deposits	3	**4,556,578**	4,149,827
Borrowings	4	**1,557,671**	1,124,548
Other Liabilities and Provisions	5	**280,016**	275,829
TOTAL		**7,037,034**	6,114,621
ASSETS			
Cash and Balances with Reserve Bank of India	6	**354,811**	308,579
Balances with Banks and Money at Call and Short Notice	7	**84,298**	201,082
Investments	8	**1,530,367**	1,290,183
Advances	9	**4,498,436**	3,811,647
Fixed Assets	10	**40,488**	38,103
Other Assets	11	**528,634**	465,026
TOTAL		**7,037,034**	6,114,620
Contingent Liabilities	12	**7,391,398**	6,731,486
Bills for Collection		**495,656**	810,554
Significant Accounting Policies and Notes to Accounts	17 & 18		

Schedules referred to above form an integral part of the Consolidated Balance Sheet

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2018

		Schedule No.	Year ended 31-03-2018 (₹ in Millions)	Year ended 31-03-2017 (₹ in Millions)
I	**INCOME**			
	Interest earned	13	**466,141**	451,751
	Other income	14	**118,626**	124,216
	TOTAL		**584,767**	575,967
II	**EXPENDITURE**			
	Interest expended	15	**276,037**	267,894
	Operating expenses	16	**147,884**	127,256
	Provisions and contingencies	18 (2.1.1)	**156,206**	141,147
	TOTAL		**580,127**	536,297
III	**NET PROFIT FOR THE YEAR**		**4,640**	39,670
	Minority interest		**(82)**	(140)
IV	**CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP**		**4,558**	39,530
	Balance in Profit & Loss Account brought forward from previous year		**248,815**	240,027
V	**AMOUNT AVAILABLE FOR APPROPRIATION**		**253,373**	279,557
VI	**APPROPRIATIONS:**			
	Transfer to Statutory Reserve		**689**	9,198
	Transfer to Reserve Fund u/s 45 IC of RBI Act, 1934		**419**	331
	Transfer to/(from) Investment Reserve		**1,035**	(872)
	Transfer to Capital Reserve		**1,017**	7,556
	Transfer to General Reserve		**81**	69
	Transfer to/(from) Reserve Fund		**16**	18
	Dividend paid (includes tax on dividend)	18 (2.1.6)	**14,574**	14,443
	Balance in Profit & Loss Account carried forward		**235,542**	248,815
	TOTAL		**253,373**	279,557
VII	**EARNINGS PER EQUITY SHARE**	18 (2.1.4)		
	(Face value ₹2/- per share) (Rupees)			
	Basic		**1.86**	16.54
	Diluted		**1.86**	16.48
	Significant Accounting Policies and Notes to Accounts	17 & 18		

Schedules referred to above form an integral part of the Consolidated Profit and Loss Account

In terms of our report attached.

For S. R. Batliboi & Co. LLP
ICAI Firm Registration No.: 301003E/E300005
Chartered Accountants

Viren H. Mehta
Partner

Date: 16 May, 2018

Place: Mumbai

For Axis Bank Ltd.

Sanjiv Misra
Chairman

Shikha Sharma
Managing Director & CEO

V. Srinivasan
Deputy Managing Director

Rajiv Anand
Executive Director (Retail Banking)

Rajesh Dahiya
Executive Director (Corporate Centre)

Prasad R. Menon

Samir K. Barua

Som Mittal

Rohit Bhagat

Usha Sangwan

S. Vishvanathan

Rakesh Makhija

Ketaki Bhagwati

B. Babu Rao

Stephen Pagliuca
Directors

Girish V. Koliyote
Company Secretary

Jairam Sridharan
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2018

	Year ended 31-03-2018 (₹ in Millions)	Year ended 31-03-2017 (₹ in Millions)
Cash flow from operating activities		
Net profit before taxes	**5,577**	59,398
Adjustments for:		
Depreciation on fixed assets	**5,906**	5,267
Depreciation on investments	**(2,077)**	2,442
Amortisation of premium on Held to Maturity investments	**2,853**	1,402
Provision for Non Performing Assets (including bad debts)	**166,306**	111,571
Provision on standard assets	**(1,244)**	3,643
(Profit)/Loss on sale of fixed assets (net)	**167**	39
Provision for country risk	**(199)**	199
Provision for restructured assets/strategic debt restructuring	**(3,072)**	2,905
Provision on unhedged foreign currency exposure	**(93)**	(139)
Provision for other contingencies	**(4,434)**	657
	169,690	187,384
Adjustments for:		
(Increase)/Decrease in investments	**(77,303)**	126,928
(Increase)/Decrease in advances	**(833,047)**	(465,397)
Increase/(Decrease) in deposits	**406,751**	566,805
(Increase)/Decrease in other assets	**20,391**	(102,041)
Increase/(Decrease) in other liabilities & provisions	**(37,559)**	61,623
Direct taxes paid	**(32,826)**	(53,216)
Net cash flow from operating activities	**(383,903)**	322,086
Cash flow from investing activities		
Purchase of fixed assets	**(8,550)**	(7,737)
(Increase)/Decrease in Held to Maturity investments	**(88,085)**	(116,760)
Purchase of Freecharge business	**(3,954)**	–
Proceeds from sale of fixed assets	**120**	65
Net cash used in investing activities	**(100,469)**	(124,432)

	Year ended 31-03-2018	Year ended 31-03-2017
	(₹ in Millions)	**(₹ in Millions)**
Cash flow from financing activities		
Proceeds from issue of subordinated debt, perpetual debt & upper Tier II instruments (net of repayment)	**81,109**	55,459
Increase/(Decrease) in borrowings (excluding subordinated debt, perpetual debt & upper Tier II instruments)	**258,474**	(69,388)
Proceeds from issue of share capital	**343**	24
Proceeds from share premium (net of share issue expenses)	**87,987**	3,256
Payment of dividend	**(14,574)**	(14,443)
Increase in minority interest	**82**	223
Net cash generated from financing activities	**413,421**	(24,869)
Effect of exchange fluctuation translation reserve	**(43)**	(152)
Net cash and cash equivalents taken over on acquisition of Freecharge Business	**441**	–
Net increase in cash and cash equivalents	**(70,553)**	172,633
Cash and cash equivalents at the beginning of the year	**509,661**	337,028
Cash and cash equivalents at the end of the year	**439,108**	509,661

Notes to the Cash Flow Statement:

1. Cash and cash equivalents includes the following		
Cash and Balances with Reserve Bank of India (Refer Schedule 6)	**354,811**	308,579
Balances with Banks and Money at Call and Short Notice (Refer Schedule 7)	**84,298**	201,082
Cash and cash equivalents at the end of the year	**439,109**	509,661

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2018

SCHEDULE 1 – CAPITAL

	As at 31-03-2018 (₹ in Millions)	As at 31-03-2017 (₹ in Millions)
Authorised Capital		
4,250,000,000 (Previous year - 4,250,000,000) Equity Shares of ₹2/- each	**8,500**	8,500
Issued, Subscribed and Paid-up capital		
2,566,538,936 (Previous year - 2,395,036,109) Equity Shares of ₹2/- each fully paid-up [refer Schedule 18 (1) (a)]	**5,133**	4,790

SCHEDULE 2 – RESERVES AND SURPLUS

		As at 31-03-2018 (₹ in Millions)	As at 31-03-2017 (₹ in Millions)
I.	**Statutory Reserve**		
	Opening Balance	**115,070**	105,872
	Additions during the year	**689**	9,198
		115,759	115,070
II.	**Share Premium Account**		
	Opening Balance	**170,128**	166,872
	Additions during the year	**88,123**	3,256
	Less: Share issue expenses	**(136)**	–
		258,115	170,128
III.	**Investment Reserve Account**		
	Opening Balance	**–**	872
	Additions during the year	**1,035**	
	Deductions during the year		(872)
		1,035	–
IV.	**General Reserve**		
	Opening Balance	**3,864**	3,795
	Additions during the year	**81**	69
		3,945	3,864
V.	**Capital Reserve**		
	Opening Balance	**18,656**	11,100
	Deductions during the year	**1,017**	7,556
		19,673	18,656

		As at 31-03-2018 (₹ in Millions)	As at 31-03-2017 (₹ in Millions)
VI.	**Foreign Currency Translation Reserve** [Refer Schedule 17 (4.5)]		
	Opening Balance	**1,564**	1,716
	Additions during the year	**–**	–
	Deductions during the year	**(43)**	(152)
		1,521	1,564
VII.	**Reserve Fund**		
	Opening Balance	**59**	41
	Additions during the year	**16**	18
		75	59
VIII.	**Reserve Fund u/s 45 IC of RBI Act, 1934**		
	Opening Balance	**857**	526
	Additions during the year	**419**	331
		1,276	857
IX.	**Balance in Profit & Loss Account**	**235,542**	248,816
	TOTAL	**636,941**	559,014

SCHEDULE 2A – MINORITY INTEREST

		As at 31-03-2018 (₹ in Millions)	As at 31-03-2017 (₹ in Millions)
I.	Minority Interest		
	Opening Balance	**613**	390
	Increase during the year	**82**	223
	Closing Minority Interest	**695**	613

SCHEDULE 3 – DEPOSITS

			As at 31-03-2018 (₹ in Millions)	As at 31-03-2017 (₹ in Millions)
A.	I.	Demand Deposits		
		(i) From banks	**58,789**	47,922
		(ii) From others	**896,458**	817,318
	II.	Savings Bank Deposits	**1,482,022**	1,260,485
	III.	Term Deposits		
		(i) From banks	**125,624**	112,243
		(ii) From others	**1,993,685**	1,911,859
		TOTAL	**4,556,578**	4,149,827
B.	I.	Deposits of branches in India	**4,509,338**	4,100,578
	II.	Deposits of branches/subsidiaries outside India	**47,240**	49,249
		TOTAL	**4,556,578**	4,149,827

SCHEDULE 4 – BORROWINGS

		As at 31-03-2018	As at 31-03-2017
		(₹ in Millions)	(₹ in Millions)
I.	Borrowings in India		
	(i) Reserve Bank of India	**61,000**	–
	(ii) Other banks #	**25,851**	39,286
	(iii) Other institutions & agencies **	**720,233**	513,645
II.	Borrowings outside India $	**750,587**	571,617
	TOTAL	**1,557,671**	1,124,548
	Secured borrowings included in I & II above	**90,657**	30,135

\# Borrowings from other banks include Subordinated Debt of ₹356 millions (previous year ₹350 millions) in the nature of Non-Convertible Debentures and Perpetual Debt of ₹500 millions (previous year NIL) [Also refer Note 18 (2.1.2)]

** Borrowings from other institutions & agencies include Subordinated Debt of ₹2,16,694 millions (previous year ₹1,63,700 millions) in the nature of Non-Convertible Debentures and Perpetual Debt of ₹69,500 millions (previous year ₹35,000 millions) [Also refer Note 18 (2.1.2)]

$ Borrowings outside India include Upper Tier II instruments of Nil (previous year ₹3,891 millions) [Also refer Note 18 (2.1.2)]

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

		As at 31-03-2018	As at 31-03-2017
		(₹ in Millions)	(₹ in Millions)
I.	Bills payable	**49,176**	39,525
II.	Inter-office adjustments (net)	**–**	–
III.	Interest accrued	**32,174**	20,893
IV.	Proposed dividend (includes tax on dividend) [Refer Schedule 18 (2.1.6)]	**–**	–
V.	Contingent provision against standard assets	**22,482**	23,679
VI.	Others (including provisions)	**176,184**	191,732
	TOTAL	**280,016**	275,829

SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA

		As at 31-03-2018	As at 31-03-2017
		(₹ in Millions)	(₹ in Millions)
I.	Cash in hand (including foreign currency notes)	**52,581**	63,579
II.	Balances with Reserve Bank of India:		
	(i) in Current Account	**208,230**	183,000
	(ii) in Other Accounts	**94,000**	62,000
	TOTAL	**354,811**	308,579

SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

	As at 31-03-2018 (₹ in Millions)	As at 31-03-2017 (₹ in Millions)
I. In India		
(i) Balance with Banks		
(a) in Current Accounts	**1,313**	2,251
(b) in Other Deposit Accounts	**33,926**	21,371
(ii) Money at Call and Short Notice		
(a) With banks	**–**	–
(b) With other institutions	**–**	143,222
TOTAL	**35,239**	166,844
II. Outside India		
(i) in Current Accounts	**24,898**	12,531
(ii) in Other Deposit Accounts	**8,410**	14,755
(iii) Money at Call & Short Notice	**15,751**	6,952
TOTAL	**49,059**	34,238
GRAND TOTAL (I+II)	**84,298**	201,082

SCHEDULE 8 – INVESTMENTS

	As at 31-03-2018 (₹ in Millions)	As at 31-03-2017 (₹ in Millions)
I. Investments in India in -		
(i) Government Securities ##	**1,013,546**	905,981
(ii) Other approved securities	**–**	–
(iii) Shares	**15,255**	13,228
(iv) Debentures and Bonds	**306,538**	265,277
(v) Investment in Joint Ventures	**–**	–
(vi) Others (Mutual Fund units, CD/CP, PTC etc.)	**156,959**	69,969
Total Investments in India	**1,492,298**	1,254,455
II. Investments outside India in -		
(i) Government Securities (including local authorities)	**29,225**	26,341
(ii) Subsidiaries and/or joint ventures abroad	**–**	–
(iii) Others (Equity Shares and Bonds)	**8,845**	9,387
Total Investments outside India	**38,069**	35,728
GRAND TOTAL (I+II)	**1,530,367**	1,290,183

Includes securities costing ₹2,75,884 millions (previous year ₹2,71,797 millions) pledged for availment of fund transfer facility, clearing facility and margin requirements

SCHEDULE 9 – ADVANCES

				As at 31-03-2018 (₹ in Millions)	As at 31-03-2017 (₹ in Millions)
A.	(i)	Bills purchased and discounted		**128,131**	67,497
	(ii)	Cash credits, overdrafts and loans repayable on demand		**1,374,894**	1,043,805
	(iii)	Term loans #		**2,995,411**	2,700,345
	TOTAL			**4,498,436**	3,811,647
B.	(i)	Secured by tangible assets $		**3,196,306**	2,913,894
	(ii)	Covered by Bank/Government Guarantees &&		**40,004**	66,921
	(iii)	Unsecured		**1,262,126**	830,832
	TOTAL			**4,498,436**	3,811,647
C.	I.	**Advances in India**			
		(i)	Priority Sector	**986,081**	938,738
		(ii)	Public Sector	**48,271**	29,135
		(iii)	Banks	**30,576**	5,613
		(iv)	Others	**2,851,146**	2,317,657
	TOTAL			**3,916,074**	3,291,143
	II.	**Advances Outside India**			
		(i)	Due from banks	**78,991**	26,861
		(ii)	Due from others -		
			(a) Bills purchased and discounted	**32,721**	25,448
			(b) Syndicated loans	**89,147**	103,682
			(c) Others	**381,503**	364,513
	TOTAL			**582,362**	520,504
	GRAND TOTAL [CI+CII]			**4,498,436**	3,811,647

\# Net of borrowings under Inter Bank Participation Certificate (IBPC) ₹13,990 millions (previous year Nil), includes lending under IBPC ₹13,033 millions (previous year Nil)

$ Includes advances against book debts

&& Includes advances against L/Cs issued by banks

SCHEDULE 10 - FIXED ASSETS

		As at 31-03-2018	As at 31-03-2017
		(₹ in Millions)	(₹ in Millions)
I.	**Premises**		
	Gross Block		
	At cost at the beginning of the year	**18,331**	18,290
	Additions during the year	**–**	41
	Deductions during the year	**–**	–
	TOTAL	**18,331**	18,331
	Depreciation		
	As at the beginning of the year	**1,165**	861
	Charge for the year	**305**	304
	Deductions during the year	**–**	–
	Depreciation to date	**1,470**	1,165
	Net Block	**16,861**	17,166
II.	**Other fixed assets (including furniture & fixtures)**		
	Gross Block		
	At cost at the beginning of the year	**47,068**	40,693
	Additions on acquisition	**100**	–
	Additions during the year	**7,948**	6,934
	Deductions during the year	**(1,205)**	(559)
	TOTAL	**53,911**	47,068
	Depreciation		
	As at the beginning of the year	**29,052**	24,543
	Additions on acquisition	**54**	–
	Charge for the year	**5,601**	4,962
	Deductions during the year	**(905)**	(453)
	Depreciation to date	**33,802**	29,052
	Net Block	**20,109**	18,016
III.	**Capital Work-in-Progress (including capital advances)**	**3,518**	2,921
	GRAND TOTAL (I+II+III)	**40,488**	38,103

SCHEDULE 11 - OTHER ASSETS

		As at 31-03-2018	As at 31-03-2017
		(₹ in Millions)	(₹ in Millions)
I.	Inter-office adjustments (net)	**–**	–
II.	Interest Accrued	**56,936**	52,744
III.	Tax paid in advance/tax deducted at source (net of provisions)	**18,590**	5,279
IV.	Stationery and stamps	**4**	20
V.	Non banking assets acquired in satisfaction of claims	**22,086**	22,086
VI.	Others[#@$]	**431,018**	384,897
	TOTAL	**528,634**	465,026

\# Includes deferred tax assets of ₹69,113 millions (previous year ₹50,719 millions) [Refer Schedule 18 (2.1.11)]

@ Includes Priority Sector Shortfall Deposits of ₹2,14,793 millions (previous year ₹1,71,071 millions)

$ Includes goodwill on consolidation of ₹2,930 millions (previous year Nil) [Refer Schedule 18 (1) (b)]

SCHEDULE 12 – CONTINGENT LIABILITIES

		As at 31-03-2018 (₹ in Millions)	As at 31-03-2017 (₹ in Millions)
I.	Claims against the Group not acknowledged as debts	**5,220**	4,753
II.	Liability for partly paid investments	**216**	–
III.	Liability on account of outstanding forward exchange and derivative contracts:		
	a) Forward Contracts	**3,148,019**	2,681,952
	b) Interest Rate Swaps, Currency Swaps, Forward Rate Agreement & Interest Rate Futures	**1,991,159**	2,031,705
	c) Foreign Currency Options	**593,426**	493,833
	Total (a+b+c)	**5,732,604**	5,207,490
IV.	Guarantees given on behalf of constituents		
	In India	**762,933**	763,736
	Outside India	**86,945**	47,593
V.	Acceptances, endorsements and other obligations	**324,145**	335,476
VI.	Other items for which the Group is contingently liable	**479,335**	372,438
	GRAND TOTAL (I+II+III+IV+V+VI) [Refer Schedule 18 (2.1.14)]	**7,391,398**	6,731,486

SCHEDULE 13 – INTEREST EARNED

		Year ended 31-03-2018 (₹ in Millions)	Year ended 31-03-2017 (₹ in Millions)
I.	Interest/discount on advances/bills	**349,097**	336,946
II.	Income on investments	**100,200**	96,750
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	**3,911**	5,058
IV.	Others	**12,933**	12,997
	TOTAL	**466,141**	451,751

SCHEDULE 14 – OTHER INCOME

		Year ended 31-03-2018 (₹ in Millions)	Year ended 31-03-2017 (₹ in Millions)
I.	Commission, exchange and brokerage	**87,962**	78,898
II.	Profit/(Loss) on sale of investments (net)	**13,649**	32,286
III.	Profit/(Loss) on sale of fixed assets (net)	**(167)**	(39)
IV.	Profit on exchange/derivative transactions (net)	**14,636**	10,891
V.	Income earned by way of dividends etc. from subsidiaries/companies and/or joint venture abroad/in India	**–**	–
VI.	Miscellaneous Income [including recoveries on account of advances/investments written off in earlier years ₹1,829 millions (previous year ₹1,819 millions) and profit on account of portfolio sell downs/securitisation ₹205 millions (previous year net profit of ₹38 millions)]	**2,546**	2,180
	TOTAL	**118,626**	124,216

SCHEDULE 15 – INTEREST EXPENDED

		Year ended 31-03-2018 (₹ in Millions)	Year ended 31-03-2017 (₹ in Millions)
I.	Interest on deposits	**191,944**	196,407
II.	Interest on Reserve Bank of India/Inter-bank borrowings	**18,600**	18,801
III.	Others	**65,493**	52,686
	TOTAL	**276,037**	267,894

SCHEDULE 16 – OPERATING EXPENSES

		Year ended 31-03-2018 (₹ in Millions)	Year ended 31-03-2017 (₹ in Millions)
I.	Payments to and provisions for employees	**54,144**	47,421
II.	Rent, taxes and lighting	**10,342**	9,599
III.	Printing and stationery	**1,695**	1,896
IV.	Advertisement and publicity	**1,664**	1,411
V.	Depreciation on Group's property	**5,906**	5,267
VI.	Directors' fees, allowance and expenses	**35**	34
VII.	Auditors' fees and expenses	**30**	28
VIII.	Law charges	**202**	110
IX.	Postage, telegrams, telephones etc.	**3,286**	3,197
X.	Repairs and maintenance	**8,781**	8,805
XI.	Insurance	**5,544**	5,023
XII.	Other expenditure	**56,255**	44,465
	TOTAL	**147,884**	127,256

17 Significant accounting policies for the year ended 31 March, 2018

(Currency: In Indian Rupees)

1 Principles of Consolidation

The consolidated financial statements comprise the financial statements of Axis Bank Limited ('the Bank') and its subsidiaries, which together constitute 'the Group'. The Bank has overseas branches at Singapore, Hong Kong, DIFC – Dubai, Shanghai and Colombo. During the year, the Bank opened an Offshore Banking Unit at International Financial Service Centre (IFSC), Gujarat International Finance Tec-City (GIFT City), Gandhinagar, India.

The Bank consolidates its subsidiaries in accordance with AS 21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. All significant inter-company accounts and transactions are eliminated on consolidation.

2 Basis of preparation

a) The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles in India to comply with the statutory requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India.

b) The consolidated financial statements present the accounts of Axis Bank Limited with its following subsidiaries:

Name	Relation	Country of Incorporation	Ownership Interest
Axis Capital Ltd.	Subsidiary	India	100.00%
Axis Private Equity Ltd.	Subsidiary	India	100.00%
Axis Trustee Services Ltd.	Subsidiary	India	100.00%
Axis Mutual Fund Trustee Ltd.	Subsidiary	India	75.00%
Axis Asset Management Company Ltd.	Subsidiary	India	75.00%
Axis Finance Ltd.	Subsidiary	India	100.00%
Axis Securities Ltd.	Subsidiary	India	100.00%
Freecharge Payment Technologies Pvt. Ltd.	Subsidiary	India	100.00%
Accelyst Solutions Pvt. Ltd.	Subsidiary	India	100.00%
A.Treds Ltd.	Subsidiary	India	67.00%
Axis Bank UK Ltd.	Subsidiary	U.K.	100.00%
Axis Capital USA LLC	Step down subsidiary	USA	100.00%

c) The audited financial statements of the above subsidiaries and the unaudited financial statements of the step down subsidiary have been drawn up to the same reporting date as that of the Bank, i.e. 31 March, 2018.

d) Axis Securities Europe Ltd., a wholly owned subsidiary of the Bank, has been liquidated during the year ended 31 March, 2018.

e) Axis Private Equity Ltd., is in the process of amalgamation with Axis Finance Ltd. and has submitted application for amalgamation before the National Company Law Tribunal on 13 October, 2017.

f) On 27 March, 2018, the Board of Directors of Accelyst Solutions Pvt. Ltd ('ASPL') and Freecharge Payment Technologies Pvt. Ltd. ('FCPTL') approved a scheme for amalgamation of ASPL into and with FCPTL. ASPL and FCPTL have submitted applications for amalgamation before the National Company Law Tribunal. The appointed date for amalgamation is 7 October, 2017 and the effect of merger will be given on this date.

3 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) at the date of the financial statements, revenues and expenses during the reporting period. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

4 Significant accounting policies

4.1 Investments

Axis Bank Ltd.

Classification

In accordance with the RBI guidelines, investments are classified at the time of purchase as:

- Held for Trading ('HFT');
- Available for Sale ('AFS'); and
- Held to Maturity ('HTM').

Investments that are held principally for sale within a short period are classified as HFT securities. As per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities.

Investments that the Bank intends to hold till maturity are classified under the HTM category. Investments in the equity of subsidiaries/joint ventures are categorised as HTM in accordance with the RBI guidelines.

All other investments are classified as AFS securities.

However, for disclosure in the Balance Sheet, investments in India are classified under six categories – Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/Joint Ventures and Others.

Investments made outside India are classified under three categories – Government Securities, Subsidiaries and/or Joint Ventures abroad and Others.

Transfer of security between categories

Transfer of security between categories of investments is accounted as per the RBI guidelines.

Acquisition cost

Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the Profit and Loss Account.

Broken period interest is charged to the Profit and Loss Account.

Cost of investments is computed based on the weighted average cost method.

Valuation

Investments classified under the HTM category are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period remaining to maturity on a constant yield to maturity basis. In terms of RBI guidelines, discount on securities held under HTM category is not accrued and such securities are held at the acquisition cost till maturity.

Investments classified under the AFS and HFT categories are marked to market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association of India ('FIMMDA')/ Financial Benchmark India Private Limited ('FBIL'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in the Profit and Loss Account. The net appreciation if any, under each category of each investment classification is ignored. The depreciation on securities acquired by way of conversion of outstanding loans is provided in accordance with the RBI guidelines. The book value of individual securities is not changed consequent to the periodic valuation of investments. Non-performing investments are identified and provision is made thereon as per RBI guidelines. Treasury Bills, Exchange Funded Bills, Commercial Paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

Units of mutual funds are valued at the latest repurchase price/net asset value declared by the mutual fund.

Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

- the market/fair value of unquoted government securities which are in the nature of Statutory Liquidity Ratio ('SLR') securities included in the AFS and HFT categories is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA/ FBIL

- in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the YTM for Government Securities as published by FIMMDA/PDAI/FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA/ FBIL is adopted for this purpose;

- in case of bonds and debentures (including Pass Through Certificates) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;

- equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1 per company;

- units of Venture Capital Funds ('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. Investment in unquoted VCF after 23 August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines and

- In case investments in security receipts on or after 1 April, 2017 which are backed by more than 50 percent of the stressed assets sold by the Bank, provision for depreciation in value is made at the is higher of – provisioning rate required in terms of net asset value declared by the Reconstruction Company ('RC')/Securitisation Company ('SC') or the provisioning rate as per the extant asset classification and provisioning norms as applicable to the underlying loans, assuming that the loan notionally continued in the books of the bank. All other investments in security receipts are valued as per the NAV obtained from the issuing RC/SCs.

Investments in subsidiaries/joint ventures are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.

Realised gains on investments under the HTM category are recognised in the Profit and Loss Account and subsequently appropriated to Capital Reserve account (net of taxes and transfer to statutory reserves) in accordance with the RBI guidelines. Losses are recognised in the Profit and Loss Account. Realised gains/losses on investments under the AFS and HFT category are recognised in the Profit and Loss Account.

All investments are accounted for on settlement date, except investments in equity shares which are accounted for on trade date.

Repurchase and reverse repurchase transactions

Repurchase and reverse repurchase transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The short positions are reflected in 'Securities Short Sold ('SSS') A/c', specifically created for this purpose. Such short positions are categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked-to-market along with the other securities under HFT portfolio and the resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of investments discussed earlier.

Subsidiaries

Investments are initially recognised at cost which comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Investments which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Any reduction in the carrying amount and any reversal of such reductions are charged or credited to the Profit and Loss Account.

Long term investments are stated at cost. Provision is made to recognise a decline, other than temporary, in the value of such investments.

4.2 Advances

Axis Bank Ltd.

Advances are classified into performing and non-performing advances ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates, specific provisions made towards NPAs, interest in suspense for NPAs, claims received from Export Credit Guarantee Corporation, provisions for funded interest on term loan classified as NPAs, provisions in lieu of diminution in the fair value of restructured assets and floating provisions.

NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country. Provisions for NPAs are made for sub-standard and doubtful assets at rates as prescribed by the RBI with the exception for agriculture advances and schematic retail advances. In respect of schematic retail advances, provisions are made in terms of a bucket-wise policy upon reaching specified stages of delinquency (90 days or more of delinquency) under each type of loan, which satisfies the RBI prudential norms on provisioning. Provisions in respect of agriculture advances classified into sub-standard and doubtful assets are made at rates which are higher than those prescribed by the RBI. Provisions for advances booked in overseas branches, which are standard as per the RBI guidelines but are classified as NPAs based on host country guidelines, are made as per the host country regulations.

Restructured assets are classified and provided for in accordance with the guidelines issued by RBI from time to time.

In addition to the above, the Bank on a prudential basis, makes provision for expected losses against advances or other exposures to specific assets/industry/sector either on a case-by-case basis or for a group of assets, based on specific information or general economic environment. These are classified as contingent provision and included under Schedule 5 – Other Liabilities in the Balance Sheet.

Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines.

Amounts recovered against debts written off are recognised in the Profit and Loss account.

The Bank holds provision in accordance with the RBI guidelines, on assets where change in ownership under Strategic Debt Restructuring (SDR) scheme/Outside SDR scheme has been implemented or Scheme for Sustainable Structuring of Stressed Asset (S4A) has been implemented. In respect of borrowers classified as non-cooperative and willful defaulters, the Bank makes accelerated provisions as per extant RBI guidelines.

For entities with Unhedged Foreign Currency Exposure (UFCE), provision is made in accordance with the guidelines issued by RBI, which requires to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position. This provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank maintains a general provision on standard advances at the rates prescribed by RBI. In case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or RBI.

Under its home loan portfolio, the Bank offers housing loans with certain features involving waiver of Equated Monthly Installments (‘EMIs’) of a specific period subject to fulfilment of a set of conditions by the borrower. The Bank makes provision against the probable loss that could be incurred in future on account of waivers to eligible borrowers in respect of such loans based on actuarial valuation conducted by an independent actuary. This provision is classified under Schedule 5 – Other Liabilities in the balance sheet.

Axis Finance Ltd.

Advances are classified into performing and non-performing advances (‘NPAs’) as per the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made at rates as prescribed by the RBI.

Non-performing loans are written off / provided for, as per management estimates, subject to the minimum provision required as per Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Provision on Standard Assets i.e. loans and advances is made at 0.40%.

4.3 Country risk

Axis Bank Ltd.

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the net funded exposure of the Bank in respect of each country does not exceed 1% of the total assets, no provision is maintained on such country exposure in accordance with RBI guidelines.

4.4 Securitisation

Axis Bank Ltd.

The Bank enters into purchase/sale of corporate and retail loans through direct assignment/Special Purpose Vehicle (‘SPV’). In most cases, post securitisation, the Bank continues to service the loans transferred to the assignee/SPV. The Bank also provides credit enhancement in the form of cash collaterals and/or by subordination of cash flows to Senior Pass Through Certificate (‘PTC’) holders. In respect of credit enhancements provided or recourse obligations (projected delinquencies, future servicing etc.) accepted by the Bank, appropriate provision/disclosure is made at the time of sale in accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.

In accordance with RBI guidelines of 7 May, 2012 on ‘Guidelines on Securitisation of Standard Assets’, gain on securitisation transaction is recognised over the period of the underlying securities issued by the SPV as prescribed under RBI guidelines. Loss on securitisation is immediately debited to the Profit and Loss Account.

4.5 Foreign currency transactions

Axis Bank Ltd.

In respect of domestic operations, transactions denominated in foreign currencies are accounted for at the rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated at the Balance Sheet date at rates notified by Foreign Exchange Dealers Association of India ('FEDAI'). All profits/losses resulting from year end revaluations are recognised in the Profit and Loss Account.

Financial statements of foreign branches classified as non-integral foreign operations as per the RBI guidelines are translated as follows:

- Assets and liabilities (both monetary and non-monetary as well as contingent liabilities) are translated at closing exchange rates notified by FEDAI at the Balance Sheet date.

- Income and expenses are translated at the rates prevailing on the date of the transactions.

- All resulting exchange differences are accumulated in a separate 'Foreign Currency Translation Reserve' till the disposal of the net investments. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Outstanding forward exchange contracts including tom/spot contracts (excluding currency swaps undertaken to hedge foreign currency assets/liabilities and funding swaps which are not revalued) are revalued at year end on PV basis by discounting the forward value till spot date and converting the FCY amount using the respective spot rates as notified by FEDAI. The resulting gains or losses on revaluation are included in the Profit and Loss Account in accordance with RBI/ FEDAI guidelines.

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

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

Subsidiaries

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at the closing rate on that date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined. The exchange differences, if any, either on settlement or translation are recognised in Profit and Loss Account.

4.6 Derivative transactions

Axis Bank Ltd.

Derivative transactions comprise of forward contracts, swaps and options which are disclosed as contingent liabilities. The forwards, swaps and options are categorised as trading or hedge transactions. Trading derivative contracts are revalued at the Balance Sheet date with the resulting unrealised gain or loss being recognised in the Profit and Loss Account and correspondingly in other assets (representing positive Mark-to-Market) and in other liabilities (representing negative Mark-to-Market (MTM)) on a gross basis . For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge swaps are accounted for on accrual basis except in case of swaps designated with an asset or liability that is carried at market value or lower of cost or market value in the financial statements. In such cases the swaps are marked-to-market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Pursuant to the RBI guidelines any receivables under derivative contracts comprising of crystallised receivables as well as positive MTM in respect of future receivables which remain overdue for more than 90 days are reversed through the Profit and Loss account and are held in separate Suspense Account.

Currency futures contracts are marked-to-market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed based on the last half an hour weighted average price of such contract, the final settlement price is taken as the RBI reference rate on the last trading day of the futures contract or as may be specified by the relevant authority from time to time. All open positions are marked-to-market based on the settlement price and the resultant marked-to-market profit/loss is daily settled with the exchange.

Valuation of Exchange Traded Currency Options (ETCO) is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures (IRF) is carried out on the basis of the daily settlement price of each contract provided by the exchange.

4.7 Revenue recognition

Axis Bank Ltd.

Interest income is recognised on an accrual basis in accordance with AS-9, Revenue Recognition as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014, the Companies (Accounting Standards) Amendment Rules, 2016 and the RBI guidelines except in the case of interest income on non-performing assets and loans under Strategic Debt Restructuring (SDR) scheme and Scheme for Sustainable Structuring of Stressed Asset (S4A) of RBI, where it is recognised on receipt basis if overdue for more than 90 days. Income on non-coupon bearing or low-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant yield basis.

Guarantee commission is recognised on a pro-rata basis over the period of the guarantee. Locker rent and annual fees for credit cards are recognised on a straight-line basis over the period of contract. Arrangership/syndication fee is accounted for on completion of the agreed service and when right to receive is established. Other fees and commission income are recognised when due.

Interest income on investments in PTCs is recognized on a constant yield basis.

Dividend is accounted on an accrual basis when the right to receive the dividend is established.

Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.

Fees paid/received for Priority Sector Lending Certificates (‘PSLC’) is amortised on straight-line basis over the tenor of the certificate.

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e. book value less provisions held), the shortfall is charged to the Profit and Loss Account. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

The Bank deals in bullion business on a consignment basis. The difference between the price recovered from customers and cost of bullion is accounted for at the time of sale to the customers. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

Subsidiaries

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Fee income is recognised on the basis of accrual when all the services are performed.

Interest income is recognised on an accrual basis.

Dividend income is recognised when the right to receive payment is established by the balance sheet date.

Income from sale of investments is determined on weighted average basis and recognised on the trade date basis.

Axis Capital Limited

Brokerage income in relation to stock broking activity is recognised as per contracted rates at the execution of transactions on behalf of the customers on a trade date basis. Gains/losses on dealing in securities are recognised on a trade date basis.

Revenue from issue management, loan syndication, financial advisory services is recognised based on the stage of completion of assignments and terms of agreement with the client.

Selling commissions/brokerage generated from primary market operations i.e. procuring subscriptions from investors for public offerings of companies, mutual funds, etc. are recorded on determination of the amount due to the Company, once the allotment of securities are completed.

Axis Trustee Services Limited

Annual Fees for trusteeship services and servicing fees are recognised, on a straight line basis, over the period when services are performed. Initial acceptance fee is recognised as and when the 'Offer Letter' for the services to be rendered is accepted by the customer.

Advisory service fees on family office service are recognised as and when the activities defined in the accepted offer letter are completed.

Axis Asset Management Company Limited

Management fees are recognised on accrual basis at specific rates, applied on the average daily net assets of each scheme. The fees charged are in accordance with the terms of scheme information documents of respective schemes and are in line with the provisions of SEBI (Mutual Funds) Regulations, 1996 as amended from time to time.

Management fees from Portfolio Management Services, Alternate Investment Fund and Investment advisory fees-offshore are recognized on an accrual basis as per the terms of the contract with the customers.

Axis Mutual Fund Trustee Limited

Trustee fee is recognised on accrual basis, at the specific rates/amount approved by the Board of Directors of the Company, within the limits specified under the Deed of Trust, and is applied on the net assets of each scheme of Axis Mutual Fund.

Axis Finance Limited

Interest and other dues are accounted on accrual basis except in the case of non-performing loans where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.

Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.

Axis Securities Limited

Business sourcing and resource management fee is recognised on accrual basis when all the services are performed.

Income from subscription plan to the extent of account opening fees is recognised upfront and balance is amortised over the validity of plan.

Selling commissions/brokerage generated from primary market operations i.e. procuring subscriptions from investors for public offerings of companies, mutual funds etc. are recorded on determination of the amount due to the company, once the allotment of securities are completed.

Brokerage income on securities is recognised as per contracted rates at the execution of transactions on behalf of the customers on the trade date. Gains/losses on dealing in securities are recognised on trade date basis.

Depository fees are recognised on completion of the transaction.

Portfolio management fees are accounted on accrual basis as follows:

In case of fees based on fixed percentage of the corpus/fixed amount, income is accrued at the end of the quarter/month.

In case of fees, based on the returns of the portfolio, income is accounted on each anniversary as per the agreement.

A.Treds Ltd.

Onboarding Fee is one time fee and is recognized at the time of onboarding of Buyer, Seller or financier. Transaction fee is recurring in nature and is recognised on time proportion basis over the period of tenure of transaction.

Freecharge Payment Technologies Private Ltd.

Revenue from commission income

Merchant Discount Rate (MDR) Revenue from wallet transaction is recognised on the basis of successful pay-out of wallet usage to the respective merchants. The transactions are settled on a daily basis with the merchant, net of MDR revenue. The taxes (Service tax / GST) collected on behalf of the government are not economic benefits flowing to the Company, hence, excluded from revenue.

Revenue from payment and storage service

The revenue from payment & storage service is recognised for providing PG aggregation service and as a payments platform for transactions of the merchant executed through payment gateway. The Company collects revenue on the basis of the payment gateway transactions routed through its payment platform on a monthly basis.

Other operating revenue

Revenues from ancillary activities like convenience fee, commission income etc, are recognised upon rendering of services.

Accelyst Solutions Private Ltd.

Revenue from commission income

Revenues from operating an internet portal providing recharge and bill payment services is recognised upon successful recharge / payment confirmation for the transactions executed. The taxes collected by company on behalf of the government are not economic benefits flowing to the Company, hence, excluded from revenue.

Other operating revenue

Revenues from ancillary activities e.g. freefund code generation fees, convenience fee, sale of coupons and vendor's application installation etc. is recognised upon rendering of services. Upon expiry of validity of freefund codes sold by company, income is recognised to the extent of value of such codes.

4.8 Scheme expenses

Axis Asset Management Company Ltd.

Fund Expenses

Expenses of schemes of Axis Mutual Fund in excess of the stipulated limits as per SEBI (Mutual Fund) Regulations, 1996 and expenses incurred directly (inclusive of advertisement/brokerage expenses) on behalf of schemes of Axis Mutual Fund are charged to the Profit and Loss Account.

New fund offer expenses

Expenses relating to new fund offer of Axis Mutual Fund are charged to the Profit and Loss Account in the year in which they are incurred.

Brokerage

Clawbackable brokerages paid by the Company in advance is charged to the statement of Profit and Loss account over the claw-back period/tenure of the respective scheme. The unamortized portion of the clawbackable brokerage is carried forward as prepaid expense.

Upfront brokerage on closed ended and fixed tenure schemes is amortized over the tenure of the respective scheme and in case of Equity Linked Saving Scheme (ELSS), upfront brokerage is amortized over 3 years. The unamortized portion of the brokerage is carried forward as prepaid expense. Any other brokerage is expensed out in the year in which they are incurred.

Brokerage paid on certain PMS products are amortised over the exit load period. Unamortised portion of brokerage is carried forward as prepaid expenses.

Brokerage paid on Alternate Investment Fund schemes is amortized over the minimum tenure of the scheme. The unamortized portion of the brokerage is carried forward as prepaid expense.

4.9 Fixed assets and depreciation/impairment

Group

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes initial handling and delivery charges, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Depreciation is provided over the estimated useful life of a fixed asset on the straight-line method from the date of addition. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets based on historical experience of the Group, though these rates in certain cases are different from lives prescribed under Schedule II of Companies Act, 2013.

Asset	**Estimated useful life**
Owned premises	60 years
Computer hardware including printers	3 years
Application software	5 years
Vehicles	4 years
EPABX, telephone instruments	8 years
CCTV and video conferencing equipment	3 years
Mobile phone	2 years
Locker cabinets/cash safe/strong room door	10 years
Modem, scanner, routers, hubs, switches, racks/cabinets for IT equipment	5 years
UPS, VSAT, fax machines	5 years
Cheque book/cheque encoder, currency counting machine, fake note detector	5 years
Assets at staff residence	3 years
All other fixed assets	10 years

Depreciation on assets sold during the year is recognised on a pro-rata basis to the Profit and Loss Account till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account (net of taxes and transfer to statutory reserve) in accordance with RBI instructions.

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

4.10 Non-banking assets

Non-banking assets ('NBAs') acquired in satisfaction of claims are carried at lower of net book value and net realizable value.

4.11 Lease transactions

Group

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

4.12 Retirement and other employee benefits

Provident Fund

Axis Bank Ltd.

Retirement benefit in the form of provident fund is a defined benefit plan wherein the contributions are charged to the Profit and Loss Account of the year when the contributions to the fund are due and when services are rendered by the employees. Further, an actuarial valuation is conducted by an independent actuary using the Projected Unit Credit Method as at 31 March each year to determine the deficiency, if any, in the interest payable on the contributions as compared to the interest liability as per the statutory rate. Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Subsidiaries

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service.

Gratuity

Axis Bank Ltd.

The Bank contributes towards gratuity fund (defined benefit retirement plan) administered by various insurers for eligible employees. Under this scheme, the settlement obligations remain with the Bank, although various insurers administer the scheme and determine the contribution premium required to be paid by the Bank. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee’s salary and the years of employment with the Bank. Liability with regard to gratuity fund is accrued based on actuarial valuation conducted by an independent actuary using the Projected Unit Credit Method as at 31 March each year. In respect of employees at overseas branches (other than expatriates) liability with regard to gratuity is provided on the basis of a prescribed method as per local laws, wherever applicable. Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Subsidiaries

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation using Projected Unit Credit Method made at the end of each financial year. Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Compensated Absences

Group

The Group provides for compensated absences based on actuarial valuation conducted by an independent actuary. The actuarial valuation is carried out as per the Projected Unit Credit Method as at 31 March each year. Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Superannuation

Axis Bank Ltd.

Employees of the Bank are entitled to receive retirement benefits under the Bank's Superannuation scheme either under a cash-out option through salary or under a defined contribution plan. Through the defined contribution plan the Bank contributes annually a specified sum of 10% of the employee's eligible annual basic salary to LIC, which undertakes to pay the lumpsum and annuity benefit payments pursuant to the scheme. Superannuation contributions are recognised in the Profit and Loss Account in the period in which they accrue.

New Pension Scheme ('NPS')

Group

In respect of employees who opt for contribution to the 'NPS', the Group contributes certain percentage of the total basic salary of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies. NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue.

4.13 Long Term Incentive Plan (LTIP)

Axis Asset Management Company Ltd.

The Company has initiated Axis AMC – Long Term Incentive plan. The points granted to employees as per the guidelines laid down in the plan are encashable after they are held for a specified period as per the terms of the plan. The Company accounts for the liability arising on points granted proportionately over the period from the date of grant till the end of the exercise window. The liability is assessed and provided on the basis of valuation carried out by an independent valuer.

4.14 Reward points

Axis Bank Ltd.

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. In addition, the Bank continues to grant reward points in respect of certain credit cards (not covered under the loyalty program). The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

4.15 Taxation

Group

Income tax expense is the aggregate amount of current tax and deferred tax charge. Current year taxes are determined in accordance with the relevant provisions of Income tax Act, 1961. In case of overseas subsidiary the local tax laws prevailing in that country are followed. Deferred income 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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off assets against liabilities representing current tax and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws.

Deferred tax assets are recognised 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 realised. The impact of changes in the deferred tax assets and liabilities is recognised in the Profit and Loss Account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realised against future profits.

4.16 Share issue expenses

Group

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

4.17 Earnings per share

Group

The Bank reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end except where the results are anti-dilutive.

4.18 Employee stock option scheme

Axis Bank Ltd.

The 2001 Employee Stock Option Scheme ('the Scheme') provides for grant of stock options on equity shares of the Bank to employees and Directors of the Bank and its subsidiaries. The Scheme is in accordance with the Securities and Exchange Board of India (SEBI) (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the Guidelines'). These Guidelines have been repealed in the month of October, 2014 and were substituted by Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Scheme is in compliance with the said regulations. The Bank follows the intrinsic value method to account for its stock based employee compensation plans as per the Guidelines. Options are granted at an exercise price, which is equal to/less than the fair market price of the underlying equity shares. The excess of such fair market price over the exercise price of the options as at the grant date, if any, is recognised as a deferred compensation cost and amortised on a straight-line basis over the vesting period of such options.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

4.19 Provisions, contingent liabilities and contingent assets

Group

A provision is recognised when the Group has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its 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.

A disclosure of contingent liability is made when there is:

- 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 Group; or

- 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.

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.

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

4.20 Cash and cash equivalents

Group

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

(Currency: In Indian Rupees)

1 a) During the year, the Bank raised additional equity capital through a preferential allotment of 165,328,892 shares at a price of ₹525.00 per share. As a consequence, the paid-up share capital of the Bank has increased by ₹331 millions and the reserves of the Bank have increased by ₹8,6207 millions after charging of issue related expenses. Further, the Bank also allotted 45,357,385 convertible warrants carrying a right to the convertible warrant holder to apply for, get issued and allotted one (1) equity share of the Bank of face value ₹2 each, for cash, at a price of ₹565.00 per share against which the Bank has received an amount of ₹6407 millions upfront representing 25% of the warrant price. The convertible warrants are exercisable upto 18 months from the date of allotment. The funds mobilised from the equity raising were utilised for enhancing the capital adequacy ratio and for general corporate purposes.

b) Pursuant to approval from the Board of Directors of the Bank accorded on 26 July, 2017, the Bank had entered into an agreement with Jasper Infotech Pvt. Ltd. to acquire 100% stake in its subsidiaries viz. Accelyst Solutions Pvt. Ltd. (ASPL) and Freecharge Payment Technologies Pvt. Ltd. (FPTL), which together constitute the digital payments business under the "Freecharge" brand. Post receipt of RBI approval for the arrangement, the Bank acquired 100% stake in ASPL and FPTL on 6 October, 2017, at an aggregate cash consideration of ₹3955 millions and consequently the said companies have become wholly owned subsidiaries of the Bank.

Upon consolidation of these subsidiaries in the consolidated financial statements, the excess of cost of acquisition of the subsidiaries over the Group's share in the networth of these subsidiaries as on acquisition date has been recorded as goodwill on consolidation, amounting to ₹2930 millions.

2. Other Disclosures

2.1.1 'Provisions and contingencies' recognised in the Profit and Loss Account comprise of:

For the year ended	31 March, 2018	31 March, 2017
	(₹ in millions)	
Provision for income tax		
– Current tax	**19,516**	51,888
– Deferred tax (Refer 2.1.11)	**(18,497)**	(32,021)
	1,019	19,867
Provision for non-performing assets (including bad debts written off and write backs)	**1,66,306**	1,11,571
Provision for restructured assets/strategic debt restructuring/ sustainable structuring	**(3,072)**	2,905
Provision towards standard assets	**(1,244)**	3,644
Provision for depreciation in value of investments	**(2,077)**	2,442
Provision for unhedged foreign currency exposure	**(93)**	(139)
Provision for country risk	**(199)**	199
Provision for other contingencies*	**(4,434)**	657
Total	**1,56,206**	1,41,147

* includes contingent provision for advances/other exposures, legal cases and other contingencies.

2.1.2 During the year ended 31 March, 2018, the Bank raised debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Subordinated debt	Tier-II	15 June, 2027	120 months	7.66%	₹50,000 millions
Perpetual debt	Additional Tier I	–	–	8.75%	₹35,000 millions

* Call option on expiry of 60 months from the date of allotment

During the year ended 31 March, 2017, the Bank raised debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Perpetual debt	Additional Tier-I	–*	–	8.75%	₹35,000 millions
Subordinated debt	Tier-II	27 May, 2026	120 months	8.50%	₹24,300 millions
Subordinated debt	Tier-II	23 November, 2026	120 months	7.84%	₹18,000 millions

* Call option on expiry of 60 months from the date of allotment

During the year ended 31 March, 2018, the Bank redeemed debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Upper Tier-II	Tier-II	28 June, 2017*	180 months	7.125%	$60 million

* represents call date

During the year ended 31 March, 2017, the Bank redeemed debt instruments eligible for Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Subordinated debt	Tier-II	28 June, 2016	120 months	9.10%	₹1,049 millions
Upper Tier-II	Tier-II	11 August, 2016*	180 months	7.25%	$150 million
Perpetual debt	Tier-I	30 September, 2016*	–	10.05%	₹2,140 millions
Perpetual debt	Tier-I	16 November, 2016*	–	7.17%	$46 million
Upper Tier-II	Tier-II	24 November, 2016*	180 months	9.35%	₹2,000 millions
Upper Tier-II	Tier-II	6 February, 2017*	180 months	9.50%	₹1,075 millions
Subordinated debt	Tier-II	30 March, 2017	120 months	10.10%	₹2,509 millions

* represents call date

2.1.3 Divergence in Asset Classification and Provisioning for NPAs

- The Bank classifies advances into performing and non-performing advances (NPAs) as per the RBI guidelines. NPAs are identified and provided for based on RBI's Prudential Norms on Income Recognition, Asset Classification and Provisioning.

- Based on application of RBI's prudential norms as stated above, the Bank classified and made the prescribed provisions against the NPAs as at the end of 31 March, 2017.

- As part of its Risk Based Supervision exercise for FY 2016-17, the RBI pointed out certain modifications in the Banks' asset classification and provisioning as detailed in the table below:

Sr. No.	Particulars	(₹ in millions)
1	Gross NPAs as on 31 March, 2017, as reported by the Bank	2,12,805
2	Gross NPAs as on 31 March, 2017, as assessed by RBI	2,69,133
3	**Divergence in Gross NPAs (2-1)**	**56,328**
4	Net NPAs as on 31 March, 2017, as reported by the Bank	86,266
5	Net NPAs as on 31 March, 2017, as assessed by RBI	1,29,437
6	**Divergence in Net NPAs (5-4)**	**43,171**
7	Provisions for NPAs as on 31 March, 2017, as reported by the Bank	1,22,057
8	Provisions for NPAs as on 31 March, 2017, as assessed by RBI	1,35,214
9	**Divergence in provisioning (8-7)**	13,157
10	**Reported Net Profit after Tax (PAT) for the year ended 31 March, 2017**	**36,793**
11	**Adjusted (notional) Net Profit after Tax (PAT) for the year ended 31 March, 2017 after taking into account the divergence in provisioning**	**27,940**

- The Bank has duly considered the impact of the above in the Financial Statements for the year ended 31 March, 2018.

2.1.4 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

As at	31 March, 2018	31 March, 2017
Basic and Diluted earnings for the year (Net profit after tax) (₹ in millions)	**4,558**	39,530
Basic weighted average no. of shares (in millions)	**2,445**	2,389
Add: Equity shares for no consideration arising on grant of stock options under ESOP (in millions)	**8**	9
Diluted weighted average no. of shares (in millions)	**2,453**	2,399
Basic EPS (₹)	**1.86**	16.54
Diluted EPS (₹)	**1.86**	16.48
Nominal value of shares (₹)	**2.00**	2.00

Dilution of equity is on account of 7,517,504 (previous year 9,429,479) stock options.

2.1.5 Employee Stock Options Scheme ('the Scheme')

In February 2001, pursuant to the approval of the shareholders at the Extraordinary General Meeting, the Bank approved an Employee Stock Option Scheme. Under the Scheme, the Bank is authorised to issue upto 65,000,000 equity shares to eligible employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. Further, over the period June 2004 to July 2013, pursuant to the approval of the shareholders at Annual General Meetings, the Bank approved an ESOP scheme for additional options aggregating 175,087,000. The options vest in a graded manner over 3 years. The options can be exercised within three/five years from the date of the vesting as the case may be. Within the overall ceiling of 240,087,000 stock options approved for grant by the shareholders as stated earlier, the Bank is also authorised to issue options to employees and directors of the subsidiary companies.

246,272,950 options have been granted under the Scheme till the previous year ended 31 March, 2017.

On 15 May, 2017, the Bank granted 6,885,700 stock options (each option representing entitlement to one equity share of the Bank) to its eligible employees/directors of the Bank/subsidiary companies at a price of ₹ 503.00 per option.

Stock option activity under the Scheme for the year ended 31 March, 2018 is set out below:

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	29,711,124	217.33 to 535.00	383.16	3.98
Granted during the year	6,885,750	503.00	503.00	–
Forfeited during the year	(810,120)	306.54 to 535.00	470.15	–
Expired during the year	(57,910)	217.33 to 289.51	275.32	–
Exercised during the year	(6,173,935)	217.33 to 535.00	270.47	–
Outstanding at the end of the year	**29,554,909**	**217.33 to 535.00**	**432.45**	**4.22**
Exercisable at the end of the year	16,062,159	217.33 to 535.00	378.40	2.85

The weighted average share price in respect of options exercised during the year was ₹524.51.

Stock option activity under the Scheme for the year ended 31 March, 2017 is set out below:

	Options outstanding	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	**35,527,310**	**217.33 to 535.00**	**327.56**	**3.33**
Granted during the year	7,153,000	469.90	469.90	–
Forfeited during the year	(690,050)	217.33 to 535.00	455.72	–
Expired during the year	(74,853)	217.33 to 289.51	257.56	–
Exercised during the year	(12,204,283)	217.33 to 535.00	268.81	–
Outstanding at the end of the year	**29,711,124**	**217.33 to 535.00**	**383.16**	**3.98**
Exercisable at the end of the year	15,934,524	217.33 to 535.00	319.45	2.41

The weighted average share price in respect of options exercised during the year was ₹507.67.

Fair Value Methodology

On applying the fair value based method in Guidance Note on 'Accounting for Employee Share-based Payments' the impact on reported net profit and EPS would be as follows:

	31 March, 2018	31 March, 2017
Net Profit (as reported) (₹ in millions)	**4,558**	39,530
Add: Stock based employee compensation expense included in net income (₹ in millions)	**–**	–
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in millions)	**(1,028)**	(1,014)
Net Profit (Proforma) (₹ in millions)	**3,530**	38,516
Earnings per share: Basic (in ₹)		
As reported	**1.86**	16.54
Proforma	**1.44**	16.12
Earnings per share: Diluted (in ₹)		
As reported	**1.86**	16.48
Proforma	**1.44**	16.06

During the years ended, 31 March, 2018 and 31 March, 2017, no cost has been incurred by the Bank on ESOPs issued to the employees of the Bank and employees of subsidiaries under the intrinsic value method.

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

	31 March, 2018	**31 March, 2017**
Dividend yield	**1.16%**	1.29%
Expected life	**2.57-4.57 years**	2.57-4.57 years
Risk free interest rate	**6.55% to 6.82%**	7.15% to 7.39%
Volatility	**31.80% to 33.56%**	32.92% to 35.75%

Volatility is the measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes options pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. For calculating volatility, the daily volatility of the stock prices on the National Stock Exchange, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.

The weighted average fair value of options granted during the year ended 31 March, 2018 is ₹155.53 (previous year ₹153.66).

2.1.6 Proposed Dividend

After making mandatory appropriations to Statutory Reserve, Investment Reserve, Reserve Fund and Capital Reserve, no profits are available for distribution as dividend for the year ended 31 March 2018. Accordingly, no dividend has been recommended by the Board of Directors for the year ended 31 March 2018.

Dividend paid during the year, represents dividend (₹5 per equity share) for the year ended 31 March, 2017 paid pursuant to approval of shareholders at Annual General Meeting held on 26 July, 2017.

2.1.7 Segmental reporting

The business of the Bank is divided into four segments: Treasury, Retail Banking, Corporate/Wholesale Banking and Other Banking Business. These segments have been identified and based on RBI's revised guidelines on Segment Reporting issued on 18 April 2007 vide Circular No. DBOD.No.BP.BC.81/21.04.018/2006-07. The principal activities of these segments are as under.

Segment	**Principal Activities**
Treasury	Treasury operations include investments in sovereign and corporate debt, equity and mutual funds, trading operations, derivative trading and foreign exchange operations on the proprietary account and for customers. The Treasury segment also includes the central funding unit.
Retail Banking	Constitutes lending to individuals/small businesses through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Retail Banking activities also include liability products, card services, internet banking, mobile banking, ATM services, depository, financial advisory services and NRI services.
Corporate/Wholesale Banking	Includes corporate relationships not included under Retail Banking, corporate advisory services, placements and syndication, project appraisals, capital market related services and cash management services.
Other Banking Business	Includes para banking activities like third party product distribution and other banking transactions not covered under any of the above three segments.
Unallocated assets and liabilities	All items which are reckoned at an enterprise level are classified under this segment such as deferred tax, money received against share warrants, tax paid in advance net of provision etc.

Business segments in respect of operations of the subsidiaries have been identified and reported taking into account the customer profile, the nature of product and services and the organisation structure.

Revenues of the Treasury segment primarily consist of fees and gains or losses from trading operations and interest income on the investment portfolio. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses.

Revenues of the Corporate/Wholesale Banking segment consist of interest and fees earned on loans given to customers falling under this segment and fees arising from transaction services and merchant banking activities such as syndication and debenture trusteeship. Revenues of the Retail Banking segment are derived from interest earned on loans classified under this segment and fees for banking and advisory services, ATM interchange fees and cards products. Expenses of the Corporate/Wholesale Banking and Retail Banking segments primarily comprise interest expense on deposits and funds borrowed from other internal segments, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

Segment income includes earnings from external customers and from funds transferred to the other segments. Segment result includes revenue as reduced by interest expense and operating expenses and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Inter segment interest income and interest expense represent the transfer price received from and paid to the Central Funding Unit (CFU) respectively. For this purpose, the funds transfer pricing mechanism presently followed by the Bank, which is based on historical matched maturity and internal benchmarks, has been used. Operating expenses other than those directly attributable to segments are allocated to the segments based on an activity-based costing methodology. All activities in the Bank are segregated segment-wise and allocated to the respective segment.

Segmental results are set out below:

	31 March, 2018				
	Treasury	**Corporate/ Wholesale Banking**	**Retail Banking**	**Other Banking Business**	**Total**
			(₹ in millions)		
Segment Revenue					
Gross interest income (external customers)	1,18,588	1,53,989	1,93,564	–	4,66,141
Other income	**28,677**	**33,655**	**41,962**	**14,332**	**1,18,626**
Total income as per Profit and Loss Account	**1,47,265**	**1,87,644**	**2,35,526**	**14,332**	**5,84,767**
Add/(less) inter segment interest income	**4,93,861**	**54,024**	**1,72,982**	**–**	**7,20,867**
Total segment revenue	**6,41,126**	**2,41,668**	**4,08,508**	**14,332**	**13,05,634**
Less: Interest expense (external customers)	**1,33,756**	**11,552**	**1,30,729**	**–**	**2,76,037**
Less: Inter segment interest expense	**4,57,614**	**1,23,526**	**1,39,721**	**6**	**7,20,867**
Less: Operating expenses	**3,938**	**40,048**	**99,417**	**4,481**	**1,47,884**
Operating profit	**45,818**	**66,542**	**38,641**	**9,845**	**1,60,846**
Less: Provision for non-performing assets/ others*	**17,633**	**1,18,949**	**18,606**	**–**	**1,55,187**
Segment result	**28,185**	**(52,407)**	**20,036**	**9,845**	**5,659**
Less: Provision for tax					**1,019**
Net Profit before minority interest and earnings from Associate					**4,640**
Less: Minority Interest					**82**
Add: Share of Profit in Associate					**–**
Extraordinary profit/loss					**–**
Net Profit					**4,558**
Segment assets	**22,72,585**	**23,60,102**	**23,05,922**	**8,133**	**69,46,742**
Unallocated assets					90,292
Total assets					**70,37,034**
Segment liabilities	23,40,714	13,84,350	26,58,527	1,953	63,85,544
Unallocated liabilities(1)					9,416
Total liabilities					**63,94,960**
Net assets	**(68,129)**	**9,75,752**	**(3,52,605)**	**6,180**	**6,42,074**
Capital Expenditure for the year	167	2,352	5,239	190	**7,948**
Depreciation on fixed assets for the year	119	1,731	3,900	156	**5,906**

(1) Includes minority interest of ₹695 millions

* represents material non-cash items other than depreciation

	31 March, 2017				
	Treasury	**Corporate/ Wholesale Banking**	**Retail Banking**	**Other Banking Business**	**Total**
			(₹ in millions)		
Segment Revenue					
Gross interest income (external customers)	1,16,845	1,63,648	1,71,258	–	4,51,751
Other income	44,679	34,215	32,398	12,924	1,24,216
Total income as per Profit and Loss Account	**1,61,524**	**1,97,863**	**2,03,656**	**12,924**	**5,75,967**
Add/(less) inter segment interest income	4,87,132	53,584	1,80,299	–	7,21,015
Total segment revenue	**6,48,656**	**2,51,447**	**3,83,956**	**12,924**	**12,96,982**
Less: Interest expense (external customers)	1,25,319	9,494	1,33,080	0	2,67,893
Less: Inter segment interest expense	4,79,745	1,19,379	1,21,885	6	7,21,015
Less: Operating expenses	4,653	35,215	83,983	3,405	1,27,256
Operating profit	**38,939**	**87,359**	**45,007**	**9,513**	**1,80,817**
Less: Provision for non-performing assets/others*	12,290	1,00,577	8,413	–	1,21,280
Segment result	**26,649**	**(13,218)**	**36,594**	**9,513**	**59,538**
Less: Provision for tax					19,868
Net Profit before minority interest and earnings from Associate					**39,670**
Less: Minority Interest					140
Add: Share of Profit in Associate					–
Extraordinary profit/loss					–
Net Profit					**39,530**
Segment assets	20,98,808	20,78,048	18,72,765	7,825	60,57,445
Unallocated assets					57,175
Total assets					61,14,620
Segment liabilities	19,81,469	12,30,071	23,36,954	1,540	55,50,034
Unallocated liabilities(1)					784
Total liabilities					55,50,818
Net assets	**1,17,338**	**8,47,977**	**(4,64,189)**	**6,285**	**5,63,802**
Capital Expenditure for the year	268	2,156	4,366	186	6,976
Depreciation on fixed assets for the year	208	1,661	3,255	143	5,267

(1) Includes minority interest of ₹613.1 millions

* represents material non-cash items other than depreciation

Geographic Segments

	Domestic		International		Total	
	31 March, 2018	**31 March, 2017**	**31 March, 2018**	**31 March, 2017**	**31 March, 2018**	**31 March, 2017**
			(₹ in millions)			
Revenue	**5,57,996**	5,47,500	**26,771**	28,487	**5,84,767**	5,75,967
Assets	**63,59,204**	55,18,771	**6,77,830**	5,95,849	**70,37,034**	61,14,620
Capital Expenditure for the year	**7,854**	6,967	**94**	9	**7,948**	6,976
Depreciation on fixed assets for the year	**5,858**	5,213	**48**	54	**5,906**	5,267

2.1.8 Related party disclosure

The related parties of the Group are broadly classified as:

a) *Promoters*

The Bank has identified the following entities as its Promoters.

- Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI)
- Life Insurance Corporation of India (LIC)
- General Insurance Corporation and four Government-owned general insurance companies – New India Assurance Co. Limited, National Insurance Co. Limited, United India Insurance Co. Limited and The Oriental Insurance Co. Limited.

b) *Key Management Personnel*

- Ms. Shikha Sharma (Managing Director & Chief Executive Officer)
- Mr. V. Srinivasan (Deputy Managing Director)
- Mr. Rajiv Anand [Executive Director (Retail Banking)]
- Mr. Rajesh Dahiya [Executive Director (Corporate Centre)]

c) *Relatives of Key Management Personnel*

Mr. Sanjaya Sharma, Ms. Usha Bharadwaj, Mr. Tilak Sharma, Ms. Tvisha Sharma, Dr. Sanjiv Bharadwaj, Dr. Prashant Bharadwaj, Dr. Brevis Bharadwaj, Dr. Reena Bharadwaj, Ms. Gayathri Srinivasan, Mr. V. Satish, Ms. Camy Satish, Ms. Ananya Srinivasan, Ms. Anagha Srinivasan, Ms. Geetha N., Ms. Chitra R., Ms. Sumathi N., Mr. S. Ranganathan, Mr. R. Narayan, Ms. Gitanjali Anand, Ms. Tara Anand, Ms. Nandita Anand, Mr. P.L. Narain, Mr. P. Srinivas, Ms. Ratna Rao Shekar, Ms. P. Kamashi, Ms. Hemant Dahiya, Ms. Arooshi Dahiya, Ms. Mallika Dahiya, Ms. Jal Medha, Ms. Pooja Rathi, Mr. Jai Prakash Dahiya.

The details of transactions of the Bank with its related parties during the year ended 31 March, 2018 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
		(₹ in millions)		
Dividend paid	3,435	11	–	**3,446**
Interest paid	5,456	2	2	**5,460**
Interest received	0	8	–	**8**
Investment in non-equity instrument of related party	3,930	–	–	**3,930**
Investment of related party in the Bank	12,000	338	–	**12,338**
Investment of related party in Hybrid capital/Bonds of the Bank	–	–	–	**–**
Redemption of Hybrid capital/Bonds of the Bank	–	–	–	**–**
Purchase of investments	1,887	–	–	**1,887**
Sale of investments	8,688	11	–	**8,699**
Management contracts	–	122	–	**122**
Contribution to employee benefit fund	162	–	–	**162**
Placement of deposits	1	–	–	**1**
Non-funded commitments (issued)	2	–	–	**2**
Advance granted (net)	–	80	–	**80**
Advance repaid	65	0	–	**65**
Receiving of services	1,053	–	–	**1,053**
Rendering of services	174	1	–	**175**
Sale of foreign exchange currency to related party	–	13	–	**13**
Other reimbursements from related party	–	–	–	**–**
Other reimbursements to related party	8	–	–	**8**

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2018 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
		(₹ in millions)		
Borrowings from the Bank	–	–	–	**–**
Deposits with the Bank	62,138	43	35	**62,216**
Placement of deposits	4	–	–	**4**
Advances	71	183	0	**254**
Investment in non-equity instruments of related party	2,057	–	–	**2,057**
Investment of related party in the Bank	1,353	5	–	**1,358**
Non-funded commitments	34	–	–	**34**
Investment of related party in Hybrid capital/ Bonds of the Bank	43,000	–	–	**43,000**
Payable under management contracts	–	37	–	**37**
Other receivables (net)	–	–	–	**–**
Other payables (net)	–	–	–	**–**

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2018 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
	(₹ in millions)			
Borrowings from the Bank	–	–	–	**–**
Deposits with the Bank	1,01,533	171	58	**1,01,762**
Placement of deposits	4	–	–	**4**
Advances	168	183	1	**352**
Investment of related party in the Bank	1,378	5	–	**1,383**
Investment in non-equity instrument of the Bank	3,930	–	–	**3,930**
Non-funded commitments	34	–	–	**34**
Investment of related party in Hybrid Capital/Bonds of the Bank	43,000	–	–	**43,000**
Payable under management contracts	–	37	–	**37**
Other receivables (net)	–	–	–	**–**
Other payables (net)	–	–	–	**–**

The details of transactions of the Bank with its related parties during the year ended 31 March, 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
	(₹ in millions)			
Dividend paid	3,547	7	–	**3,554**
Interest paid	6,663	1	2	**6,666**
Interest received	16	6	–	**22**
Investment in non-equity instrument of related party	1,100	–	–	**1,100**
Investment of related party in the Bank	–	465	–	**465**
Investment of related party in Hybrid capital/Bonds of the Bank	10,500	–	–	**10,500**
Redemption of Hybrid capital/Bonds of the Bank	700	–	–	**700**
Purchase of investments	–	–	–	**–**
Sale of investments	7,588	35	1	**7,624**
Management contracts	–	114	–	**114**
Contribution to employee benefit fund	158	–	–	**158**
Purchase of fixed assets	–	–	–	**–**
Sale of fixed assets	–	–	–	**–**
Placement of deposits	–	–	–	**–**
Repayment of deposits	–	–	–	**–**
Non-funded commitments (issued)	1	–	–	**1**
Advance granted (net)	7	–	–	**7**
Advance repaid	–	2	–	**2**
Receiving of services	1,007	–	–	**1,007**
Rendering of services	24	1	–	**25**
Other reimbursements from related party	–	–	–	**–**
Other reimbursements to related party	4	–	–	**4**

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
		(₹ in millions)		
Borrowings from the Bank	–	–	–	**–**
Deposits with the Bank	79,511	19	30	**79,560**
Placement of deposits	4	–	–	**4**
Advances	136	104	0	**240**
Investment in non-equity instruments of related party	561	–	–	**561**
Investment of related party in the Bank	1,378	4	–	**1,382**
Non-funded commitments	31	–	–	**31**
Investment of related party in Hybrid capital/ Bonds of the Bank	43,000	–	–	**43,000**
Payable under management contracts	–	8	–	**8**
Other receivables (net)	–	–	–	**–**
Other payables (net)	–	–	–	**–**

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
		(₹ in millions)		
Borrowings from the Bank	–	–	–	**–**
Deposits with the Bank	90,033	108	35	**90,176**
Placement of deposits	4	–	–	**4**
Advances	257	105	1	**363**
Investment of related party in the Bank	1,419	4	–	**1,423**
Investment in non-equity instrument of the Bank	1,100	–	–	**1,100**
Non-funded commitments	32	–	–	**32**
Investment of related party in Hybrid Capital/Bonds of the Bank	43,550	–	–	**43,550**
Payable under management contracts	–	14	–	**14**
Other receivables (net)	–	–	–	**–**
Other payables (net)	–	–	–	**–**

The significant transactions between the Bank and related parties during the year ended 31 March, 2018 and 31 March, 2017 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

Particulars	Year ended 31 March, 2018	Year ended 31 March, 2017
	(₹ in millions)	
Dividend paid		
Life Insurance Corporation of India	**1,650**	1,744
Administrator of the Specified Undertaking of the Unit Trust of India	**1,374**	1,374
Interest paid		
Life Insurance Corporation of India	**5,024**	5,432
Administrator of the Specified Undertaking of the Unit Trust of India	**102**	731
Interest received		
Mr. Rajiv Anand	**7**	5
New India Assurance Co. Limited	**0**	1
Life Insurance Corporation of India	**–**	15
Investment in non-equity instruments of related party		
United India Insurance Co. Limited	**3,930**	–
National Insurance Co. Limited	**–**	1,100
Investment of related party in the Bank		
Life Insurance Corporation of India	**12,000**	–
Ms. Shikha Sharma	**174**	297
Mr. V. Srinivasan	**80**	120
Investment of related party in Hybrid capital/Bonds of the Bank		
Life Insurance Corporation of India	**–**	10,000
Redemption of Hybrid capital/Bonds of the Bank		
General Insurance Corporation Co. Limited	**–**	500
United India Insurance Co. Limited	**–**	200
Purchase of investments		
United India Insurance Co. Limited	**1,887**	–
Sale of investments		
New India Assurance Co. Limited	**4,210**	2,000
General Insurance Corporation Co. Limited	**2,300**	3,900
United India Insurance Co. Limited	**1,574**	551
National Insurance Co. Limited	**350**	500
Management contracts		
Ms. Shikha Sharma	**48**	54
Mr. V. Srinivasan	**31**	34
Mr. Rajiv Anand	**24**	15
Mr. Rajesh Dahiya	**18**	11
Contribution to employee benefit fund		
Life Insurance Corporation of India	**162**	158
Placement of deposits		
Life Insurance Corporation of India	**1**	–
Advance granted (net)		
Mr. Rajesh Dahiya	**78**	–
Life Insurance Corporation of India	**–**	7
Advance repaid		
Life Insurance Corporation of India	**65**	–
Ms. Shikha Sharma	**0**	0
Mr. Rajesh Dahiya	**–**	2
Receiving of services		
The Oriental Insurance Co. Limited	**664**	750
New India Assurance Co. Limited	**272**	181
Life Insurance Corporation of India	**109**	48
Rendering of services		
Life Insurance Corporation of India	**164**	15
The Oriental Insurance Co. Limited	**7**	6
New India Assurance Co. Limited	**3**	4
Sale of foreign exchange currency to related party		
Ms. Shikha Sharma	**13**	–
Other reimbursements to related party		
Life Insurance Corporation of India	**8**	4

2.1.9 Leases

Disclosure in respect of assets taken on operating lease

This comprise of office premises/ATMs, cash deposit machines, electronic data capturing machines and IT equipment.

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Future lease rentals payable as at the end of the year:		
– Not later than one year	**7,427**	7,001
– Later than one year and not later than five years	**23,036**	21,752
– Later than five years	**18,744**	14,707
Total of minimum lease payments recognised in the Profit and Loss Account for the year	**8,239**	7,754

There are no provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements.

There are generally no undue restrictions or onerous clauses in the agreements.

2.1.10 Other Fixed Assets (including furniture & fixtures)

The movement in fixed assets capitalized as application software is given below:

Particulars	31 March, 2018	31 March, 2017
	(₹ in millions)	
At cost at the beginning of the year	11,005	8,871
Additions during the year	2,477	2,134
Deductions during the year	0	0
Accumulated depreciation as at 31 March	(8,929)	(7,193)
Closing balance as at 31 March	4,552	3,812
Depreciation charge for the year	1,736	1,366

2.1.11 The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

As at	31 March, 2018	31 March, 2017
	(₹ in millions)	
Deferred tax assets on account of provisions for doubtful debts	**66,375**	47,391
Deferred tax assets on account of amortisation of HTM investments	**113**	128
Deferred tax assets on account of provision for employee benefits	**1,214**	984
Deferred tax assets on account of other items	**2,804**	3,148
Deferred tax assets	**70,506**	51,651
Deferred tax liability on account of depreciation on fixed assets	**1,035**	920
Deferred tax liabilities on account of other items	**358**	11
Deferred tax liabilities	**1,393**	931
Net deferred tax asset	**69,113**	50,720

2.1.12 Employee Benefits

Group

Provident Fund

The contribution to the employee's provident fund (including Employee Pension Scheme) of the Group amounted to ₹1751 millions for the year ended 31 March, 2018 (previous year ₹1541 millions).

Axis Bank Ltd.

The rules of the Bank's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Bank. Based on an actuarial valuation conducted by an independent actuary, there is no deficiency as at the Balance Sheet date for the Bank.

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the Provident Fund benefit plan.

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees)

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Current Service Cost	**885**	768
Interest on Defined Benefit Obligation	**1280**	1157
Expected Return on Plan Assets	**(1710)**	(1359)
Net Actuarial Losses/(Gains) recognised in the year	**431**	202
Total included in "Employee Benefit Expense" [Schedule 16(I)]	**885**	768
Actual Return on Plan Assets	**1401**	1365

Balance Sheet

Details of provision for provident fund

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Fair Value of Plan Assets	**20,046**	16,872
Present Value of Funded Obligations	**(20.046)**	(16,872)
Net Asset	–	–
Amounts in Balance Sheet		
Liabilities	–	–
Assets	–	–
Net Asset (included under Schedule 11 – Other Assets)	–	–

Changes in the present value of the defined benefit obligation are as follows:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	**16,872**	14,379
Current Service Cost	**885**	768
Interest Cost	**1,279**	1,157
Actuarial Losses/(Gains)	**121**	208
Employees Contribution	**2,008**	1,812
Liability transferred from/to other companies	**(146)**	(229)
Benefits Paid	**(973)**	(1,223)
Closing Defined Benefit Obligation	**20,046**	16,872

Changes in the fair value of plan assets are as follows:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Change in the Fair Value of Assets		
Opening Fair Value of Plan Assets	**16,872**	14,379
Expected Return on Plan Assets	**1,710**	1,359
Actuarial Gains/(Losses)	**(310)**	6
Employer contribution during the period	**885**	768
Employee contribution during the period	**2,008**	1,812
Assets transferred from/to other companies	**(146)**	(229)
Benefits Paid	**(973)**	(1,223)
Closing Fair Value of Plan Assets	**20,046**	16,872

Experience adjustments*

	31 March, 2018	31 March, 2017	31 March, 2016	31 March, 2015	31 March, 2014
			(₹ in millions)		
Defined Benefit Obligations	**20,046**	16,872	14,379	12,408	10,133
Plan Assets	**20,046**	16,872	14,379	12,408	10,133
Surplus/(Deficit)	**–**	–	–	–	–
Experience Adjustments on Plan Liabilities	**121**	208	121	-18	530
Experience Adjustments on Plan Assets	**(310)**	6	(62)	(-40)	414

* information provided to the extent available with the Bank

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets

	31 March, 2018	31 March, 2017
	%	%
Government securities	**53.75**	53.74
Bonds, debentures and other fixed income instruments	**42.16**	43.47
Equity shares	**3.79**	1.66
Others	**0.30**	1.13

Principal actuarial assumptions at the balance sheet date:

	31 March, 2018	31 March, 2017
Discount rate for the term of the obligation	**7.95%**	7.40%
Average historic yield on the investment portfolio	**8.90%**	9.11%
Discount rate for the remaining term to maturity of the investment portfolio	**7.68%**	6.93%
Expected investment return	**9.17%**	9.58%
Guaranteed rate of return	**8.55%**	8.65%

Superannuation

The Bank contributed ₹161 millions to the employee's superannuation plan for the year ended 31 March, 2018 (previous year ₹157 millions).

National Pension Scheme (NPS)

During the year, the Bank has contributed ₹38 millions (previous year ₹25 millions) to the NPS for employees who had opted for the scheme.

Group

Leave Encashment

The actuarial liability of compensated absences of accumulated privileged leave of the employees of the Group is given below.

	31 March, 2018			
			Assumptions	
	Actuarial liability – Privilege Leave	Total Expenses included under Schedule 16(I)	Discount Rate	Salary escalation rate
	(₹ in millions)			
Axis Bank Ltd.	**2,438**	473	7.95% p.a.	7.00% p.a.
Axis Capital Ltd.	**1**	Nil	7.68% p.a.	7.00% p.a.
Axis Securities Ltd.	**7**	7	6.60% p.a.	7.00% p.a.
Axis Asset Management Co. Ltd.	**12**	6	7.50% p.a.	12.00% p.a.
Axis Finance Ltd.	**4**	1	7.73% p.a.	7.00% p.a.
A.Treds Ltd.	**1**	1	7.80% p.a.	7.00% p.a.
FreeCharge Payment Technologies Ltd.	**27**	8	7.10% p.a.	10.50% p.a.
Accelyst Solutions Ltd.	**3**	2	7.10% p.a.	10.50% p.a.

	As at 31 March, 2017			
			Assumptions	
	Actuarial liability – Privilege Leave	Total Expenses included under Schedule 16(I)	Discount Rate	Salary escalation rate
	(₹ in millions)			
Axis Bank Ltd.	**2,475**	799	7.40% p.a.	7.00% p.a.
Axis Capital Ltd.	**1**	1	6.82% p.a.	7.00% p.a.
Axis Securities Ltd.	**3**	4	6.15% p.a.	7.00% p.a.
Axis Asset Management Company Ltd.	**6**	3	6.82% p.a.	9.00% p.a.
Axis Finance Ltd.	**2**	1	7.39% p.a.	7.00% p.a.

Group

Gratuity

The following tables summarize the components of net benefit expenses recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet for the Gratuity benefit plan.

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees)

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Current Service Cost	**420**	345
Interest on Defined Benefit Obligation	**239**	212
Expected Return on Plan Assets	**(224)**	(188)
Net Actuarial Losses/(Gains) recognised in the year	**(154)**	268
Past Service Cost	**314**	4
Total included in "Employee Benefit Expense" [Schedule 16(1)]	**595**	641
Actual Return on Plan Assets	**272**	172

Balance Sheet

Details of provision for gratuity

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Present Value of Funded Obligations	**(3,614)**	(2,984)
Present Value of un-funded Obligations	**(56)**	(30)
Fair Value of Plan Assets	**3,364**	2,900
Unvested Past Service Cost	**0**	–
Net (Liability)/Asset	**(306)**	(114)
Amounts in Balance Sheet		
Liabilities (included under Schedule 5 – Other Liabilities)	**306**	114
Assets (included under Schedule 11 – Other Assets)	**–**	–
Net (Liability)/Asset	**(306)**	(114)

Changes in the present value of the defined benefit obligation are as follows:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	**3,015**	2,468
Current Service Cost	**420**	345
Interest Cost	**239**	212
Actuarial Losses/(Gains)	**(106)**	251
Past Service Cost	**314**	2
Liabilities Assumed on Acquisition	**12**	–
Liabilities transferred in	**6**	2
Benefits Paid	**(230)**	(266)
Closing Defined Benefit Obligation	**3,670**	3,014

Changes in the fair value of plan assets are as follows:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Opening Fair Value of Plan Assets	**2,901**	2,430
Expected Return on Plan Assets	**224**	188
Actuarial Gains/(Losses)	**49**	(17)
Contributions by Employer	**413**	565
Assets transferred in	**6**	–
Benefits Paid	**(229)**	(266)
Closing Fair Value of Plan Assets	**3363**	**2900**

Experience adjustments

	31 March, 2018	31 March, 2017	31 March, 2016	31 March, 2015	31 March, 2014
			(₹ in millions)		
Defined Benefit Obligations	**3,670**	3,015	2,468	2,200	1,690
Plan Assets	**3,363**	2,901	2,430	2,193	1,718
Surplus/(Deficit)	**(307)**	(114)	(38)	(7)	28
Experience Adjustments on Plan Liabilities	**29**	71	30	8	75
Experience Adjustments on Plan Assets	**(49)**	(17)	(53)	14	23

Axis Bank Ltd.

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets

	31 March, 2018	31 March, 2017
	%	%
Government securities	**49.04**	37.30
Bonds, debentures and other fixed income instruments	**28.81**	47.98
Money market instruments	**19.71**	8.66
Equity shares	**2.22**	3.52
Others	**0.22**	2.54

Principal actuarial assumptions at the balance sheet date:

	31 March, 2018	31 March, 2017
Discount Rate	**7.95% p.a.**	7.40% p.a.
Expected rate of Return on Plan Assets	**7.50% p.a.**	7.50% p.a.
Salary Escalation Rate	**7.00% p.a.**	7.00% p.a.
Employee Turnover		
– 21 to 30 (age in years)	**20.00%**	20.00%
– 31 to 44 (age in years)	**10.00%**	10.00%
– 45 to 59 (age in years)	**5.00%**	5.00%

The estimates of future salary increases considered take into account the inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the plan during the annual period beginning after the balance sheet date is based on various internal/external factors, a best estimate of the contribution is not determinable.

The above information is as certified by the actuary and relied upon by the auditors.

Axis Capital Ltd.

	31 March, 2018	31 March, 2017
The major categories of plan assets* as a percentage of fair value of total plan assets – Insurer Managed Funds	**100.00**	100.00

* composition of plan assets is not available

	31 March, 2018	31 March, 2017
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	7.68% p.a.	6.82% p.a.
Expected rate of Return on Plan Assets	7.68% p.a.	6.82% p.a.
Salary Escalation Rate	7.00% p.a.	7.00% p.a.
Employee Turnover	10.00%	7.00%

The 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.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The Company expects to contribute ₹24 millions as gratuity in the year 2017-18 (previous year ₹14 millions).

Axis Asset Management Company Ltd.

	31 March, 2018	31 March, 2017
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	**7.50% p.a.**	6.82% p.a.
Expected rate of Return on Plan Assets	**N.A.**	N.A.
Salary Escalation Rate	**12.00% p.a.**	9.00% p.a.
Employee Turnover	**10.00%**	10.00%

The 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.

Axis Securities Ltd.

	31 March, 2018	31 March, 2017
The major categories of plan assets* as a percentage of fair value of total plan assets – Insurer Managed Funds	**100.00**	100.00

* composition of plan assets is not available

	31 March, 2018	31 March, 2017
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	**6.60% p.a.**	6.15% p.a.
Expected rate of Return on Plan Assets	**7.00% p.a.**	7.00% p.a.
Salary Escalation Rate	**7.00% p.a.**	7.00% p.a.
Employee Turnover	**7.00%**	7.00%

The estimates of future salary increases considered take into account the inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

The Company expects to contribute ₹15 millions as gratuity in the year 2017-18 (previous year ₹15 millions)

Axis Finance Ltd.

	31 March, 2018	31 March, 2017
The major categories of plan assets* as a percentage of fair value of total plan assets – Insurer Managed Funds	**100.00**	100.00

* composition of plan assets is not available

	31 March, 2018	31 March, 2017
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	**7.73% p.a.**	7.39% p.a.
Expected rate of Return on Plan Assets	**7.73% p.a.**	7.39% p.a.
Salary Escalation Rate	**7.00% p.a.**	7.00% p.a.
Employee Turnover	**5.00%**	5.00%

The 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.

Axis Trustee Services Ltd.

	31 March, 2018	31 March, 2017
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	**7.35% p.a.**	6.85% p.a.
Expected rate of Return on Plan Assets	N.A.	N.A.
Salary Escalation Rate	**10.00% p.a.**	10.00% p.a.
Employee Turnover	**20.00%**	20.00%

The 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.

A. Treds Ltd.

	31 March, 2018	31 March, 2017
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	**7.80% p.a.**	N.A.
Expected rate of Return on Plan Assets	N.A.	N.A.
Salary Escalation Rate	**7.00% p.a.**	N.A.
Employee Turnover		
– 21 to 30 (age in years)	**20.00%**	N.A.
– 31 to 44 (age in years)	**10.00%**	N.A.
– 45 to 59 (age in years)	**5.00%**	N.A.

The 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.

Accelyst Solution Pvt Ltd

	31 March, 2018	31 March, 2017
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	**7.10% p.a.**	N.A.
Expected rate of Return on Plan Assets	**N.A.**	N.A.
Salary Escalation Rate	**10.50% p.a.**	N.A.
Employee Turnover	**25.70%**	N.A.

The 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.

The Company expects to contribute ₹4 million as gratuity in the year 2017-18.

	31 March, 2018	31 March, 2017
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	**7.10% p.a.**	N.A.
Expected rate of Return on Plan Assets	**N.A.**	N.A.
Salary Escalation Rate	**10.50% p.a.**	N.A.
Employee Turnover	**25.70%**	N.A.

The 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.

2.1.13 Provisions and contingencies

a) Movement in provision for frauds included under other liabilities is set out below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Opening balance at the beginning of the year	**594**	398
Additions during the year	**20**	235
Reductions on account of payments during the year	**(2)**	–
Reductions on account of reversals during the year	**(2)**	(39)
Closing balance at the end of the year	**610**	594

b) Other liabilities include provision for reward points made on actuarial basis, the movement of which is set out below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Opening provision at the beginning of the year	**1,105**	1,274
Provision made during the year	**890**	322
Reductions during the year	**(556)**	(491)
Closing provision at the end of the year	**1439**	**1105**

c) Movement in provision for other contingencies is set out below:

	31 March, 2018	31 March, 2017
	(₹ in millions)	
Opening provision at the beginning of the year	**5,956**	5,391
Provision made during the year	**3,423**	10,366
Reductions during the year	**(7,872)**	(9,801)
Closing provision at the end of the year	**1507**	**5956**

The above provision includes contingent provision for advances/other exposures, legal cases and other contingencies.

2.1.14 Description of contingent liabilities

a) Claims against the Group not acknowledged as debts

These represent claims filed against the Group in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax authorities and disputed by the Group. Apart from claims assessed as possible, the Group holds provision of ₹433 millions as on 31 March, 2018 (previous year ₹266 millions) towards claims assessed as probable.

b) Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments.

c) Liability on account of forward exchange and derivative contracts

The Group enters into foreign exchange contracts, currency options/swaps, interest rate/currency futures and forward rate agreements on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An Exchange Traded Currency Option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

d) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

e) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

f) Other items for which the Group is contingently liable

Other items represent outstanding amount of bills rediscounted by the Bank, estimated amount of contracts remaining to be executed on capital account, notional principal on account of outstanding Tom/Spot foreign exchange contracts, commitments towards underwriting and investment in equity through bids under Initial Public Offering (IPO) of corporates as at the year end, demands raised by statutory authorities (other than income tax) and disputed by the Group and the amount transferred to Depositor Education and Awareness Fund (DEAF).

The Bank, through one of its overseas branches, had arranged Trade Credit (Buyers Credit loans) against Letters of Undertaking (LOUs) issued by Punjab National Bank (PNB), which were subsequently alleged as fraudulent by PNB. Prior to this declaration by PNB, such buyer's credit loans were sold down in the secondary market by the overseas branch to various participating banks under Risk Participation Agreements. As on 31 March, 2018, there is no funded exposure outstanding in the overseas branch pursuant to such sell down. PNB has repaid the aggregate amount of all LOUs due upto 31 March, 2018, pursuant to an undertaking issued to PNB, and made remittance to the overseas branch which has been passed on for onward payment to the participating banks. Based on the facts and circumstances of the case, internal findings and legal opinion, the Bank does not expect PNB has any valid right at this point in time, for refund by the Bank of the aggregate amount paid by PNB towards LOUs due upto 31 March, 2018 . However, as a matter of prudence, the aggregate amount of LOUs issued by PNB to the overseas branch against which buyer's credit was extended, aggregating to ₹38,473 millions has been disclosed as part of Contingent Liabilities in the Balance Sheet.

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

2.1.15 Comparative Figures

Previous year figures have been regrouped and reclassified, where necessary to conform to current year's presentation.

For Axis Bank Limited

Sanjiv Misra
Chairman

Shikha Sharma
Managing Director &CEO

V. Srinivasan
Deputy Managing Director

Rajiv Anand
Executive Director (Retail Banking)

Rajesh Dahiya
Executive Director (Corporate Centre)

Prasad R. Menon

Samir K. Barua

Som Mittal

Rohit Bhagat

Usha Sangwan

S. Vishvanathan

Rakesh Makhija

Ketaki Bhagwati

B. Babu Rao

Stephen Pagliuca

Directors

Girish Koliyote
Company Secretary

Jairam Sridharan
Chief Financial Officer

Date: 16 May, 2018
Place: Mumbai

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AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2017

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AXIS BANK LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Axis Bank Limited (hereinafter referred to as "the Bank"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), comprising of the consolidated Balance Sheet as at March 31, 2017, the consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Bank's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, the Companies (Accounting Standards) Amendment Rules, 2016, the provisions of Section 29 of the Banking Regulation Act,1949 and the circulars, guidelines and directions issued by the Reserve Bank of India ('RBI') from time to time. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

Auditor's Responsibility

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group, as at March 31, 2017, their consolidated profit and their consolidated cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, we report, to the extent applicable, that:

(a) The other auditors whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

(b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss, and consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016;

(e) On the basis of the written representations received from the directors of the Bank as on March 31, 2017 taken on record by the Board of Directors of the Bank and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies incorporated in India, none of the directors of the Group's companies, incorporated in India is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;

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

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

   i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group– Refer Schedule 12.I and Note 18.1.1.14 (a) to the consolidated financial statements;

   ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 18.1.1.14 (b) to the consolidated financial statements in respect of such items as it relates to the Group;

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank its subsidiaries, incorporated in India during the year ended March 31, 2017;

   iv. As per books of accounts of the Bank and represented by the management, the disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March 2017 is not applicable to the Bank—Refer Note 18.1.1.15 to the consolidated financial statements.

Other Matter

The accompanying consolidated financial statements include total assets of Rs.5,717 crores as at March 31, 2017, and total revenues and net cash inflows of Rs.743 crores and Rs.42 crores respectively for the year ended on that date, in respect of subsidiaries, which have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion, in so far as it relates amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of such other auditors.

Our opinion above on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

For **S.R. Batliboi & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749

Place of Signature: Mumbai
Date: 26 April 2017

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AXIS BANK LIMTED

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

To the Members of Axis Bank Limited

In conjunction with our audit of the consolidated financial statements of Axis Bank Limited as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Axis Bank Limited (hereinafter referred to as the "Bank") and its subsidiary companies, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Bank, its subsidiary companies which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company'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, in so far as they apply to the Bank and Guideline issued by the Reserve Bank of India.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank and its subsidiaries, has maintained 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.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Bank, insofar as it relates to a subsidiary company which is incorporated in India, is based on the corresponding report of the auditor of such subsidiary incorporated in India.

For S.R. Batliboi & CO. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Viren H. Mehta
Partner
Membership Number: 048749

Place of Signature: Mumbai
Date: 26 April 2017

Balance Sheets

Figures in millions

	Schedule No.	As of 31-03-2017	As of 31-03-2016
		₹ Audited	₹ Audited
CAPITAL AND LIABILITIES			
Capital	1	4,790	4,766
Reserves & Surplus	2	5,59,013	5,30,822
Minority Interest	2A	613	390
Deposits	3	41,49,827	35,83,022
Borrowings	4	11,24,548	11,38,477
Other liabilities and provisions	5	2,75,829	2,06,389
TOTAL		**61,14,620**	**54,63,866**
ASSETS			
Cash and Balances with Reserve Bank of India	6	3,08,579	2,23,612
Balance with banks and money at call and short notice	7	2,01,082	1,13,417
Investments	8	12,90,183	13,13,987
Advances	9	38,10,803	34,46,633
Fixed Assets	10	38,103	35,738
Other Assets	11	4,65,870	3,30,479
TOTAL		**61,14,620**	**54,63,866**
Contingent liabilities	12	67,31,362	61,88,115
Bills for collection		8,10,554	5,12,795
Significant Accounting Policies and Notes to accounts	17 & 18		

Schedules referred to above form an integral part of the Consolidated Balance Sheet

Profit & Loss Accounts
Figures in million except EPS data

		Schedule No.	Year ended on 31-03-2017 ₹ Audited	31-03-2016 ₹ Audited
I.	**INCOME**			
	Interest earned	13	4,51,751	4,14,092
	Other income	14	1,24,216	99,550
	TOTAL		5,75,967	5,13,642
II.	**EXPENDITURE**			
	Interest expended	15	2,67,894	2,43,442
	Operating expenses	16	1,27,256	1,06,114
	Provisions and contingencies	18(1.1.1)	1,41,147	80,510
	TOTAL		**5,36,297**	**4,30,066**
III.	**NET PROFIT FOR THE YEAR**		39,670	83,576
	Minority Interest		(140)	(79)
	Share in Profit/(Loss) of Associate		–	–
IV.	**CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP**		39,530	83,497
	Balance in Profit & Loss account brought forward from previous year		2,40,027	1,77,897
V.	**AMOUNT AVAILABLE FOR APPROPRIATION**		2,79,557	2,61,394
VI.	**APPROPRIATIONS:**			
	Transfer to Statutory Reserve		9,198	20,559
	Transfer to Reserve Fund u/s 45 IC of RBI Act, 1934		331	221
	Transfer to/(from) Investment Reserve		(872)	(418)
	Transfer to Capital Reserve		7,556	620
	Transfer to General Reserve		69	54
	Transfer to/(from) Reserve Fund		18	18
	Dividend paid (includes tax on dividend)	18(1.1.6)	14,443	313
	Balance in Profit & Loss account carried forward		2,48,814	2,40,027
	TOTAL		**2,79,557**	**2,61,394**
VII.	**EARNINGS PER EQUITY SHARE**	18(1.1.4)		
	(Face value Rs. 2/- per share) (Rupees)			
	Basic		16.54	35.12
	Diluted		16.48	34.93
	Significant Accounting Policies and Notes to accounts	17 & 18		

Schedules referred to above form an integral part of the Consolidated Profit and Loss Account

Cash Flow Statements AXIS Bank Ltd. (Consolidated)

Figures in millions

	Year ended	
	31-03-2017	31-03-2016
	₹ Audited	₹ Audited
Cash flow from operating activities		
Net profit before taxes	59,397	1,26,820
Adjustments for:		
Depreciation on fixed assets	5,267	4,614
Depreciation on investments	2,442	841
Amortisation of premium on Held to Maturity Investments	1,402	784
Provision for Non Performing Advances/ Investments (including bad debts)	1,11,571	38,005
Provision on Standard assets	3,643	3,957
Provision for wealth tax	–	–
Profit/(Loss) on sale of fixed assets	39	(61)
Provision for country risk	199	–
Provision for restructured assets	2,905	(618)
Provision on Unhedged Foreign Currency Exposure	(139)	16
Provision for other contingencies	657	(5,013)
	1,87,383	**1,69,345**
Adjustments for:		
(Increase) /Decrease in investments	1,26,928	(1,76,129)
(Increase) /Decrease in advances	(4,65,397)	(6,38,336)
Increase /(Decrease) in deposits	5,66,805	3,60,580
(Increase) /Decrease in other assets	(1,02,041)	(40,502)
Increase /(Decrease) in other liabilities & provisions	61,623	25,498
Direct taxes paid	(53,216)	(45,402)
Net cash flow from operating activities	**3,22,085**	**(3,44,946)**
Cash flow from investing activities		
Purchase of fixed assets	(7,737)	(14,944)
(Increase)/Decrease in Held to Maturity Investments	(1,16,760)	1,07,004
Proceeds from sale of fixed assets	65	193
Net cash used in investing activities	**(1,24,432)**	**92,253**

	Year ended	
	31-03-2017	31-03-2016
	₹ Audited	₹ Audited
Cash flow from financing activities		
Proceeds from Issue of Subordinated debt, Perpetual Debt & Upper Tier II instruments (net of repayment)	55,459	12,264
Increase/(Decrease) in borrowings (excluding subordinated debt, perpetual debt and upper Tier II instruments)	(69,388)	2,22,918
Proceeds from issue of Share capital	24	25
Proceeds from share premium (net of share issue expenses)	3,256	3,029
Payment of Dividend	(14,443)	(13,368)
Increase in minority interest	223	79
	–	–
Net cash generated from financing activities	**(24,869)**	**2,24,947**
Effect of exchange fluctuation translation reserve	(152)	(146)
Net increase in cash and cash equivalents	**1,72,632**	**(27,892)**
Cash and cash equivalents as at beginning of the year	3,37,029	3,64,921
Cash and cash equivalents as at end of the year	5,09,661	3,37,029
Cash and Balances with Reserve Bank of India (Refer Schedule 6)	3,08,579	2,23,612
Balances with Banks and Money at Call and Short Notice (Refer Schedule 7)	2,01,082	1,13,417
Cash and cash equivalents at the end of the year	5,09,661	3,37,029

Figures in millions

SCHEDULE 1 – CAPITAL

	As of 31-03-2017	As of 31-03-2016
	₹	₹
Authorised Capital		
4,250,000,000 (Previous year – 4,250,000,000) Equity Shares of ₹2/- each	**8,500**	**8,500**
Issued, Subscribed and Paid-up capital #	4,790	4,766

2,395,036,109 (Previous year – 2,382,831,826) Equity Shares of ₹2/- each fully paid-up

SCHEDULE 2 – RESERVES AND SURPLUS

		As of 31-03-2017	As of 31-03-2016
		₹	₹
I.	**Statutory Reserve**		
	Opening Balance	1,05,872	**85,313**
	Additions during the year	9,198	20,559
		1,15,070	1,05,872
II.	**Share Premium Account**		
	Opening Balance	1,66,872	**1,63,843**
	Additions during the year	3,256	3,029
	Less: Share issue expenses	–	–
		1,70,128	**1,66,872**
III	**Investment reserve Account**		
	Opening Balance	872	1,290
	Additions/(Deductions) during the year (net)	(872)	(418)
		–	872
IV	**General Reserve**		
	Opening Balance	3,795	**3,741**
	Additions during the year	69	**54**
		3,864	**3,795**
V.	**Capital Reserve**		
	Opening Balance	11,100	**10,480**
	Additions during the year	7,556	620
		18,656	**11,100**
VI.	**Foreign Currency Translation Reserve [Refer Sch 17(5.5)]**		
	Opening Balance	1,716	**1,862**
	Additions during the year	–	–
	Deductions during the year	(152)	(146)
		1,564	**1,716**

		As of 31-03-2017	As of 31-03-2016
		₹	₹
VII	**Reserve Fund**		
	Opening Balance	42	**24**
	Additions/(Deductions) during the year (Net)	18	18
		60	42
VIII.	**Reserve Fund u/s 45 IC of RBI Act, 1934**		
	Opening Balance	526	**305**
	Additions during the year	331	221
		857	526
VII.	**Balance in Profit & Loss Account**	2,48,814	**2,40,027**
	TOTAL	5,59,013	**5,30,822**

SCHEDULE 2A – MINORITY INTEREST

		As of 31-03-2017	As of 31-03-2016
		₹	₹
I.	**Minority Interest**		
	Opening Balance	390	311
	Increase/(Decrease) during the year	223	79
	Closing Minority Interest	**613**	**390**

SCHEDULE 3 – DEPOSITS

		As of 31-03-2017	As of 31-03-2016
		₹	₹
I.	Demand Deposits		
	(i) From banks	47,922	46,693
	(ii) From others	8,17,318	5,88,519
		–	–
II.	Savings Bank Deposits	12,60,485	10,57,934
III.	Term Deposits		
	(i) From banks	1,12,243	74,025
	(ii) From others	19,11,859	18,15,851
	TOTAL	41,49,827	35,83,022
I.	Deposits of branches in India	41,00,578	35,27,724
II.	Deposits of branches outside India	49,249	55,298
	TOTAL	41,49,827	35,83,022

SCHEDULE 4 – BORROWINGS

		As of 31-03-2017	As of 31-03-2016
		₹	₹
I.	Borrowings in India		
	(i) Reserve Bank of India	–	93,540
	(ii) Other Banks #	39,286	22,838
	(iii) Other institutions & agencies **	5,13,645	3,81,164
II.	Borrowings outside India*	5,71,617	6,40,935
	TOTAL	**11,24,548**	**11,38,477**
	Secured borrowing included in I & II above	30,135	1,11,064

Borrowings from other Banks include Subordinated Debt of ₹350 million (previous year ₹901 million) in the nature of Non-Convertible Debentures, Perpetual Debt of Nil (previous year 250 million) Upper Tier II instruments of Nil (previous year ₹491 million) [Also refer note 18(1.1.2)

** Borrowings from other institutions & agencies include Subordinated Debt of ₹1,61,700 million (previous year ₹1,22,407 million) in the nature of Non-Convertible Debentures, Perpetual Debt of ₹35,000 million (previous year ₹1,890 million) and Upper Tier II instruments of Nil (previous year ₹2,584 million) [Also refer Note 18 (1.1.2)]

* Borrowings outside India include Perpetual Debt of Nil (previous year ₹3,048 million) and Upper Tier II instruments of ₹3,891 million (previous year ₹13,911 million) [Also refer Note 18 (1.1.2)]

Figures in millions

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

		As of 31-03-2017	As of 31-03-2016
		₹	₹
I.	Bills payable	39,525	36,454
II.	Inter-office adjustments (net)	–	–
III.	Interest accrued	20,893	26,145
IV.	Proposed dividend (includes tax on dividend)	–	–
V.	Contingent Provision against Standard Assets	23,679	20,139
VI.	Others (including provisions)	1,91,732	1,23,651
	TOTAL	**2,75,829**	**2,06,389**

SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA

		As of 31-03-2017	As of 31-03-2016
		₹	₹
I.	Cash in hand & in ATM (including foreign currency notes)	63,579	41,205
II.	Balances with Reserve Bank of India:		
	(i) in Current Account	1,83,000	1,82,407
	(ii) in Other Accounts	62,000	–
	TOTAL	**3,08,579**	**2,23,612**

Figures in millions

SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

				As of 31-03-2017	As of 31-03-2016
				₹	₹
I.	In India				
	(i)	Balance with Banks			
		(a)	in Current Accounts	2,251	2,105
		(b)	in Other Deposit Accounts	21,371	11,942
	(ii)	Money at Call and Short Notice			
		(a)	With banks	–	–
		(b)	With other institutions	1,43,222	41,185
	TOTAL			**1,66,844**	**55,232**
II.	Outside India				
	i)	In Current Accounts		12,531	15,738
	ii)	In Other Deposit Accounts		14,755	26,158
	iii)	Money at Call & Short Notice		6,952	16,289
	TOTAL			**34,238**	**58,185**
	GRAND TOTAL (I+II)			**2,01,082**	**1,13,417**

SCHEDULE 8 – INVESTMENTS

			As of 31-03-2017	As of 31-03-2016
			₹	₹
I.	**Investments in India in-**			
	(i)	Government Securities ## **	9,05,981	9,45,609
	(ii)	Other approved securities	–	–
	(iii)	Shares	13,228	12,440
	(iv)	Debentures and Bonds	2,65,277	2,31,531
	(v)	Investments in Joint Ventures $	–	–
	(vi)	Others (Mutual Fund units, CD/CP, PTC etc.)	69,969	94,022
	Total Investments in India		**12,54,455**	**12,83,602**
II.	**Investments outside India in-**			
	(i)	Government Securities (including local authorities)	26,341	21,088
	(ii)	Subsidiaries and/or joint ventures abroad	–	–
	(iii)	Others	9,387	9,297
	Total Investments outside India		**35,728**	**30,385**
	GRAND TOTAL (I + II)		**12,90,183**	**13,13,987**

Includes securities costing ₹2,71,797 million (previous year ₹2,90,209 million) pledged for availment of fund transfer facility, clearing facility and margin requirements

SCHEDULE 9 – ADVANCES

		As of 31-03-2017	As of 31-03-2016
		₹	₹
(i)	Bills purchased and discounted*	67,497	47,107
(ii)	Cash credits, overdrafts and loans repayable on demand@	10,42,961	9,65,473
(iii)	Term loans#	27,00,345	24,34,053
TOTAL		**38,10,803**	**34,46,633**
(i)	Secured by tangible assets$	29,13,050	26,00,830
(ii)	Covered by Bank/Government Guarantees &&	66,921	40,303
(iii)	Unsecured	8,30,832	8,05,500
TOTAL		**38,10,803**	**34,46,633**
I.	Advances in India		
	(i) Priority Sectors	9,38,738	8,16,012
	(ii) Public Sector	29,135	35,458
	(iii) Banks	5,613	2,068
	(iv) Others	23,16,813	20,62,120
TOTAL		**32,90,299**	**29,15,658**
II.	Advances Outside India		
	(i) Due from banks	26,861	1,374
	(i) Due from others-	–	–
	(a) Bills purchased and discounted	25,448	13,220
	(b) Syndicate loans	1,03,682	1,35,411
	(c) Others	3,64,513	3,80,970
TOTAL		5,20,504	5,30,975
GRAND TOTAL (I+II)		**38,10,803**	**34,46,633**

@ Net of borrowings under Inter Bank Participation Certificate/Funded Risk Participation Nil (previous year ₹6,626 million)

Net of borrowings under Inter Bank Participation Certificate Nil (previous year ₹74,833 million)

$ Includes advances against book debts

&& Includes advances against L/Cs issued by banks

Figures in millions

SCHEDULE 10 – FIXED ASSETS

		As of 31-03-2017	As of 31-03-2016
		₹	₹
I.	**Premises**		
	Gross Block		
	At cost at the beginning of the year	18,290	9,507
	Additions during the year	42	8,800
	Deductions during the year	–	(17)
	Total	18,332	18,290
	Depreciation		
	As at the beginning of the year	861	709
	Charge for the year	305	159
	Deductions during the year	–	(7)
	Depreciation to date	1,166	861
	Net Block	17,166	17,429
II.	**Premises**		
	Gross Block		
	At cost at the beginning of the year	40,693	36,256
	Additions during the year	6,934	5,037
	Deductions during the year	(559)	(600)
	Total	47,068	40,693
	Depreciation		
	As at the beginning of the year	24,543	20,587
	Charge for the year	4,962	4,455
	Deductions during the year	(453)	(499)
	Depreciation to date	29,052	24,543
	Net Block	18,016	16,150
III.	**CAPITAL WORK-IN-PROGRESS (including Capital Advances)**	2,921	2,159
	GRAND TOTAL (I+II+III)	38,103	35,738

Figures in millions

SCHEDULE 11 – OTHER ASSETS

		As of 31-03-2017	As of 31-03-2016
		₹	₹
I	Inter-office adjustments (net)	–	–
II	Interest Accrued	52,744	44,459
III	Tax paid in advance / tax deducted at source (Net of provisions)	5,279	3,952
IV	Stationery and stamps	20	8
V	Non banking assets acquired in satisfaction of claims	22,086	–
VI	Others #@	3,85,741	2,82,060
	TOTAL	4,65,870	3,30,479

\# Includes deferred tax assets of ₹50,719 million (previous year ₹19,682 million) [Refer Schedule 18 (1.1.11)]

@ Includes Priority Sector Shortfall Deposits of ₹1,71,071 million (previous year ₹1,66,592 million)

SCHEDULE 12 – CONTINGENT LIABILITIES

		As of 31-03-2017	As of 31-03-2016
		₹	₹
I.	Claims against the group not acknowledged as debts	4,753	2,750
II.	Liability for partly paid investments	–	–
III.	Liability on account of outstanding Forward exchange and derivative contracts		
	a) Forward Contracts	26,81,952	25,56,675
	b) Interest Rate Swaps, Currency Swaps, Forward Rate Agreement & Interest Rate Futures	20,31,704	18,06,278
	c) Foreign Currency Options	4,93,833	4,29,005
	Total	52,07,489	47,91,958
IV.	Guarantees given on behalf of constituents		
	In India	7,63,736	5,58,340
	Outside India	47,580	1,28,193
V	Acceptances and endorsements	3,35,367	2,94,853
VI	Other items for which the group is Contingently liable	3,72,437	4,12,021
	GRAND TOTAL (I+II+III+IV+V+VI) [Refer Schedule 18 (1.1.14)]	67,31,362	61,88,115

Figures in millions

SCHEDULE 13 – INTEREST EARNED

		Year ended 31-03-2017	Year ended 31-03-2016
		₹	₹
I.	Interest/discount on advances / bills	3,36,946	3,04,101
II.	Income on investments	96,750	94,258
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	5,058	2,963
IV.	Others	12,997	12,770
	TOTAL	4,51,751	4,14,092

SCHEDULE 14 – OTHER INCOME

		Year ended 31-03-2017 ₹	Year ended 31-03-2016 ₹
I.	Commission, exchange and brokerage	78,898	74,096
II.	Profit on sale of Investments (net)	32,286	10,409
III.	Profit/(Loss) on sale of fixed assets (net)	(39)	61
IV.	Profit on exchange transactions/ Derivative transaction (net)	10,891	12,757
V.	Income earned by way of dividends etc. from Subsidiaries/companies and/or joint venture abroad/in India	–	–
VI.	Miscellaneous Income #	2,180	2,227
	TOTAL	1,24,216	99,550

including recoveries on account of advances/investments written off in earlier years ₹1,819 million (previous year ₹1,605 million) and net profit on account of portfolio sell downs/securitisation ₹38 million (previous year ₹61 million)

Figures in millions

SCHEDULE 15 – INTEREST EXPENDED

		Year ended 31-03-2017 ₹	Year ended 31-03-2016 ₹
I.	Interest on deposits	1,96,407	1,85,208
II.	Interest on Reserve Bank of India/Inter-bank borrowings	18,801	20,920
III.	Others	52,686	37,314
	TOTAL	2,67,894	2,43,442

SCHEDULE 16 – OPERATING EXPENSES

		Year ended 31-03-2017 ₹	Year ended 31-03-2016 ₹
I.	Payments to and provisions for employees	47,421	40,193
II.	Rent, taxes and lighting	9,599	6,967
III.	Printing and stationery	1,896	1,428
IV.	Advertisement and publicity	1,411	936
V.	Depreciation on bank’s property (incl. impairment provision)	5,267	4,614
VI.	Directors’ fees, allowance and expenses	34	30
VII.	Auditor’s fees and expenses	28	25
VIII.	Law Charges	110	172
IX.	Postage, Telegrams, Telephones, etc.	3,197	2,712
X.	Repairs and maintenance	8,805	7,361
XI.	Insurance	5,023	4,161
XII.	Other Expenditure	44,465	37,515
	TOTAL	1,27,256	1,06,114

17 SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH, 2017 (CURRENCY: IN INDIAN RUPEES)

1 Principles of Consolidation

The consolidated financial statements comprise the financial statements of Axis Bank Limited ('the Bank') and its subsidiaries, which together constitute 'the Group'.

The Bank consolidates its subsidiaries in accordance with AS 21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. All significant inter-company accounts and transactions are eliminated on consolidation. Further, the Bank accounts for investments in associates in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 using the equity method of accounting.

2 Basis of preparation

a) The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles in India to comply with the statutory requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India.

b) The consolidated financial statements present the accounts of Axis Bank Limited with its following subsidiaries and associates:

Name	Relation	Country of Incorporation	Ownership Interest
Axis Capital Ltd.	Subsidiary	India	100.00%
Axis Private Equity Ltd.	Subsidiary	India	100.00%
Axis Trustee Services Ltd.	Subsidiary	India	100.00%
Axis Mutual Fund Trustee Ltd.	Subsidiary	India	75.00%
Axis Asset Management Company Ltd.	Subsidiary	India	75.00%
Axis Finance Ltd.	Subsidiary	India	100.00%
Axis Securities Ltd.	Subsidiary	India	100.00%
A.Treds Ltd.	Subsidiary	India	67.00%
Axis Bank UK Ltd.	Subsidiary	U.K.	100.00%

c) The audited financial statements of the above subsidiaries have been drawn up to the same reporting date as that of the Bank, i.e. 31 March, 2017.

d) As on 31 March 2017, Axis Securities Europe Ltd., a wholly-owned subsidiary of the Bank in the United Kingdom has opted for voluntary winding up and the same is under process.

3 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, revenues and expenses during the reporting period and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

4 Changes in accounting policies

Axis Bank Limited

4.1 ***Mark-to-market gain or loss on derivatives and foreign exchange contracts***

In terms the guidance note issued by ICAI on "Accounting for Derivative Contracts", the Bank has presented mark-to-market gain or loss on derivatives and foreign exchange contracts on a gross basis as against the erstwhile practice of presenting the same on a net basis under other assets and other liabilities. Previous year figures have been regrouped and reclassified to conform to current year's classification. The aforesaid change has no impact on the profit of the Bank for the year ended 31 March, 2017.

4.2 ***Repurchase and reverse repurchase transactions with RBI under Liquidity Adjustment Facility/Marginal Standing Facility***

In terms of RBI circular no. FMRD.DIRD.10/14.03.002/2015-16 dated 19 May, 2016, repurchase and reverse repurchase transactions with RBI under Liquidity Adjustment Facility/Marginal Standing Facility are accounted for as borrowing and lending respectively as against the earlier practice of including the same under investments. Previous year figures have been regrouped and reclassified to conform to current year's classification. The aforesaid change has no impact on the profit of the Bank for the year ended 31 March, 2017.

5 Significant accounting policies

5.1 ***Investments***

Axis Bank Ltd.

Classification

In accordance with the RBI guidelines, investments are classified at the time of purchase as:

- Held for Trading ('HFT');
- Available for Sale ('AFS'); and
- Held to Maturity ('HTM').

Investments that are held principally for sale within a short period are classified as HFT securities. As per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities.

Investments that the Bank intends to hold till maturity are classified under the HTM category. Investments in the equity of subsidiaries/joint ventures are categorised as HTM in accordance with the RBI guidelines.

All other investments are classified as AFS securities.

However, for disclosure in the Balance Sheet, investments in India are classified under six categories - Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/Joint Ventures and Others.

Investments made outside India are classified under three categories – Government Securities, Subsidiaries and/or Joint Ventures abroad and Others.

Transfer of security between categories

Transfer of security between categories of investments is accounted as per the RBI guidelines.

Acquisition cost

Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the Profit and Loss Account.

Broken period interest is charged to the Profit and Loss Account.

Cost of investments is computed based on the weighted average cost method.

Valuation

Investments classified under the HTM category are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period remaining to maturity on a constant yield to maturity basis. In terms of RBI guidelines, discount on securities held under HTM category is not accrued and such securities are held at the acquisition cost till maturity.

Investments classified under the AFS and HFT categories are marked to market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in the Profit and Loss Account. The net appreciation if any, under each category of each investment classification is ignored. The depreciation on securities acquired by way of conversion of outstanding loans is provided in accordance with the RBI guidelines. The book value of individual securities is not changed consequent to the periodic valuation of investments. Non-performing investments are identified and provision is made thereon as per RBI guidelines. Treasury Bills, Exchange Funded Bills, Commercial Paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

Units of mutual funds are valued at the latest repurchase price/net asset value declared by the mutual fund.

Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

- in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the YTM for Government Securities as published by FIMMDA/PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose;

- in case of bonds and debentures (including Pass Through Certificates) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;

- equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at Re 1 per company;

- units of Venture Capital Funds ('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. Investment in unquoted VCF after 23 August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines and

- security receipts are valued as per the NAV obtained from the issuing Reconstruction Company/Securitisation Company.

Investments in subsidiaries/joint ventures are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.

Realised gains on investments under the HTM category are recognised in the Profit and Loss Account and subsequently appropriated to Capital Reserve account (net of taxes and transfer to statutory reserves) in accordance with the RBI guidelines. Losses are recognised in the Profit and Loss Account. Realised gains/losses on investments under the AFS and HFT category are recognised in the Profit and Loss Account.

All investments are accounted for on settlement date, except investments in equity shares which are accounted for on trade date.

Repurchase and reverse repurchase transactions

Repurchase and reverse repurchase transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The short positions are reflected in 'Securities Short Sold ('SSS') A/c', specifically created for this purpose. Such short positions are categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked-to-market along with the other securities under HFT portfolio and the resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of investments discussed earlier.

Subsidiaries

Investments are initially recognised at cost which comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Investments which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Any reduction in the carrying amount and any reversal of such reductions are charged or credited to the Profit and Loss Account.

Long term investments are stated at cost. Provision is made to recognise a decline, other than temporary, in the value of such investments.

5.2 ***Advances***

Axis Bank Ltd.

Advances are classified into performing and non-performing advances ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates, specific provisions made towards NPAs, interest in suspense for NPAs, claims received from Export Credit Guarantee Corporation, provisions for funded interest on term loan classified as NPAs, provisions in lieu of diminution in the fair value of restructured assets and floating provisions.

NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country. Provisions for NPAs are made for sub-standard and doubtful assets at rates as prescribed by the RBI with the exception for agriculture advances and schematic retail advances. In respect of schematic retail advances, provisions are made in terms of a bucket-wise policy upon reaching specified stages of delinquency (90 days or more of delinquency) under each type of loan, which satisfies the RBI prudential norms on provisioning. Provisions in respect of agriculture advances classified into sub-standard and doubtful assets are made at rates which are higher than those prescribed by the RBI. Provisions for advances booked in overseas branches, which are standard as per the RBI guidelines but are classified as NPAs based on host country guidelines, are made as per the host country regulations.

In addition to the above, the Bank on a prudential basis, makes provision for expected losses against advances or other exposures to specific assets/industry/sector either on a case-by-case basis or for a group of assets, based on specific information or general economic environment. These are classified as contingent provision and included under Schedule 5 - Other Liabilities in the Balance Sheet.

Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines.

Amounts recovered against debts written off are recognised in the Profit and Loss account.

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 Bank makes provision in accordance with the RBI guidelines, on assets subjected to Strategic Debt Restructuring (SDR) scheme and Scheme for Sustainable Structuring of Stressed Asset (S4A)

For entities with Unhedged Foreign Currency Exposure (UFCE), provision is made in accordance with the guidelines issued by RBI, which requires to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position. This provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank maintains a general provision on standard advances at the rates prescribed by RBI. In case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or RBI.

Under its home loan portfolio, the Bank offers housing loans with certain features involving waiver of Equated Monthly Installments ('EMIs') of a specific period subject to fulfilment of a set of conditions by the borrower. The Bank makes provision on an estimated basis against the probable loss that could be incurred in future on account of waivers to eligible borrowers in respect of such loans. This provision is classified under Schedule 5 – Other Liabilities in the balance sheet.

Axis Finance Ltd.

Advances are classified into performing and non-performing advances ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made at rates as prescribed by the RBI.

Non-performing loans are written off/provided for, as per management estimates, subject to the minimum provision required as per Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Provision on Standard Assets i.e. loans and advances is made at 0.40%.

5.3 ***Country risk***

Axis Bank Ltd.

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the net funded exposure of the Bank in respect of each country does not exceed 1% of the total assets, no provision is maintained on such country exposure.

5.4 ***Securitisation***

Axis Bank Ltd.

The Bank enters into purchase/sale of corporate and retail loans through direct assignment/Special Purpose Vehicle ('SPV'). In most cases, post securitisation, the Bank continues to service the loans transferred to the assignee/SPV. The Bank also provides credit enhancement in the form of cash collaterals and/or by subordination of cash flows to Senior Pass Through Certificate ('PTC') holders. In respect of credit enhancements provided or recourse obligations (projected delinquencies, future servicing etc.) accepted by the Bank, appropriate provision/disclosure is made at the time of sale in accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.

In accordance with RBI guidelines of 7 May, 2012 on 'Guidelines on Securitisation of Standard Assets', gain on securitisation transaction is recognised over the period of the underlying securities issued by the SPV as prescribed under RBI guidelines. Loss on securitisation is immediately debited to the Profit and Loss Account.

5.5 ***Foreign currency transactions***

Axis Bank Ltd.

In respect of domestic operations, transactions denominated in foreign currencies are accounted for at the rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated at the Balance Sheet date at rates notified by Foreign Exchange Dealers Association of India ('FEDAI'). All profits/losses resulting from year end revaluations are recognised in the Profit and Loss Account.

Financial statements of foreign branches classified as non-integral foreign operations as per the RBI guidelines are translated as follows:

- Assets and liabilities (both monetary and non-monetary as well as contingent liabilities) are translated at closing exchange rates notified by FEDAI at the Balance Sheet date.

- Income and expenses are translated at the rates prevailing on the date of the transactions.

- All resulting exchange differences are accumulated in a separate 'Foreign Currency Translation Reserve' till the disposal of the net investments. Any realised gains or losses are recognised in the Profit and Loss Account.

Outstanding forward exchange contracts including tom/spot contracts (excluding currency swaps undertaken to hedge foreign currency assets/liabilities and funding swaps which are not revalued) are revalued at year end on PV basis by discounting the forward value till spot date and converting the FCY amount using the respective spot rates as notified by FEDAI. The resulting gains or losses on revaluation are included in the Profit and Loss Account in accordance with RBI/FEDAI guidelines.

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

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

Subsidiaries

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at the closing rate on that date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined. The exchange differences, if any, either on settlement or translation are recognised in Profit and Loss Account.

5.6 ***Derivative transactions***

Axis Bank Ltd.

Derivative transactions comprise of forward contracts, swaps and options which are disclosed as contingent liabilities. The forwards, swaps and options are categorised as trading or hedge transactions. Trading derivative contracts are revalued at the Balance Sheet date with the resulting unrealised gain or loss being recognised in the Profit and Loss Account and correspondingly in other assets (representing positive Mark to Market) and in other liabilities (representing negative Mark to Market (MTM)) on a gross basis . For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge swaps are accounted for on accrual basis except in case of swaps designated with an asset or liability that is carried at market value or lower of cost or market value in the financial statements. In such cases the swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. The premium on option contracts is accounted for as per FEDAI guidelines. Pursuant to the RBI guidelines any receivables under derivative contracts comprising of crystallised receivables as well as positive MTM in respect of future receivables which remain overdue for more than 90 days are reversed through the Profit and Loss account and are held in separate Suspense Account.

Currency futures contracts are marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed based on the last half an hour weighted average price of such contract, the final settlement price is taken as the RBI reference rate on the last trading day of the futures contract or as may be specified by the relevant authority from time to time. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss is daily settled with the exchange.

Valuation of Exchange Traded Currency Options (ETCO) is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures (IRF) is carried out on the basis of the daily settlement price of each contract provided by the exchange.

5.7 ***Revenue recognition***

Axis Bank Ltd.

Interest income is recognised on an accrual basis in accordance with AS–9, Revenue Recognition as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014, the Companies (Accounting Standards) Amendment Rules, 2016 and the RBI guidelines except in the case of interest income on non-performing assets and loans under Strategic Debt Restructuring (SDR) scheme and Scheme for Sustainable Structuring of Stressed Asset (S4A) of RBI, where it is recognised on receipt basis if overdue for more than 90 days. Income on non-coupon bearing or low-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant yield basis.

Guarantee commission is recognised on a pro-rata basis over the period of the guarantee. Locker rent and annual fees for credit cards are recognised on a straight-line basis over the period of contract. Arrangership/syndication fee is accounted for on completion of the agreed service and when right to receive is established. Other fees and commission income are recognised when due.

Dividend is accounted on an accrual basis when the right to receive the dividend is established.

Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e. book value less provisions held), the shortfall is charged to the Profit and Loss Account. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

The Bank deals in bullion business on a consignment basis. The difference between the price recovered from customers and cost of bullion is accounted for at the time of sale to the customers. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

Subsidiaries

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Fee income is recognised on the basis of accrual when all the services are performed.

Interest income is recognised on an accrual basis.

Dividend income is recognised when the right to receive payment is established by the balance sheet date.

Income from sale of investments is determined on weighted average basis and recognised on the trade date basis.

Axis Capital Limited

Brokerage income in relation to stock broking activity is recognised as per contracted rates at the execution of transactions on behalf of the customers on a trade date basis. Gains/losses on dealing in securities are recognised on a trade date basis.

Revenue from issue management, loan syndication, financial advisory services is recognised based on the stage of completion of assignments and terms of agreement with the client.

Selling commissions/brokerage generated from primary market operations i.e. procuring subscriptions from investors for public offerings of companies, mutual funds, etc. are recorded on determination of the amount due to the Company, once the allotment of securities are completed.

Axis Trustee Services Limited

Annual Fees for trusteeship services and servicing fees are recognised, on a straight line basis, over the period when services are performed. Initial acceptance fee is recognised as and when the 'Offer Letter' for the services to be rendered is accepted by the customer.

Advisory service fees on family office service are recognised as and when the activities defined in the accepted offer letter are completed.

Axis Asset Management Company Limited

Management fees are recognised on accrual basis at specific rates, applied on the average daily net assets of each scheme. The fees charged are in accordance with the terms of scheme information documents of respective schemes and are in line with the provisions of SEBI (Mutual Funds) Regulations, 1996 as amended from time to time.

Portfolio Management Fees are recognised on an accrual basis as per the terms of the contract with the customers.

Investment advisory fees-offshore are recognised on an accrual basis as per the terms of the contract.

Axis Mutual Fund Trustee Limited

Trustee fee is recognised on accrual basis, at the specific rates/amount approved by the Board of Directors of the Company, within the limits specified under the Deed of Trust, and is applied on the net assets of each scheme of Axis Mutual Fund.

Axis Finance Limited

Interest and other dues are accounted on accrual basis except in the case of non-performing loans where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.

Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.

Axis Securities Limited

Business sourcing and resource management fee is recognised on accrual basis when all the services are performed.

Income from Super Value Plan to the extent of account opening fees is recognised upfront and balance is amortised over the validity of plan.

Selling commissions/brokerage generated from primary market operations i.e. procuring subscriptions from investors for public offerings of companies, mutual funds etc. are recorded on determination of the amount due to the company, once the allotment of securities are completed.

Brokerage income on securities is recognised as per contracted rates at the execution of transactions on behalf of the customers on the trade date. Gains/losses on dealing in securities are recognised on trade date basis.

Depository fees are recognised on completion of the transaction.

Portfolio management fees are accounted on accrual basis as follows:

In case of fees based on fixed percentage of the corpus/fixed amount, income is accrued at the end of the quarter/ month.

In case of fees, based on the returns of the portfolio, income is accounted on each anniversary as per the agreement.

5.8 ***Scheme expenses***

Axis Asset Management Company Ltd.

Fund Expenses

Expenses of schemes of Axis Mutual Fund in excess of the stipulated limits as per SEBI (Mutual Fund) Regulations, 1996 and expenses incurred directly (inclusive of advertisement/brokerage expenses) on behalf of schemes of Axis Mutual Fund are charged to the Profit and Loss Account.

New fund offer expenses

Expenses relating to new fund offer of Axis Mutual Fund are charged to the Profit and Loss Account in the year in which they are incurred.

Brokerage

Clawbackable brokerages paid by the Company in advance is charged to the statement of Profit and Loss account over the claw-back period/tenure of the respective scheme. The unamortized portion of the clawbackable brokerage is carried forward as prepaid expense.

Upfront brokerage on closed ended and fixed tenure schemes is amortized over the tenure of the respective scheme and in case of Equity Linked Saving Scheme (ELSS), upfront brokerage is amortized over 3 years. The unamortized portion of the brokerage is carried forward as prepaid expense. Any other brokerage is expensed out in the year in which they are incurred.

Brokerage paid on certain PMS products are amortised over the exit load period. Unamortised portion of brokerage is carried forward as prepaid expenses.

5.9 ***Fixed assets and depreciation/impairment***

Group

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes initial handling and delivery charges, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Depreciation is provided over the estimated useful life of a fixed asset on the straight-line method from the date of addition. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets, though these rates in certain cases are different from lives prescribed under Schedule II of Companies Act, 2013.

Asset	**Estimated useful life**
Owned premises	60 years
Computer hardware including printers	3 years
Application software	5 years
Vehicles	4 years
EPABX, telephone instruments	8 years
CCTV and video conferencing equipment	3 years
Mobile phone	2 years
Locker cabinets/cash safe/strong room door	10 years
Modem, scanner, routers, hubs, switches, racks/cabinets for IT equipment	5 years
UPS, VSAT, fax machines	5 years
Cheque book/cheque encoder, currency counting machine, fake note detector	5 years
Assets at staff residence	3 years
All other fixed assets	10 years

Depreciation on assets sold during the year is recognised on a pro-rata basis to the Profit and Loss Account till the date of sale.

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Profit on sale of premises is appropriated to Capital Reserve account (net of taxes and transfer to statutory reserve) in accordance with RBI instructions.

5.10 ***Lease transactions***

Group

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

5.11 ***Retirement and other employee benefits***

Provident Fund

Axis Bank Ltd.

Retirement benefit in the form of provident fund is a defined benefit plan wherein the contributions are charged to the Profit and Loss Account of the year when the contributions to the fund are due and when services are rendered by the employees. Further, an actuarial valuation is conducted by an independent actuary using the Projected Unit Credit Method as at 31 March each year to determine the deficiency, if any, in the interest payable on the contributions as compared to the interest liability as per the statutory rate.

Subsidiaries

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service.

Gratuity

Axis Bank Ltd.

The Bank contributes towards gratuity fund (defined benefit retirement plan) administered by various insurers for eligible employees. Under this scheme, the settlement obligations remain with the Bank, although various insurers administer the scheme and determine the contribution premium required to be paid by the Bank. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Bank. Liability with regard to gratuity fund is accrued based on actuarial valuation conducted by an independent actuary using the Projected Unit Credit Method as at 31 March each year. In respect of employees at overseas branches (other than expatriates) liability with regard to gratuity is provided on the basis of a prescribed method as per local laws, wherever applicable.

Subsidiaries

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation using Projected Unit Credit Method made at the end of each financial year.

Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Compensated Absences

Group

Short term compensated absences are provided for based on estimates of encashment/availment of leave. The Group provides long term compensated absences based on actuarial valuation conducted by an independent actuary. The actuarial valuation is carried out as per the Projected Unit Credit Method as at 31 March each year.

Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Superannuation

Axis Bank Ltd.

Employees of the Bank are entitled to receive retirement benefits under the Bank's Superannuation scheme either under a cash-out option through salary or under a defined contribution plan. Through the defined contribution plan the Bank contributes annually a specified sum of 10% of the employee's eligible annual basic salary to LIC, which undertakes to pay the lumpsum and annuity benefit payments pursuant to the scheme. Superannuation contributions are recognised in the Profit and Loss Account in the period in which they accrue.

5.12 ***Long Term Incentive Plan (LTIP)***

Axis Asset Management Company Ltd.

The Company has initiated Axis AMC - Long Term Incentive plan. The points granted to employees as per the guidelines laid down in the plan are encashable after they are held for a specified period as per the terms of the plan. The Company accounts for the liability arising on points granted proportionately over the period from the date of grant till the end of the exercise window. The liability is assessed and provided on the basis of valuation carried out by an independent valuer.

5.13 ***Reward points***

Axis Bank Ltd.

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. In addition, the Bank continues to grant reward points in respect of certain credit cards (not covered under the loyalty program). The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

5.14 ***Taxation***

Group

Income tax expense is the aggregate amount of current tax and deferred tax charge. Current year taxes are determined in accordance with the relevant provisions of Income tax Act, 1961. In case of overseas subsidiary the local tax laws prevailing in that country are followed. Deferred income taxes reflects 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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off assets against liabilities representing current tax and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws.

Deferred tax assets are recognised 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 realised. The impact of changes in the deferred tax assets and liabilities is recognised in the Profit and Loss Account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realised against future profits.

5.15 ***Share issue expenses***

Axis Bank Ltd.

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

5.16 ***Earnings per share***

Group

The Bank reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end except where the results are anti-dilutive.

5.17 ***Employee stock option scheme***

Axis Bank Ltd.

The 2001 Employee Stock Option Scheme ('the Scheme') provides for grant of stock options on equity shares of the Bank to employees and Directors of the Bank and its subsidiaries. The Scheme is in accordance with the Securities and Exchange Board of India (SEBI) (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the Guidelines'). These Guidelines have been repealed in the month of October, 2014 and were substituted by Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Scheme is in compliance with the said regulations. The Bank follows the intrinsic value method to account for its stock based employee compensation plans as per the Guidelines. Options are granted at an exercise price, which is equal to/less than the fair market price of the underlying equity shares. The excess of such fair market price over the exercise price of the options as at the grant date is recognised as a deferred compensation cost and amortised on a straight-line basis over the vesting period of such options.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

5.18 ***Provisions, contingent liabilities and contingent assets***

Group

A provision is recognised when the Group has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its 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.

A disclosure of contingent liability is made when there is:

- 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 Group; or

- 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.

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.

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

5.19 ***Cash and cash equivalents***

Group

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

1 Disclosures

1.1.1 'Provisions and contingencies' recognised in the Profit and Loss Account comprise of:

For the year ended	31 March, 2017	31 March, 2016
	(₹ in millions)	
Provision for income tax		
– Current tax	51,888	44,062
– Deferred tax (Refer 2.1.11)	(32,021)	(738)
	19,867	43,324
Provision for wealth tax		(1)
Provision for non-performing assets (including bad debts written off and write backs)	1,11,571	38,005
Provision for restructured assets/strategic debt restructuring/sustainable structuring	2,905	(618)
Provision towards standard assets	3,643	3,957
Provision for depreciation in value of investments	2,442	841
Provision for unhedged foreign currency exposure	(139)	16
Provision for country risk	199	
Provision for other contingencies*	657	(5,014)
Total	1,41,145	80,510

* includes contingent provision for advances/other exposures, legal cases and other contingencies.

1.1.2 During the year ended 31 March, 2017, the Bank raised debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Perpetual debt	Additional Tier-I	–*	–	8.75%	₹35,000 million
Subordinated debt	Tier-II	27 May, 2026	120 months	8.50%	₹24,300 million
Subordinated debt	Tier-II	23 November, 2026	120 months	7.84%	₹18,000 million

* Call option on expiry of 60 months from the date of allotment

During the year ended 31 March, 2016, the Bank raised debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Subordinated debt	Tier-II	30 September, 2025	120 months	8.50%	₹15,000 million

During the year ended 31 March, 2017, the Bank redeemed debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Subordinated debt	Tier-II	28 June, 2016	120 months	9.10%	₹1,049 million
Upper Tier-II	Tier-II	11 August, 2016*	180 months	7.25%	$150 million
Perpetual debt	Tier-I	30 September, 2016*	–	10.05%	₹2,140 million
Perpetual debt	Tier-I	16 November, 2016*	–	7.17%	$46 million
Upper Tier-II	Tier-II	24 November, 2016*	180 months	9.35%	₹2,000 million
Upper Tier-II	Tier-II	6 February, 2017*	180 months	9.50%	₹1075 million
Subordinated debt	Tier-II	30 March, 2017	120 months	10.10%	₹2509 million

* represents call date

During the year ended 31 March, 2016, the Bank redeemed debt instruments eligible for Tier-II capital, the details of which are set out below:

Instrument	Capital	Date of maturity	Period	Coupon	Amount
Subordinated debt	Tier-II	22 March, 2016	120 months	8.75%	₹3600 million
Subordinated debt	Tier-II	22 March, 2016	120 months	8.56%	₹100 million

1.1.3 Divergence in Asset Classification and Provisioning for NPAs

- The Bank classifies advances into performing and non-performing advances (NPAs) as per the RBI guidelines. NPAs are identified and provided for based on RBI's Prudential Norms on Income Recognition, Asset Classification and Provisioning.

- Based on application of RBI's prudential norms as stated above, the Bank classified and made the prescribed provisions against the NPAs as at the end of 31 March, 2016.

- As part of its Risk Based Supervision exercise for FY 2015-16 completed in Q3 FY 2016-17, the RBI pointed out certain modifications in the Banks' asset classification and provisioning as detailed in the table below:

Sr. No.	Particulars	31 March, 2016
		(₹ in millions)
1	Gross NPAs as on 31 March, 2016, as reported by the Bank	**60,875**
2	Gross NPAs as on 31 March, 2016, as assessed by RBI	**1,55,654**
3	**Divergence in Gross NPAs (2-1)**	**94,779**
4	Net NPAs as on 31 March, 2016, as reported by the Bank	**25,221**
5	Net NPAs as on 31 March, 2016, as assessed by RBI	**96,852**
6	**Divergence in Net NPAs (5-4)**	**71,631**
7	Provisions for NPAs as on 31 March, 2016, as reported by the Bank	**33,934**
8	Provisions for NPAs as on 31 March, 2016, as assessed by RBI	**57,082**
9	**Divergence in provisioning (8-7)**	**23,148**
10	**Reported Net Profit after Tax (PAT) for the year ended 31 March, 2016**	**82,237**
11	**Adjusted (notional) Net Profit after Tax (PAT) for the year ended 31 March, 2016 after taking into account the divergence in provisioning**	**66,878**

- The Bank has duly considered the impact of the above in the Financial Statements for the year ended 31 March, 2017.

- Of the above:

  - Based on operations in the borrower accounts subsequent to 31 March, 2016, accounts with value of ₹52,600 millions were recognized as NPAs in Q1 and Q2 of FY 2016-17, prior to the Risk Based Supervision exercise for 2016.

  - Based on operations in the borrower accounts subsequent to 31 March, 2016, accounts with value of ₹18,110 millions were recognized as NPA in Q3 of FY 2016-17.

The balance accounts with value of ₹24,080 million continued to remain standard as at 31 March, 2017 upon resolution of irregularity in those accounts.

1.1.4 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

As at	31 March, 2017	31 March, 2016
Basic and Diluted earnings for the year (Net profit after tax) (₹ in millions)	39,530	83,497
Basic weighted average no. of shares (in millions)	2,390	2,377
Add: Equity shares for no consideration arising on grant of stock options under ESOP (in millions)	9	13
Diluted weighted average no. of shares (in millions)	2,399	2,390
Basic EPS (₹)	16.54	35.12
Diluted EPS (₹)	16.48	34.93
Nominal value of shares (₹)	2.00	2.00

Dilution of equity is on account of 9,429,479 (previous year 13,010,331) stock options.

1.1.5 Employee Stock Options Scheme ('the Scheme')

In February 2001, pursuant to the approval of the shareholders at the Extraordinary General Meeting, the Bank approved an Employee Stock Option Scheme. Under the Scheme, the Bank is authorised to issue upto 65,000,000 equity shares to eligible employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. Further, over the period June 2004 to July 2013, pursuant to the approval of the shareholders at Annual General Meetings, the Bank approved an ESOP scheme for additional options aggregating 175,087,000. The options vest in a graded manner over 3 years. The options can be exercised within three/five years from the date of the vesting as the case may be. Within the overall ceiling of 240,087,000 stock options approved for grant by the shareholders as stated earlier, the Bank is also authorised to issue options to employees and directors of the subsidiary companies.

239,119,950 options have been granted under the Scheme till the previous year ended 31 March, 2016.

On 26 April, 2016, the Bank granted 7,153,000 stock options (each option representing entitlement to one equity share of the Bank) to its eligible employees/directors of the Bank/subsidiary companies at a price of ₹469.90 per option.

Stock option activity under the Scheme for the year ended 31 March, 2017 is set out below:

	Options outstanding	**Range of exercise prices (₹)**	**Weighted average exercise price (₹)**	**Weighted average remaining contractual life (Years)**
Outstanding at the beginning of the year	35,527,310	217.33 to 535.00	327.56	3.33
Granted during the year	7,153,000	469.90	469.90	–
Forfeited during the year	(690,050)	217.33 to 535.00	455.72	–
Expired during the year	(74,853)	217.33 to 289.51	257.56	–
Exercised during the year	(12,204,283)	217.33 to 535.00	268.81	–
Outstanding at the end of the year	29,711,124	217.33 to 535.00	383.16	3.98
Exercisable at the end of the year	15,934,524	217.33 to 535.00	319.45	2.41

The weighted average share price in respect of options exercised during the year was ₹507.67.

Stock option activity under the Scheme for the year ended 31 March, 2016 is set out below:

	Options outstanding	**Range of exercise prices (₹)**	**Weighted average exercise price (₹)**	**Weighted average remaining contractual life (Years)**
Outstanding at the beginning of the year	41,829,791	100.65 to 306.54	269.17	3.13
Granted during the year	7,144,500	486.25 to 535.00	532.95	–
Forfeited during the year	(970,750)	100.65 to 535.00	350.00	–
Expired during the year	(166,604)	100.65 to 289.51	218.92	–
Exercised during the year	(12,309,627)	100.65 to 306.54	248.05	–
Outstanding at the end of the year	35,527,310	217.33 to 535.00	327.56	3.33
Exercisable at the end of the year	19,856,810	217.33 to 306.54	268.07	1.74

The weighted average share price in respect of options exercised during the year was ₹495.51.

Fair Value Methodology

On applying the fair value based method in Guidance Note on 'Accounting for Employee Share-based Payments' the impact on reported net profit and EPS would be as follows:

	31 March, 2017	31 March, 2016
Net Profit (as reported) (₹ in millions)	3,9530	83,497
Add: Stock based employee compensation expense included in net income (₹ in millions)	–	–
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in millions)	(1015)	(1031)
Net Profit (Proforma) (₹ in millions)	3,8515	82,466
Earnings per share: Basic (in ₹)		
As reported	16.54	35.12
Proforma	16.12	34.69
Earnings per share: Diluted (in ₹)		
As reported	16.48	34.93
Proforma	16.06	34.51

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

	31 March, 2017	31 March, 2016
Dividend yield	1.29%	1.40%
Expected life	2.57-4.57 years	2.57-4.57 years
Risk free interest rate	7.15% to 7.39%	7.61% to 7.78%
Volatility	32.92% to 35.75%	34.85% to 36.51%

Volatility is the measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes options pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. For calculating volatility, the daily volatility of the stock prices on the National Stock Exchange, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.

The weighted average fair value of options granted during the year ended 31 March, 2017 is ₹153.66 (previous year ₹178.22).

1.1.6 Proposed Dividend

The Board of Directors, in their meeting held on 26 April, 2017 have proposed a final dividend of ₹5 per equity share amounting to ₹14,040 million, inclusive of corporate dividend tax. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated 30 March, 2016, such proposed dividend has not been recognised as a liability as on 31 March, 2017.

Dividend paid during the year, represents dividend (₹5 per equity share) for the year ended 31 March, 2016 paid pursuant to approval of shareholders at Annual General Meeting held on 22 July, 2016.

1.1.7 Segmental reporting

The business of the Bank is divided into four segments: Treasury, Retail Banking, Corporate/Wholesale Banking, and Other Banking Business. These segments have been identified and based on RBI's revised guidelines on Segment Reporting issued on 18 April 2007 vide Circular No. DBOD.No.BP.BC.81/21.04.018/2006-07. The principal activities of these segments are as under.

Segment	**Principal Activities**
Treasury	Treasury operations include investments in sovereign and corporate debt, equity and mutual funds, trading operations, derivative trading and foreign exchange operations on the proprietary account and for customers. The Treasury segment also includes the central funding unit.
Retail Banking	Constitutes lending to individuals/small businesses through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Retail Banking activities also include liability products, card services, internet banking, mobile banking, ATM services, depository, financial advisory services and NRI services.
Corporate/Wholesale Banking	Includes corporate relationships not included under Retail Banking, corporate advisory services, placements and syndication, project appraisals, capital market related services and cash management services.
Other Banking Business	Includes para banking activities like third party product distribution and other banking transactions not covered under any of the above three segments.

Business segments in respect of operations of the subsidiaries have been identified and reported taking into account the customer profile, the nature of product and services and the organisation structure.

Revenues of the Treasury segment primarily consist of fees and gains or losses from trading operations and interest income on the investment portfolio. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses.

Revenues of the Corporate/Wholesale Banking segment consist of interest and fees earned on loans given to customers falling under this segment and fees arising from transaction services and merchant banking activities such as syndication and debenture trusteeship. Revenues of the Retail Banking segment are derived from interest earned on loans classified under this segment and fees for banking and advisory services, ATM interchange fees and cards products. Expenses of the Corporate/Wholesale Banking and Retail Banking segments primarily comprise interest expense on deposits and funds borrowed from other internal segments, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

Segment income includes earnings from external customers and from funds transferred to the other segments. Segment result includes revenue as reduced by interest expense and operating expenses and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Inter segment interest income and interest expense represent the transfer price received from and paid to the Central Funding Unit (CFU) respectively. For this purpose, the funds transfer pricing mechanism presently followed by the Bank, which is based on historical matched maturity and internal benchmarks, has been used. Operating expenses other than those directly attributable to segments are allocated to the segments based on an activity-based costing methodology. All activities in the Bank are segregated segment-wise and allocated to the respective segment.

Segmental results are set out below:

	31 March, 2017				
	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Business	Total
	(₹ in Millions)				
Segment Revenue					
Gross interest income (external customers)	1,16,845	1,63,648	1,71,258	0.00	4,51,751
Other income	44,679	34,215	32,398	12,924	1,24,216
Total income as per Profit and Loss Account	1,61,524	1,97,863	2,03,656	12,924	5,75,967
Add/(less) inter segment interest income	4,87,132	53,584	1,80,299	–	7,21,015
Total segment revenue	6,48,656	2,51,447	3,83,955	12,924	12,96,982
Less: Interest expense (external customers)	1,25,319	9,494	1,33,080	0	2,67,893
Less: Inter segment interest expense	4,79,745	1,19,379	1,21,885	6	7,21,015
Less: Operating expenses	4,653	35,215	83,983	3,405	1,27,256
Operating profit	38,939	87,359	45,007	9,513	1,80,818
Less: Provision for non-performing assets/ others*	12,290	1,00,577	8,413	–	1,21,280
Segment result	26,649	(1,3218)	36,594	9513	59,538
Less: Provision for tax					19,868
Net Profit before minority interest and earnings from Associate					39,670
Less: Minority Interest					140
Add: Share of Profit in Associate					–
Extraordinary profit/loss					–
Net Profit					39,530
Segment assets	20,98,807	20,78,048	18,72,765	7,825	60,57,445
Unallocated assets					57,175
Total assets					61,14,620
Segment liabilities	19,81,469	12,30,071	23,36,954	1,540	55,50,034
Unallocated liabilities(1)					784
Total liabilities					55,50,818
Net assets	1,17,338	8,47,977	(4,64,189)	6,285	5,63,802
Capital Expenditure for the year	268	2,156	4,366	186	6,976
Depreciation on fixed assets for the year	208	1,661	3,255	143	5,267

(1) Includes minority interest of ₹613 million

* represents material non-cash items other than depreciation

	31 March, 2016				
	Treasury	**Corporate/ Wholesale Banking**	**Retail Banking**	**Other Banking Business**	**Total**
			(₹ in millions)		
Segment Revenue					
Gross interest income (external customers)	112,238	156,649	145,206	–	414,093
Other income	25,268	35,437	28,023	10,821	99,549
Total income as per Profit and Loss Account	137,506	192,086	173,229	10,821	513,642
Add/(less) inter segment interest income	464,755	48,169	167,699	–	680,623
Total segment revenue	602,261	240,255	340,928	10,821	1,194,265
Less: Interest expense (external customers)	115,816	6,882	120,744	–	243,442
Less: Inter segment interest expense	447,341	117,433	115,848	1	680,623
Less: Operating expenses	4,018	27,259	71,589	3,248	106,114
Operating profit	35,086	88,681	32,747	7,572	1,64,086
Less: Provision for non-performing assets/others*	1,900	30,143	5,143	–	37,186
Segment result	33,186	58,538	27,604	7,572	126,900
Less: Provision for tax					43,324
Net Profit before minority interest and earnings from Associate					83,576
Less: Minority Interest					79
Add: Share of Profit in Associate					–
Extraordinary profit/loss					–
Net Profit					83,497
Segment assets	1,892,067	1,973,175	1,567,525	6,775	5,439,542
Unallocated assets					24,324
Total assets					5,463,866
Segment liabilities	1,861,439	931,355	2,134,067	849	4,927,710
Unallocated liabilities(1)					568
Total liabilities					4,928,278
Net assets	30,628	1,041,820	(566,542)	5,926	535,588
Capital Expenditure for the year	604	4,188	8,746	299	13,837
Depreciation on fixed assets for the year	210	1,405	2,884	115	4,614

(1) Includes minority interest of ₹391 million

* represents material non-cash items other than depreciation

Geographic Segments

	Domestic		International		Total	
	31 March, 2017	**31 March, 2016**	**31 March, 2017**	**31 March, 2016**	**31 March, 2017**	**31 March, 2016**
			(₹ in millions)			
Revenue	5,47,487	484,664	28,480	28,978	5,75,967	513,642
Assets	55,18,771	4,885,670	5,95,849	578,196	61,14,620	5,463,866
Capital Expenditure for the year	6,967	13,783	9	54	6,976	13,837
Depreciation on fixed assets for the year	5,213	4,529	54	85	5,267	4,614

1.1.8 Related party disclosure

The related parties of the Group are broadly classified as:

a) *Promoters*

The Bank has identified the following entities as its Promoters.

- Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI)
- Life Insurance Corporation of India (LIC)
- General Insurance Corporation and four Government-owned general insurance companies – New India Assurance Co. Limited, National Insurance Co. Limited, United India Insurance Co. Limited and The Oriental Insurance Co. Limited.

b) *Key Management Personnel*

- Ms. Shikha Sharma (Managing Director & Chief Executive Officer)
- Mr. V. Srinivasan (Deputy Managing Director)
- Mr. Rajesh Dahiya [Executive Director (Corporate Centre)] with effect from 4 August, 2016
- Mr. Rajiv Anand [Executive Director (Retail Banking)] with effect from 4 August, 2016
- Mr. Sanjeev K. Gupta [Executive Director (Corporate Centre)] up to 18 March, 2016

c) *Relatives of Key Management Personnel*

Mr. Sanjaya Sharma, Ms. Usha Bharadwaj, Mr. Tilak Sharma, Ms. Tvisha Sharma, Dr. Sanjiv Bharadwaj, Dr. Prashant Bharadwaj, Dr. Brevis Bharadwaj, Dr. Reena Bharadwaj, Ms. Gayathri Srinivasan, Ms. Vanjulam Varadarajan, Mr. V. Satish, Ms. Camy Satish, Ms. Ananya Srinivasan, Ms. Anagha Srinivasan, Ms. Geetha N., Ms. Chitra R., Ms. Sumathi N., Mr. S. Ranganathan, Mr. R. Narayan, Ms. Gitanjali Anand, Ms. Tara Anand, Ms. Nandita Anand, Mr. P.L. Narain, Mr. P. Srinivas, Ms. Ratna Rao Shekar, Ms. P. Kamashi, Ms. Hemant Dahiya, Ms. Arooshi Dahiya, Ms. Mallika Dahiya, Ms. Jal Medha, Ms. Pooja Rathi, Mr. Jai Prakash Dahiya.

The significant transactions between the Bank and related parties during the year ended 31 March, 2017 and 31 March, 2016 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

- Dividend paid: Administrator of The Specified Undertaking of the Unit Trust of India ₹1,374 million (previous year ₹1,264 million), Life Insurance Corporation of India ₹1,744 million (previous year ₹1,309 million)
- Interest paid: Administrator of The Specified Undertaking of the Unit Trust of India ₹731 million (previous year ₹710 million), Life Insurance Corporation of India ₹5,432 million (previous year ₹5,309 million)
- Interest received: Life Insurance Corporation of India ₹15 million (previous year ₹4 million) and New India Assurance Company Ltd. ₹1 million (previous year ₹0.10 million), Mr. Rajiv Anand ₹5 million (previous year not applicable)

- Investment in non-equity instruments of related party: National Insurance Company Ltd. ₹1100 million (previous year Nil)

- Investment of related party in the Bank: Mrs. Shikha Sharma ₹297 million (previous year ₹161 million), Mr. V. Srinivasan ₹120 million (previous year ₹115 million), Mr. Sanjeev K. Gupta N.A. (previous year ₹114 million)

- Investment of related party in bonds of the Bank: Life Insurance Corporation of India ₹10,000 million (previous year Nil)

- Redemption of debt: Life Insurance Corporation of India Nil (previous year ₹500 million), General Insurance Corporation ₹500 million (previous year Nil), United India Insurance ₹200 million (previous year Nil)

- Sale of Investments: General Insurance Corporation of India ₹3,900 million (previous year ₹1,950 million), New India Assurance Company Ltd. ₹2,000 million (previous year Nil), National Insurance Company Ltd. ₹500 million (previous year ₹801 million), United India Insurance Company Ltd. ₹551 million (previous year ₹500 million)

- Management Contracts: Mrs. Shikha Sharma ₹54 million (previous year ₹54 million), Mr. V. Srinivasan ₹34 million (previous year ₹34 million), Mr. Rajiv Anand ₹15 million (previous year not applicable) Mr. Sanjeev K. Gupta N.A. (previous year ₹44 million)

- Contribution to employee benefit fund: Life Insurance Corporation of India ₹158 million (previous year ₹157 million)

- Placement of Deposit by the Bank (net): Life Insurance Corporation of India Nil (previous year ₹1 million)

- Advance granted (net): Life Insurance Corporation of India Ltd. ₹7 million (previous year ₹11 million)

- Advance repaid: Mrs. Shikha Sharma ₹0.4 million (previous year ₹0.4 million), Mr. Rajesh Dahiya ₹2 million (previous year not applicable), Mr. Sanjeev K. Gupta N.A. (previous year ₹6 million)

- Receiving of services: Oriental Insurance Company Ltd. ₹750 million (previous year ₹579 million), New India Assurance Company Ltd. ₹181 million (previous year ₹144 million)

- Rendering of services: Life Insurance Corporation of India ₹15 million (previous year ₹2 million), Oriental Insurance Company Ltd. ₹6 million (previous year ₹5 million), New India Assurance Company Ltd. ₹4 million (previous year ₹3 million)

- Other reimbursement to related party: Life Insurance Corporation of India ₹4 million (previous year ₹4 million)

The details of transactions of the Bank with its related parties during the year ended 31 March, 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
		(₹ in million)		
Dividend paid	3,547	7	–	3,554
Interest paid	6,663	1	2	6,666
Interest received	16	6	–	22
Investment in non-equity instrument of related party	1,100	–	–	1,100
Investment of related party in the Bank	–	465	–	465
Investment of related party in Hybrid capital/Bonds of the Bank	10,500	–	–	10,500
Redemption of Hybrid capital/Bonds of the Bank	700	–	–	700
Purchase of investments	–	–		–
Sale of investments	7,588	35	1	7,624
Management contracts	–	114	–	114
Contribution to employee benefit fund	158	–	–	158
Purchase of fixed assets	–	–	–	–
Sale of fixed assets	–	–	–	–
Placement of deposits	–	–	–	–
Repayment of deposits	–	–	–	–
Non-funded commitments (issued)	1	–	–	1
Advance granted (net)	7	–	–	7
Advance repaid	–	2	–	2
Receiving of services	1,007	–	–	1,007
Rendering of services	24	1	–	25
Other reimbursements from related party	–	–	–	–
Other reimbursements to related party	4	–	–	4

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
		(₹ in million)		
Borrowings from the Bank	–	–	–	–
Deposits with the Bank	79,511	19	30	79,560
Placement of deposits	4	–	–	4
Advances	136	104	–	240
Investment in non-equity instruments of related party	561	–	–	561
Investment of related party in the Bank	1,378	4	–	1,382
Non-funded commitments	31	–	–	31
Investment of related party in Hybrid capital/ Bonds of the Bank	43,000	–	–	43,000
Payable under management contracts	–	8	–	8
Other receivables (net)	–	–	–	–
Other payables (net)	–	–	–	–

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2017 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
	(₹ in million)			
Borrowings from the Bank	–	–	–	–
Deposits with the Bank	90,033	108	35	90,176
Placement of deposits	4	–	–	4
Advances	257	105	1	363
Investment of related party in the Bank	1,419	4	–	1,423
Investment in non-equity instrument of the Bank	1,100	–	–	1,100
Non-funded commitments	32	–	–	32
Investment of related party in Hybrid Capital/Bonds of the Bank	43,550	–	–	43,550
Payable under management contracts	–	14	–	14
Other receivables (net)	–	–	–	–
Other payables (net)	–	–	–	–

The details of transactions of the Bank with its related parties during the year ended 31 March, 2016 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
	(₹ in million)			
Dividend paid	2,992	4	–	2,996
Interest paid	6,449	1	3	6,453
Interest received	4	–	–	4
Investment of related party in the Bank	–	390	–	390
Redemption of Hybrid capital/Bonds of the Bank	500	–	–	500
Purchase of investments	–	–	–	–
Sale of investments	3,251	–	–	3,251
Management contracts	–	132	–	132
Contribution to employee benefit fund	157	–	–	157
Purchase of fixed assets	–	–	–	–
Sale of fixed assets	–	–	–	–
Placement of deposits	1	–	–	1
Non-funded commitments (issued)	1	–	–	1
Advance granted (net)	11	–	–	11
Advance repaid	–	7	–	7
Receiving of services	792	–	–	792
Rendering of services	28	–	–	28
Other reimbursements from related party	–	–	–	–
Other reimbursements to related party	4	–	–	4

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2016 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
		(₹ in million)		
Borrowings from the Bank	–	–	–	–
Deposits with the Bank	78,391	10	20	78,421
Placement of deposits	4	–	–	4
Advances	129	4	–	133
Investment of related party in the Bank	1,417	3	–	1,420
Non-funded commitments	32	–	–	32
Investment of related party in Hybrid Capital/Bonds of the Bank	33,200	–	–	33,200
Payable under management contracts	–	14	–	14
Other receivables (net)	–	–	–	–
Other payables (net)	–	–	–	–

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2016 are given below:

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Total
		(₹ in million)		
Borrowings from the Bank	–	–	–	–
Deposits with the Bank	121,034	98	102	121,234
Placement of deposits	4	–	–	4
Advances	199	10	1	210
Investment of related party in the Bank	1,434	3	–	1,437
Non-funded commitments	32	–	–	32
Investment of related party in Hybrid Capital/Bonds of the Bank	33,700	–	–	33,700
Payable under management contracts	–	16	–	16
Other receivables (net)	–	–	–	–
Other payables (net)	–	–	–	–

1.1.9 Leases

Disclosure in respect of assets taken on operating lease

This comprise of office premises/ATMs, cash deposit machines, electronic data capturing machines and IT equipment.

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Future lease rentals payable as at the end of the year:	–	–
– Not later than one year	7,001	6,720
– Later than one year and not later than five years	21,752	21,368
– Later than five years	14,707	12,807
Total of minimum lease payments recognised in the Profit and Loss Account for the year	7,758	5,114

There are no provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements.

There are generally no undue restrictions or onerous clauses in the agreements.

1.1.10 Other Fixed Assets (including furniture & fixtures)

The movement in fixed assets capitalized as application software is given below:

Particulars	31 March, 2017	31 March, 2016
	(₹ in millions)	
At cost at the beginning of the year	8871	7,419
Additions during the year	2134	1,482
Deductions during the year	0	(30)
Accumulated depreciation as at 31 March	(7193)	(5,827)
Closing balance as at 31 March	3812	3,044
Depreciation charge for the year	1366	1,076

1.1.11 The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

As at	31 March, 2017	31 March, 2016
	(₹ in million)	
Deferred tax assets on account of provisions for doubtful debts	47,391	17,155
Deferred tax assets on account of amortisation of HTM investments	128	263
Deferred tax assets on account of provision for employee benefits	984	743
Deferred tax assets on account of other items	3,148	3,275
Deferred tax assets	51,651	21,436
Deferred tax liability on account of depreciation on fixed assets	920	487
Deferred tax liabilities on account of other items	11	1,267
Deferred tax liabilities	931	1,754
Net deferred tax asset	50,720	19,682

1.1.12 Employee Benefits

Group

Provident Fund

The contribution to the employee's provident fund (including Employee Pension Scheme) of the Group amounted to ₹1541 million for the year ended 31 March, 2017 (previous year ₹1304 million).

Axis Bank Ltd.

The rules of the Bank's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Bank. Based on an actuarial valuation conducted by an independent actuary, there is no deficiency as at the Balance Sheet date for the Bank.

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the Provident Fund benefit plan.

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees)

	31 March, 2017	31 March, 2016
	(₹ in million)	
Current Service Cost	768	656
Interest on Defined Benefit Obligation	1,157	995
Expected Return on Plan Assets	(1359)	(1,177)
Net Actuarial Losses/(Gains) recognised in the year	203	182
Total included in "Employee Benefit Expense" [Schedule 16(I)]	769	656
Actual Return on Plan Assets	1,365	990

Balance Sheet

Details of provision for provident fund

	31 March, 2017	31 March, 2016
	(₹ in million)	
Fair Value of Plan Assets	16,872	14,379
Present Value of Funded Obligations	(16872)	(14,379)
Net Asset	–	–
Amounts in Balance Sheet		
Liabilities	–	–
Assets	–	–
Net Asset (included under Schedule 11 – Other Assets)	–	–

Changes in the present value of the defined benefit obligation are as follows:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	14,379	12,408
Current Service Cost	768	656
Interest Cost	1,157	995
Actuarial Losses/(Gains)	208	121
Employees Contribution	1,812	1,608
Liability transferred from/to other companies	(229)	(120)
Benefits Paid	(1223)	(1289)
Closing Defined Benefit Obligation	16,872	14,379

Changes in the fair value of plan assets are as follows:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Change in the Fair Value of Assets		
Opening Fair Value of Plan Assets	14,379	12,408
Expected Return on Plan Assets	1,359	1,177
Actuarial Gains/(Losses)	6	(62)
Employer contribution during the period	768	656
Employee contribution during the period	1,812	1,608
Assets transferred from/to other companies	(229)	(120)
Benefits Paid	(1,223)	(1,289)
Closing Fair Value of Plan Assets	16,872	14,379

Experience adjustments*

	31 March, 2017	31 March, 2016	31 March, 2015	31 March, 2014
	(₹ in millions)			
Defined Benefit Obligations	16,872	14,379	12,408	10,133
Plan Assets	16,872	14,379	12,408	10,133
Surplus/(Deficit)	–	–	–	–
Experience Adjustments on Plan Liabilities	208	121	(18)	530
Experience Adjustments on Plan Assets	(6)	(62)	(40)	414

* information provided to the extent available with the Bank

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets

	31 March, 2017	31 March, 2016
	%	%
Government securities	53.74	53.04
Bonds, debentures and other fixed income instruments	31.81	30.74
Equity shares	1.66	–
Others	12.79	16.22

Principal actuarial assumptions at the balance sheet date:

	31 March, 2017	31 March, 2016
Discount rate for the term of the obligation	7.40%	7.95%
Average historic yield on the investment portfolio	9.11%	9.01%
Discount rate for the remaining term to maturity of the investment portfolio	6.93%	7.94%
Expected investment return	9.58%	9.02%
Guaranteed rate of return	8.65%	8.75%

Superannuation

The Bank contributed ₹157 million to the employee's superannuation plan for the year ended 31 March, 2016 (previous year ₹156 millions).

Group

Leave Encashment

The actuarial liability of compensated absences of accumulated privileged leave of the employees of the Group is given below.

	As at 31 March, 2017				
	Axis Bank Ltd.	**Axis Capital Ltd.**	**Axis Securities Ltd.**	**Axis Asset Management Company Ltd.**	**Axis Finance Ltd.**
	(₹ in millions)				
Actuarial liability – Privilege Leave	2,475	1	3	6	2
Total Expense included under Schedule 16 (I)	799	1	4	3	1
Assumptions					
Discount rate	7.40% p.a.	6.82% p.a.	6.15% p.a.	6.82% p.a.	7.39%p.a.
Salary escalation rate	7.00% p.a.	7.00% p.a.	7.00% p.a.	9.00% p.a.	7.00%p.a.

	As at 31 March, 2016				
	Axis Bank Ltd.	**Axis Capital Ltd.**	**Axis Securities Ltd.**	**Axis Asset Management Company Ltd.**	**Axis Finance Ltd.**
	(₹ in millions)				
Actuarial liability – Privilege Leave	2,091	1	2	4	1
Total Expense included under Schedule 16 (I)	345	–*	(3)	1	1
Assumptions					
Discount rate	7.95% p.a.	7.85% p.a.	7.20% p.a.	8.00% p.a.	7.96%p.a.
Salary escalation rate	7.00% p.a.	7.00% p.a.	7.00% p.a.	9.00% p.a.	7.00%p.a.

* less than ₹50,000

Group

Gratuity

The following tables summarize the components of net benefit expenses recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet for the Gratuity benefit plan.

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees)

	31 March, 2017	**31 March, 2016**
	(₹ in million)	
Current Service Cost	345	317
Interest on Defined Benefit Obligation	212	189
Expected Return on Plan Assets	(188)	(164)
Net Actuarial Losses/(Gains) recognised in the year	268	95
Past Service Cost	4	–
Total included in "Employee Benefit Expense" [Schedule 16(1)]	641	437
Actual Return on Plan Assets	172	111

Balance Sheet

Details of provision for gratuity

	31 March, 2017	31 March, 2016
	(₹ in million)	
Present Value of Funded Obligations	(2984)	(2,448)
Present Value of un-funded Obligations	(30)	(20)
Fair Value of Plan Assets	2,900	2,430
Net (Liability)/Asset	(114)	(38)
Amounts in Balance Sheet		
Liabilities (included under Schedule 5 – Other Liabilities)	(114)	(38)
Assets (included under Schedule 11 – Other Assets)	–	–
Net (Liability)/Asset	(114)	(38)

Changes in the present value of the defined benefit obligation are as follows:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	2,468	2,200
Current Service Cost	345	317
Interest Cost	212	189
Actuarial Losses/(Gains)	251	42
Past Service Cost	2	–
Liabilities transferred in	2	–
Benefits Paid	(266)	(280)
Closing Defined Benefit Obligation	3,014	2,468

Changes in the fair value of plan assets are as follows:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Opening Fair Value of Plan Assets	2,430	2,193
Expected Return on Plan Assets	188	164
Actuarial Gains/(Losses)	(17)	(53)
Contributions by Employer	565	404
Benefits Paid	(266)	(278)
Closing Fair Value of Plan Assets	2,900	2,430

Experience adjustments

	31 March, 2017	31 March, 2016	31 March, 2015	31 March, 2014	31 March 2013
			(₹ in millions)		
Defined Benefit Obligations	3,015	2,468	2,200	1,690	1,473
Plan Assets	2,901	2,430	2,193	1,718	1,522
Surplus/(Deficit)	(114)	(38)	(7)	28	49
Experience Adjustments on Plan Liabilities	71	30	8	75	47
Experience Adjustments on Plan Assets	(17)	(53)	14	23	21

Axis Bank Ltd.

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets

	31 March, 2017	31 March, 2016
	%	%
Government securities	37.30	49.15
Bonds, debentures and other fixed income instruments	47.98	39.34
Money market instruments	8.66	5.69
Equity shares	3.52	2.62
Others	2.54	3.20

Principal actuarial assumptions at the balance sheet date:

	31 March, 2017	31 March, 2016
Discount Rate	7.40% p.a.	7.95% p.a.
Expected rate of Return on Plan Assets	7.50% p.a.	7.50% p.a.
Salary Escalation Rate	7.00% p.a.	7.00% p.a.
Employee Turnover - 21 to 30 (age in years)	20.00%	19.00%
– 31 to 44 (age in years)	10.00%	8.00%
– 45 to 59 (age in years)	5.00%	4.00%

The estimates of future salary increases considered take into account the inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the plan during the annual period beginning after the balance sheet date is based on various internal/external factors, a best estimate of the contribution is not determinable.

The above information is as certified by the actuary and relied upon by the auditors.

Axis Capital Ltd.

	31 March, 2017	31 March, 2016
The major categories of plan assets* as a percentage of fair value of total plan assets – Insurer Managed Funds	100	100

* composition of plan assets is not available

	31 March, 2017	31 March, 2016
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	6.82% p.a.	7.85% p.a.
Expected rate of Return on Plan Assets	6.82% p.a.	7.85% p.a.
Salary Escalation Rate	7.00% p.a.	7.00% p.a.
Employee Turnover	7.00%	7.00%

The 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.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The Company expects to contribute ₹14 million as gratuity in the year 2017-18 (previous year ₹3 million).

Axis Asset Management Company Ltd.

	31 March, 2017	31 March, 2016
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	6.82% p.a.	8.00% p.a.
Expected rate of Return on Plan Assets	N.A.	N.A.
Salary Escalation Rate	9.00% p.a.	9.00% p.a.
Employee Turnover	10.00%	10.00%

The 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.

Axis Securities Ltd

	31 March, 2017	31 March, 2016
The major categories of plan assets* as a percentage of fair value of total plan assets – Insurer Managed Funds	100	100

* composition of plan assets is not available

	31 March, 2017	31 March, 2016
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	6.15% p.a.	7.20% p.a.
Expected rate of Return on Plan Assets	7.00% p.a.	7.20% p.a.
Salary Escalation Rate	7.00% p.a.	7.00% p.a.
Employee Turnover	7.00%	7.00%

The estimates of future salary increases considered take into account the inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

The Company expects to contribute ₹15 million as gratuity in the year 2017-18 (previous year ₹ 10 million)

Axis Finance Ltd

	31 March, 2017	31 March, 2016
The major categories of plan assets* as a percentage of fair value of total plan assets – Insurer Managed Funds	100	100

* composition of plan assets is not available

	31 March, 2017	31 March, 2016
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	7.39% p.a.	7.96% p.a.
Expected rate of Return on Plan Assets	7.39% p.a.	7.96% p.a.
Salary Escalation Rate	7.00% p.a.	7.00% p.a.
Employee Turnover	5.00%	5.00%

The 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.

Axis Trustee Services Ltd.

	31 March, 2017	31 March, 2016
Principal actuarial assumptions at the balance sheet date:		
Discount Rate	6.85% p.a.	7.38% p.a.
Expected rate of Return on Plan Assets	N.A.	N.A.
Salary Escalation Rate	10.00% p.a.	15.00% p.a.
Employee Turnover	20.00%	30.00%

The 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.

1.1.13 Provisions and contingencies

a) Movement in provision for frauds included under other liabilities is set out below:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Opening balance at the beginning of the year	398	248
Additions during the year	235	158
Reductions on account of payments during the year	–	–
Reductions on account of reversals during the year	(39)	(8)
Closing balance at the end of the year	594	398

b) Other liabilities include provision for reward points made on actuarial basis, the movement of which is set out below:

	31 March, 2017	31 March, 2016
	(₹ in millions)	
Opening provision at the beginning of the year	1,274	832
Provision made during the year	322	621
Reductions during the year	(491)	(179)
Closing provision at the end of the year	1,105	1,274

c) Movement in provision for other contingencies is set out below:

	31 March, 2017	31 March, 2016
	(₹ in million)	
Opening provision at the beginning of the year	5,391	10,587
Provision made during the year	10,366	13,422
Reductions during the year	(9,801)	(18,618)
Closing provision at the end of the year	5,956	5,391

The above provision includes contingent provision for advances/other exposures, legal cases and other contingencies.

1.1.14 Description of contingent liabilities

a) Claims against the Group not acknowledged as debts

These represent claims filed against the Group in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax authorities and disputed by the Group. Apart from claims assessed as possible, the Group holds provision of ₹266 million as on 31 March, 2017 (previous year ₹260 million) towards claims assessed as probable.

b) Liability on account of forward exchange and derivative contracts

The Group enters into foreign exchange contracts, currency options/swaps, interest rate/currency futures and forward rate agreements on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An Exchange Traded Currency Option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

c) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

d) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which the Group is contingently liable

Other items represent outstanding amount of bills rediscounted by the Bank, estimated amount of contracts remaining to be executed on capital account, notional principal on account of outstanding Tom/Spot foreign exchange contracts, commitments towards underwriting and investment in equity through bids under Initial Public Offering (IPO) of corporates as at the year end, demands raised by statutory authorities (other than income tax) and disputed by the Group and the amount transferred to Depositor Education and Awareness Fund (DEAF).

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

1.1.15 Disclosure on Specified Bank Notes (SBNs)

As advised by RBI, the disclosure on SBNs as required in accordance with notification of the Ministry of Corporate Affairs dated 30 March, 2017 is not applicable to banks. Accordingly, the same has not been disclosed.

1.1.16 Comparative Figures

Previous year figures have been regrouped and reclassified, where necessary to conform to current year's presentation.

For Axis Bank Limited

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Chairman

Shikha Sharma
Managing Director &CEO

V. Srinivasan
Deputy Managing Director

Rajiv Anand
Executive Director (Retail Banking)

Rajesh Dahiya
Executive Director (Corporate Centre)

V. R. Kaundinya

Prasad R. Menon

Samir K. Barua

Som Mittal

Rohit Bhagat

Usha Sangwan

S. Vishvanathan

Rakesh Makhija

Ketaki Bhagwati

B. Babu Rao

Directors

Girish Koliyote
Company Secretary

Jairam Sridharan
Chief Financial Officer

Date: 26 April, 2017
Place: Mumbai

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